ABSTRACT

Ethics has increasingly been an important issue for long-term success of an entrepreneurial firm. From the entrepreneurship literature, ethical dilemmas in entrepreneurship have been explored in the early stage of firm development, but limited literature focus on how entrepreneurial firms manage through change in entrepreneurial context in their life cycle. In this paper, we applied a network theory of stakeholder management to investigate interactions between entrepreneurs and stakeholders. We identified ethical dilemmas in entrepreneurial firms at the established stage namely, fairness, responsibility toward stakeholder, honesty in negotiation, and marketing dilemmas. Four case studies of established firms in Thailand were used as an empirical study. The results show that ethical dilemmas found in the established stage are similar to the start-up stage, but complexity of ethical dilemmas increases when firms dealing with a large number of stakeholders at the established stage.

INTRODUCTION

Ethics and its implication for long-term success of business ventures is an important issue in entrepreneurship studies (Kuratko and Hodgetts, 1992; Vyakarnam, et al., 1997). Many scholars have attempted to explain what influence ethics of entrepreneurs (Longenecker, et al., 1988; Longenecker, et al., 2006, Morris, et al., 2002), how their ethical behavior affect long-term success of business ventures (Wu, 2002; Surie and Ashley, 2007), what ethical dilemmas facing entrepreneurs are and how entrepreneurs overcome them (Hannafey 2003; Vyakarnam, et al., 1997). Earlier studies classified ethical dilemmas into a number of themes; level of openness, social responsibilities to stakeholders, conflicts of interests and personality traits (Vyakarnam, et al., 1997), innovation dilemmas, promoter dilemmas and relationship dilemmas (Hannafey, 2003). However, the focus has been placed on ethical dilemmas in the early stage of entrepreneurial firms. As a new venture expands, both entrepreneurial and ethical context change (Morriss et al., 2002). There is a need to examine ethical dilemmas at the established stage. This research aims to fill this gap in the literature by answering the question: what are the ethical dilemmas that entrepreneurial firms face at the established stage based on a network theory of stakeholder management? This paper is divided to four parts. First, it looks at
factors influencing entrepreneurial ethics, ethical dilemmas and the network theory of stakeholder management. Secondly, it describes a qualitative design used in this study. Finally, it describes ethical dilemmas found at established stage in comparison to those in the early stage and theoretical implication of the findings.

LITERATURE REVIEW

Entrepreneurship is referred to as a process of discovery, evaluation and exploitation of opportunities in order to create future goods and services (Shan and Venkataraman, 2000). It is also associated with innovation and a new venture creation through individual, organization, environment and process. While entrepreneurship contributes significantly to economic growth and social development and job creation, entrepreneurs are often criticized for their devious actions (Fissher et al., 2005, Cordeiro and Zacharakis, 2008, Hannafey, 2003). Entrepreneur can be defined as an individual who creatively pursuing opportunities through careful evaluation, planning and judgment for generating wealth (Kuratko and Hodgetts, 1992). In order to achieve their personal goals and overcome certain restrictions, entrepreneur may involve in behaviors such as rules breaking and cutting corners (Brenkert, et al., 2003, Morris et al., 2002). There are three key factors influencing entrepreneurs’ ethical standards and their behavior; personal characteristics, business life cycle and characteristics of the firm (Longenecker, 1988; 2006; Morris et al., 2002). Such factors have an impact on the type of ethical dilemmas found by the entrepreneur and how the entrepreneur takes an action upon them.

Personal characteristics

The entrepreneurs are seen as the most important resource, especially for the startups (Bygrave and Zacharakis, 2008). Their values and beliefs have a direct impact on the operations of the venture (Morris et al., 2002). The findings from the questionnaire survey conducted by Longenecker (1988) reveal that ethical standards of entrepreneur are different from those of managers in large corporations. The entrepreneurs are more conservative or stricter regarding certain ethical issues such as health and safety, while they more compromise in other ethical issues directly associated with financial gains. Such ethical issues include padding an expense account, concealing cash receipts from the Internal Revenue Service, collusive bidding, using inside information as investor benefits and copying the copyrighted computer program. Longenecker et al., (1988) argued that entrepreneurial ethics is embedded within the main characteristic of entrepreneur; that is independence of action or individualism. Moreover, their need for achievement leads them to focus on personal gain. This issue has been revisited again using a longitudinal study (Longenecker et al., 2006). This time, the results are inconclusive. There was no significant difference in ethical responses between entrepreneurs and managers in 1985 and 2001. However, entrepreneurs showed less ethical responses compared to managers in 1993. Instead of using the same moral ground to measure the ethical standards of the entrepreneurs, Brenkert, et al., (2008) argued that ethical rules are not applicable in entrepreneurial context. Entrepreneurs require different set of ethical standards compared to the large organizations. Instead of using rule based morality, entrepreneurial behavior should be judged based on virtues or values that benefit to wider population or society as a whole. It is emphasized that entrepreneurial ethics is complex and cannot be examined without a careful consideration of its context (Brenkert, 2008).

Business life cycle

Entrepreneurial firms exist in a changing context. Their changes in business life cycle influence the ethical climates of entrepreneurial firms (Morris et al., 2002). Ethical climates refer to “specific mechanisms management has put in place to guide ethical behavior” (Morris et al., 2002, p.332). At the early stage in business life cycle, the entrepreneurs face a number of limitations in terms of cash reserves, access to loan, product or service and market presence. Moreover, there are demand fluctuation, high competition and lack of support from suppliers/ distributors and ambiguity of their roles. These situations and a limited public visibility tend to have a negative impact on
entrepreneurial decisions as they encourage the entrepreneurs to make ethical compromises (Morris et al., 2002; Hannafey, 2003). At this stage, business survival is the primary concern of the entrepreneur (Bygrave and Zacharakis, 2008). If making ethical compromises can make a difference between venture survival and failure, the entrepreneur would opt for the first option. The entrepreneurs’ ethical standards and their decisions dominate the venture. There is a lack of formal ethical guidance for acceptable behavior within the firm at this point in time.

As the firm grows and develops, the entrepreneur hires professional manager to form a management team. New employees are also added to enhance the capacity of the resources (Bygrave and Zacharakis, 2008). More stakeholders both internal and external create complex interactions and relationships that influence the ethical decisions and ethical climates of the entrepreneurial firms (Morris et al., 2002). Formal ethical guidelines on ethical standards including codes of conduct, compliance manuals and explicit ethical programs are more evident compared to the startups. The firms in established stage emphasize on the growth of the ventures (Bygrave and Zacharakis, 2008). The changes in business life cycle impact on strategic, structural and operational factors. This in turn leads to an evolution in the ethical context of entrepreneurship over time. Morris et al. (2002)’s developmental framework of ethical structures indicated that core values act as part of both structures and the starting point of the model. “Unless these core values contain ethical content, the firm is unlikely to provide moral environment for employees” (Morris et al., 2002, p.340). Despite careful ethical considerations, it would be difficult for entrepreneurial firms to move to the next stage in business life cycle (Kuratko and Hodgetts, 1992; Bygrave and Zacharakis, 2008).

Characteristics of the firm

The characteristics of entrepreneurial firms tend to have effects on how individual entrepreneurs handle ethical issues (Morris et al., 2002; Hannafey, 2003). These include type of the venture (manufacturing or service), industry, and business environments. Moreover, the volatility may also pose pressure and stress on entrepreneurs when dealing with ethical dilemmas.

Ethical dilemmas

“Ethical dilemmas are inherently ambiguous and often consist of complex and contradictory situations in which different elements or cues suggest a range of possible outcomes” (Morris et al., 2002, p. 338). Ethical conflicts arise when there is inconsistency in entrepreneurial actions towards different groups of stakeholders including entrepreneurs themselves. Within entrepreneurial context, ethical dilemmas have been investigated in small firms (Vyakarnam et al., 1997) and entrepreneurial firms at the early stage (Hannafey, 2003). Vyakarnam, et al., (1997) conducted a study of firms with less than 20 employees using the focus group approach. The study reveals four themes of ethical dilemmas; ethos of level of openness, social responsibilities to stakeholders, conflicts of interests and personality traits.

Firstly, level of openness related dilemmas refer how open or honest the entrepreneurs decide to be regarding information provided to customers? When the entrepreneur has the advantage in terms of having specific information and knowledge about the product or service, how can the company protect their competitive advantage while not taking advantage on the consumers? There is no clear line between legitimate business advantage and exploitation of the customers or the venture’s stakeholders. Therefore there is a tension between ethics and profits. Would they recommend competitors if they offer better products or services? Secondly, social responsibilities to stakeholders can pose ethical problems including the delayed payment of bills to suppliers, delayed payment of tax to the government. There is a debatable problem regarding legal responsibility and moral responsibility of entrepreneurs. In other words, there is a conflict between private gain and public good. Next, the conflict of interests refers to dilemma between the individual entrepreneur’s values and the business’ interests. An example of difficult decision is selling low quality products to their friends. Should the entrepreneur choose to be loyal to the friend or the business? Would capitalism lead the entrepreneur to behave in contradiction with their own values? Lastly, the ethical issue is related to personality trait.
One may find it very difficult to fire someone, even though he wants to act professionally and treat it as business decision.

Hannafey (2003) examines the earlier work of Dee and Starrs (1992) and found three important themes of ethical dilemmas applied to entrepreneurial firms at the early stage of growth. They are innovation dilemmas, promoter dilemmas and relationship dilemmas. At start-up stage, the entrepreneur put both time and effort on their business. They often have little consideration in the ethical outcomes of decisions. They may involve in questionable behavior in order to survive and get things done. Innovation dilemmas refer to introduction of innovation that may contradict to the society’s norms and value. Promoter dilemmas occur when the entrepreneurs have to decide how much information about the risks they should communicate to others or how honest they should be. In order to make banks, investors, customers, employees and others support their new venture, entrepreneurs may not communicate all risks of their new products or new venture to them. They may involve with information manipulation. Relationship dilemmas refer to difficulties in making decisions once family or friends become investors in the new venture. The conflict of interests may occur. The entrepreneur will have to choose whether or not to use transactional mode of interpersonal relationship towards others. Transactional relationship is seen as unethical as people should not be treated as ‘a means to an end’ in achieving certain benefits.

The above findings support Morris et al.’s model where business life cycle influences ethical climate of the entrepreneurial firms. There is a need to further investigate the ethical dilemmas in established stage of entrepreneurial firms (Hannafey, 2003). As entrepreneurial firms interact with more stakeholders, we argue that ethical dilemmas are increasingly important at this stage. Ignoring the consequences of unethical behavior towards both internal and external stakeholders can damage the long term success of the venture. When entrepreneur focuses on growth and innovation as an indicator of achievement, ethical dilemmas may occur. As part of creative way in carrying out entrepreneurial activities, dilemmas may include exploitation of other people’s resources, exaggerating ones position, and promising things that cannot be delivered (Morris et al., 2002).

Network Theory of stakeholder management

By applying the network theory of stakeholder management to examine ethical dilemmas, we take into account a complex nature of the relationships of the firms and their stakeholders at the established stage. The theory seeks to understand the impact of the multiple and interdependent interactions of many stakeholders on the firm and how the firm response to such forces (Rowley, 1997). The theory and its usefulness have been explored in entrepreneurship field. Vandekerckhove and Dentchev (2005) state that, when the entrepreneurs apply this theory, they should pay attention to both direct and indirect stakeholders. By building shared expectations, trust and collaboration with the stakeholders, the business can reduce transaction cost and gain competitive advantage (Jones, 1995). Based on this theory, ‘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” (Morris, et al., 2002, p. 333).

METHODOLGY

In this research we use a qualitative case study method. Four case studies were selected based on three criteria. Firstly, the firms are business enterprises operated in Thailand. By examining the secondary data available we will ensure that the selected firms match with the definition of entrepreneurial organization and suitable for our research. Secondly, the entrepreneurial firms are currently in the established stage. The established companies are those whose businesses have been operated for more than 3.5 years. This is based on Global Entrepreneurship Monitor (GEM) Thailand Report 2007 (Visara and Hunt, 2008). Thirdly, the firms will be selected from various industries (see company profiles below). The common patterns across cases will be analyzed.
We use multiple data sources: 1) archive documents, including company reports and internet sources, 2) in-depth interviews with entrepreneurs, 3) follow-ups with emails, phone calls, and informal observations of employees. The researcher collects interview data several points in time with the selected firms. This would allow both real time and retrospective longitudinal data to be collected (Ozcan and Eisenhardt, 2009). The participants will be asked to describe ethical dilemmas they face once they entered the established stage. The technique of pattern matching will be used as it helps interpret the data, relate data to our propositions and increase internal validity (Yin, 2002).

**FINDINGS**

**Company A**

Over 60 years ago, Company A was established as a family-owned Thai restaurant. Starting as a small food outlet, 15 years later the business has expanded to become one of the first restaurants in Thailand that offers a proper dining experience with high quality of equipments and services, equivalent to those of hotels. Due to high competition in the 1990s, the company diversified itself to outside catering service while keeping the restaurant business running.

Firstly, at established stage, the entrepreneur faced ethical dilemmas that related to *fairness with customers and employees*. The conflicts between the interests of entrepreneur and customers occurred when the entrepreneur had to decide how to survive and continue to expand when the physical environment of the restaurant was deteriorating. Should the business continue at the expense of customer satisfaction? Should customers receive less than they expect? “We know that the restaurant itself is old and not in good condition…. However with the *limited budget*, we cannot invest in brick and mortar at this point. For the outside catering business, on the other hand, the customers trust in the brand, quality of food and professional operation. There is no problem in getting the business from this new business unit” (Entrepreneur A, 2009). At that time, the company decided to expand business to outside catering first and then renovated the restaurant later.

In terms of relationship with employees, there is a conflict between the interest of the entrepreneur and employees. The entrepreneur focuses on the expansion of the business while employees concern on their welfare, benefits and workload. Once the company expanded, the entrepreneur asked himself how he could deal with this issue. The entrepreneur no longer expects his existing staff to perform routine tasks, he wants them to be managers and trainers for the new staff. What he tried to do is to build a strong management team. Thus, the employee’ tasks and responsibilities had increased. Although this plan was supported by on-the-job training and close supervision of the entrepreneur, not all of existing staff felt comfortable with the pressure. The entrepreneur showed concerns over those who decided to leave the company as a result of this.
Secondly, the entrepreneur faces the ethical dilemmas related to responsibilities toward stakeholders. The entrepreneur revealed that at the established stage of the company, sometimes, he needs to use tactics that is more aggressive to the suppliers such as delay payments in order to survive and grow. “As the business emphasis has been shifted to catering business, there are more delay payments because its cash flow system is different from restaurant business. We deal with large corporations that require billings”. “For some suppliers that do not understand, we had to discontinue using them” (Entrepreneur A, 2009). Lastly, the entrepreneur needs to make ethical decisions related to honesty in negotiation with suppliers. At start-up and early growth stage, the company was managed as a family business. The company negotiated largely on the ground of personal relationship rather than business decision. Once the company grew and expanded into established stage, the company moved from a family business to be operated more professionally. Instead of using only business ground, the company uses both personal relationship and business decision as negotiation tactics. “When we feel that we are at disadvantage in terms of businesswise, we change to negotiate in terms of familywise” (Entrepreneur A, 2009). The entrepreneur shared his feeling that “it is difficult to deal with the ethical dilemma at this stage in business life cycle as some overlaps remain between family business and professional business” (Entrepreneur A, 2009).

Company B

The company is founded since 1991 as the largest restaurant in the world recorded in Guinness Book in 1991. Instead of competing in the restaurant business, the company is positioning itself in Tourism industry. Over 3,000 tourists come to the restaurant each day. From last year onwards, the restaurant has severely impacted by political instability and the closure of Thailand’s international airport.

The entrepreneur reported that there is no serious ethical issue in relation to their partners, investors, employees, customer or suppliers. This is since the firm does not aggressively pursue growth even it operates in established stage. The entrepreneur aims to maintain its position in the market without raising extra funding from existing or new investors. There is no problem regarding the relationship with partners, suppliers and customers as they have developed a good relationship over time. He highlighted that “the advertising with media was effective only the first time when the restaurant was opened. After that it has no effect on the sale volume. What important is personal relationship” (Entrepreneur B, 2009). He believes that there are only few restaurants like his that have sales forces and make regular sales calls to ensure good customer relationship. Nevertheless, there are some issues concerned by the entrepreneur. Firstly, high turnover rate in this business since the rates of pay and benefit is lower than those in the hotel business. If one employee is punished and he decides to leave, others would join. Secondly, during difficult time of political turmoil and the closure of the international airport, the entrepreneur needed to choose whether to maintain or reduce the number of employees in order to survive. These issues may also be classified as fairness dilemmas in relation to employees.

Company C

The company was founded in 1957 as a cattle farm. With continuous development, twelve years later, it became the largest and most advance cattle ranch in Thailand, specialized in exporting beef castle. After that it expanded to restaurant business, exporting dairy cattle and dairy products. Due to changes in regulations and high competition, the company faced serious cash flow problems. It took the entrepreneur 5 years to turn around the business through re-engineering, rebranding, repositioning and rejuvenating. Today, it is the largest dairy farm in the South East Asia with over three hundreds thousands of tourists visiting the farm each year. It has received Tourism Award from the Tourism Authority of Thailand as excellent performance in agro tour (2002 and 2006).

The entrepreneur shared his concern over issues related to relationship with his employees, customers and society. At established stage, he faced many problems that other firms might be tempted to choose unethical actions as solutions. However, he explained that his personal values and business philosophy
guided him to choose what he considered as the right things to do. Regarding the interaction with employees, at difficult time that he faced with huge debt he did not choose to reduce cost by cutting down employee salary and benefits. Instead, he increased them because he wanted to show increase morale and confidence in the company. He decided to sell part of business to another company to gain cash. “The employees who wanted to work for this company was ensured that they received the same benefits or even higher”. “For existing employees, he increased their salaries and benefits” (Entrepreneur C, 2009). Moreover, he introduced staff’s educational funding for their children and a child care center within the farm. He emphasized that “if people are treated as expense, they will act like one…in a difficult time, like this, we need to make them feel confidence in the leader and the future of company” (Entrepreneur C, 2009). He also put the existing physical resource to the ultimate use by turning the farm into a tourist attraction. With a high number of visitors each year, this has created more jobs for the local people and generated income to the local businesses. While the entrepreneur was busy re-engineering the business for tourism and pursuing growth, do the entrepreneur put more weight to this new goal and forget about employee development? He agreed that many companies at established stage are influenced by higher competition. They tend to expand aggressively to maintain their market share, so fast that the internal people are not developed in time for the growth” (Entrepreneur C, 2009). However, the entrepreneur is highly aware of the importance of human capital. He has continuously invested in training and development for the past 17 years. Recently, the company has received Thailand Top 100 HR award from Human Resource Institute, Thammasat University. By building good relationships with internal stakeholders such as management team, both old and new employees, they will in turn provide good services to external stakeholders such as customers.

Regarding the relationship with customers and society, once the company moved to the re-branding stage, the entrepreneur concerns whether the firm uses the right marketing strategy. As the entrepreneur focuses on maximizing sales in the long term, he encounters few ethical dilemmas. He shows a concern regarding the marketing practices of other companies. Do the advertisements negatively affect on the national culture? Does the company use any strategies to create false demand? The entrepreneur expressed his view against the use of sexual appeal in advertisement. “One thing, we will never do is to use sexual appeal as a sales and marketing technique. This is because it is not creative, nor ethical” (Entrepreneur C, 2009). Many companies use sexual appeal to attract customer attention while the product itself does not offer any real values to the customers. “From the first day the company is created, it should contribute to the society in terms of value creation” (Entrepreneur C, 2009). He believes that it is not enough to be a business entrepreneur. “Nowadays, you need to be a social entrepreneur” (Entrepreneur C, 2009). He created value for many stakeholders including government, students, universities, young children, family and HR professional. When he shared this knowledge through special talks to group of tourists at his farm, seminars to many academic and governmental institutions and closely working with University in develop a curriculum. His areas of expertise includes agriculture, human resource management, marketing, exporting and strategic management. The benefits of his value creation in terms of knowledge sharing has a multiplied effect as a result of interactions of many stakeholders both direct and indirect stakeholders. He emphasized in building a long term relationship with them as he realized that good relationships will strengthen the company’s position and reputation in the market as well as help sustain its competitive advantage.

Company D

The company was established since 2004 as an importer and distributor of pharmaceutical and healthcare products. The founder owner has operated a drug store for over 20 years. Due to prior relationships with many suppliers in India and other countries, the company can offer high quality products with competitive prices. The ethical dilemmas reported by the entrepreneur include fairness to customers, government and competitors and marketing dilemmas. On one hand, the entrepreneur wants to sell the products and pursues growth. On the other hand, the entrepreneur also concerns on the firm’s ethical behavior towards others. In order to make a good profit, does the entrepreneur simply
charge at a high price without any added value? Should the company be seeking to offer high quality product at a lower price than competitors?

The entrepreneur argued that in pharmaceutical industry, the prices of medicines are often set with a very high profit margin. While the entrepreneur felt that too high margin is not fair to the customers, this seems to be a common practice among companies selling original pharmaceutical products. Original pharmaceutical product is formulated and produced by the company that carries out the initial research and development for the ingredient. In order to promote expensive pharmaceutical products, they often support doctors to go to conferences. “The doctors can choose to go for conferences anywhere in the world throughout the year. They can also bring their wife and children with them. Those large pharmaceutical companies offer to pay for all expenses.” Those companies usually offer the above personal benefits to doctors as a selling technique. While this is not illegal, it may not be at the best interest of the end-users.

The company imports and distributes generic pharmaceutical products. This type of product offers ingredients and quality equivalent to the original pharmaceutical products but can be produced a lower cost. He pointed that his products can be beneficial to many stakeholders; a) Government can save cost in the 30 Baht for all treatments scheme, b) end-users or the patients can pay less for the same quality of products, c) The hospital can offer high quality of services at competitive prices. The entrepreneur has to explain all these benefits to the doctors in order to promote his products. Some of the doctors insist to use the original pharmaceutical products due to the personal benefits that they receive.

The entrepreneur emphasized that he only uses sales and marketing techniques that are aligned with his personal ethical values. “Some companies attack their competitors by highlighting the weaknesses of other companies to the customers. For example, those medicines are manufactured in China.” “We don’t tell that our competitors are bad. We only tell what our competitive advantages are” (Entrepreneur D, 2009). The entrepreneur’s ethical values include a) honesty, sincere and being responsible to the customers b) not talking about the competitors in a negative way, c) taking care of the sales force and other employees as part of the family d) building positive relationships with suppliers and other stakeholders.

“In this industry, it is essential to communicate clearly to the customers both advantages and disadvantages of the products such as side effects of the medicines” (Entrepreneur D, 2009). The company provides training to all of their staff, from the sales forces to the delivery persons enable them to be confident in providing information to the customers. Cooperation and knowledge sharing with medical institutions and hospitals through seminars has helped the company develop a good relationship with doctors and medical related officers. This in turn creates positive words of mouth and personal recommendations among customers. Moreover, the company is also working with a medical school in clinical study to test its products. The result of the study benefits both customers and the company. “When there is a new comer entering the market with a cheaper medicine, this acts as our competitive edge that the competitor does not have”. “It also helps to boost confidence of the customers in our exporting markets” (Entrepreneur D, 2009).

**DISCUSSION**

The findings of this paper are discussed in comparison to the existing literatures. There is some degree of overlap among dilemmas identified. There are three parts of our discussion; key themes of ethical dilemmas, factors influencing ethical behavior of the firm and theoretical implication of the findings.
Key themes

In the early stage of entrepreneurial firm, the ethical dilemmas are associated with mainly entrepreneurs and customers and to some extent banks, customers, suppliers, employees, investors, family, friends and society in general. At established stage, in addition to those parties, new employees, management team, competitors, government, universities and other institutions play important role in relation to ethical considerations of entrepreneur. This findings support the earlier literature of Morris et al. (2002) that more stakeholders are influencing the ethical decisions of entrepreneurial firms.

The themes of dilemmas found at established stage includes *fairness, social responsibility to stakeholders, honesty in negotiation, and sales and marketing dilemmas*. Firstly, *fairness dilemma* refers to the basic fairness to employees and customers. The entrepreneur needs to make a decision whether to survive at the difficult time and continue to expand at the expense of employees and customers. Employee issues seem to be a prominent theme at the established stage as a large number of employees are involved in the operation and due to the changing context of the firm. The early work of Barringer et al. (1998) highlights employee issues as an important problem facing entrepreneur at established stage. These issues occur due to an increasing number of workforces and a conflict between new and old staff, management team and the entrepreneur’s values. This fairness dilemmas in relation to the relationship with employees has not been evident in Hannafey (2003)’s the earlier study of start-ups. However, a similar situation is found in the study of small businesses in general (Vyakanam et al., 1997). Secondly, *social responsibility to stakeholders dilemma* refers to moral responsibility in terms of on time payment to suppliers. This ethical dilemma is found in Vyakanam et al., (1997)’s work but not in the study of entrepreneurial firms in the early stage (Hannafey, 2003). Thirdly, *honesty in negotiation dilemma* refers to the relationship between entrepreneurs and suppliers. Is negotiation carried out in a fair or trusted manner when entrepreneurs try to pursue what is best for their business? This dilemma has not been indicated in Hannafey (2003)’s study of the early stage of firm but a similar issue is stated in the study of small businesses (Vyakanam et al., 1997). Lastly, *sales and marketing dilemma* refers to the conflict between entrepreneurs’ intention & value creation and benefit to other stakeholders. Does the entrepreneur do all they can to sell their products even though selling techniques used are in conflict with social values? Does the entrepreneur promote the products that do not generate real value to the customers or society? This dilemma is to some extend overlap with the innovator and promoter dilemma found at the early stage of entrepreneurial activities (Hannafey, 2003) and the entrepreneurial roles and society dilemma found in small businesses (Vyakanam et al., 1997). The figure 1 below shows the four themes of ethical dilemmas found at established stage.

![Figure 1 Three main themes of ethical dilemmas](image)
Factors influencing ethical behavior

Our findings support the earlier studies that personality traits, business life cycle and characteristics of the firm influence ethical dilemmas, ethical consideration and behavior of entrepreneurial firms. The entrepreneurs reveal that their personality traits and value system impact their decision making on ethical issues at established stage as well as in the early stage of the company. Business life cycle impacts the types and complexity of ethical issues faced by entrepreneurs. As more stakeholders interact with entrepreneurial firms, both interactions between the firm and their various stakeholders and the stakeholders’ interactions among themselves may positively or negatively influence the success and failure of the firm depending on the quality of the relationships. This view is also supported by Vyakarnam et al., (1997) as they argue that the quality of relationships acts as ‘a filter for resolving ethical dilemmas’ in small businesses. The entrepreneur intension to provide values to customers and wider society is crucial for both the early stage and the established stage of the firm. When the entrepreneur emphasizes on knowledge sharing and collaboration with their stakeholders, ethical dilemmas can be avoided or overcome. The network theory of stakeholder management support our findings as it highlight the importance of trusting relationships, collaboration and balancing the interests of both direct and indirect stakeholders (Rowley, 1997).

Theoretical implication

The figure 2 below shows our conceptual model that can be further used for theory building. As asserted earlier, ethics has only been explored at the early stage of entrepreneurial activities (Hannafey, 2003). By investigating uncharted area of entrepreneurial ethics, we offer new knowledge to practitioners and build a number of themes in explaining ethical dilemmas at the established stage of entrepreneurial firms.
At established stage, factors influencing ethical dilemmas include personality traits, business life cycle and characteristics of the firm. Ethical dilemmas found at this stage are fairness, social responsibility to stakeholders, honesty in negotiation and sales and marketing dilemmas. More stakeholders are involved in the entrepreneur’s consideration when dealing with ethical issues. Those include old and new employees, customers, suppliers, competitor, many institution and society as a whole. In preventing ethical conflicts and resolving ethical dilemmas, entrepreneurs reveal that quality of relationship with their stakeholders are very important as well as how they create values for their stakeholders through knowledge sharing and collaboration. Moreover, when ethical dilemmas are carefully prevented or handled, they can lead to greater benefits to the entrepreneurial firms as the interaction among stakeholders themselves help reinforce the positive values and benefits created by the entrepreneurial firms.

CONCLUSION

This research attempts to fill the gap in the literatures within the fields of entrepreneurship and ethics by investigated business dilemmas in entrepreneurial firms at established stage. Such area has been largely ignored by earlier studies. It focuses on the question of What are the ethical dilemmas that entrepreneurial firms face at the established stage based on a network theory of stakeholder management? The research has shown that while some of the ethical dilemmas at established stage overlap with ethical dilemmas in small businesses and entrepreneurial firms at the early stage, there are some unique aspects that need to be taken into consideration. Those include higher number of stakeholders and higher complexity of ethical issues. The quality of relationships and interactions among the entrepreneurs and their stakeholders and among stakeholders themselves has been reported to be the preventers and solutions to ethical dilemmas. However, the study was exploratory in nature and therefore does not offer generalizable conclusions. To further improve this study, we may need to conduct longitudinal study to investigate the decision making process of entrepreneurs when dealing with ethical issues over time. Interviewing with employees, customers and other stakeholders may help gaining different perspectives.
Reference


Entrepreneur A (2009) Interview, no. 01, 2 September.

Entrepreneur B (2009) Interview, no. 02, 10 September.

Entrepreneur C (2009) Interview, no. 03, 22 September.


