SSOAR

Open Access Repository
www.ssoar.info

Positive ethical deviance inspired by moral imagination: the entrepreneur as deviant
Hartman, Laura; Wilson, Fiona; Arnold, Denis

gesis
Leibniz-Institut
für Sozialwissenschaften

Mitglied der
Leibniz-Gemeinschaft

Positive Ethical Deviance Inspired by Moral Imagination[*]
The Entrepreneur as Deviant

LAURA HARTMAN/ FIONA WILSON/ DENIS ARNOLD[**]

The purpose of this paper is to extend the concept of positive ethical deviancy and moral imagination to the entrepreneurial environment. We specifically explore the connection between moral imagination and positive ethical deviance in firms that, from their inception, display positive deviance from established ethical industry norms. Our analysis identifies firms that do not deviate positively under pressure, or for other externally imposed reasons, but instead those that make a conscious and deliberate choice to adopt new and often radical approaches to ethical issues from the ground up, distinguishing them from standard entrepreneurs in the same industry. This exploration uncovers two elements present in these entrepreneurial firms that support the positive ethical deviance: visionary leadership and resulting structures or activities that sustain that vision. This examination of positive deviancy and moral imagination in an entrepreneurial context is vital because of the potential role that entrepreneurial firms can play in changing the rules of the game and the institutions that govern them, thereby creating a new, higher norm, and raising the industry standard overall.

Keywords: positive ethical deviance, workers' rights, business ethics, moral imagination, entrepreneurship, visionary leadership

1. Introduction

Few issues strike an emotional chord as powerfully and as centrally as how humans treat fellow humans. In our world today, we are either heartened by stories of magnificent generosity or saddened by reports of the inhumane treatment of others. Though thankfully few of us must face the latter in our daily lives, we may in fact have the ability to impact the decisions that lead to such treatment. For example, the past decade has evidenced the power of the united voices of the consumer, the labor advocate and the media in effecting positive ethical changes in the global labor poli-

cies of multinational corporations (MNCs) in the footwear and apparel industries (Arnold/Hartman 2005a).

However, these changes have taken place within only a small group of MNCs, those who have chosen to deviate positively from the labor practices norms in that particular market or industry. Prior research has evidenced that one possible explanation for this positive deviation is a corporate structure in those MNCs that encourage moral imagination, a concept that has been hypothesized to lead toward more ethical and accountable decision-making on the part of corporate leadership (Arnold/Hartman 2003).

The purpose of this paper is to extend the concept of positive ethical deviancy, and moral imagination as one possible explanation for this deviancy, to the *entrepreneurial* environment, building on prior work with regard to the apparel and footwear industries (Arnold/Hartman 2003; Arnold/Hartman 2005a; Arnold/Hartman 2005b). We specifically explore the connection between moral imagination and positive ethical deviance in firms that, from inception, display positive deviance from established ethical industry norms. Our analysis identifies firms that do not deviate positively under pressure, or for other externally imposed reasons, but instead those that make a conscious and deliberate choice to adopt new and often radical approaches to ethical issues from the ground up, distinguishing them from standard entrepreneurs in the same industry. This exploration uncovers two elements present in these entrepreneurial firms that support the positive ethical deviance: visionary leadership and resulting structures or activities that sustain that vision.

This examination of positive deviancy and moral imagination in an entrepreneurial context is vital because of the potential role that entrepreneurial firms can play in changing the rules of the game and the institutions that govern them, thereby creating a new, higher norm, and raising the industry standard overall.

2.   Positive Deviance

In any industry, there exist strategic, legal and ethical norms that define basic expectations of industry participants. In the context global capitalism, for instance, it is critical for MNCs to find some way to (a) work within the constraints of developing nation economies and social conditions (strategic and legal norms), while (b) respecting the world-wide concern for the ways in which workers are treated (ethical norms). Arnold/Hartman (2005a) argue that industry participants should focus on examples of positive deviants in order to move beyond the entrenched, polarized political debate of economic efficiency versus increased regulatory protection for workers' rights. Furthermore, companies may find that there are positive consequences to a proactive response to questions of global labor practices. As has been argued elsewhere, for example, employees who are treated with respect tend to be more loyal and productive workers; consumers in industrialized countries increasingly prefer to purchase goods and services from companies that treat workers with respect; and potential employees increasingly care about the ethical reputations of the companies with whom they take a job, raising the cost of low-reputation companies to hire high quality employees (Arnold/Bowie 2003; Arnold/Hartman 2005b). These forward-

thinking organizations can be categorized as exhibiting "positive deviance" with respects to their labor practices.

The concept of deviance within organizations remains a novel approach in system analysis and has not yet been explored in extensive depth with regard to the creation of models or archetypes. Its first mention was by Sternin/Choo (2000) who suggested that analysis of positive deviation within a particular system could encourage like responses from those who were less successful at similar deviation. Their original discussion, however, did not identify the level within the organizational hierarchy where the deviation was expected to take place, nor the process by which to define the norm from which the behavior or action deviates.

Warren (2003) strives to respond to the above challenges by asserting that deviance must be assessed in relationship to a specific reference group and begins to evaluate deviance from the perspective of individual and organizational levels. Later work by Arnold/Hartman (2005a) expanded this analysis to explore deviance at five levels within an industry. These include the *individual, work group, program, system*, and *organizational* levels. At each social level, there may either be conformity to a reference group behavior, negative deviance from reference group behavior, or positive deviance from reference group behavior. Whether or not deviance is positive or negative depends upon the extent to which the relevant agents adhere to specific norms – as mentioned earlier, strategic, legal and ethical.

Strategic norms refer to standards within an industry such as generally accepted best practices. Positive deviance from this norm occurs when a work group or company, or another social level, deviates from the baseline in a way that improves a company's strategic position measured in market share, revenues, and profits. Negative deviance from this norm occurs when a work group or company, or another social level, deviates from the baseline in a way that adversely impacts a company's strategic position.

Legal norms are those that have been effectively articulated and required by legitimate governing authorities. In this category, the baseline may be understood to correspond to the reference groups attitudes toward local laws. Positive deviance from this norm occurs when a work group or company, or another social level, deviates from the baseline in a way that improves a company's respect for the rule of law. Negative deviance from this norm occurs when a work group or company, or another social level, deviates from the baseline in a way that adversely impacts a company's respect for the rule of law.

The area that concerns the remainder of our current analysis is ethical norms. These may include standards determined by reference to basic human rights, and to corresponding worker rights where relevant. Positive deviance from this norm may occur when a work group or company, or another social level, deviates from the baseline in a way that improves a company's respect for basic human rights, and corresponding worker rights. Negative deviance from this norm would exist when a work group or company, or another social level, deviates from the baseline in a way that adversely impacts a company's respect for basic human rights, and corresponding worker rights (Arnold/Hartman 2005a: 213-217).

That some organizations or corporations do deviate positively from each of these norms is not at issue. Instead, the key question for this discussion is why certain organizations do engage in positive ethical deviance while others do not. It is our contention that the answer to this query is the presence – or lack thereof – of a structure that encourages moral imagination.

3. Moral Imagination

Though the concept of imagination as the power to form mental images or constructions of what is not real has been explored by philosophers in depth,[1] the extension to involve distinctively moral imagination is relatively recent (Lovibond 1983; Kekes 1991; Johnson 1993). It is imagination that allows for the creation of possible worlds, at least some of which may be made real through action. Moral imagination is the subset of imagination that has as its subject explicitly moral constructions, and is defined as "the ability to understand [a] context or set of activities from a number of different perspectives, the actualizing of new possibilities that are not context-dependent, and the instigation of the process of evaluating those possibilities from a moral point of view" (Werhane 1999: 5). It is moral imagination that permits us to create possible worlds that are either morally better or worse than the world as we find it, and the lack thereof which may allow decent leaders to engage in morally questionable behavior. Business leaders who lack moral imagination may therefore achieve economic success at the cost of moral failure.

Moral imagination is relevant to the concept of deviancy in that moral imagination allows us to be aware of both the conventional ways of being proscribed by our own culture (the standard ethical norms within an industry), as well as possibilities other than those that exist within our own culture (potential for deviation). Kekes argues persuasively that the exercise of moral imagination increases our freedom to choose; in other words, moral imagination makes deviance possible, if not actually *encourages* deviance. "If freedom is the absence of coercion and the ability to do as we please," he writes, "then moral imagination increases our freedom by allowing us to go beyond the influences of culturally-given possibilities and standards for evaluating them" (Kekes 1991: 109).

Werhane (1999) applies moral imagination to managerial decision-making and concludes that moral imagination is a *necessary condition* of innovative managerial moral decision-making. In applying the earlier philosophical conceptualization of imagina-

---

[1]   In the history of Western philosophy, the most notable contributions have been made by Hume (1978) and Kant (1929), while the contributions of Collingwood (1938) and Ryle (1949) stand out amongst 20th century philosophers. Both Hume and Kant would suggest, and are supported by later theorists, that one interprets experience through the combined activities of imagination and understanding in "free play," hence the natural maturity towards the recognition of a necessary moral element. In fact, Kant describes genius as dependent on imagination (Kant 1911, sec. 49). Though not necessarily appropriate for this essay, an extended discussion of the concept of imagination and its development towards a theory of moral imagination may be found in Arnold/Hartman (2003). In addition, Kant's concept of imagination is traced in Brook (1975), and Young (1988). See also Siebert (1990, for discussion of Hume) and Bronowski (1978, for the development of imagination).

tion, Werhane defines the functioning of moral imagination in the following terms. First, managers must have an *awareness of the particular* that includes the following:

> (1) awareness of the character, context, situation, event, and dilemma at issue; (2) awareness of the script or schema function in that context and role relationships entailed in that context, and (3) awareness of possible moral conflicts or dilemmas that might arise in that situation, including dilemmas created at least in part by the dominating script or the situation itself (Werhane 1999: 103).

Second, managers must have a *capacity for productive imagination*. A productive moral imagination involves an awareness of an "incomplete, perhaps even limiting or distorting script" and a willingness to challenge that script. Third, managers must have a *capacity for creativity* that will enable them to "envision and actualize novel, morally justifiable possibilities through a fresh point of view or conceptual scheme" (Werhane 1999: 104). Managers must, in other words, be capable of understanding, evaluating, and rewriting the script and must exist in an institutional culture that not only allows for these capabilities but perhaps is structured to ensure them. In other words, "moral imagination is not merely a function of the individual imagination. Rather, moral imagination operates on organizational and systemic levels as well, again as a facilitative mechanism that may encourage sounder moral thinking and moral judgment" (Werhane 2002: 34).

Moral imagination at the organizational and industry levels has been an essential, if not catalytic, feature of the ongoing transformation of a number of industries (Arnold/Hartman 2003). Prior analysis has focused on the labor practices in the global apparel and footwear industry. The current analysis explores the concept of deviance in entrepreneurship as a second test case for this construct. Do entrepreneurial ventures that deviate positively from ethical norms exist as a result of some facilitating mechanism that encourages moral imagination, and thus inspires positive deviants, or is there in fact an alternate catalyst(s), or some combination of variables?

4.   Positive Ethical Deviance in Entrepreneurial Environments

Skeptics could argue that MNCs and other large organizations are able to positively deviate from accepted ethical norms because of their established resources. It could be argued that entrepreneurial start-ups may not have this "luxury" as they are still actively in the process of securing crucial resources from the environment, and need to establish legitimacy. Indeed the issue of legitimacy has been shown to be important to successful entrepreneurial outcomes, suggesting the need for new businesses to conform at some level to established norms (Singh et al. 1986; Zuckerman 1999).

At the same time, the issue of innovation, itself a case of positive deviance at a strategic level, is at the very heart of the concept of entrepreneurship. "The different employment of the economic system's existing supplies of productive means" is central to the concept of new combinations (Schumpeter 1934: 68). Entrepreneurs are seen as the individuals whose function it is to carry out new combinations (Schumpeter 1934: 74); those who create innovative, rather than purely incremental, versions of existing entities. Schumpeter sees these new combinations, as a rule, embodied in new firms rather than arising out of established organizations. In this sense, successful entrepre-

neurs conform to the description provided above of classic deviants, employing their imaginations to envision and actualize new possibilities. These new possibilities however are frequently observed and researched at a strategic, rather than an ethical, level.

Although an established area of the general management and strategy literature, the issue of ethics is rarely discussed in the field of entrepreneurship. As analyzed by Wilson/Kickul (2005), Schumpeter (1934) fundamentally views the impulse of alluring profit as the overriding driver in economic development. Moreover, we contend that in the intervening decades since Schumpeter's seminal work the prevalent assumption which underpinned the accepted process of venture creation and outcomes was the idea that new ventures and their creators are driven by profit maximization motives, with the literature widely assuming economic motives as the sole or at least primary purpose of new organization creation (Baumol 1993; Cole 1965; Kirzner 1985). These themes continue to pervade current literature and the definitions of entrepreneurship, seeing the entrepreneurial process as one based on recognizing the value of resources and "exploiting" them for economic success (Shane/Venkataraman 2000). Further, entrepreneurial opportunities are seen to be "aspects of the environment that represent potentialities for profit-making" (Shane et al. 2003). These definitions of course, do not preclude ethical behavior, but at the same time our analysis suggests that they do little to account for the fact the entrepreneurs can, and do, also positively deviate from accepted ethical norms, forming new organizations that display unusual, novel and creative approaches to ethical norms. We are specifically interested here in for-profit firms, as opposed to those non-profits organized particularly for social purposes. Our analysis surrounds those individuals who do not see profitability for themselves, and their investors, as inconsistent with accountability to a wider group of stakeholders including employees, the community, and the environment. The individuals included in this review, therefore, are entrepreneurs with successful track records of making a profit, and building viable companies, but who have also done so in socially constructive ways. Though some may contend that these economically successful examples may not be sufficiently generalizable to serve as realistic models, it is precisely their success in economic terms that allows them to redefine the paradigm of success for others in their industries. Their deviation from the norms, both in terms of their expectations as well as their actual implementation of socially responsible behavior, effectively serves as evidence of the potential for success for those firms who opt to deviate by pursuing financial goals simultaneously with social goals. Further, we assert that the prevailing assumptions underlying entrepreneurship provide little explanation about why and how some for-profit entrepreneurs choose to be positive ethical deviants, including in the area of employee policies and their impact on human rights.

Despite the common definitions and assumptions underpinning entrepreneurship, a few scholars suggest that economic gain is not the only, or at least not the key, motive for all entrepreneurs. For example, Newbert (2003) demonstrates that both economic and ethical motivations were seen to drive entrepreneurial activity. Moreover, Wiklund et al. (2003), suggest that "non-economic" concerns may be more important than anticipated financial gain to some small business managers when considering their motivations to expand their firms. Concretely, concern over employee well-being was

348

seen to be important, and was interpreted by the authors as a motivation for the "positive atmosphere" for the small venture. As previously suggested by Wilson/Kickul (2005), the dearth of evidence in this arena represents an important gap in the literature.

While positive deviance is defined at multiple levels of MNCs (individual, work group, program, system, and organizational), the *individual* remains the primary instigator of deviance in the entrepreneurial venture. In many respects, the individual entrepreneur *is* the company. Ultimately it is "a person, in whose mind all of the possibilities come together" to create a new organization (Shaver/Scott 1991). It is interesting to note that the crucial role of individuals in the entrepreneurial process was greatly downplayed and deemphasized for many years in the literature. "Through the years, more and more of these psychological characteristics have been discarded, debunked, or at the very least, found to have been measured ineffectively. The result has been to concentrate on almost anything except the individual" (Shaver/Scott 1991). However, rallying cries have recently surfaced in the field to re-examine individual-level factors in the process of venture creation. Our analysis suggests that the concept of positive deviance and the presence of moral imagination are one possible productive way of analyzing individual-level factors that may account for differences in new ethical approaches in employee rights in entrepreneurial settings.

It is reasonable to assume that variance across people in terms of their motivations will affect decisions made at different points in the evolutionary process of venture creation (Shane et al. 2003). The overriding question then becomes why some individual entrepreneurs, and not others, focus on creating business that not only have economic value creation as a primary driver, but also some form of "social value" creation, including positive deviance from accepted ethical norms. Why do some entrepreneurs strive to do "good" while also doing "well" in economic terms?

The organization behavior-based concept of *institutional theory* contends that organizations are influenced by the institutions which are at work within a given organizational field. In this context, the word "institution" does not refer to an organization or association, but instead encompasses the "rules, norms, and beliefs that describe reality for the organization" similar to the "institution of marriage" (Hoffman 1999). The institutions in a particular industry, therefore, provide the structure, framework and parameters within which organizations engage and otherwise conduct their businesses and business decision-making.

Classical neo-institutional theory has often been criticized for its lack of emphasis on change or, for purposes of this discussion, active deviance from norms. In explaining how traditional system parameters create strong pressures for organizations, including entrepreneurial ventures, to strive for legitimacy, the isomorphic nature of industries, rather than paradigm-breaking organizations, has been emphasized. More recent work in the institutional tradition, however, has focused on the evolution of those institutions. There is recognition that the entrepreneur is embedded in a set of constraining expectations; the institutional entrepreneur finds – for whatever reason – the means by which to break free of the social embeddedness of that cultural network (Reynolds

1991; Thornton 1999).[2] The emphasis has been on the new forms of debates that arise, the triggering events that cause these debates, and how they in turn cause a "reconfiguration" of actors, power and positions (e. g. Hoffman 1999). *Institutional entrepreneurship* is a new offshoot of the relatively established field of institutional theory, addressing the issue of change in a given industry, and considering how and why *new institutions* arise (Maguire et al. 2003). Institutional entrepreneurship represents the collective "activities of actors who have an interest in particular institutional arrangements, and who leverage resources to create new institutions or to transform existing ones" (Maguire et al. 2003). "New institutions arise when organized actors with sufficient resources (*e. g. institutional entrepreneurs*) see in them an opportunity to realize interests that they highly value" (DiMaggio 1988). The key issue here is the idea of entrepreneurs with specific interests that they believe have value. These interests may include more ethical practices and ways of doing business than the industry norms. That entrepreneurs have the imagination to create innovative, paradigm-altering products and services is not questioned. However, we suggest that the entrepreneurs who thereby create mold-breaking for-profit, but also simultaneously *ethical*, business models are the ones that also have the ability to positively deviate from accepted ethical norms because of their ability to employ moral imagination.

The literature on institutional entrepreneurs focuses largely on the strategies and tactics used in this deviance, including coalition building (Suchman 1995; Maguire et al. 2003; Rao et al. 2000), coordination of activities (Jennings/Zandbergen 1995; Aldrich/Fiol 1994; Hoffman 1999), legitimacy building (Aldrich/Fiol 1994; Suchman 1995) and de-institutionalization (Rao et al. 2000). This leaves unanswered the question of who is capable of becoming an institutional entrepreneur, what background and motivations they will have, and what special abilities or mental models they will possess. We suggest that moral imagination is one possible mechanism that explains why some, and not other, entrepreneurs are able to deviate positively in ethical terms. As outlined above, the positive side of moral imagination permits us to create possible worlds that are morally better than the current one. It allows us to be aware of both the conventional ways of doing business (the existing institutions) as well as possibilities for doing business differently (creating new institutions). The following section outlines several examples of entrepreneurs who have demonstrated positive deviance in ethical norms through the use of moral imagination.

5. Connecting the Positive Ethical Deviance in Entrepreneurial Ventures with Structures and Leadership that Encourage Moral Imagination

As noted above, moral imagination requires an awareness of the particular; a capacity for productive imagination: awareness of an "incomplete, perhaps even limiting or distorting script" and a willingness to challenge that script; the capacity for creativity;

---

[2]   Though beyond the parameters of the current discussion, for a comprehensive treatment of the evolution of the impact of relationally embedded network ties on the economic decisions of entrepreneurial ventures, see Hite (2005). The concept was first raised by Cantillon ([1755] 1964) and has been the subject of entrepreneurship theory since that time. A valuable review of this progression can be found in Almbjerg/Vendelø (2005).

and the ability to envision and actualize novel, morally justifiable possibilities through a fresh point of view or conceptual scheme. Entrepreneurs may often evidence standard imagination in a variety of ways that lead to the characterization of their organization as unusual, novel and creative, often differentiating themselves from their larger and more ensconced competition. However, the positive deviance that is considered in the current discussion is that creativity that is specifically grounded in *moral* imagination. In other words, it is not merely imagination or creativity that we seek to describe but instead that which thereby leads to positive ethical deviance.

Positive ethical deviance may take many forms, depending on the industry or organization involved. In previous work, two of the current authors explored the nature of positive deviance in the global footwear and apparel industry (Arnold/Hartman 2005a). In the current analysis, we have identified and offer two entrepreneurial ventures as examples that demonstrate moral imagination in action through individual-level factors such as visionary leadership.

Eileen Fisher

Eileen Fisher established her corporate clothing manufacturing and retail entity with 10 people in 1990. By 1998, the firm had grown to 325 employees. Through expeditious growth, the organization has remained private, permitting Fisher to retain significant control of its culture, direction and purposes. Evidence of Fisher's moral imagination is seen both in her visionary leadership and impact on the culture of the organization, as well as in the structures that she has created within the organization to perpetuate imagination and accountability. Therefore, moral imagination is inspired at the individual level in this case, and reinforced through the organizational level.

As with many entrepreneurs, Fisher claims to have begun her business "with $350 and a vision." From its inception, Fisher's organization recognized its role in its industry and engaged in a number of initiatives including those described below. The fact that Fisher established these initiatives at the origins of her organization demonstrates an *awareness of the particular* with regard to the context and role relationships involved in her industry. Recognizing the incomplete accountability of other players in that industry, Fisher instead opted to establish her firm with a vision that was larger than simply retailing clothing. It is this capacity for creativity that seems to have carried the firm towards greater long-term sustainability as well as positive ethical deviance.

The segment of her mission that commits to individual growth and well-being is defined as applying passion and creativity, skills and strength to the work conducted; nourishing well-being in mind, body and spirit; and honoring the balance between work and home life (Eileen Fisher Co. undated). Her commitment to collaboration is based in the interest in creating "something together that is greater than any one of us could alone." Her definition of social consciousness and that of her organization includes the responsibility to practice business responsibly with absolute regard for human rights; to guide product and practice toward environmental sustainability; and to support women through social initiatives that address their well-being.

With these parameters in place, it is critical that leadership in the organization reinforce the priorities in an integrated way. Fisher is known for her vision and explains

that it is this vision that has impacted her positive ethical deviance. Her practices and those of her organization reinforce this vision in ways that support the original mission. One area of positive ethical deviance in her field involves her investment in her employees. In an industry that focuses on fractions of pennies of margin through aggressive cost control, Fisher's official founding mission was, and is, to encourage individual growth, collaboration, and social consciousness (Eileen Fisher Co. undated). The firm gives employees a sense of ownership by sharing at least 10% of pretax profits with them each year. She provides unusually generous health and educational benefits; and, Fisher extends these principles overseas, where 65% of her clothes are manufactured in China. Fisher strictly rejects sweatshops, but her company is also only 1 of 3 in the U.S. (and the only clothing designer) that comply with the strict workplace standards administered by Social Accountability International's factory certification system, which seeks to implement an auditable code of conduct across industries. These standards cover child labor, forced labor, health and safety, freedom of association, discrimination, disciplinary practices, wages, working hours, and management systems at factories around the globe. Though many multinationals contend that "they do not have their internal management systems in place to make sure that their codes are being implemented, let alone have external auditors monitor them," Eileen Fisher is not only committed to their implementation, but was one of the first signatories (Plamondon 1999). As a smaller entrepreneur, Fisher did not have the resources necessary to establish an in-house auditing function as a firm like Levi Straus & Co. might have, for example. Instead, Fisher sought an acceptable external standard and support (Tsogas 2003). Her awareness of the particular context of the apparel industry and the critical need for standards and monitoring was supported by her capacity for productive imagination and creativity in identifying alternative approaches – and in fact serving as a leader in the field.

In support of the broad prescriptions of her mission, Fisher introduced in 2005 the Vision Grant Program for Women-Owned Businesses. Through this program, for-profit women-owned business can receive $10,000 grants based on evidence of a strong vision and a solid business plan. These activities are not merely recent efforts; from the commencement of her firm, Fisher's capacity for productive imagination was evident. When it was first established, the firm sought to hire salespeople who had never before worked as salespeople since Fisher wanted to ensure that her customer stakeholders were not treated only as "buyers" and pushed to purchase garments. Since that time, she has funded initiatives that support low-income women in gaining access to health care and that address other challenges they face in their daily life. Eileen Fisher funds programs through community partners that help these women gain access to "innovative, income-generating solutions" (Tsogas 2003).

Fisher developed her sense of employee rights, working as a teenager in fast food restaurants. Because of her early experiences which she found demeaning and frustrating, Fisher encourages employees to move around within the company and find jobs they feel passionate about. Despite the challenges faced as the company expands, Fisher demonstrates an awareness of the limiting scripts in the apparel industry and a willingness to challenge that script. Through the ability to envision and then make real a fresh approach, she is challenging industry ethical norms with respect to employee

practices. In continuing to rewrite the scripts of the apparel industry with regard to respect for human dignity, Fisher demonstrates the moral imagination both in her leadership as well as in the structures she has created that generates positive ethical deviancy.

Seventh Generation

Seventh Generation, the leading brand in the natural household products market, is another example of visionary entrepreneurial leadership at the individual level which translates into a sustaining culture and structure at the organizational level inspiring moral imagination. It is this structure which then supports positive ethical deviance while allowing it to grow at a pace of 25% per year for the past five years (Seventh Generation 2003). In an industry that for decades has been focused on product enhancements and market share, with little regard for environmental impact, entrepreneur Jeffrey Hollender acquired a small mail order catalog of energy conservation products, and transformed it into a fast-growing company offering natural home products. As founder, Hollender claimed that there was the possibility of a different way to clean one's home, encouraging a positive difference in the health of the planet and its inhabitants through everyday choices, a positive deviation from the norm in the industry. The firm manufactures paper towels, bathroom and facial tissue, napkins and paper plates made from 100% recycled fiber and manufactured without the use of chlorine bleach; cleaning and laundry products that are renewable resource based, phosphate free, and biodegradable; natural baby diapers and wipes; plastic trash bags made from 80% recycled plastic; and full spectrum light bulbs. By his commitment to positive ethical deviance in the household products industry, Hollender demonstrates visionary leadership.

The name of the company is inspired by Native American values which say that "in our every deliberation we must consider the impact of our decisions on the next seven generations." The idea that the environment is only temporarily entrusted to us and our actions upon it will affect it well into the future is a guiding part of their philosophy of restoring and protecting the earth for our children and all who will follow in our path.

At the individual level, Hollender is clear in the evangelical nature of his message and strives to buttress that message through the structures and attitudes of his organization. It is his contention that responsible corporate behavior is an imperative rather than something a handful of businesses choose to do (Hollender undated). "When business becomes the most powerful institution in our society, it can't escape being held to some level of ethical and moral accountability. If the most powerful institutions in our world refuse to be held accountable then certainly there is no hope for the future. Fortunately, our society has awoken to this obligation and our citizens will no longer let business avoid taking responsibility" (Hollender undated).

Seventh Generation's mission is to provide safer and healthier alternatives to conventional household products that can harm the Earth and its inhabitants, and to do so through a financially sustainable company. All Seventh Generation products are designed to work as well as their traditional counterparts, but use renewable, non-

toxic, phosphate-free and biodegradable ingredients. Seventh Generation strongly opposes animal testing and supports all efforts to develop alternatives to animal testing. In addition, Seventh Generation has consistently supported community organizations and environmental non-profits with product donations and a limited number of cash contributions. The Company has launched a number of its own campaigns including a petition to expand the number of chemicals covered under the current Right To Know Law, and a campaign to encourage United States tissue manufacturers to stop bleaching their paper with chlorine compounds and, if they chose to continue chlorine bleaching, to disclose this fact on product packaging. These initiatives constitute an awareness of the limiting script in the household products industry and a willingness to challenge that script.

Contrary to some industries or systems, and evidencing an awareness of the context and role relationships in his own professional environment, Hollender emphasizes that his vision is realizable since there are few rules, benchmarks or clearly defined road maps in his industry. This flexibility has allowed him to create structures to underpin the development of moral imagination beyond the individual level – his own visionary leadership. "We do practice a whole variety of techniques to help ensure that we behave in a manner that is in keeping with our values – it all starts with those values. Developing a culture that both understands and is committed to those values is essential. Articulating the behaviors that are consistent with those values and creating benchmarks to monitor your behavior against your values is a discipline we are just learning to master" (Hollender undated). The structures that have been vital to this effort at Seventh Generation include those that one might find to be evolving norms in the industry: respectful employee benefits, community involvement, charitable donations, customer service with a stakeholder perspective and quality products.

However, Seventh Generation strives to deviate positively in other ways. These structures are embedded in the core of the firm through an intentional process of values integration in the organization. Once values were defined, the organization identified specific behaviors and actions in which it could engage to support each value (Seventh Generation 2003). For instance, the metrics it uses to assess its success include the honesty and completeness of the communication between staff members as well as with customers and other stakeholders; the safety level of challenging one's superior ("how many people are willing to show up and sit across from me and let me know that they feel that my own behavior seems to conflict with our stated values?" asks Hollender); employee turnover, and reasons for departures. Seventh Generation asks to what extent its products and company depletes the planet of non-renewable resources, creates greenhouse gasses or produce solid waste, and other non-standard variables. The structures that support this positively deviant culture include full day staff retreats where employees' capacity for creativity is valued in that they are asked to actualize novel possibilities from diverse perspectives. They are asked to explore the firm's values, its integrity (how well it is evidencing those values), and how to better represent the values. Of significance is the fact that Seventh Generation also rewards individuals based on these same metrics in order to further encourage moral imagination and ethical problem-solving. The company integrates personal-, community- and value-based goals into workers' job description and performance expecta-

tions, basing bonuses in part on employees' success in achieving their personal and community goals. The firm also provides coaches to facilitate interpersonal development, provides on-site massages, and requires each employee to serve on a committee to ensure their involvement in the moral development of the firm.

Hollender and Seventh Generation feel a specific obligation toward positive ethical deviance. As stated in its Annual Corporate Responsibility Report, Seventh Generation "has been a business operated according to a new and different set of principles, values that in many ways are a marked departure from those long considered "traditional." We have focused on offering people avenues not to express their greed and ambition but their idealism, passion, and commitment to causes larger than themselves. We have promoted this approach to doing business not only among our management and employees, but at every point along our supply chain from our suppliers and partners to our shareholders and customers" (Seventh Generation 2003).

One of the critical features of positive ethical deviance, that allows it to be a force in the industries in which it is found, is the communication of its nature as a model. Where firms engage in positively deviant ethical behavior, others in that industry come to be aware of the context as well as morally justifiable possibilities that perhaps they had not previously considered feasible or practical. The transmission of this information is therefore vital to its impact. Hollender, through his approach to Seventh Generation and to the communication of his values, represents the manner in which these models can consequently be shared. "Jeffrey Hollender represents the next wave of environmental leaders – people who produce visible examples of how we need to do things and show artistry in pointing the way to better design," says Peter Bahouth, former Executive Director of Greenpeace (Hollender undated).

6. Conclusion: Does Positive Deviance Inspired by Moral Imagination Play a Role in Entrepreneurial Environments?

The purpose of this paper has been to extend the concept of positive ethical deviancy, and moral imagination as one possible explanation for this deviancy, to the *entrepreneurial* environment. We examined positive ethical deviance in firms that, from their inception, display positive deviance from established ethical industry norms. In other words, our focus has been on firms that do not deviate positively under pressure, or for other externally imposed reasons, but instead those that make a conscious and deliberate choice to adopt new and often radical approaches to ethical issues at their origins. Our focus has also been explicitly on the case of for-profit entrepreneurs and those individuals who aim to build profitable and viable companies in a socially constructive way.

Our analysis has identified a gap in the entrepreneurship literature, which primarily sees the entrepreneurial process as one based on recognizing the value of resources and "exploiting" them for economic success (Shane/Venkataraman 2000) and entrepreneurial opportunities as potentialities for profit-making (Shane et al. 2003). We have suggested instead that, while these definitions do not preclude ethical behavior, they do little to account for the fact the entrepreneurs can, and do, also positively deviate from accepted ethical norms. We have asserted that the prevailing assumptions underlying entrepreneurship provide little explanation about why and how some

for-profit entrepreneurs choose to be positive ethical deviants, including in the area of employee policies and their impact on human rights, when they certainly have well-documented alternatives if profit is the sole motivating objective. The literature of institutional entrepreneurship has value in describing the activities of actors who go beyond entrepreneurship solely for profit motives, but those who also have an interest in particular institutional arrangements, and who leverage resources to create new institutions or to transform existing ones (Maguire et al. 2003) and see in them an opportunity to realize interests that they highly value (DiMaggio 1988). At the same time, the questions remain unanswered of who is likely to become an institutional entrepreneur, what background and motivations they will have, and what special abilities or mental models they will possess. We suggest that moral imagination is one possible mechanism that explains why some, and not other, entrepreneurs are able to deviate positively in ethical terms.

The success of positive strategic and ethical deviants such as Eileen Fisher and Jeffrey Hollender, however, raise numerous questions for future investigation. First, why do some entrepreneurs exhibit visionary leadership, via the exercise of moral imagination and ethical positive deviancy, while others do not? Is it simply distinctions in individual character or personalities or are there other antecedents of ethical deviance to which research can point and therefore possibly cultivated in future leaders? Either answer could provide fruitful fodder for further inquiry and development. Second, to what extent, if at all, is such a form of leadership instrumental in the strategic success (or lack thereof) of the company? Third, do entrepreneurs have an obligation to be positive ethical deviants, or is ethical deviance among entrepreneurs always supererogatory? After all, if the norms within an industry were found already to be ethically sound, then positive deviation would seem to be optional. On the other hand, if an industry's ethical norms were determined to be largely unethical, then any entrepreneur in that industry would have an obligation to be a positive ethical deviant. Answering questions such as these will help us to gain better understanding of ethical entrepreneurship, and the ways in which ethical entrepreneurship can be fostered and nurtured, thereby providing a better understanding of the ethical practice of business.

References

Aldrich, H. E./ Fiol, C. M. (1994): Fools rush in? The Institutional Context of Industry Creation, in: Academy of Management Review, Vol. 19: 645-670.

Almbjerg, S.K./ Vendelø, M.T. (2005): Entrepreneurship and social capital in movement: A literature review, presented at the Copenhagen Conference on Strategic Management – Building Competitive Advantage: The Roles of Entrepreneurship and Innovation, http://www.cbs.dk/content/download/33864/471546/file/CCSM2005%20Full%20Paper%20Almbjerg,%20Vendeloe.pdf.

Arnold, D./ Bowie. N. (2003): Sweatshops and Respect for Persons, in: Business Ethics Quarterly, Vol. 13/No. 2: 221-242.

Arnold, D./ Hartman, L. (2003): Moral Imagination and the Future of Sweatshops, in: Business & Society Review, Vol. 108/No. 4: 425-461.

Arnold D./ Hartman, L. (2005a): Beyond Sweatshops: Positive Deviancy and Global Labor Practices, in: Business Ethics: A European Review, Vol. 14/No. 3: 206-222.

Arnold, D./ Hartman L. (2005b, forthcoming): Worker Rights and Low Wage Industrialization: How to Avoid Sweatshops, in: Human Rights Quarterly.

Baumol, W.J. (1993): Formal Entrepreneurial Theory in Economics: Existence and Bounds, in: Journal of Business Venturing, Vol. 8/No. 3: 197-210.

Bronowski, J. (1978): The Origins of Knowledge and Imagination, New Haven: Yale University Press.

Brook, A. (1975): Imagination, Possibility and Personal Identity, in: American Philosophical Quarterly, Vol. 12: 185-198.

Cantillon, R. ([1755] 1959): Essay on the Nature of Trade in General (Higgs, H., trans.), London: Frank Cass & Co.

Cole, A. (1965): An Approach to the Study of Entrepreneurship: A Tribute to Edwin Gay, in: Aitken, H. D. (Eds.): Explorations in Entrepreneurship, Cambridge, MA: Harvard University Press.

Collingwood, R. G. (1938): The Principles of Art, Oxford: Oxford University Press.

DiMaggio, P. J. (1988): Interest and Agency in Institutional Theory, in: Zucker, L. G. (Eds.): Institutional Patterns and Organizations: Culture and Environment, Cambridge, MA: Ballinger: 3-21.

Eileen Fisher Co. (undated): Mission Statement, http://www.eileenfisher.com/scripts/ecatalogisapi.dll/ group?group=4103&Template=9990000001009050.

Hite, J. M. (2005): Evolutionary Processes and Paths of Relationally-Embedded Network Ties in Emerging Entrepreneurial Firms, in: Entrepreneurship Theory and Practice, Vol. 29/No. 1: 113-144.

Hoffman, A. (1999): Institutional Evolution and Change: Environmentalism and the U.S. Chemical Industry, in: Academy of Management Journal, Vol. 42: 351-371.

Hollender, J. (undated): What Matters Most, http://www.whatmattersmost.biz/.

Hume, D. (1978): A Treatise of Human Nature, in: Selby-Bigge, L. A./ Nidditch, P. H. (Eds.), Oxford: Oxford University Press.

Jennings, P./ Zandbergen, P. (1995): Ecologically Sustainable Organizations: An Institutional Approach, in Academy of Management Review, Vol. 20/No. 4: 1015-1052.

Johnson, M. (1993): Moral Imagination: Implications of Cognitive Science for Ethics, Chicago: University of Chicago Press.

Kant, I. (1929): Critique of Pure Reason (Smith, N. K. trans.), London: Macmillan & Co.

Kant, I. (1911): Critique of Aesthetic Judgment (Meredith, J.C.), Oxford: Clarendon Press.

Kekes, J. (1991): Moral Imagination, Freedom, and the Humanities, in: American Philosophical Quarterly, Vol. 28/No. 2: 101-111.

Kirzner, I. (1985): Discovery and the Capitalist Process: Chicago: University of Chicago Press.

Lovibond, S. (1983): Realism and Imagination in Ethics, Minneapolis: University of Minnesota Press.

Maguire, S./ Hardy, C./ Lawrence, T. (2004): Institutional Entrepreneurship in Emerging Fields: HIV/AIDS Treatment Advocacy in Canada, in: Academy of Management Journal, Vol. 47/No. 5: 657-659.

Newbert, S. (2003): Realizing the Spirit and Impact of Adam Smith's Capitalism through Entrepreneurship, in: Journal of Business Ethics, Vol. 46: 251-261.

Plamondon, C. (1999): SA8000: An Important Step Towards the Elimination of Abusive Working Conditions, in: Management Ethics (July).

Rao, H./ Morrill, C./ Zald M. (2000): Power Plays: How Social Movements and Collective Action Create New Organizational Forms, in: Research in Organizational Behaviour, Vol. 22: 239-282.

Reynolds, P. D. (1991): Sociology and Entrepreneurship: Concepts and Contributions, in: Entrepreneurship Theory & Practice, Vol. 16/No. 2: 47-70.

Ryle, G. (1949): The Concept of Mind, Chicago: University of Chicago Press.

Schumpeter, J. A. (1934): The Theory of Economic Development, Cambridge, MA: Harvard University Press.

Siebert, D. T. (1990): The Moral Animus of David Hume, Newark: Univ. of Delaware Press.

Seventh Generation (2003): Corporate Responsibility Report, http://www.whatmattersmost.biz/pdfs/7thGenCSR.pdf.

Shane, S./ Locke, E./ Collins, C. (2003): Entrepreneurial Motivation, in: Human Resource Management Review, Vol. 13: 257-279.

Shane, S./ Venkataraman, S. (2000): The Promise of Entrepreneurship as a Field of Research, in: Academy of Management Review, Vol. 25/No. 1: 217-226.

Shaver, K./ Scott, L. (1991): Person, Process, Choice: The Psychology of New Venture Creation, in: Entrepreneurship Theory and Practice, Vol. 16/No. 2: 23-47.

Singh, J. V./ Tucker, D. J./ House, R. J. (1986): Organizational Legitimacy and the Liability of Newness, in: Administrative Sciences Quarterly, Vol. 31/No. 2: 171-193.

Sternin, J./ Choo, R. (2000): The Power of Positive Deviancy, in: Harvard Business Review: 14-15.

Suchman, M. (1995): Managing Legitimacy: Strategic and Institutional Approaches, in: Academy of Management Review, Vol. 20: 571-610.

Thornton, P. H. (1999): The Sociology of Entrepreneurship, in: Annual Review of Sociology, Vol. 25: 19-46.

Tsogas, G. (2003): Corporate Codes of Conduct and Labor Standards: Developing the Human Rights Function in HRM, http://www.fu-berlin.de/iira2003/papers/track_3/Workshop_3_3_Tsogas.pdf.

Warren, D. (2003): Constructive and Destructive Deviance in Organizations, in: Academy of Management Review, Vol. 28/No. 4: 622-632.

Werhane, P. (1999): Moral Imagination and Management Decision Making, New York: Oxford University Press.

Werhane, P. (2002): Moral Imagination and Systems Thinking, in: Journal of Business Ethics, Vol. 38: 33-42.

Wiklund, J./ Davidsson, P./ Delmar, F. (2003): What Do They Think & Feel About Growth? An Expectancy-Value Approach to Small Business Managers' Attitudes towards Growth, in: Entrepreneurship: Theory & Practice, Vol. 27/No. 3: 247-270.

Wilson, F./ Kickul, J. (2005): For What, For Whom?: Examining The Diverse Motives of Future Female and Male Entrepreneurs, manuscript currently under review by the United States Association Small Business and Entrepreneurship Conference 2006.

Young, J. M. (1988): Kant's View of Imagination, in: Kant-Studien, Vol. 79: 140-164.

Zuckerman, E. W. (1999): The Categorical Imperative: Securities Analysts and the Illegitimacy Discount, in: American Journal of Sociology, Vol. 104/No. 5: 1398-1438.