The qualities of virtue and its rivals: business, entrepreneurship, and business ethics

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Many, if not most, business ethicists identify good corporate conduct with acts or policies of social responsibility or with attention to the interests of stakeholders. Few contend that good business conduct rests on virtue—excellence of character. These facts describe a strange state of affairs. As theories of business conduct, neither social responsibility nor stakeholding theories manifest an easy compatibility with the activity of business as exchange, yet virtue is. Indeed, a theory of virtue not only ensures that the commercial life is moral but proves relevant to entrepreneurship, a business activity that also exists in tension with notions of social responsibility and stakeholding.

In this paper I suggest that a business ethic of virtue is preferable to the more popular models of social responsibility and stakeholding. The argument is, admittedly, schematic, and it is designed more to illuminate a possibility and render it coherent and plausible than to demonstrate it in full. I shall begin with an account of the nature of business and entrepreneurship, taking into view several salient analyses. In the second section,
I address whether the ideals of social responsibility and stakeholding are compatible with either a conception of business as for-profit exchange or a companion notion of entrepreneurship. I then set forth, in the third section, two routes by which one might defend the compatibility of virtue and business. In the final section, I consider briefly how entrepreneurship may connect with two specific virtues, courage and practical wisdom.

**Business and entrepreneurship**

The theory of virtue has often seemed a poor stepchild in a disciplinary family (business ethics) that favors corporate social responsibility and stakeholder theory. The theory of virtue is not without defense but it is often taken for granted that the necessary condition for ethical management (and ethical corporations) is not so much a set of virtues as the inculcation of a managerial outlook that attends to social responsibilities or to stakeholders. However, theories of social responsibility or stakeholding tend to direct managers and executives towards an outlook in tension with the activity of business and entrepreneurship. To understand how this might be the case, and to glimpse the promise of a theory of virtue, it is important to consider first the nature of business and of entrepreneurship.

To engage in business is to engage in an activity, but of what kind or sort? Some business ethics scholars have offered an account of this activity. Robert Solomon portrays business as a practice with particular goals and purposes. The purpose of the practice of business is ‘the satisfaction of public demand, the introduction of innovative, more efficient, more cost-effective products to fill a need and the optimal on-going relation between producer and consumer’ (Solomon, 1993, p. 20). He maintains that one possible goal for business is profit-making but it is not the only one. The chief problem with Solomon’s account is that his plural view of business does not seem to designate uniquely the sort of market enterprises typically regarded as businesses (Heath, 2013, pp. 117-8). Nor does his account distinguish adequately a particular business from the general idea of business (Ewin, 1995, pp. 836-7).

Alternatively, Elaine Sternberg defines business in terms of ‘maximizing owner value over the long-term by selling goods or services’ (2000, p. 32).
Although this account may be preferable to Solomon’s, it is not clear why a person in business must seek to maximize owner value. After all, business involves exchange, but unlike gift-exchange, business involves trade with an expectation—immediate or promissory—of value in return. No doubt, one may undertake a business for all sorts of reasons, including the maximization of long-term owner value. But a businessperson need not seek to maximize owner value. One may be satisfied with an increase in value, so long as one remains in business. For example, a businessperson may strive simply to ‘make a living’ (even a lucrative one). Moreover, one could engage in a business transaction out of loyalty, especially when the exchange is embedded within some larger context: e.g. ‘I’ve always gone to this barber and he does a good (enough) job.’

Another conception has been offered by Alexei Marcoux who portrays business in terms of the pursuit of certain kinds of exchanges: ‘Business, then, is a(n intentionally) self-sustaining transaction-seeking and transaction-executing practice’ (2006, p. 60). This is an excellent account, though it is phrased so as to suggest that business activity must be self-sustaining to be business. All that is required is that one intend and thereby conduct one’s transactions so as to be self-sustaining. In this way, one could engage in business, even though one’s business is not sustainable. Nonetheless, to engage in a failing business is not to remain ‘in business.’ So to be ‘in business’ is not only to intend but to succeed in continued for-profit exchanges. One of the ways that one is ‘in business’ is that one establishes a firm, whether an individual proprietorship or a public or private corporation.  

To be in business is to intend and to succeed in sustained transactions for profit. These exchanges may take place, for example, between consumer and producer or between a producer and a supplier. Marcoux’s basic definition also bears certain institutional implications: in order to exchange one thing for another, there must be enforceable titles to the items of exchange—property and the institutions of justice. Moreover, there must be mutually understood conditions of exchange—contract, whether formal or informal. However, the profits gleaned from these trades need not be intended as maximal, nor need they even be monetary. Therefore, nothing in this account requires that the traders be motivated by self-interest or selfishness, and there is no reason to think that this definition presupposes
any particular idea of rationality either. A person who is in business may be motivated in selfish ways but so may he be motivated by an interest in the product or service, or by familial or kinship obligations. In theory, this account leaves room for a businessperson to be motivated by virtue.

This conception of business as exchange for profit allows for specific functions or activities to emerge that supervene on the basic condition of exchange. For example, via exchange one may contract to perform a service, provide a good, or perform some managerial or supervisory function, and so on. Political economists have often drawn a distinction between the functions of business ownership (or management) and that of entrepreneurship. Recent work in management studies has focused on empirical studies of entrepreneurs, their commitments, strategies and tactics (for example, Sarasvathy, 2008). Alternatively, in the school of Austrian economics, Israel Kirzner has sought ‘to identify with precision’ the pure functional role of the entrepreneur (1973, p. 31; see also, 1979). Kirzner postulates an analytical conception in which the entrepreneur perceives price discrepancies that will generate profit. ‘All he needs is to discover where buyers have been paying too much and where sellers have been receiving too little and to bridge the gap by offering to buy for a little more and to sell for a little less’ (1973, p. 41). Entrepreneurial profit is simply the difference between these prices, and entrepreneurial activity is the catalyst that pushes prices towards equilibrium.

One might conclude that Kirzner’s account does not really offer anything distinct from the standard account of business as exchange for profit, for Kirzner’s entrepreneur seeks and discerns precisely those exchanges which will yield profit. Others have set forth more robust portrayals of the entrepreneurial function. These narratives do not necessarily set aside the notion of the entrepreneur as engaged in business, the pursuit of exchange for profit, but they do seek to differentiate the entrepreneur from the capitalist or the owner. One of the first to do so was the political economist, Jean-Baptiste Say, who described the entrepreneur as coordinating production and determining what goods or services should be produced:

... this kind of labor requires a combination of moral qualities, that are not often found together. Judgment, perseverance, and
a knowledge of the world, as well as of business. He is called upon to estimate, with tolerable accuracy, the importance of the specific product, the probably amount of the demand; and the means of its production: at one time he must employ a great number of hands; at another buy or order the raw material, collect labourers, find consumers, and give at all times a rigid attention to order and economy; in a word, he must possess the art of superintendence and administration (Say, 1850, II.vii, pp. 330-1).

The entrepreneur does not simply exchange one good for another but initiates and coordinates the production of goods. Because of this coordinative function, the entrepreneur may face some risk. In the twentieth century, Frank Knight takes up the distinction between risk (with known probabilities) and uncertainty (Knight, 1921).

However, it is the work of Joseph Schumpeter that draws on the ideas of coordination, uncertainty, and innovation to fashion a portrait of the entrepreneur as one who disturbs the accepted flow of production and consumption that exists in an economy in equilibrium. The entrepreneur is, in a real sense, an adventurer, who sets forth on new paths or, rather, establishes them: ‘Carrying out a new plan and acting according to a customary one are things as different as making a road and walking along it’ (1936, p. 85). Schumpeter regards the entrepreneur as innovative and in this sense he regards his account as coinciding with Say’s, at least if the coordination involves, ‘the carrying out of new combinations’ (1936, pp. 76, 79). These new combinations may consist in the introduction of a new product, an innovation in production, an opening of a new market, entrance into a new market, the employment of new sources of raw materials, or pioneering a new method of organizing an industry (1936, p. 66).

These several accounts of entrepreneurship—clearly not exhaustive—are not necessarily consistent or compatible. Say’s coordinating entrepreneur may take on risk, but this is not the same as Knight’s uncertainty. Nor is there any obvious uncertainty in the entrepreneurial acts adumbrated by Kirzner (Foss and Klein, 2010, p. 151). Neither is the alertness to price discrepancies the same sort of perception required of Schumpeter’s entrepreneur, who seems not to bear any economic risk (1936, pp.
Schumpeter suggests that the entrepreneur need not find or
discover the new combinations but only implement them (1936, pp. 88-
9). One might conclude, with Barrero, that there are four entrepreneurial
functions: coordination, arbitrage, innovation, and action in uncertainty
(1989, p. 42). But within a market economy the entrepreneur is still en-
gaged in the activity of business insofar as she seeks to establish for-profit
exchanges. Whether this adventurer is coordinating, innovating, perce-
viving or acting, the person is doing so in order to make an exchange for
profit. So in this sense the idea of the entrepreneur is entirely compatible
with the essential element of business activity. Even if the function of
the entrepreneur extends beyond exchange, the entrepreneurial venture
is premised on the idea of exchange for profit. The crucial elements of
the entrepreneurial pursuit, therefore, include the undertaking of new
combinations or exchanges with an eye to profit.

Implicit tensions

The theory of corporate social responsibility and that of stakeholding
are often allied or mixed. However, each has an independent identity:
the exercise of social responsibility need not entail serving the interests
of a company’s stakeholders, just as attention to the stakeholders of a
corporation may entail a neglect of a wider social responsibility. In the
case of social responsibility, its near ubiquity across the field of business
ethics has lead some to identify it with business ethics itself. However,
such identification is mistaken on conceptual grounds and by practical
realities. To suggest, for example, that ‘corporate social responsibility’ ser-
vies as synonym for ‘corporate ethical obligations’ commits a mistake in
semantics (Hasnas, 1998, p. 21), but it also raises the question of why this
identification was not so well noticed until after the decade of 1960. (For a
history of social responsibility, see Carroll, et al, 2012). Moreover, the so-
cially responsible corporation need not be an ethical one, as the example
of Enron demonstrated so well (Bradley, 2008).

Despite its nearly ubiquitous invocation across the field of business
ethics, the idea of social responsibility, typically attached to corporations
rather than firms or individuals, retains some vagueness. The core con-
ditions of corporate social responsibility would require that the socially responsible corporation expend some non-trivial portion of its revenues,

(a) to support some activity, institution, or event deemed to benefit a large or significant portion of the public or to assist in the programmatic amelioration of some problem, difficulty, or deficiency regarded as important to society in general;

on condition that, (b) the expenditure, whether via funds or labor, is not intended to increase or to maintain profits;

and (c) the activity is not undertaken in order to correct or mitigate some state of affairs for which the corporation is causally responsible. 12

This account remains vague in its own right, with no specification, of 'non-triviality,' or 'support.' In addition, given potential contestability regarding the status of public benefits or the construal of social problems, the definition does not (and need not) stipulate a real or factual basis for the benefits or problems. In addition, this account omits the tangled discussion as to how a corporation (or its officers, executives or managers) could 'intend' one thing or another. However, these conditions allow for the possibility that socially responsible endeavors may increase (or even maximize) profits, so long as the profit-making is not part of the manager's intention in undertaking socially responsible actions.

Even with these caveats, these conditions prove sufficient to pose this query: Is the appeal to social responsibility compatible with the idea of business (as exchange for profit)? This question may be approached via the typification of the deliberations that a manager (or entrepreneur) might conduct. A corporate manager or executive engages in distinct kinds of deliberations, depending on whether that individual seeks profit or to expend revenue (or labor) on activities deemed socially responsible (Heath, 2009, p. 74). In the case of the profit-seeking manager, this person must make decisions about capital equipment, the hiring and retention of productive employees, customer or client relations, advertising, and so on.
These decisions involve the allocation of scarce resources (land, buildings, equipment, labor) under conditions of risk and uncertainty and always with an eye to a specific result—a good or service that can be sold at prices and in quantities sufficient to cover production costs and to allow profit.

How does the manager's outlook and judgment differ if he must be socially responsible? The socially responsible manager need not deliberate with a constant eye on an end deemed socially beneficial, but he must do so on occasion and when he does then he will be attending to how his actions, policies, or revenues may either fall within, contribute to, or support some outcome deemed socially responsible. The tacit implication is that the manager who attends to social responsibilities must engage in deliberations that are not directed to exchange for profit. One may regard this as an obvious conclusion, but this plain truth reminds us that the appeal to social responsibility suggests that business exchange has no sufficient justification in itself, that such exchanges must be linked with or tethered to some non-business endeavor, the pursuit of some social goal. It is in this sense that the conduct of business rests in tension with appeals to social responsibility. The demand for corporations to be socially responsible, set forth as a means of providing an ethics of business, directs the business manager away from the very act of business itself. 13

What holds true for the manager would seem to hold as well for the entrepreneur. Schumpeter's narrative of the 'creative destruction' that arises out of entrepreneurial innovations points out how new combinations will compete for scarce capital, raw materials, consumers, and labor (1950, p. 83). Innovation may be viewed suspiciously by the 'social environment,' as Schumpeter discerned (1936, p. 86). Entrepreneurial activity may rest uneasily with the dominant powers, regnant ideas, or competing enterprises of society. In recounting the history of social responsibility, one scholar points out how one of the first definitions of the idea—that 'marks the modern, serious discussion of the topic'—stipulated that the socially responsible businessman should follow the overall aims and values of the society (Carroll, 1999, p. 270). Doctrines of social responsibility could be invoked against entrepreneurial innovators who threaten the dominant ethos; however, the legitimacy of such entreaties presupposes not only specific ideas of social responsibility but also that the imperatives of social
responsibility hold against the entrepreneur. Do they?

There are two cases to consider. First, if the entrepreneur is a single individual, then it is not even clear why the doctrine of corporate social responsibility would attach to that single person’s endeavors, any more than it would relate to the single-owner of the corner store, the artist, or novelist. But if a corporation is bringing forth some new combination, then that corporation is doing so with an eye to exchange for profit. In this sort of instance, the appeal to social responsibility would, once again, reject the idea of business exchange as having any sufficient ethical justification. In general, the call to corporate social responsibility implies that there is no ethics of business apart from an ethics that demands that the manager or entrepreneur do something that is not related to business!  

We can envision at least two objections to my thesis. It could be contended, for example, that corporate social responsibility assumes only that business, ‘Perform in a manner consistent with maximizing earnings per share, being as profitable as possible …’ (Carroll, 1991, p. 40). A corporation may, presumably, so situate its socially responsible activities that they are consistent with ‘maximizing earnings per share.’ But this fact does not really challenge the point at issue: As a theory of business ethics, the model of social responsibility offers no ethical counsel as to the moral basis of ‘maximizing earnings per share’; rather, the maximization of earnings per share is justified in so far as such maximization is performed conjointly or in service to corporate social responsibility (which itself is something other than the maximization of earnings per share!). One would hope, however, that the academic field of business ethics would set forth an ethics of business. That business finds legitimacy only if it is serving as an instrument for a public or social good does not allow for the development of an ethics of the endeavour itself.

Another and more serious challenge to my view is as follows: socially responsible constraints on corporations are essentially no different from the constraints of virtue that affect individuals (and corporations too). So, if business is compatible with the demands of virtue, then so is business compatible with the demands of social responsibility. In other words, just as a business person’s decision-making may be embedded within traditional virtues of honesty, integrity, and generosity, so may the manager’s
decision-making be embedded within the ideals of social responsibility.\textsuperscript{15}

This is a significant objection, but it does not succeed. A virtuous agent is related to virtue in a manner distinct from the way in which a socially responsible agent is related to the demands of social responsibility. First, virtue is internalized and its affects on our preferences are, for that reason, distinct from the call of social responsibility. Aristotle described virtue in terms of the habituation to feel, respond, and act in certain ways and at certain times (Nicomachean Ethics, 1103a, p.17-19). Because the virtuous agent possesses the desire to feel or to act in certain ways, the virtue itself is, so to speak, second nature. However, it is not at all obvious that a manager or executive will have similar types of desires or dispositions towards social responsibilities. Our social responsibilities are not, in fact, internalized and that is in large part because the demands of social responsibility, unlike those of virtue, change and alter with the fortunes of society. Second, virtues concern, in significant part, our relations with known and concrete persons, but our social responsibilities tend to be based on considerations (often quite contestable) regarding social and economic structures (events, problems, and tendencies). These two considerations suggest that the demands of social responsibility appear to the agent as external, rather than internal, demands, and for this reason the demands of social responsibility appear to the agent as constraints but the demands of virtue appear to the agent as constitutive of how things are. The internalized dispositions of virtue allow and undergird a range of activities, among which would surely be exchange for profit.

This discussion points out how virtue can be said to be ‘embedded’ within our personal relations to others---family, associates, colleagues, even stakeholders! The idea of ‘embeddedness’ (see Granovetter, 1985) entails that the motivations of many transactions need not be characterized solely in terms of a maximizing and rational self-interest but may incorporate responses to those with whom we share social relations. Given these social relations, an agent---whether as buyer or seller, or as acting within a firm---need not approach each decision as a maximizing opportunity. To be embedded is to have a history of relations with the parties to the transaction; it also entails acting with regard to something other than structural roles, expertise, or class. These concrete social relations
incorporate moral relations and serve as effective reminders of morality. They are social in part because they are not rational or maximizing relations. Thus, the shibboleths of corporate social responsibility and the demands of virtue do not affect conduct in the same way. What remains to be seen is how virtue itself is compatible with business. But first let us turn to stakeholder theory.

As is well known, stakeholder theory comes in two guises, an instrumental theory of for-profit management, or a normative theory of management obligation (Donaldson and Preston, 1995). The normative theory holds that corporations ought to be managed in the interest of all of those (stakeholders) who have a stake (or interest) in the company; therefore management must serve the interests of all stakeholders, not just those who own shares in the company. Such a claim may come in varying degrees of strength, depending on whether the stakeholders may have a right or claim to participate in the company, or whether the company must take into account or otherwise promote stakeholder interests.17

The tension between business and social responsibility resurfaces in the case of normative stakeholder theory (Heath, 2009, pp. 75-76). This reappearance may not surprise since some have suggested that the point of stakeholder theory is to ‘redefine the purpose of the firm’ (Evan and Freeman, 2000, p. 90). After all, the point of the normative theory of stakeholding is to get managers to manage a firm for the benefit of all stakeholders.18 In general, the stakeholders for any corporation draw from these categories: shareholders, customers, employees, suppliers and perhaps much of the larger public.19 Except for the public at large, an established company is already engaged in exchange relations with its stakeholders—that is how these stakeholders have an interest in the fortunes of the company. However, with the exception of that class of stakeholders who have rights of ownership (the shareholders), the fulfillment of any normative obligation to attend to the interests of remaining stakeholders will encumber the management with a responsibility to attend to matters other than the signals of price, the determinant of exchange. The overarching tendency of stakeholder theory is to urge that management look at factors other than cost, price, or revenue—in other words, to turn away from the terms of exchange for profit. Stakeholder theory suggests,
as social responsibility does, that the ethics of business rests on the consider-
ation of something other than business. Indeed, under stakeholding theory it is hard to determine under what conditions considerations of price should take priority.

In the case of the entrepreneur the result is more striking yet. The entre-
preneur brings forth, as Schumpeter described, new combinations, but at the moment of inception, there must be few if any actual stakeholders (except the bank that has extended credit). At this initial moment, the entrepreneur’s stakeholders are potential rather than actual, with no custo-
mers or suppliers, and perhaps no employees. The vast majority of actual stakeholders will have their interests in other companies, including firms that will suffer if the entrepreneur’s actions achieve success. In ushering forth new forms of industry, products, or the use of new materials, the entrepreneur upsets the stakeholders of established firms: ‘new combina-
tions mean the competitive elimination of the old’ (Schumpeter, 1936, p. 67). So the entrepreneur’s new venture comes into existence with few stake-
holders attached, even as the success of this enterprise may affect stake-
holders of existing firms (some negatively, others positively). Perhaps as the entrepreneur’s plans are put in place and business relationships begin to grow, then so must there be increasing normative obligations to attend to stakeholders. However, the entrepreneur with his fledgling enterprise is hardly in a position to attend to anything other than the drive to achieve a sustainable profit. The standard conception of stakeholding seems more apt for the corporation that has been built up into a stable firm. However, for the established firm the problem regenerates: How is the appeal to stakeholders compatible with the pursuit of exchange for profit?

The suggestions just limned might be challenged. If taking the inter-
est of stakeholders into account is incompatible with business, then so is virtue (for virtue demands that we take under consideration the well-be-
ing of others). However, once again there is a distinction between the de-
mands of stakeholders and the urgings of virtue. The stakeholder theory is not focused on concrete others but on structural roles and classes of individuals: the manager of a firm is not to take into account the interest of supplier or a customer in terms of their concrete needs; rather, the manager is to take account of interests that are defined, principally, in
terms of a role (supplier, customer, employee, and so on) rather than in terms of the particularities of individuals or their relations to the firm. Once again the demands of the theory come to the agent as external rather than internal.

Is there an alternative? Might virtue succeed in business where social responsibility and stakeholding do not?

**Applying virtue to commerce**

A virtue is a trait or quality of character that is good and praiseworthy. As a trait of character a virtue has dispositional elements: to be virtuous is to be inclined or disposed to act, think, or feel in certain ways in specific circumstances. To appeal to such traits as either foundational or primary does not preclude appeals to principles, rights, or other normative standards that do not reduce to virtue. Nonetheless, as noted above, an appeal to virtue reminds us that right action is a matter of internalized and habituated conduct that speaks both to conceptions of self and to the circumstances and goods of society. Virtuous traits would include qualities such as honesty, generosity, self-control, and prudence—all traits that may be conceived differently depending on the conditions of society.

So understood, is virtue suitable or compatible with business, at least more suitable than either a theory of social responsibility or stakeholder theory? For one thing, there is a tradition within philosophy and political economy that celebrates the ways in which commerce creates and sustains virtues. In other words there is some legacy for asserting that markets encourage trust, self-control, empathy, and fairness (Maitland, 1997; McCloskey, 2006). There is also the evidence of the role of ‘social capital’ and its importance in the everyday practice of business (Cohen and Prusak, 2001). An appeal to social capital also appears, albeit tacitly, in F.A. Hayek’s discussion of how, within a liberal social order, the individual remains embedded within a larger moral and social context (Hayek, 1948).

To contend that virtue is compatible with business, one may adopt either of two avenues of argument. First, one could explain how a particular set of virtues has application to commerce. Some core virtues, such as self-control, courage, justice, generosity, prudence and honesty, trans-
late easily into commercial society (McCloskey, 2006), even as their particular contemporary tokens or modes of instantiation may differ from their counterparts in, say, ancient Athens. A second avenue for supporting the thesis that virtue is compatible with business lies in the conception of virtue: How does a particular conception of virtue, rather than specific individual virtues, allow for traits of character to apply to a variety of activities, including that of exchange? Here it might be argued that traits of character have an adverbial function so that these traits eliminate some options without specifying other specific ends or goals. In this way, virtues modify conduct so that one’s activity could be said to be generous, courageous, or industrious. One may be a generous supervisor, a courageous manager, and even, perhaps, a prudent trapeze artist. Such a conception of virtue is, I contend, consistent with Aristotle’s theory (Heath, 2013, pp. 113-117). After all, for Aristotle virtue is a matter of living well (eudaimonia), and the counsel to do so is an adverbial recommendation. Therefore, we can understand the content of the salient virtues so that they do not prohibit exchange for profit (business) even as they may provide a moral structure or framework for its pursuit. The virtues may inhibit some activities or feelings (the cowardly, the selfish, the stingy) and may otherwise influence or modify one’s actions. In this way virtue may inform business exchanges and transactions, both in terms of buying and selling and in terms of conduct within firms and businesses. If such an adverbial construal is plausible, then many activities—including business—may be embedded within the set of social and moral relations that individuals typically enjoy in their everyday concrete relations with others.

Nonetheless, in so far as some virtues may presuppose, for the agent, a threshold of knowledge about the other persons and their circumst-
ances, then it may also follow that some virtues may be less prominent in business or exchange relations than in relations with family or friends. For example, absent specific knowledge of the other’s circumstances, values, and aims—the knowledge typically but not uniquely provided by iterated contacts—the virtuous person might discern little reason to exercise the virtues of generosity or benevolence. In relatively anonymous encounters, neither party to a trade may perceive the situation as possessing the features which call for benevolent action. In these types of situation, the
participants cannot perceive any features of moral relevance that would suggest benevolent action. And from the assumption of 'ought implies can' it would follow that in such situations there is no requirement of benevolence because there are no morally relevant features that would or should elicit such action.

**Virtues relevant to entrepreneurship**

One might easily conclude that if virtue is relevant to business then so must it be possible to conduct oneself as an honest entrepreneur, a generous one, and so on. Nonetheless, are there virtues of particular relevance to entrepreneurship, qualities relevant to any entrepreneur—successful or not? For it is both the successful and the unsuccessful who, in terms of their entrepreneurship, react to conditions and possibilities in ways distinct from others. The entrepreneur may spot a profit opportunity, otherwise unheeded, or perhaps this same adventurer discovers a price differential between material resources and the costs of production or devises an innovative mode of production, or a new product altogether. Schumpeter emphasized how the entrepreneur must implement new combinations, sometimes in the face of challenges and hostility. These considerations, briefly stated, suggest that two virtues have particular relevance for the entrepreneur—courage and practical wisdom. For the first of these the relevance is clear but easily overstated; for the second, the relevance is indirect and, perhaps, hypothetical.

Although Aristotle held that courage is best realized in war—if only because the pinnacle of fear is death itself (Nicomachean Ethics, 1115a, p. 23-32)—courage has applications that go beyond the physical challenges of the battlefield. Perhaps it is in this sense that we understand the bold entrepreneur:

'The virtue of boldness is not simply in taking a risk, and it most certainly is not in wild, uninformed gambling on poorly conceived schemes. Rather, it is in the optimism to venture forth gallantly and make the enterprise or scheme work successfully. It is the abiding commitment to face whatever may come,
no matter how terrible or tragic the problems may be (Watson, 1991, pp. 166-167).

It would overstate matters to think that each and every entrepreneur manifests courage. Such a conclusion paints a dramatic, if not heroic, picture when something more mundane is often required. Nonetheless, even when courage is not called for, the courageous person who is also an entrepreneur will find it easier to be strong, steadfast, and decisive. Perhaps it is for this reason that Schumpeter connects entrepreneurship to leadership, a quality that Schumpeter analogizes to military action in the face of uncertainty (1936, p. 85). In many ways, the entrepreneur enacts a hypothesis in the face of risk and uncertainty, thereby forcing himself to confront his own beliefs about the value of reputation, his ability to recover from financial loss, and his capacity to will himself and others to the desired end.

But courage is not the only virtue relevant to entrepreneurship. The idea of perception offers a link between entrepreneurship and practical or moral wisdom. For Aristotle, practical wisdom is a capacity to deliberate well about how to live and what to do (Nicomachean Ethics, 1140a, p. 25-32). To be practically wise means that one knows general moral truths, has an awareness of particulars, and can deliberate thoughtfully about what to do and to feel in various circumstances. Practical wisdom presumes perception: we typically think of the virtuous person as capable of seeing—morally perceiving—the reality before him and acting, in part, on that basis. But the moral perception comes before the deliberation and action. “Therefore we ought to attend to the undemonstrated sayings and opinions of experienced and older people or of people of practical wisdom not less than to demonstrations; for because experience has given them an eye they see aright” (Nicomachean Ethics, 1143b, p. 10-13). The practically wise person must see that a set of circumstances calls for this response, thereby adjusting the general principle of a virtue to this set of circumstances and to these persons (responding in this way, to this degree, and to this end, and so on). To see a set of circumstances as moral—as calling for or requiring moral action—requires that one attend to the particularities of others and their circumstances; one must perceive
the situation for what it is and recognize its moral relevance. This virtue of practical wisdom relies on moral perception of particulars.

Might there be a contingent link between the perception of moral particulars and the perception of particularities more generally? Is there a thread that connects, contingently, the moral perception of the practically wise with entrepreneurial perception? It would be foolish to think that the morally perceptive person is an entrepreneurial person. It would be equally ill-advised to think that the perceptive entrepreneur must possess practical wisdom. However, the morally perceptive individual and the entrepreneurially perceptive person must each see beyond the self—and all of the self’s delusions—so that they can grasp what another person (what another set of persons, a potential set of customers) might either need, desire, or find beneficial. The person of practical wisdom must see reality for what it is and for what it should (and could) be. So must the person of practical and entrepreneurial insight: This person too must see the world as it is and as it could be. What is perceived is not, of course, wholly the same for each, even as the virtuous entrepreneur will also perceive what the person of practical wisdom sees. But the entrepreneur sees these particulars in a different way. ‘Here the success of everything depends upon intuition, the capacity of seeing things in a way which afterwards proves to be true, even though it cannot be established at the moment, and of grasping the essential fact, discarding the unessential, even though one can give no account of the principles by which this is done’ (Schumpeter, 1936, p. 85).

It is only in hindsight that we may say of the successful entrepreneur that she saw what others missed. The entrepreneur operates under conditions of uncertainty, yet like the person of practical wisdom, he perceives the particularities of a situation and recognizes that these particularities call for certain kinds of acts. The perceptions are parallel but not identical. As admitted above, it would be foolish to identify moral and entrepreneurial perception. Perhaps what is less foolish, yet only hypothetical, is whether the person of moral wisdom, habituated to see the world for what it is, is also thereby positioned to see the world for what it may become more generally. The person of practical wisdom, by dint of perceiving the particularities of the world, may be able to see not just the
moral world but entrepreneurial possibility. The gift of the entrepreneur is not practical wisdom, but the practically wise may be so oriented to the particulars of life and circumstance that he not only perceives that which is yet unrealized but possesses the strength of character to implement it in the midst of uncertainty. It is perception that helps to render entrepreneurship moral and moral perception productive.

Notes


2. The theories of social responsibility and stakeholding may be conceived as ethical theories created for and adapted to business—thus, theories of business ethics. These theories may have a deeper foundation in normative ethical theories, such as Kantian and utilitarian theories. Normative ethical theories may be applied to business directly, as in a theory of virtue, but they have also been invoked as foundations for theories of social responsibility and stakeholding. A theory of virtue may be understood therefore to move between the categories of business ethics and normative ethical theories. Virtue theory serves as a rival to the Kantian and the utilitarian perspectives, but I shall also use it as a competitor to the two main theories invoked within business ethics.

3. Ronald Coase argues (1937) that firms exist for a reason. Without firms individuals would simply contract for all items, but doing so has enormous transaction costs. Without a firm, individuals would have to locate and to negotiate a distinct contract for each new item or activity. Of course it could be argued that the hierarchies of firms are distinct from the exchanges in the marketplace. This would be true except that the firm itself is an exchange that is undertaken for joint production (Alchian and Demsetz, 1972).

4. For a summary account of current research in entrepreneurship, see Jones and Wadhwa (2013), as well as Davidsson (2008) and the earlier work of Shane and Venkataraman (2000).


6. See also the work of Casson (1982), Casson and Casson (2013), Baumol (2010), for example.

7. Schumpeter suggests that it is generally the banks that take on the risk of the entrepreneur. Yet he seems to allow that the entrepreneur faces uncertainties. For example, he explicitly states that even with experience, ‘many things must remain uncertain, still others are only ascertainable within wide limits, some can perhaps only be “guessed”’. He then adds, on the same page, ‘How different a thing this [a new project] is becomes clearer if one bears in mind the impossibility of surveying exhaustively all the effects and counter-effects of the projected enterprise’ (1936, p. 85).
8. There may be other forms that entrepreneurship may take, including that of 'social entrepreneurship.' See, for example, Dees (1998).

9. One might argue that there is a strand of social responsibility that locates its roots in a broad moral and social tradition (Argandoña and Haik, 2009). However, this strand tends to incorporate more of the social than the moral into its understanding of social responsibility.

10. Indeed, the doctrine of social responsibility seems to be applied to one kind of business entity, the corporation, and even here it is rarely applied evenly to all corporate entities. It is rare that media entities are burdened with the tasks of social responsibility, except in the case of video or film production companies that feature violence or portray some persons in demeaning ways. It is striking that so many of those who rail against Friedman's argument (1970) fail to take into account his closing four paragraphs: there he suggests that the appeal to social responsibility would seem to apply to all individuals and organizations and as such the appeal really requires conformity: in whatever you do, you must also serve the social interest.

11. "The study of CSR (corporate social responsibility) has been hampered by a lack of consensus on the definition of the phenomenon, unifying theory, measures, and unsophisticated empirical methods" (Crane, et al, 2008, p. 568).

12. This is a summary account of the necessary and sufficient conditions of corporate social responsibility. The final condition (c) is drawn from Brenkert (1992, pp. 156-7).

13. This conclusion does not show that arguments for corporate social responsibility have no justification, only that they cannot be taken to provide an ethics for business as exchange for profit. It would appear, therefore, that social responsibility arguments are, in fact, political arguments about larger questions than business alone.

14. Wim Dubbink (2004) offers a related argument in which he contends that corporate social responsibility "does not fit in with the dominant political theory of the free market" (p. 23). Observing a political collision between social responsibility and an endorsement of the market, he suggests that "business ethics is not about "bringing ethics to the market" but a plea to replace an old ethic" (p. 24, italics original). His argument turns on a comparison of corporate social responsibility with what he takes to be a "neoclassical political theory" (p. 34). One need not accede to his portrayal of that theory, which seems to conflate elements of economic theory with principles of liberalism, in order to register the importance of his insight: the appeals to corporate social responsibility contain a political argument about the foundations of markets and market societies.

15. This sort of challenge need not require that we construe social responsibility as a virtue (see Arjoon, 2000, p. 172); rather, it suggests only that corporate social responsibility affects decision-making in a manner that is relevantly similar to how virtues affect decision-making.

16. It is worth reiterating, before proceeding further, that generally speaking a model of corporate social responsibility does not entail stakeholding theory: a social good might exist beyond the interests of stakeholders. Similarly the interests of stakeholders need not be identified with a social good or broad social purpose, so stakeholding does not entail social responsibility. Some have contended that it does (e.g. Hasnas, 1998, p. 26). However, that a manager attends to the interests of stakeholders does not entail that the interests of
society are taken into account, unless one assumes that some subset of society (stakeholders) is identical with society as a whole.

17. John Boatright (2006) points out that even if management must service the interests of stakeholders, this would not entail that management must explicitly take up their concerns in decision-making: "Insofar as the market is able to provide the desired benefits to the various stakeholder groups, they have no need for management to explicitly consider their interests in making decisions" (p. 107).

18. In a later update of the theory, Freeman and Phillips (2002) posit a libertarian basis for stakeholding, appealing to property rights and to voluntarism: "Stakeholder theory is about business and capitalism" (p. 340), even as they assert that the essential element of stakeholding is "balancing" (p. 333).

19. As Freeman suggests (and without irony): "Competitors and government would be the first to be included in an extension of this basic theory" (2001, p. 164).

20. The notion that traits of character function in an adverbial sense is drawn from Michael Oakeshott’s understanding of moral practices (Oakeshott, 1975, esp. pp. 54-70).


References


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