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## THE VIRTUOUS ENTREPRENEUR: NEW VENTURES AND HUMAN FLOURISHING

### ABSTRACT

*Entrepreneurship research in recent years has expanded to include the ethical dimension of new venture creation and various normative frameworks have been applied to the entrepreneurship role. Despite this, entrepreneurship is still widely viewed as a business phenomenon which bases its claim to be a key contributor to social good on economic grounds only. In this paper, the social good against which entrepreneurship success is measured is defined in terms of a broader notion of human flourishing derived from virtue ethics theory. Virtue ethics as a moral theory emphasises positive traits of character shown by habitual action which fit those who have them to lead good lives in terms of a particular notion of professional excellence.*

*In this paper, the writers argue, with reference to virtue ethics, that new measures of success are needed for entrepreneurship, which take into account the key professional concerns, beliefs and features of entrepreneurship. The roles and responsibilities of entrepreneurs enable them to contribute to society in ways that go beyond economic achievements, thus achieving the broad goal of entrepreneurship, human empowerment through opportune innovation, risk-taking and creativity. Having described these specific roles and responsibilities and how they inform the development of a regulative ideal which influences moral purpose and action, the paper goes on to explore the question: what traits of character constitute the entrepreneur who will be well equipped to achieve success as defined? A range of traits which might contribute to entrepreneurial success such as creativity, courage and toughness are suggested and described. The entrepreneur who has these attributes will be an excellent practitioner: one who embodies qualities of character which contribute to the achievement of the proper goals of entrepreneurship.*

## INTRODUCTION

The strong renewal of interest in recent years in the Aristotelian tradition of virtue ethics offers the possibility of a useful approach to the ethical dimensions of entrepreneurship. It is agreed by commentators that until recently ethics has tended to be a neglected, or at least a limited topic in the theory of entrepreneurship (see e.g. Carr, 2003; Kearins, Luke & Corner, 2004). However, in recent years, growing research interest in entrepreneurial ethics has pointed to the need to develop theory which might address the range of moral issues as well as economic ones faced by entrepreneurs in their daily work (Hannafey, 2003).

Such a focus runs counter to the views that neoclassical economists have typically expressed about the role of business initiators. Drawing on Adam Smith's *The Wealth of Nations*, they contend that pure economic self-interest by each individual will generate outcomes which promote benefits for all. Whilst they acknowledge that there are other reasons for engaging in business, they argue that such motives are rare and generally bring about negative effects on the economy as a whole (see e.g. Friedman, 1970; Sternberg, 1994).

Entrepreneurship, as a commercial activity, is not immune from this prevailing worldview. Entrepreneurship is seen as playing a vital role in society via its contribution to economic development (see e.g. Baumol, 1986; Corriveau, 1994; Sage, 1993; Schmitz, 1989). Entrepreneurs carry out tasks that increase employment, create new organisations, develop new production processes and execute other activities that contribute to capitalism; they are the engine of the free-market system (Machan, 1999). Cornwall & Naughton (2003) argue that an unfortunate consequence of this economic paradigm has been that successful entrepreneurship has been evaluated in terms of material outcomes exclusively. They contend that the idea that financial performance is the main criterion for evaluating entrepreneurial success has been firmly embedded within entrepreneurship as a practice and a body of literature. This belief, in turn, has discouraged research on the character of an entrepreneur (i.e. "what is a good

entrepreneur?") in favour of studies which focus on the actions and behaviours of entrepreneurs that lead to financial growth.

A review of several recent studies provides evidence of the above claim. The most common measures of growth are either revenue or market-share focused (see e.g. Brush & Vanderwerf, 1992; Stoica & Schindehutte, 1999). Researchers have also defined success in terms of improved profits (Chandler, 1996), survival of the business (Chrisman, Bauerschmidt & Hofer, 1998), and growth in total employment (Levie, 1997 cited in Cornwall & Naughton, 2003).

At a more individual level, Longenecker, McKinney and Moore (1988) found that entrepreneurs themselves are more likely than others to "approve of actions that maximize personal financial rewards" (p. 70) even in situations when these rewards come at the expense of others. But not all entrepreneurs enter into commercial endeavours with the sole purpose of making money; some also have higher order intrinsic rewards in mind. Furthermore, good entrepreneurship can lead to a raft of positive social outcomes (e.g. increased jobs). Despite these factors entrepreneurs still tend to judge their own success first and foremost on financial outcomes (Newbert, 2003).

No one would dispute that financial success, whether determined by external factors or those important to the entrepreneur, is relevant to the survival of any business. What is problematic, according to Cooper (1995), is that much of the literature in this area uses measurement variables that are easy to access rather than those that are meaningful. Instead of quantifying success in terms of growth or market share, we shall suggest, following a virtue ethics approach, that it should be measured in terms of human flourishing or happiness. Who is the good entrepreneur? How do they contribute to overall human fulfillment? These are significant questions that can only be answered by examining the character of the entrepreneur

A recent case example may help illustrate the difference between financial and other broader measures of success. Each year, a New Zealand award is made to "outstanding entrepreneurs who inspire others with their vision, leadership and

achievement” (Ernst & Young, 2004 cited in Kearins et al, 2004, p.44). The award criteria are separated into two categories. At an individual level, they focus on entrepreneurial spirit, innovation and personal influence. At the business level, financial performance, strategic direction and national/global impact are considered. In 2003 the award went to Caron Taurima, the founder of Carich, an information technology provider. Unfortunately, as Kearins et al. note, Carich was facing a number of problems. It had previously violated several government regulations, the New Zealand Qualifications Authority was concerned with their enrolment procedures and pass rates, several contracts with tertiary providers had been cancelled and the international student market was shrinking. On 29 October 2003, three weeks after Taurima received her award, the company was placed into receivership.

Kearins et al. (2004) contend that this case demonstrates that Taurima had “lost sight of her vision, fixated on growth and created adverse economic changes by taking inappropriate risks” (p.47). Taurima appeared to have renounced the vision which had motivated her in the first place. She seems to have shifted from, in virtue terms, a good entrepreneur contributing to an appropriate social order of work to that of an individual focused on disordered end/desires (i.e. financial success) (Cornwall & Naughton, 2003). One of the reasons Kearins et al. provide for Taurima’s selection despite the problems, which had been publicly identified prior to the awards, was an overemphasis by Ernst & Young on risk-taking and financial growth at the expense of any broader measure (e.g. personal integrity of the recipient). Such an overemphasis by the award promoters fails to see the entrepreneur as a champion of product or process, fighting resistance to change, who needs moral guidance as much as anything because their role involves a challenge to established norms, practices and values of stability (Schon, 1967). Virtue ethics, in the view of the writers, provides a sound basis for such moral guidance for entrepreneurs.

## VIRTUE ETHICS

Virtue ethics is often contrasted with other normative theories in the Western philosophical tradition because it addresses the question “Who should I be?” rather than “What action should I take”? It is concerned with character and personal

disposition rather than right conduct. Another different aspect of virtue ethics is the way in which, through its focus on social context and a sense of collective purpose, it is readily applicable to situations, such as entrepreneurial activity, where an agent is involved in a shared enterprise.

For Aristotle, *eudaimonia*, “a humanly flourishing life”, whether we take it to denote success in the broadest sense, the good life, or living well (Blackburn, 2001; Hursthouse, 1999), is something everyone wants. It doesn’t denote mere hedonism but rather a life in which the inner self is developed to build a life worthy of being lived. We cannot live a good life unless we understand our identity and our purpose in life. For most people, this is understood in terms of belonging to a community with a shared purpose or *telos*. Aristotle believed that there are certain traits of character, particular attitudes and dispositions, which are valuable in themselves and which fit us best for living well in a community with shared goals. These qualities or virtues have both rational and emotional components which are in balance with one another. They include aspects of action and motivation which are located in character. They form “an interlocking web of intrinsic goods” (Oakley & Cocking, 2001) which, when taken together with the important quality of practical wisdom or judgement<sup>i</sup>, enable us to make the most of our public and private lives.

In virtue ethics, what makes an action right is that it is what a virtuous person would do in the same circumstances. This makes important the particular context in which an action is considered. This focus on character rather than action itself is underlined by the way in which a range of qualities is seen as worthwhile. These qualities, such as courage or integrity, are valuable for themselves rather than for instrumental reasons (i.e. because they produce some other good).

Virtue ethics provides a new lens through which to view successful entrepreneurship. Its strength lies in the way it focuses on character, rather than rules and thus seems to account for motivation more effectively than other duty-based or results-focused approaches. It can also address the “modernity problem” described by Carr (2003), where the constant change, struggle and ambiguity of today’s society and particularly of entrepreneurial endeavours, seem to demand systems of order or transformation to instill calm and a sense of stability. The



common response by society is an externally imposed system to enforce “good behaviour” such as a set of rules or a code of ethics. These are often of limited value as they don’t address motivation or the point that in order to be an ethical person, one has to make choices rather than have them imposed. Codes and rules may do little more than foster a compliance approach to ethics. In virtue ethics, the emphasis on character when moral choices are to be made prompts questions such as “Am I the sort of person who would do this?” or “Would this be the response of a tenacious and resilient individual such as I see myself to be?” Such reflective questions rely on internalised values and beliefs for an answer rather than adherence to externally imposed and ever fluid norms, which can become part of the “modernity problem”.

## A VIRTUE-BASED APPROACH TO ETHICAL ENTREPRENEURSHIP

Whilst Oakley and Cocking’s (2001) work on a virtue ethics-based approach to professional ethics has a specific focus on the professions, it can usefully be applied to identify measures of success for entrepreneurs. These measures can, in turn, provide a platform for an examination of the virtues, the traits of character, which might characterise the successful entrepreneur.

Following their approach, it is important to address the specific calling and its responsibilities. The entrepreneur’s actions must be judged by the moral good that proper performance of his or her role is designed to serve. We need to establish the goal of entrepreneurship and be able to show how it “by [its] existence contribute[s] in an important way to human good” (p.74). It must be shown that entrepreneurship reflects an important human value or values, thus contributing something positive to the community. We have defined that broad goal as human empowerment and autonomy through innovation, risk-taking and creativity (see Figure 1); this goal will be discussed further below.

But entrepreneurship has not only to meet the requirement of having a broad goal that contributes to human flourishing or wellbeing. It is also necessary to show *how* a particular detailed entrepreneurial role, of which there will typically be several,

contributes to the overriding goal of the profession. The overriding goal then is a key reference point for determination of particular roles and responsibilities.

Oakley & Cocking use the example of the medical profession to show how the importance to the community of the broad goal of health enables medicine to be counted as a good profession. The role and responsibilities of a medical practitioner must be determined by reference to that proper goal of medicine. It is the understanding of that proper goal that enables the doctor to develop what Oakley and Cocking refer to as a “regulative ideal” (p.25). This refers to an “internalised disposition” to act and be motivated in certain ways, when it comes to the roles and responsibilities of medical practice, depending on a specific understanding of what makes up excellence as a doctor. Thus someone who has developed this ideal has a “standard” related to their conception of what is excellent practice as a doctor. This standard is internalised and is expressed through practice of relevant virtues, thus becoming an aspect of the character of the doctor, rather than simply being a set of rules which should be obeyed.

This notion of an “internalised disposition” which is part of the “regulative ideal” is important in virtue ethics as it contains within it several essential aspects of virtue theory. Both actions and motives are important. But whilst the same statement could be made about other ethical theories, virtue ethics differs in that action and motive are linked to character and dispositions. In order to act because of one’s character, a person must have accepted and developed their own certain underlying concepts and motives in such a way that they influence and motivate them from within. This “regulative ideal” which is specific to a particular calling is in turn influenced by the essential quality of *phronesis*, or practical wisdom. So, to be an excellent entrepreneur, one needs first an understanding of the overarching goal of entrepreneurship which is conceived in terms of human flourishing or “the good life”, not simply for the entrepreneur but for others too. Secondly, one needs a grasp of the practical implications of that understanding for the role and responsibilities of an entrepreneur, and a knowledge of what particular virtues would best support those roles and responsibilities so as to contribute to the overarching goal. Practical wisdom is an intrinsic aspect of the virtuous entrepreneur’s disposition, in other words, a grasp of what is generally good for those affected by one’s entrepreneurial

dealings, such as investors and customers and the ability to think situations through and respond appropriately and practically.

Before this paper goes on to consider how this approach could usefully be applied to entrepreneurship so as to help to identify the traits of character or virtues which will assist the virtuous entrepreneur, one preliminary point should be made. To assert, as we do, that entrepreneurship as a business and economic activity contributes to human flourishing is not to deny the negative impacts of particular entrepreneurial activities. Such possibly harmful effects of individual activity are not at odds with a positive goal for entrepreneurship generally. In the same way that particular instances of medical malpractice, such as incompetent or negligent care, damage individuals or society, but do not alter the general goal of medicine as a beneficial activity, so entrepreneurs who steal others' ideas or deal dishonestly with investors cause harm without affecting the over-arching positive goal of entrepreneurship.

Our starting point, as outlined above, is with the goal of entrepreneurship and the claim made by the writers that entrepreneur in their activities contribute to a key human good, or to human flourishing by enabling empowerment and autonomy through innovation, risk-taking and creativity. We then need to consider how the role and responsibilities of entrepreneurs contribute to that human good. In this way, it is suggested, a conception of entrepreneurship and what makes good entrepreneurship can be developed which can form a basis for identifying and fostering particular virtues.

But, first, is the claim sustainable that entrepreneurship contributes in a positive way to human society? In the case of traditional professions such as medicine and law, it is possible to identify single key concepts such as health and justice which make unitary models of those professions easy to develop. Entrepreneurship, in contrast, is a more contested and ambiguous concept, with a plurality of defining aspects.

As noted earlier in this paper, most people see entrepreneurship primarily as the accomplishment of economic tasks which create new business forms and

processes, provide employment and contribute to material wealth. On this narrow reading of the purpose of entrepreneurship alone, it can be said in broad terms to contribute to human good because people will be measurably better off because of entrepreneurial activity. They will have jobs, economic security, better products and services, as a result of the perception and exploitation by innovative risk-taking individuals of worthwhile opportunities. Of course, some activities will fail in this aim, but enough will succeed to ensure a net gain to society. Thus traditional financial measures of success are not excluded; it is recognised that economic benefits contribute to human empowerment and autonomy both at an individual and a collective level.

However, human flourishing represents a holistic concept which includes social as well as economic benefits. Entrepreneurship is a dynamic, creative activity which can have a far-reaching although sometimes diffuse positive social function. Etzioni (1987) refers to entrepreneurship as the force which promotes societal reality testing by promoting new patterns which help society to resist obsolescence. This is analogous with ideas found in complexity theory<sup>ii</sup> which has been applied to entrepreneurship in several recent studies (see e.g. Black, 1999; Lichtenstein, 1999; Lichtenstein, 2000). Such innovation can certainly on occasion bring about harms as well as benefits, (see e.g. Schumpeter, 1942; Carr, 2003), but such harms are outweighed by the social good which in general is produced when out-dated societal patterns are replaced by new ones more compatible with an evolving social environment.

## THE ROLES AND RESPONSIBILITIES OF SUCCESSFUL ENTREPRENEURS

It is helpful to move at this point from a broad and general picture of entrepreneurship to a more specific one when seeking to identify key features and goals of successful entrepreneurship. One analysis of entrepreneurship identifies a number of elements which provide a basis for a useful model of successful entrepreneurship for the purposes of this paper. Kearins et al. (2004) develop from the literature a conceptual framework which identifies six key elements of successful entrepreneurship, as

follows: opportunity identification (ability to recognise and exploit opportunities others might not see), vision ( ability to envision and strategise for future), innovation ( capacity for developing new ideas, markets, products, services and approaches to business), social and economic change ( ability to effect economic and social benefits to self and others; may be negative as well as positive, however), financial risk ( ability to assess and take risks), growth (ability to create financial value).

These elements, it is suggested, will work as a starting point for establishing the role and responsibilities of entrepreneurs. However, they need to be supplemented for the purposes of this paper to allow for another key aspect of the entrepreneurial role alluded to earlier. Whilst the model as it stands is broad enough to include both notions of ongoing “perturbation” and change and the concept of the entrepreneur as a tester and challenger of current social reality (Etzioni, 1987), there is no reference in the Kearins model to one essential aspect of our conception of entrepreneurship, that is, the connectedness of entrepreneurial activity to community or society. This is sometimes described in the literature on entrepreneurship as embeddedness. In terms of stakeholder theory, the context can be analysed in terms of particular persons with claims and interests in respect of the entrepreneurial activity (Freeman, 1984). Drawing on economic theory which sees social relationships as central to any examination of economic activity, writers on entrepreneurial activity highlight the way in which what entrepreneurs do is located in a rich and complex social context (de Bruin & Dupuis, 2003; Martinelli, 2004). Entrepreneurs do not work on their own- they must persuade others and motivate as well as rely on others.

There is a useful link to virtue ethics theory here. Aristotle saw the virtues as a necessary response to the essentially social purpose of human lives. Living a good life involved the habitual practice of qualities which make for rich and rewarding communal lives. In his writing on virtue ethics, MacIntyre (1984) explores ideas of community, connectedness and shared purpose and locates the virtues in an understanding of human flourishing which is holistic and mindful of community rather than focused on individual benefit. For an individual to cultivate the virtues successfully, he or she must be engaged in a type of cooperative activity known as a practice. A practice consists of three central features: 1) it establishes its own

standards of excellence and is partly defined by them; 2) it is teleological; i.e. each practice establishes a set of goods or ends that is internal to it and inextricably connected to engaging in the practice itself; 3) it is organic; people in the course of engaging in the practice change it. Within this definition the idea of “internal goods” plays a crucial role. MacIntyre believes that a virtuous individual focuses on internal as opposed to external goods. These goods are specific to a practice and their achievement is good for the community which participates (either directly or indirectly) in the practice.

MacIntyre (1984) attacks the role of bureaucratic managers who efficiently match ends with means. They manipulate others and in turn are manipulated by the system they create. They examine economic resources and have no qualms about shutting down factories wholesale in order to achieve the best return for shareholders. Their focus is on external as opposed to internal goods. Their area of expertise is efficient management, which for MacIntyre lacks a moral dimension. Entrepreneurship as we have described it, on the other hand, is a practice where individuals focus on internal goods as well as traditional economic ends. Entrepreneurs can focus on goods of excellence over and above goods of efficiency since they have more autonomy than corporate managers whose behaviour is constrained by the goal of profit maximization. A focus on internal goods ensures benefits to both individual entrepreneurs and more importantly society as a whole. Because recognition of the connectedness of entrepreneurial activity is essential to our notion of entrepreneurial success, an additional element of successful entrepreneurship has been made to the model to allow for the role of entrepreneurs as members of a business and social community (see Figure 1).

To summarise to this point, the broad goal of entrepreneurship by which success should be judged, is to contribute to human flourishing through the empowerment and autonomy which results from the innovative and risky exploitation of business opportunities. The broad goal of entrepreneurship and the roles and responsibilities of successful entrepreneurs having been identified, we are now in a position to detail the virtues which will be appropriate for entrepreneurs as they seek to realise that overarching goal of entrepreneurship, or some aspect of it, through the role and responsibilities as outlined in our model.

## THE VIRTUES OF AN EXCELLENT ENTREPRENEUR

Before we proceed to detail the virtues which we will argue will contribute to the proper goals of entrepreneurship, it is important to state that a virtue is much more than simply a psychological factor or a personality trait. Personality traits are fundamental individual characteristics which are largely stable over time and which will influence how entrepreneurs act (Scott, 2003). They may also influence the development of virtues as they represent powerful natural propensities which tend to propel individuals in particular directions. They do not, however, have the moral dimension of virtues, nor their deliberative and purposive elements, not to mention practically-focused dimensions. For instance, a desire for independence is simply an aspect of personality which might have an impact on whether an individual is likely to engage in entrepreneurial activity. It is not a quality of character, such as courage, formed by an acceptance and internalising of particular concepts, values or motives, so as to habituate and motivate a person in particular ways.

The notion of a “regulative ideal” (Oakley & Cocking, 2001, p.25) discussed earlier, comes into play as we contemplate the virtues of an excellent entrepreneur. This concept represents an “internalised disposition” to act and be motivated in particular ways which address an entrepreneur’s conception of what makes for excellence, in terms of an understanding of role and responsibilities. The “regulative ideal” will provide a standard which will inform judgement and help to govern moral choices made in the context of daily entrepreneurial practice. It will be a reference point which will help to regulate both motivation and conduct so that they tend to conform to the internalized conception of good or excellent entrepreneurship.

The seven key virtues of successful entrepreneurs which this paper identifies are **creativity, beneficence, integrity, courage, self-confidence, toughness and self-reliance** (see Figure 1). One useful way of viewing them is to see the first three of these as overarching or underpinning virtues which are so fundamental that they are, in fact, aspects of all the other virtues as well. The last four may be seen as more specific to particular aspects of entrepreneurial endeavour. It is our contention

that these seven virtues represent those which most usefully address achievement of what we have defined as the overarching goal of entrepreneurship. In the following analysis of each virtue, we seek to show how these particular qualities of character serve the purposes of entrepreneurship. This should not be taken to suggest that other virtues do not have relevance to the entrepreneur, as that is self-evident, but simply that these are the key virtues which will best link to the roles and responsibilities which we take to be at the core of the entrepreneurial purpose.

The virtue of **creativity** includes notions of originality, novelty, invention, unexpectedness, and ingenuity. It may be about unusual and novel combinations or juxtapositioning of ideas and in the present context, contains the idea of a *good* purpose. It is through creativity that entrepreneurs devise new products and services, new uses for existing ones, new processes and technologies. Swanton (2003) views creativity as an aspect or component of all the virtues, as suggested above, on the basis of the realisation by Maslow that creativity should not be confined to particular conventional categories such as artist or designer, because creativity pervades all human activity. Creativity then could be regarded as a disposition to bring a particular approach of freshness and initiative to the issues which confront the entrepreneur. Whilst it is possible to view creativity simply as a dimension of other virtues, in the context of entrepreneurship, to view it as a separate virtue serves to underline the fact that innovation and inventiveness are at the heart of entrepreneurship. But when viewed as a virtue, rather than a function, the notion of creativity becomes a rich and empowering one. It can be both internal and external in its focus (i.e. it can characterise innovative patterns of thinking about problems or questions, not shared with others). Equally, it can be the driver of cooperative group activity which is designed to arrive at solutions or create a new business strategy. Creativity in entrepreneurship is not simply about products but also about processes and ways of expression. Swanton suggests that to reduce creativity to one or other aspect is wrong. Both are significant.

As far as products of creativity go, they will need to contain aspects of originality and novelty as suggested above in order to count as reflecting creativity. One writer suggests that for a product, e.g. a new kind of material for disposable clothing, to be creative, it has to be of benefit for some people (Novitz, cited by



Swanton, 2003). To be creative, the same writer suggests, an act must intend to create value. This notion links well to the idea of a virtue as for a good purpose and practical at some level and contributing to human flourishing.

Creativity can also be seen in terms of process or as Swanton puts it, expression. Here the focus is not on the output of creativity but on the processes and mechanisms, sometimes internal, which characterise particular acts. In the context of entrepreneurship, an emphasis on the creative process serves as a reminder that product or output may not be the prime purpose of the venture and that, as asserted in this paper, measures of success need to be reconceptualised to allow for a more holistic notion of entrepreneurial success. For instance, to use creative energy to devise and introduce new ways of bringing staff into an entrepreneurial venture might be empowering and life-enhancing for both entrepreneur and staff, independently of other economic success measures.

**Beneficence** refers to the promotion of the good of others. This is a different idea from that of what is good *for* others, with its overtones of paternalism and all-knowingness. Benevolence addresses the concerns and vulnerabilities of others. As such, it is a broad and inclusive concept implying a disposition to address and reflect on the possible impacts on others of fulfilling the roles and responsibilities of entrepreneurship e.g. in disturbing the equilibrium of those around me by bringing in a new technology, what might be the harmful impacts as well as beneficial and how might I address them?

It might be said in criticism of beneficence that it might sometimes be hard to distinguish it from a type of benevolent despotism which robs others of autonomy. . But this objection is met by reminding ourselves of the role of practical wisdom in the practice of virtue: the virtuous entrepreneur's practice of beneficence is informed by sound judgement as to what in holistic but practical terms will serve others' interests.

Many of the roles and responsibilities of entrepreneurs (see Figure 1) are essentially self-directed e.g. visionary, opportunity taker. Such roles, as they contribute to the development of a "regulative ideal" on the part of the developing entrepreneur, will invite a focus on virtues which are strongly self-focused, such as

self-confidence. This is properly so, since *eudaimonia* speaks to the flourishing of the agent as much as to that of others. However, the entrepreneur also has a role as a member of a business and a social community, who works cooperatively rather than in a social vacuum. It is primarily this role which is addressed by beneficence, which, as a virtue, has an external rather than internal focus. The responsibility of being a change agent is also relevant when beneficence is considered as an entrepreneurial virtue as an entrepreneur should be motivated by a notion of positive, empowering change for those affected by entrepreneurial activity.

How would beneficence work in practice as a quality which would enhance human empowerment and autonomy? Its key drivers must be receptivity and responsiveness to others, though not in the same degree to strangers as to colleagues or employees. That receptivity and responsiveness will locate itself in the shared purpose of entrepreneur and those he or she works with. For example, the virtuous entrepreneur who must decide whether to accept a financing proposal from an investor, will, guided by a regulative ideal which recognises the change-generating and social good aspects of the developing venture, take into account likely impacts on employees and other key stakeholders, and will make a decision with others' good in mind. This does not mean neglecting the "big picture" or self – interest; in fact, no question of a zero sum game will usually arise, since the internalised nature of virtuous qualities of character provides for motivation to do "the right thing" in a way which does not set up conflicts in that way.

**Integrity** may be seen as a portmanteau virtue as it blends elements of prized qualities and attributes, such as honesty and truth-telling. Integrity expresses a positive inner state which nourishes the other virtues. In nominating integrity as a key virtue of successful entrepreneurship, we suggest that its primary quality consists in wholeness and internal consistency in action and motive. In this way, integrity links well to the notion of a "regulative ideal" with its focus on "internalised disposition", as this latter concept carries with it the idea that certain concepts and motives have been internalised or made central to the holder's entire character and approach to living. These in turn articulate with the agent's understanding of role and responsibilities as an entrepreneur. Personal integrity is simply not possible without a previously developed sense of what sort of person one is and what constitutes one's

idea of an excellent entrepreneur. There has to be, in other words, a central core of disposition, motivation and belief which underpins integrity and makes consistency possible. Otherwise, we might say “Consistent with what?”

But this does not mean that if a person acts on occasion inconsistently, they do not have integrity. First, perfect human beings do not exist and tensions and pressures, as well as a failure of courage, might mean that inconsistent choices are made at times. Secondly, the “regulative ideal” will change and develop over time: thus an action which might appear to lack integrity and consistency might still have an internal consistency when viewed in context.

Writing of **courage**, Aristotle (trans. 1911) noted that courageous people experience fear of and endure the right things. They are not afraid of things that cannot truly harm them (e.g. what others think of them). They endure because of the internal goodness that comes from achieving a noble end. This resistance, however, must take an appropriate form. First, it is a blend of controlling fear and being properly inspired to act; the courageous person must to some degree feel fear and controlling this feeling is part of what constitutes courage. Secondly, an appropriate response leads to action. Courage, like all the virtues, is more than simply knowledge or reason<sup>iii</sup>: it is also a decision and an action. What is the response of courageous individuals? They stand their ground! And they do so in the face of imminent danger or evil; as long as the danger is far off, the coward and the courageous appear similar. Aristotle believed that courage was opposed by two vices – rashness and cowardice. A rash person has too much confidence given the circumstances and the coward feels too much fear and lets that dominate him or her. Like courage, the vices of rashness and cowardice are all concerned with the same objects – but the rash person and the coward both exceed and fall short<sup>iv</sup>.

Entrepreneurship demands risk-taking. It requires battling against accepted traditions and conventional wisdom to move in new directions and accept new challenges. Every venture carries the possibility of failure encompassing both physical and psychological harm. The courageous entrepreneur not only takes those risks but takes them gladly. This is shown by an individual's level of comfort in taking the initiative, by his or her ability to overcome setbacks and challenge a predefined

structure. He or she is not rash in their decision-making or behaviour; they are not risk-seekers but rather are willing to take and manage risks while balancing them against the likelihood of rewards. Entrepreneurial courage can always be respected from a psychological or sociological viewpoint but it is only really morally estimable when it is at least partially in the service of others and more or less free of immediate self-interest. Courageous entrepreneurs, in controlling their fears and taking well-reasoned risks, are other-regarding and they stand to accomplish the ethical end to which virtuous entrepreneurship is aimed – that of community and human flourishing. Aristotle (trans. 1911) saw **self-confidence** as the opposite of fear and inherently linked to courage. Confidence was inspired by the remoteness of objects which induce fear or by the nearness of what helps against these objects. Being courageous consisted in having the correct balance of controlled fear and appropriate confidence. An appropriate level of self-confidence is twofold. First, it consists in a realistic confidence in the worth of the cause that motivates positive action. The cause must be worth the risk and we must be confident of that. Secondly, it is a form of self-knowledge that we can rely on. The Greek word for confidence, *tharsos*, includes “knowledge and confidence in our skills, an awareness of what we could do given those skills, and a will to extend those skills in dangerous situations to the farthest reasonable limits in an effective way” (Putman, 2001, p. 466). This feeling is the pleasure felt by the courageous person – the pleasure of acting according to one’s nature.

Empirical studies in the entrepreneurship literature have found entrepreneurs to have a higher degree of self-confidence than non-entrepreneurs (see e.g. Bygrave, 1989; Koh, 1996). Ho and Koh (1992) suggest that it is a necessary entrepreneurial disposition; they relate it to other psychological characteristics, such as internal locus of control, propensity to take risk and tolerance of ambiguity. Ray (1986) states that self-confidence is closely associated with, and might drive, risk-taking propensity. Those with very low self-confidence take either no risks (i.e. they are cowardly) or very high risks (i.e. they are rash); each action reinforces their initial premise that they are unworthy individuals.

Virtuous entrepreneurs have a realistic faith in what they do which in turn motivates them to act. They are confident that the venture is worth the risk. They see

entrepreneurship as an act of service that is good for society (Cornwall & Naughton, 2003). They are convinced that what they do serves both internal and external goods. Furthermore, their self-belief ensures they understand themselves and know they have the skills to control the fear, take the risk, control fear and triumph over it in a way which is appropriate to the situation. The reward from accomplishing this is the pleasure felt by an individual who acts in one with their nature.

**Toughness**, argues Solomon (1992), is about having a vision, insulated against greed as well as weakness, and persevering in the long-term plans required to achieve that vision. The tough person is not dissuaded by threats or temptations. Toughness is not a willingness to step on other people or violate the basic rules of morality or sacrifice the other basic virtues. It is not mean-spiritedness and indifference, lack of care and concern for others. Toughness is, however, about making the hard calls when required while at the same time feeling the appropriate remorse. Toughness is a virtue, but callousness and indifference are not. Furthermore, toughness is a virtue which is also linked to courage. By itself, toughness does not presuppose some form of selflessness, altruism or generosity – it is not other regarding. However, when it is combined with the virtues of courage and beneficence, it becomes a moral strength. The tough are not side-tracked nor do they give up at the slightest provocation. They persevere in what they know to be good despite distractions or consequences.

Toughness is an essential virtue for entrepreneurs insofar as entrepreneurship is about having a goal or developing a vision and sticking to it through thick and thin. Tough entrepreneurs see the merit in what they are doing and they pursue it to the end. They are adept at overcoming setbacks and obstacles that would discourage lesser beings; and in fact, it is only in the face of failure that entrepreneurial toughness is truly tested, for it is no virtue to “persevere” whilst the market is rewarding effort with success. Sometimes, to reach the higher goal of human flourishing, an entrepreneur must also be prepared to do what one otherwise would not and should not even consider. For example, in face of debt or deficiencies that will likely capsize the venture, an entrepreneur may need to let go perfectly qualified, hardworking, loyal employees. Viewed as an action isolated from the circumstances and the bigger picture, letting persons go through no fault of their own, would be the

height of injustice. But if it is a matter of preserving the vision and achieving its worthwhile end, then this otherwise unjust act may nevertheless be necessary. What perhaps differentiates the virtuous entrepreneur from his or her counterpart in these types of choices is their capacity to feel remorse and act as beneficently as possible.

Parasitism involves willingly being dependent on others rather than striking out on one's own. Such an individual is often considered pathetic or weak. **Self-reliance**, on the other hand, demonstrates inner strength, autonomy and self-sufficiency that are inherently admirable. Individuals with this virtue choose to make their own way in the world; they want to be independent and not reliant on others. They have an inner strength which enables them to pursue, in a persistent manner, things for themselves even when such pursuit may prove constantly unsuccessful. Self-reliant persons cherish freedom of choice; they control their own destiny and need to be their own boss.

Not unlike courage, self-confidence and toughness, self-reliance is a crucial virtue for the entrepreneur. Faced with many challenges, entrepreneurs need to be able to overcome these even if failure threatens and they need to do so in a manner that ensures their own self-belief is not compromised. Without this internal hardiness entrepreneurial practice would be brief and unlikely to result in the overall goal of human flourishing.

## VIRTUES IN ACTION

A “real-life” example will illustrate how the virtues outlined above might apply to entrepreneurship. A recent case study analysis of successful entrepreneurship examined the 2003 Australian Entrepreneur of the Year: David Bussau (Kearins et al., 2004). Bussau seems to have embodied and enacted these virtues in his award winning venture, Opportunity International, a private non-profit foundation begun in 1997 that provided supporting micro-enterprise development to the poor in the third world. The idea was creative and innovative, juxtaposing business development with a vision of social good. In choosing a venture with a significant degree of hazard and immediate fear of failure, Bussau showed courage. His risky decision was balanced

against both the positive societal outcomes that would occur if the venture was successful and the internal worth that could be gained from doing something innovative and visionary.

Were Bussau's choices made rashly? Bussau had been involved in a number of businesses and "retired" at 35 whereupon he became involved in various aid projects. He had developed the necessary experience and practical wisdom to give Opportunity International every chance of succeeding. He had the self-confidence and self-reliance to ensure that effective strategies were followed<sup>v</sup>. Furthermore, not only was he able to initiate this project, he also maintained his vision throughout and supported it with "integrated business strategies in an effort to ensure that it was both realised and sustained" (p. 47). This seems to demonstrate an integrity characterised by internal consistency as well as toughness and tenacity to deal with the problems and challenges inherent in such a risky venture.

What was the outcome of this? By 2003, Opportunity International had approximately 400,000 clients, provided over 536,000 loans totaling A\$235 million, and had created 800,000 jobs in 27 countries. Kearins et al. put it best:

Bussau's strategy of alleviating poverty would appear to have provided diverse and enduring rewards to an extensive range of stakeholders. The social and economic changes it engendered would appear to have been overwhelmingly positive including better access to food, shelter, health care and education, enhanced standards of living as well as simulated economies (p. 47).

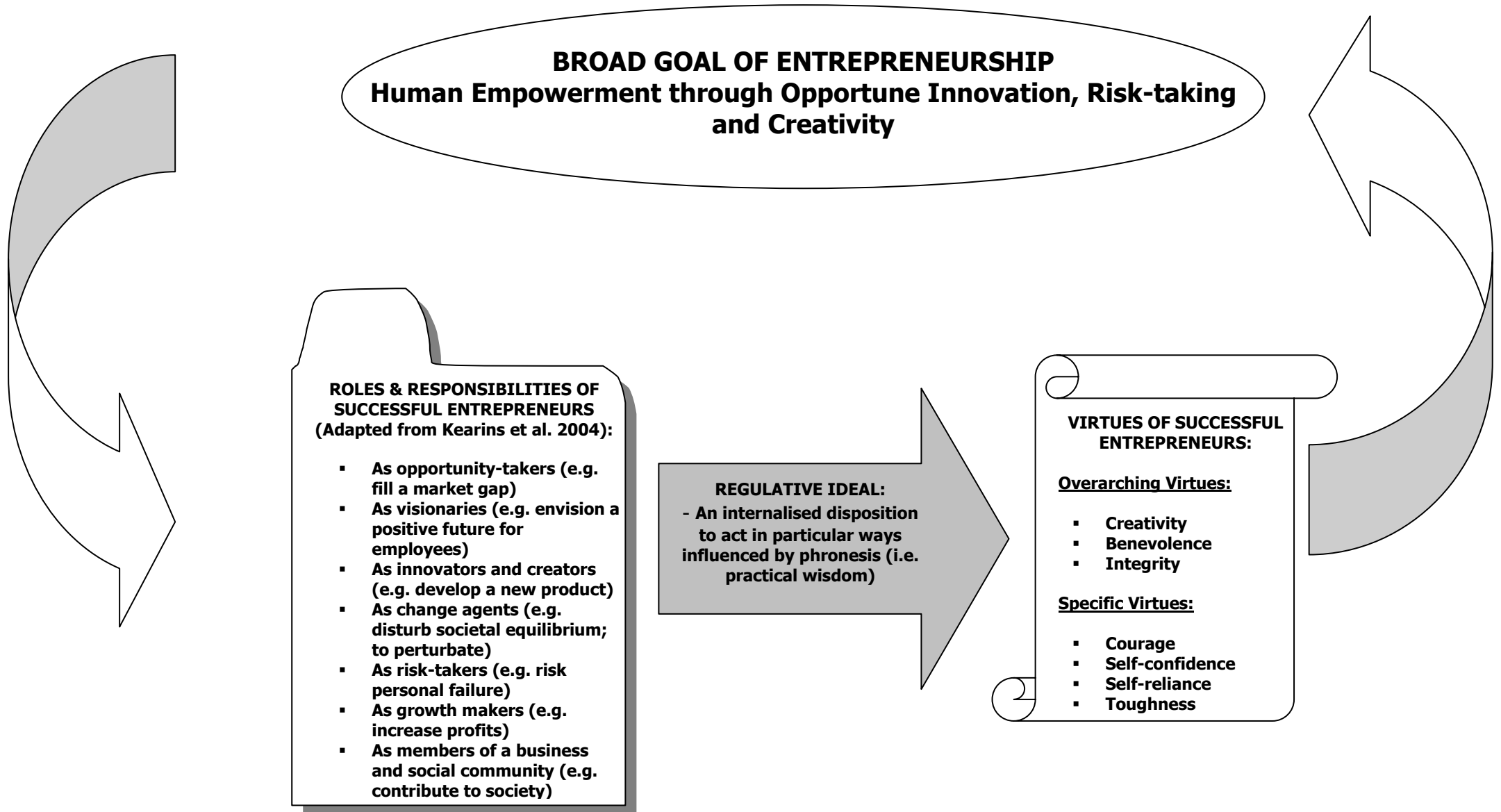
Not least, as an entrepreneur who embodied the virtues appropriate to his role and responsibilities, Bussau gained a sense of accomplishment and pleasure from achieving an end that served the goal of entrepreneurship: human empowerment through opportune innovation, risk-taking and creativity.

## CONCLUSION

In this paper we have employed a virtue ethics approach to broaden the traditional indicators of success by which entrepreneurs measure themselves and are measured by others. The emergence of neo-Aristotelian virtue ethics in the last two decades provides an opportunity to move from a focus on profit-directed action to one on character. An understanding of the way in which roles and responsibilities address the empowerment goal of entrepreneurship both for the entrepreneur and for others, we have suggested, provides a background against which a “regulative ideal” can develop which will promote the development of appropriate virtues. They may indeed be the “old virtues” of our title but they can become nonetheless powerful moral tools in achieving the goal of entrepreneurship.



**Figure 1: The Excellent Entrepreneur and Aristotelian Human Flourishing.** Idea for diagram based on Oakley, J., & Cocking, D. (2001). *Virtue Ethics and Professional Roles*. Cambridge: Cambridge University Press.



## Notes

<sup>i</sup> Practical wisdom (phronesis) is the habit of being good at thinking about practical matters (Hughes, 2001). It is concerned with what we can do to change things, and why we might decide to act in one way rather than another. A person with practical wisdom is capable of finding some action in particular circumstances which he or she can see as the virtuous thing to do. This differs from cleverness. Cleverness is the ability to “take the right steps to any end whereas wisdom is related only to good ends and to human life in general rather than to the ends of particular arts” (Foot, 1978, p. 166).

<sup>ii</sup> This theory views markets, economies and societies as systems capable of self-organisation and emergence (Pascal, Millemann & Gioja, 2000). These systems exist in stable states until they are “pushed” to the “edge of chaos” (i.e. a permeable intermediate state through which order and disorder flow) where change occurs in a self-organised manner with limited external control. As new structures materialise it becomes clear that they are radically different, both in form and fit, from their predecessors. They undergo a shift in identity (Simon, 1998). Without such a transformation, systems risk regression towards entropy or death. Entrepreneurial praxis plays a significant role in perturbing markets, economies and societies towards the “edge of chaos”.

<sup>iii</sup> Reasoning tells us what to do and if it must be done, but it doesn't tell us that it must be done; much less does it do what it says.

<sup>iv</sup> Before applying this virtue to the role of entrepreneur a cautionary note must be made. Aristotle's virtue of courage was formulated within a particular context: a culture that valued war. Consequently, the greatest fear and therefore greatest act of courage was to die in battle defending the polis (Ivanhoe, 2002). Although some view business today as a warlike confrontation, it is unlikely that anyone would be expected to lay down their life for commerce. Despite this, the virtue of courage is still applicable to the modern context of entrepreneurship (see e.g. Brenkert, 2002).

<sup>v</sup> Kearins et al. (2004) while noting the high degree of risk involved believed that this had “been balanced with judgement, intuition and controls to ensure that it [risk] was minimised and monitored” (p.47).

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