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EXPLORING ENTREPRENEURSHIP AS MISBEHAVIOR

Erik Lundmark and Alf Westelius

ABSTRACT

Purpose – To explore the links between entrepreneurship and misbehavior.

Approach – Conceptual development using cases as illustrative examples.

Findings – The chapter finds that there is an overlap between the way misbehavior is defined and the way entrepreneurship is conceptualized in the literature. It also finds previous research, distinguishing between desirable and undesirable misbehavior based on the intentions or the outcomes of behavior, insufficient in relation to entrepreneurship as misbehavior. The reason is that for entrepreneurial ventures, the underlying intentions are often good, but the outcomes often not; and that making assessments of the outcomes of entrepreneurial ventures a priori is notoriously difficult. Assessing misbehavior based only on organizational level evaluations is likewise insufficient in relation to entrepreneurship. The reason for this is that support for the venture may be needed also from actors outside of the organization. Furthermore, what constitutes the organization is not always clear. Therefore, we argue that it is necessary to broaden the view of what institutions determine whether a venture classifies as misbehavior when analyzing entrepreneurship.

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Research limitations – *The cases used to illustrate the overlap between entrepreneurship and misbehavior are conspicuous and not necessarily representative of entrepreneurship and misbehavior in general.*

Originality – *This is a first attempt at merging the misbehavior and entrepreneurship literatures, which highlights an important niche with a great promise for future research.*

Keywords: Deviance; entrepreneurship; misbehavior; norm; rule; institution

Without deviation from the norm progress is not possible.

– Frank Zappa

INTRODUCTION

This chapter focuses on misbehavior as deviance from norms and rules that is driven neither by a wish to hurt the organization, nor by a wish to resist perceived unfairness. The driving force behind the type of misbehavior this chapter focuses on is the wish to pursue an entrepreneurial opportunity. Such wishes, in turn, can stem from a desire for personal gain, for organizational gain, to realize a vision, or a combination thereof.

This chapter builds on the emerging literature that focuses on the deviant nature of misbehavior. In the literature, this phenomenon is sometimes referred to as *misbehavior* (e.g., Vardi & Wiener, 1996) and sometimes as *deviance* (e.g., Galperin, 2003; Robinson & Bennett, 1995). Despite the different labels, the definitions are very similar (cf. Robinson & Bennett, 1995; Vardi & Wiener, 1996). In this chapter, we use the terms deviance and misbehavior interchangeably, and we find that their definitions, in fact, would incorporate many entrepreneurial ventures. For example, Robinson and Bennett (1995, p. 556) define deviance as “voluntary behavior that violates significant organizational norms and in so doing threatens the well-being of an organization, its members, or both.” Although Robinson and Bennett’s (1995) definition was adopted by Galperin (2003) to specifically denote *destructive* deviance, it could also be used to denote many entrepreneurial ventures. This is because entrepreneurship: is associated with breaking habits, norms, and rules (Johannisson, 2002; Weiskopf & Steyaert, 2009; Wright & Zahra, 2011); can take place within established organizations (Sharma & Chrisman, 1999); and is fraught with risk and uncertainty

(Aldrich & Auster, 1986; Aldrich & Ruef, 2006; Knight, 2002; Lundmark & Westelius, forthcoming). Although this type of misbehavior is risky, it can also have positive consequences for the organization, its members, or both. Research on the positive consequences of misbehavior is a neglected area of the literature and one requiring further research (Richards, 2008).

In order to develop previous conceptualizations of misbehavior, this chapter draws on the emerging strand of research that focuses on the dark side of entrepreneurship (e.g., Baumol, 1990; Kets de Vries, 1985; Osborne, 1991; Shane, 2008; Webb, Tihanyi, Ireland, & Sirmon, 2009; Wright & Zahra, 2011) and the limited work that emphasizes positive aspects of misbehavior as deviance and rule-breaking (e.g., Galperin, 2003; Morrison, 2006; Spreitzer & Sonenshein, 2004; Vardi & Wiener, 1996). In doing so, it explores links between entrepreneurship and misbehavior theoretically and empirically.

The chapter is structured as follows: in the next section, we review the entrepreneurship literature with the aim of providing a conceptualization of entrepreneurship and how it relates to institutions such as norms, rules, and laws. Thereafter, we review and critique the emerging literature that focuses on conceptualizations of misbehavior as behavior that deviates from norms and rules. We find that definitions of misbehavior and conceptualizations of entrepreneurship overlap, and we argue that distinguishing between desirable and undesirable misbehavior based on the intentions or the outcomes of behavior, as is done in the existing literature, is insufficient in relation to entrepreneurship as misbehavior. The reason for this is that for entrepreneurial ventures, the underlying intentions are often good, but the outcomes often not. Furthermore, making assessments of the outcomes of entrepreneurial ventures *a priori* is notoriously difficult.

We also argue that it is necessary to broaden the view of which institutions determine whether a venture classifies as misbehavior, when analyzing entrepreneurship. The reason for this is that support for the venture may be needed also from actors outside of the organization, and what constitutes the relevant organization is not always clear. Therefore, we develop a framework for assessing entrepreneurship as misbehavior based on the reviewed literature. This framework captures the potential inconsistencies in the institutional frameworks by which behavior is assessed. In addition to these conceptual developments, the chapter discusses the links between entrepreneurship and misbehavior and uses a number of noticeable instances of independent and corporate entrepreneurship in order to illustrate how institutional constraints affect entrepreneurial ventures. Lastly, we discuss the chapter's findings and assess them critically and conclude with suggestions for further research.

WHAT IS ENTREPRENEURSHIP?

Entrepreneurship has been defined in a myriad of ways not only by practitioners but also by academics (Gartner, 1990). Perhaps the archetypical description of entrepreneurship is a process where someone starts a firm, combining means of production and labor; the process or the output is novel (an innovation); the venture is associated with risk, but if successful, rewards are great both for the founder and for society. The entrepreneur is the instigator or driving force in this process. However, Schumpeter (2008) separates the inventor, the entrepreneur, and the capitalist into three different roles that can be held not only by one person but also by different people. Differentiating between the inventor and the entrepreneur emphasizes that the entrepreneur is someone who acts on an idea, without necessarily being its originator. With the capitalist as a central figure in the trinity, entrepreneurship is a phenomenon that is strongly associated with the capitalist paradigm. In contrast, Baumol (1990) argues that entrepreneurship is always prevalent regardless of whether it is a feudal, capitalist, socialist, or other form of society, and that entrepreneurship can be more or less productive or even destructive. For example, he suggests that drug dealers and feudal warlords should be considered entrepreneurs.

More recent research has reframed the scope of entrepreneurship. In their seminal paper, Shane and Venkataraman (2000) created a framework where the discovery and exploitation of entrepreneurial opportunities constitute the focal phenomena. These processes can be instigated and driven by a single individual or many people, they can take place in new or established organizations and they are inherently associated with uncertainty. Furthermore, Shane and Venkataraman (2000, p. 220) define entrepreneurial opportunities as “those situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at [a price] greater than their cost of production.” Shane and Venkataraman (2000) acknowledge that entrepreneurship occurs for reasons other than for profit, but limit their discussion to the for-profit situation and to the capitalist paradigm. In order to provide a more general definition of entrepreneurial opportunities, Davidsson and Wiklund’s (2001) discussion is helpful. In their view, entrepreneurship is about “emergence of new economic activity” (p. 93). They highlighted that entrepreneurship takes place not only in new organizations, but also in existing organizations and in cooperation of less formal nature. In later work, they also explicitly state that *economic* has a much wider meaning than *commercial* (Wiklund, Davidsson, Audretsch, & Karlsson, 2011). Therefore, what separates

entrepreneurial opportunities from opportunities in general, is that they are associated with the emergence of new economic activity (e.g., new goods, services, and methods).¹

Although [Shane and Venkataraman's \(2000\)](#) discourse is framed in a capitalist paradigm and assumes legality, there is nothing, in principle, that prevents the phenomena of opportunity recognition and exploitation from taking place in other settings. For example, [Webb et al. \(2009\)](#), building on [Shane and Venkataraman \(2000\)](#), emphasize that some entrepreneurial opportunities exist outside of the frame of legality and legitimacy. [Webb et al. \(2009\)](#) distinguish between two types of institutions—formal (laws and regulations) and informal (norms, values, and beliefs). In their terminology, formal institutions determine legality and informal institutions determine legitimacy. Although most people have norms that roughly correspond to the legal framework, in some respects norms, beliefs, and values of large groups in society deviate from laws and regulations. For example, using undocumented labor and sharing copyrighted files over the Internet are examples of activities that are illegal (in most countries), but nevertheless deemed legitimate by large parts of the population. Consequently, some entrepreneurial opportunities may exist and may be pursued in what [Webb et al. \(2009\)](#) refer to as the informal economy. The informal economy is the part of the economy that is illegal but considered legitimate by a large portion of the population. The renegade entrepreneurs operate outside of both formal and informal institutions. Although [Webb et al. \(2009\)](#) do not give a name to the type of economy that is legal but considered illegitimate by large parts of the population, activities falling into this category are clearly conceivable. For example, prostitution is legal in many countries, but is still considered illegitimate by large parts of the population. We term this category offensive entrepreneurship.

The separation between the formal and informal types of entrepreneurship is likewise found within the corporate entrepreneurship literature ([Zahra, 1991](#)). Corporate entrepreneurship denotes entrepreneurial processes within already established firms ([Sharma & Chrisman, 1999](#)). Within this literature it is emphasized that entrepreneurial initiatives often originate from bottom-up processes (cf. [Burgelman, 1983](#); [Burgelman & Grove, 2007](#); [Kuratko & Goldsby, 2004](#)). At times these bottom-up ventures are informal, that is, they are not sanctioned formally by the organization ([Zahra, 1991](#)). In promoting their ventures, corporate entrepreneurs often have to negotiate and create coalitions in its favor. In the seminal terminology developed by [Hirschman \(1970\)](#) they have to *voice*. At times voicing may go so far as to defy top management directives. For example, the development

of the laptop by Toshiba was vetoed twice by the headquarters and consequently driven underground and developed by engineers officially working in another project (Abetti, 2004). In face of too harsh resistance, corporate entrepreneurs may opt to cease pursuing the venture, which corresponds to *loyalty* in Hirschman’s (1970) terminology. However, the entrepreneur may also opt to leave their organization and start their own firm, an action that Hirschman (1970) refers to as *exit*.

As illustrated in Table 1, entrepreneurs *can* break norms or laws (or both) in their pursuit of entrepreneurial opportunities. In other words, entrepreneurial action (i.e., pursuing entrepreneurial opportunities) is only partly constrained by institutions (Webb et al., 2009). In addition, the strategies employed by entrepreneurs to respond to institutional pressures may influence the very institutional framework in which they find themselves and their organizations (Oliver, 1991). Thus, some scholars use the term institutional entrepreneurship in reference to entrepreneurial actions that reshape our institutional frameworks (cf. Aldrich, 2010, 2011). Conspicuous firms like Ford, IKEA, and McDonalds have reshaped not only peoples’ habits but also their view of reality (Johannisson, 2002). However, these processes are not predictable. As humans are myopic to the impact of their ventures in the market place (Lundmark & Westelius, forthcoming), they are even more so with regards to their impact on institutions (Aldrich, 2010, 2011). Of course, this has neither stopped people from starting firms, nor from trying to influence institutions. In other words, despite being unable to control and foresee the outcome of their actions, entrepreneurs start ventures, which inevitably involve uncertainty (Knight, 2002), and great variance in outcomes (Shane, 2008). As entrepreneurs strive to introduce new products, services, methods, or to reach new groups with existing ones, they often find themselves in conflict with existing norms and rules. These conflicts

Table 1. Typology of Entrepreneurship Based on Institutional Trespassing.

	Legality	
	Legal	Illegal
<u>Legitimacy</u>		
Legitimate	Formal entrepreneurship	Informal entrepreneurship
Illegitimate	Offensive entrepreneurship	Renegade Entrepreneurship

sometimes stifle entrepreneurial ventures, at other times redirect entrepreneurial effort (cf. [Baumol, 1990](#)) and sometimes lead to the emergence of new institutions such as norms, rules, and laws.

MISBEHAVIOR AND INSTITUTIONAL FRAMEWORKS

The concepts incorporated under the large umbrella of misbehavior include deviance, resistance, antisocial behavior, social loafing, dysfunctional behavior, aggression, violence, counterproductive behavior, sexual harassment, delinquency, vice, retaliation, and revenge ([Collinson & Ackroyd, 2006](#); [Sagie, Stashevsky, & Koslowsky, 2003](#); [Shamsudin, 2006](#); [Ackroyd, 2012](#)). While most of these concepts have negative connotations, recent research emphasizes that misbehavior in the form of rule and norm breaking can lead to positive outcomes ([Appelbaum, Iaconi, & Matousek, 2007](#)). For example, [Galperin \(2003\)](#) includes some innovative and entrepreneurial behavior in the concept of workplace deviance. With such a wide variety of possible behaviors, definitions of misbehavior vary substantially between authors. For example, [Ackroyd and Thompson \(1999, p. 2\)](#) include “anything you do at work you are not supposed to do.” Others focus specifically on acts that are intended to harm, or that have negative consequences (for reviews see [Collinson & Ackroyd, 2006](#); [Shamsudin, 2006](#); and [Richards, 2008](#)).

This chapter adopts a definition of misbehavior that is centered on the institutional framework in the focal context. This definition is based on the emerging literature that emphasizes the deviant nature of misbehavior. In this literature, misbehavior is seen as the conscious breaking of institutional constraints such as norms and rules. For example, [Collinson and Ackroyd \(2006, p. 306\)](#) define misbehavior as “self-conscious rule-breaking”; [Vardi and Wiener \(1996, p. 151\)](#) define it as “any intentional action by members of organizations that violates core organizational and/or societal norms”; [Robinson and Bennett \(1995, p. 556\)](#) specifically focus on workplace deviance, which they define as: “voluntary behavior that violates significant organizational norms and in so doing threatens the well-being of an organization, its members, or both,” which has been boiled down to “voluntary behavior that violates organizational norms” by [Galperin \(2003, p. 155\)](#). In all these definitions, norms are defining what is, and what is not, misbehavior or deviance. Furthermore, the labels, misbehavior and

deviance, refer to strikingly similar phenomena, and there is as much similarity between different definitions of misbehavior as there is between definitions of misbehavior and deviance. Therefore, we use the terms interchangeably.

In an attempt to subdivide the concept of deviance, Galperin (2003) distinguishes between constructive and destructive types. She used Robinson and Bennett's (1995) definition to denote destructive deviance, which is contrasted with constructive deviance, which in turn is defined as "voluntary behavior that violates significant organizational norms and in so doing contributes to the well-being of an organization, its members, or both" (p. 158). Consequently, in Galperin's (2003) typology, the outcomes of behaviors are also considered. However, the consequences of many types of behavior are not known prior to the behavior itself. Consequently, the distinction between constructive and destructive deviance can only be made post hoc or on a speculative basis. What makes this even more troublesome is that the types of behavior Galperin (2003) includes in the category *constructive* deviance, include entrepreneurial and innovative behavior. For these types of behavior, the consequences are particularly difficult to predict and many entrepreneurial ventures have negative consequences (Davidsson & Wiklund, 2001; Lundmark & Westelius, forthcoming). Therefore, trying to separate constructive and destructive deviance, based on the outcomes of the behavior, renders the distinction meaningless but for speculation or hindsight evaluations. Others have tried to separate desirable and undesirable deviance on the intentions of the deviant (e.g., Spreitzer & Sonenshein, 2004). Admittedly, intentions often precede behavior and are frequently used by people to judge the appropriateness of behavior. Nevertheless, intentions are often disguised by people and for entrepreneurial behavior (which is this chapter's focus), the intentions of the entrepreneurs are not sufficient to evaluate its desirability as the outcomes of even well intended ventures are uncertain (Knight, 2002; Lundmark & Westelius, forthcoming; Shane, 2008).

Another categorization is made by Vardi and Wiener (1996), who separate norms into two kinds—societal and organizational. In addition, as described previously, Webb et al. (2009) distinguish between informal institutions (norms, values, and beliefs) and formal institutions (laws and regulations). Similarly, but in relation to organizations rather than society at large, Morrison (2006) distinguishes between explicit organizational rules and informal organizational norms. Combining these categorizations produces four possible institutional constraints to break for a potential misbehavior: (1) societal laws and regulations (Laws); (2) societal norms,

values and beliefs (Societal norms); (3) organizational formal rules (Rules); and (4) organizational norms, values, and beliefs (Organizational norms). This categorization is admittedly based on fuzzy concepts, as laws and rules are sometimes ambiguous and norms can vary between subgroups in organizations and in society, and over time. Therefore, the distinctions presented in Table 2 constitute simplifications in order to be parsimonious.²

If one or more of the constraints in Table 2 are broken, the act is misbehavior (from some perspective). If none of the constraints are broken, the act is not misbehavior. Defined this way, our typology excludes intentions, which are central in much of the previous literature. For example, Vardi and Wiener (1996) only include intentional actions in their definition. However, it is unclear whether the intentionality regards breaking the norms or only the intended outcome (i.e., to benefit self, to benefit the organization, or to inflict damage).

Robinson and Bennett (1996, p. 556) use the term *voluntary* instead of intentional: “Employee deviance is voluntary in that employees either lack the motivation to conform to normative expectations of the social context or become motivated to violate those expectations.” Drawing on both Robinson and Bennett (1996) and Vardi and Wiener (1996), Galperin (2003) uses the terms *purposeful* and *intentional* in order to include voluntary acts and exclude accidental acts. Consequently, little distinction is made between the terms intentional, purposeful, and voluntary.

We find the inclusion of these concepts (i.e., intentionality, purposefulness, and voluntariness) into the definition of deviance or misbehavior problematic for two reasons. First, although purposeful and intentional could be used synonymously, they are both different from voluntariness. For example, an employee can be forced to break rules. This kind of rule breaking is intentional but not voluntary. Conversely, an act can be carried out voluntarily, without intention to break rules, norms or laws, but still do

Table 2. Institutions Defining Misbehavior.

	Type of Institution	
	Formal	Informal
<i>Level</i>		
Societal	Laws	Societal norms
Organizational	Rules	Organizational norms

so. Second, and more importantly, norms and rules often incorporate intentionality and voluntariness. An honest mistake is normally not considered as a breach of norms or laws. However, in some cases neglect could imply culpability both in the eyes of colleagues and the law. Put differently, an act breaks the law when the judicial system rules it so, and norms are broken when people upholding those norms consider it to do so; in both these cases, intentions and voluntariness are normally considered by the relevant institution. Therefore, we see no need to incorporate intentionality and voluntariness in the definition of misbehavior, as norms, rules and laws already incorporate these aspects. Inspired by the distinction made by [Reeve \(1982\)](#), who separated intention (inside perspective) from responsibility (outside perspective), our definition takes the outside perspective, which in this case is the perspective of the relevant institutions. It is thus not the actor's intentions or active choice that defines whether an act is misbehavior; it is how the act would be assessed by the relevant institution if the act were noted.

This general framework (summarized in [Table 2](#)) allows for different types of misbehavior depending on which institutions are trespassed against. Separating the kind of institutions people can trespass against also removes the blind spot created by a monolithic view of institutions. For example, whereas [Robinson and Bennett \(1995\)](#) have argued that dumping toxic waste in a river should not be considered misbehavior if the organizational norms encourage such behavior, the framework suggested in this chapter captures both the unlawfulness and societal illegitimacy of such behavior. In other words, this chapter's framework captures potential inconsistencies in the institutional frameworks in which people exist.

In addition to misalignment of societal and organizational institutions, there may also be discrepancies between formal and informal institutions within the same level of analysis (i.e., organizational or societal). [Webb et al. \(2009\)](#) highlight the discrepancy between how large parts of the population and people in some countries view sharing of copyrighted files. Furthermore, within organizations, the formal and the informal institutions may be contradictory. Returning to toxic waste—it is unlikely today that the formal rules of any organization would condone dumping, although informally norms may encourage it. In such cases, employees find themselves between a rock and a hard place. Regardless of their actions, they will misbehave from some perspective. In fact, this discrepancy may be used as a buffer for managers, who, in case of external exposure, can blame the particular employees who got caught.

LINKS BETWEEN ENTREPRENEURSHIP AND MISBEHAVIOR

According to the definitions provided above, entrepreneurship is misbehavior if it involves trespassing against organizational or societal formal or informal institutions. Our definition of entrepreneurship makes the distinction between entrepreneurial action and non-entrepreneurial action possible. Entrepreneurial actions are associated with pursuing entrepreneurial opportunities, which in turn are associated with the emergence of new economic activity. Thus, seizing the opportunity to steal cash or some products from the organization is not entrepreneurship, whereas seizing the opportunity to produce a new type of product or finding a new use for old products is. Stealing cash from the organization would fit neatly under the wide misbehavior umbrella, whereas a new use for old products could be misbehavior, but need not be necessarily. For example, reusing pace makers from dead people would not be in accordance with US institutions if the reuse takes place in the United States (cf. [Kantharia et al., 2011](#); [Ramqvist, 2011](#)) and would therefore constitute both misbehavior and entrepreneurship. Recycling plastic bottles to produce fleece fabric, on the other hand, would be entrepreneurship but not be misbehavior as it would be in accordance with both formal and informal institutions. Therefore, according to the definitions discussed in this chapter, there is a conceptual overlap between misbehavior and entrepreneurship as some entrepreneurial ventures break rules and norms and therefore qualify also as misbehavior.

In addition to the discussed conceptual overlap between entrepreneurship and misbehavior, there is a range of potential empirical commonalities between the two phenomena. Such commonalities can stem from organizational factors that enable both entrepreneurship and misbehavior. For example, autonomy is positively related to entrepreneurial behavior ([Lumpkin, Cogliser, & Schneider, 2009](#); [Lumpkin & Dess, 1996](#)), but it has also been found to be positively related to misbehavior ([Vardi & Weitz, 2003](#)). Consequently, attempts at supporting entrepreneurial behavior can unintentionally enable misbehavior. Another source of overlap may be common characteristics of entrepreneurs and entrepreneurship. For example, [Wright and Zahra \(2011\)](#) portray entrepreneurs as rule breakers; [Kets de Vries \(1985\)](#) claims that entrepreneurs are often suspicious of authority; [Johannisson \(1987\)](#) stresses that entrepreneurs frequently assume the role of an anarchist in relation to the existing institutional framework; and [Kramer, Cesinger, Schwarzingler, and Gelléri \(2011\)](#) find that narcissism

and psychopathy are positively related to entrepreneurial intentions. Furthermore, [Shane \(2008\)](#) draws upon a substantial body of research when he claims that many entrepreneurs are uninterested in working for others. However, successful business start-ups regularly employ people and consequently owner-managers often end up with substantial power over the firm's employees. This power can corrupt and in doing so promote both deviant and harmful acts by the entrepreneur ([Osborne, 1991](#)).

In order to exemplify how entrepreneurship can clash with existing norms and rules and how these clashes are viewed by entrepreneurs, managers, and society, we draw on some noticeable cases of entrepreneurship. These examples are all prominent and large-scale ventures that have been represented as controversial. They range from rather mild organizational misbehavior, via examples involving both legal and social complications, to those that members of the general public have branded outrageous misbehavior. These examples are chosen because they are conspicuous and are therefore not necessarily representative for entrepreneurship and misbehavior in general.

Defending the Project Against the Project Review Procedures

The ulcer drug – Losec – is the most successful product developed by the pharmaceutical group Astra. From its introduction in 1988 until the expiry of the patents, Astra had the income from Losec as a mainstay. Still, while now competing with generic drugs, the worldwide sales in 2010 amounted to almost \$1 billion ([AstraZeneca, 2011, p. 57](#)). However, Losec was not developed as a consequence of corporate top management strategy nor even a continuously accepted development effort. In fact, it was developed in defiance of corporate management research portfolio norms, and the development project was saved from premature termination five times between 1966 and 1984 ([Eliasson & Eliasson, 1997](#)). Repeatedly, according to the corporate project assessment criteria, the project development and test results qualified it for termination, and top corporate management moved to enforce the norms. However, Ivan Östholm, head of the research team at the Astra division Hässle, championed the project in the face of opposition from top management. In order to obtain the needed funds for the continuation of the project, he collaborated with another pharmaceutical company, Abbot. In addition, he applied for governmental funding on other occasions when corporate management did not supply the funds needed. The last challenge, in 1984, when test results indicated that the drug

was carcinogenic, should have resulted in project termination. The project team nevertheless persisted in challenging and reinterpreting the test result, eventually showing that the carcinogenic indication was false. Four years later, Losec was successfully launched.

In terms of legality and legitimacy in the eyes of the general public, this is uncontroversial. In the terminology of Table 1, it is a clear example of formal entrepreneurship. The behavior of the project champion, Östholm, would typically be viewed as laudable. In that assessment, the outcome plays a large role; the evaluation would probably have been different if the project had failed, and especially if the indications of carcinogenic traits had held up to subsequent tests. It is possible that a manager, who promotes his own project not only against top management, but also against carcinogenic indications, would have been classified as practicing offensive entrepreneurship.

Given the highly successful outcome, Östholm and others defending the project and guiding it through the organizational maze did not break any laws or societal norms (cf. Table 2). However, in terms of organizational norms, positing that top management should be the ones to prioritize the research project portfolio, and that assessment routines should be adhered to, the nonconformity and unswerving belief in the project exhibited by Östholm defied these norms. Therefore, his behavior could be classified as *resistance* (see Ackroyd, 2012). Nevertheless, this behavior certainly was entrepreneurial, putting considerable company resources at risk, treading paths where the outcome was genuinely uncertain—and the potential rewards large. Again, what makes the project champion in this case an entrepreneurial hero, rather than a resisting or even misbehaving middle manager, is the ultimate success of the project. The later into the project, the higher the probability that project failure would have cost him his position.

Innovating Social Networking to Find a Successful and Legal Solution

Like most other entrepreneurial ventures, the idea behind the internationally renowned social networking site Facebook developed during an extended period of time including experimentation and interaction with many people (cf. Klofsten, 2005).³ Some early experimentation started with Zuckerberg obtaining photos of female Harvard students from student Houses' online archives and creating the website Facemash, where users could rate the relative attractiveness of the students based on their photos being presented two at a time. Zuckerberg did not have permission from either those

photographed or from the organizations that stored the files online. The site quickly became so popular that the traffic crashed parts of Harvard's network. Also, representatives of Harvard female student associations sharply criticized the site.

The entrepreneurial action is consequently based on illegal use of photos (violating copyright and violating individual privacy) and for purposes deemed unethical by the Harvard administration and by a number of female students. Zuckerberg was called before the Harvard Administrative Board to face charges (Kaplan, 2003). The venture Facemash could thus qualify for the label *renegade entrepreneurship* in the terms of Table 1, and it violated all four types of institutions in Table 2. However, the view of violation of social norms is not universal. The large amount of users at Harvard obviously did not see the system as violating their norms sufficiently to refrain from using it. The actual traffic that crashed the servers was enabled by Zuckerberg, but created by large numbers of his fellow students.

Another experimental step was to create a social study tool used by students in an art history class to share notes relating to 500 depicted works of art in preparation for the final exam. The tool was successful, students became unusually well acquainted with the art covered in the course, and no one appears to have objected to the venture, although it probably involved copyright infringement concerning the pictures that were posted. Although strictly speaking illegal, those who came in contact with the application probably viewed it as legitimate and did not think of it as illegal. In terms of Table 1, this activity qualifies as an example of formal rather than informal entrepreneurship. The organizational setting would tend to stress the desired positive qualities of student collaboration and collegial knowledge-sharing while studying and preparing for examinations, relegating copyright concerns into the background. Akin to the Astra case, the success of the venture (in this case, student learning) tends to skew the assessment toward laudable entrepreneurship rather than entrepreneurship as misbehavior, although the reproduction of pictures in the social study tool violates copyright laws.

The final, and by now internationally renowned entrepreneurial step, was taken the following year. The creation of the facebook,⁴ a networking site open to Harvard students, built on users uploading their own material to collectively create an all-Harvard facebook with social networking functionality, thus not dependent on that Zuckerberg should obtain and post pictures of others. Unlike the study tool and Facemash, the facebook would thus neither seem to breach legal nor social institutions.

Zuckerberg was not an inventor of the concept social networking media. Perhaps he was not even the originator of the idea to build a tool that capitalizes on the networking desires within an existing high-status group, like Harvard students. But he was an entrepreneur, acting to capture the potential of such a tool; he wrote the code and launched the tool. However, fellow students claimed that the idea was theirs. The twins Cameron and Tyler Winklevoss contracted Zuckerberg (orally) to develop the code for their social networking site for Harvard students, Harvard Connection. Zuckerberg did not fulfill the contract, but instead developed the facebook on his own. This eventually led to a lawsuit, a countersuit, and a settlement where Facebook agreed to pay \$65 million. This seems to strongly indicate that it was indeed a case of misbehavior – at least informal, if not renegade, entrepreneurship in terms of [Table 1](#). But the size of the settlement is perhaps a less valid indicator of severe misbehavior. As one Harvard Law School professor commented:

[The notable problem of the lawsuit is t]he total and absolute absurdity of the world where the engines of a federal lawsuit get cranked up to adjudicate the hurt feelings (because “our idea was stolen!”) of entitled Harvard undergraduates ... Did Zuckerberg breach his contract? Maybe, for which the damages are more like \$650, not \$65 million. Did he steal a trade secret? Absolutely not. Did he steal any other “property”? Absolutely not—the code for Facebook was his, and the “idea” of a social network is not a patent. It wasn’t justice that gave the twins \$65 million; it was the fear of a random and inefficient system of law. That system is a tax on innovation and creativity. That tax is the real villain here, not the innovator it burdened. ([Lessig, 2010](#))

This is strong criticism of the norms of a legal system, posed by someone well acquainted with that system. In Lessig’s view, the alleged misbehavior of the entrepreneur (Zuckerberg) is a minor one: the enterprising people filing the lawsuit against Facebook used the norms and rules of a flawed legal system to extort unreasonable compensation. Here, playing within the laws and organizational norms of the legal system is at odds with social norms of “fair” compensation and organizational norms within the fledgling enterprise later to be known as Facebook. Zuckerberg exited from the organization led by “the twins,” possibly in breach of his contract with them, to devote his energy to his own entrepreneurial venture. Lessig suggests that it would be more appropriate to view the twins as the misbehaving entrepreneurs, using the threats of a flawed legal system to tax a more successful entrepreneurial colleague, thus violating the norms of fairness held by many in the US society. Zuckerberg’s entrepreneurial venture was not, according to Lessig, in itself a case of misbehavior.

Subsequently, Facebook was rolled out to other prestigious universities, and eventually to the general public. It has now achieved success at a level where it starts to become viewed as misbehavior by creating societal norms that compromise other, existing, societal norms. Facebook makes it easy to display and share private thoughts, ideas, accounts of events, and pictures. Indeed, its success is based on the encouragement of such sharing to an ever greater extent. This has started to create concerns regarding the threat to integrity that this Facebook-facilitated and -encouraged norm of divulging private information poses to the norm-adopting user. According to the assessment of a Wall Street journalist (drawing upon American Customer Satisfaction Index scores connected with integrity concerns), Facebook is now one of the 10 most hated American companies (Kederstedt, 2012). Among people sharing these views, the managers of Facebook are now engaging in offensive entrepreneurship, in terms of the Table 1 classification.

Innovating the Sharing of Digitized Material in the Legal Borderlands

Like with the creation of Facebook, the third case relates to an Internet-based entrepreneur engaging in behavior that could be considered either laudable or criminal. The high-profile site *The Pirate Bay* is one of the world's largest sites facilitating file-sharing and, according to the web information company Alexa's traffic ranking, the 75th most accessed website in the world (Alexa, 2012). Unlike our other examples, it was intended to be controversial, as an active part of the anti-copyright movement. It is an Internet site upon which the general public can post and follow links, called Torrent files or, more recently, Magnet links, which direct users to chunks of another file, potentially allowing them to download it. This second file may be copyrighted, making the site a potential facilitator of copyright infringement. Because the site does not itself contain copyrighted material, it is likely that it was legal when it was first founded. However, after a change in the law, a Swedish court deemed the founders to be guilty of facilitating copyright infringement, a sentence they have appealed. The trial generated much public interest and debate. Some have claimed that its founders were great entrepreneurs who have instigated Schumpeterian creative destruction (Lewan, 2009). Others have viewed them as common criminals (Dagens Nyheter, 2009).

The case illustrates that illegality as a criterion for misbehavior implies that the same phenomena can be categorized differently at different points

in time. The Pirate Bay was an example of legal entrepreneurship when it first started, but ceased to be legal after a change in the law and the current court rulings. If the appeals court upholds its founders' appeal, however, they would once again become legal entrepreneurs. If this leads to the law being changed, it would be reasonable to maintain that the operation should not have been considered to be criminal in the first place, resulting in them having been engaging in legal entrepreneurship all along. From a legal perspective, a particular entrepreneurial venture could thus sometimes be considered as misbehavior and sometimes not, depending on the current law and the court rulings, which in the case of The Pirate Bay are unclear in lack of a precedent.

Legitimacy is another matter. The entrepreneurs knew that they were engaging in controversial activity when they set up a site to facilitate file-sharing. Even though the torrent technology employed by The Pirate Bay could be considered legal, the general public and representatives of national and international organizations held widely differing views regarding the legitimacy of the file-sharing that users engaged in, facilitated by the site. Some would agree with The Pirate Bay founders that the site was engaging in legitimate activity, and that its provocation of Internet-averse content-industry actors was just and laudable. Others would side with copyright-defending actors, maintaining that the entrepreneurs were engaging in illegitimate activity and that this was a clear case of what [Table 1](#) terms offensive entrepreneurship. Interestingly, some people engage in file-sharing of copyrighted material as it benefits them despite considering it wrong in principle. Others refrain from doing it as it is illegal, although they think that in principle it should be legal.

A point that appears to be important to the assessment of legitimacy is whether or not the entrepreneurs earned considerable amounts of money on the operations or not. An idealistic provocation of the copyright-based industry was considered far more legitimate than a for-profit business venture facilitating both legal and illegal file-sharing. As in the previous cases, the assessment of whether a certain entrepreneurial act is misbehavior is not determined solely by the act itself or by the intention of the actor, but rather through a complex interplay between rules and norms, outcomes, and intentions as viewed by those assessing the entrepreneurial act. Different people can come to different conclusions, and an individual may reach different conclusions at different points in time. Ultimately the media attention about The Pirate Bay and the trial helped direct the general public's attention to copyright and privacy issues to such an extent that the Pirate Party managed to secure seats in the European Parliament based on a

platform of reforming copyright and patent legislation and strengthening the citizens' right to privacy.

Monetizing Healthcare Too Far

Like The Pirate Bay, our final example is played out in an area where public opinion is divided. However, unlike the entrepreneurs in The Pirate Bay case, the entrepreneurs behind the for-profit healthcare provider Capio, did not wish to provoke opponents or upset feelings. The Capio Group, with annual sales of approximately 1,100 million EUR, comprises about 60 operating units with some 9,000 employees and operates in Sweden, Norway, France, Germany, and the United Kingdom. In Sweden, the firm has been one of the front runners in establishing for-profit care and healthcare when politicians started to allow such ventures to expand. Capio's official ambition is to be the healthcare provider that best fulfills the demands imposed by patients, public healthcare, companies, and organizations. In order to fulfill that ambition, they claim to focus on high-quality and effective care services and place the individual patient's needs and expectations in the center. Furthermore, they express their intention regarding entrepreneurial development within the company as follows:

Instead of traditional competition, Capio has chosen to collaborate with public healthcare. In close co-operation with principals, Capio develops methods, models and concepts with the aim of creating new opportunities for co-workers to pursue renewal work. (Capio, 2012)

Instead of conveying these intentions through their actions, Capio has recently made headlines through cases where it has focused to the extreme on the monetary results, compromising care goals to increase profitability, to such an extent that it appears that contract conditions have been violated (Svenska Dagbladet, 2011a). Such short-term commercial optimization compromises the espoused quality norms of professional medical staff as well as of clients and family. The mass media has presented individual cases of neglect or seemingly outrageous attention to monetary consequences ahead of well-being and caring. This have resulted in strong reactions from the general public as well as from politicians.

In addition, Capio's managers have used transfer pricing to move money between countries in order to reduce taxation,⁵ not obviously in violation of laws, but certainly compromising social norms in societies where healthcare is not generally viewed as a legitimate area for profit-seeking operation.

Striving to be entrepreneurial at corporate and local levels, actors within the group have thus managed to cross borders that at least in the eyes of people outside the organization appear as misbehavior (Svenska Dagbladet, 2011b). The misbehavior may presently be limited to breaching societal norms rather than laws, but the case has also sparked discussions about legislation against for-profit healthcare and against the type of tax-reducing measures Capio employed. Thus, what today is a case of offensive entrepreneurship in the terms of Table 1 may in the future become renegade entrepreneurship. Company officials have attempted to sooth the public and politicians by promising to improve its quality of service and by discontinuing the export of profits. Nevertheless, some county councils and municipalities have terminated their contracts with the company.

DISCUSSION

From a purely analytical perspective, most entrepreneurship could be viewed as misbehavior, if we hold that entrepreneurship involves the breaking of habits, norms, or rules (Johannisson, 2002; Weiskopf & Steyaert, 2009; Wright & Zahra, 2011) and that the ventures expose the organization hosting them to risk because of their uncertain outcomes (Aldrich & Auster, 1986; Aldrich, & Ruef, 2006; Knight, 2002; Lundmark & Westelius, forthcoming). As illustrated by the examples in the preceding section, most ventures of any importance have proponents and opponents, and assessments of the character of the entrepreneurial ventures tend to differ between people and over time. For example, Östholm's persistence in pursuing the development of Losec in the face of corporate top management opposition and in violation of the standard evaluation rules in the pharmaceutical group breached corporate institutions. However, in retrospect, when Östholm's faith in the research path and the subsequent drug turned out to be warranted, success silenced concerns, and few would any longer view it as a case of misbehavior, even if they did before the success became evident.

Similarly, Zuckerberg's early defiance of norms appears more forgivable given the subsequent success of Facebook. Had he quenched his entrepreneurial urge after Facemash, those who had learned about his actions would probably have considered them as offensive or even renegade entrepreneurship. However, the success of Facebook has also contributed to widespread negative attitudes toward it, particularly in relation to the large-scale disclosure of private details about people. Some tend to look to the

benefits, viewing it as a positive case of formal entrepreneurship. Others, paying more attention to actual and potential drawbacks, view it as offensive entrepreneurship.

The entrepreneurs creating and running The Pirate Bay intentionally challenged laws and pro-copyright norms, championing free-content norms pervasive in parts of society. By launching themselves into a contested area, it was obvious that there would be people condoning and people condemning their venture. This case illustrates how public opinion was influenced by the relationship between lawmaking, the case, and people's own behavior and positions. Swedes voted the Pirate Party into the European parliament, partly in protest against the changes in the law that strengthened the position of copyright holders and decreased the individual's right to privacy. Large portions of the general public viewed actions of The Pirate Bay entrepreneurs as legitimate, even if they would be judged unlawful. Simultaneously, others viewed it as misbehavior from both legal and legitimacy perspectives.

The Capiro case, finally, illustrates how the actions of individual entrepreneurs can influence the proponents of general principles. In Sweden, there has been a political divide between those proposing that for-profit operation can help vitalize the healthcare sector and make it more efficient, and those who maintain that it is unethical to make money from peoples' need for care and treatment.⁶ When cases of maltreatment could be tied to organizational norms, guidelines, and profit-seeking behavior in Capiro, it not only led to the view of those specific acts as malpractice, but also to a general vilification of the Capiro group as offensive entrepreneurs. Furthermore, it increased sentiments against for-profit care.

As illustrated by these examples, rather than being objective and static, the assessment of entrepreneurship as misbehavior depends on the perspective of the assessor, which in turn can change over time and both influence and be influenced by laws and societal norms. The judgment of whether entrepreneurship is misbehavior rests on people's emotional and moral assessment of the venture. This judgment is influenced, but not determined, by the (assumed) intentions of the entrepreneurs and/or the noted consequences, and relations to other acts.

An important risk in this regard is that successful ventures end up in the entrepreneurship literature and unsuccessful ones in the misbehavior literature. The Losec case is not unique. In fact, the entrepreneurship literature highlights the informal nature of many entrepreneurial ventures in existing organizations (Burgelman, 1983; Burgelman & Grove, 2007; Kuratko & Goldsby, 2004; Zahra, 1991). However, the misbehavior

literature tends to omit successful ventures as post hoc evaluations tend to be skewed by the outcomes. For example, the development of the laptop computer by Toshiba, mentioned earlier (cf. [Abetti, 2004](#)), was a clear example of both misbehavior and entrepreneurship. However, it ends up in the entrepreneurship literature and not in the misbehavior literature.

Another issue in the assessment of misbehavior is that of organizational versus societal norms. In a startup, norms will be built around the entrepreneur's idea(s), and are thus highly unlikely to clash with the entrepreneurial venture. For entrepreneurs acting in existing firms, on the other hand, there will be established norms, rules, and routines that, at least to some extent, can be expected to be compromised by the entrepreneurial venture. Indeed, if no such clashes occurred, the venture would hardly qualify as entrepreneurial. The entrepreneurial venture might or might not clash with the societal norms surrounding the organization.

The Losec venture came to conflict with some corporate norms and rules, but those clashes would hardly have mattered sufficiently to people outside the organization to make them brand Östholms's conduct as misbehavior. The mistreatment in Capiro, on the other hand, resonated with internal norms favoring economic efficiency while clashing with norms stemming from the caretaking and medical professions. Unlike in the Astra case, people outside Capiro tended to care and pass judgment on the actions and the ethos of Capiro as depicted by the maltreatment cases.

Zuckerberg's entrepreneurship, finally, did not initially clash with his core organization, which originally comprised only himself and some friends. However, his organization was initially not just, or even primarily, interacting with and exposed to the general public, it acted within the larger organization, Harvard, of which he, as a student, was a member, and of which his original target users or "customers" were members. In relation to that organization, his Facemash initiative compromised norms and rules, and the moral standards of influential organizational members and some, but not all, fellow students. The collaborative study tool matched the organizational norms to a far greater degree, and the facebook did not clash in any conspicuous way with the Harvard norms or rules. However, the start-up of the Winklevoss twins that contracted Zuckerberg to develop code for their social network site, viewed Zuckerberg's actions not only as a failure to deliver to them, but also as theft of their business idea. The twins' view was that Zuckerberg's entrepreneurship was a clear case of misconduct—both in relation to Harvard honesty norms and in relation to their work contract with him. That assessment was contested not just by Zuckerberg, but, regarding the severity of the debated misconduct, also by,

for example, the Harvard law professor Lessig. The question of consonance or clashes with organizational norms and rules is thus not entirely separate from that of the surrounding society, but rather a matter of degree. What constitutes the *formal* organization could be clear and unambiguous, but in a world more and more characterized by networks and virtual organizations, it is less obvious what constitutes the *relevant* organization.

A related issue is that of exit, voice, and loyalty (Hirschman, 1970). In a case like the Losec project, the project champion Östholm clearly opted for the use of voice. He did not just accept the top management decision to close down the project, but instead searched for, and found, different means to keep the project he advocated going. This could, as discussed above, be construed as misbehavior. But say that he instead had accepted the top management decision and exited from the company to pursue his idea? Had he succeeded in developing Losec outside of the Astra group, this would probably have been viewed as misbehavior by at least some people within Astra—starting a competing business rather than staying and fighting for the idea. Likewise, the Winklevoss twins clearly saw Zuckerberg's exit from their collaboration as misbehavior. Not surprisingly, many organizations tried hard to restrict the possibilities of employees to exit and start their own competing business. Nevertheless, recent research emphasizes that the exiting in order to start a competing firm is an important mechanism for the commercialization of new knowledge and the creation of new successful firms (Audretsch, 2007; Audretsch & Keilbach, 2005; Klepper, 2011). Therefore, misbehavior in the form of exit and start-up may be a rich source of misbehavior with positive outcomes, at least from a societal point of view.

CONCLUSION

In this first attempt to explore entrepreneurship as misbehavior, this chapter has suggested that entrepreneurship is often in conflict with organizational and societal institutions, such as norms and rules. In fact, we have found that there is an overlap between the definitions of misbehavior and conceptualizations of entrepreneurship in previous literature. In addition, the chapter has found previous research, distinguishing between desirable and undesirable misbehavior based on the intentions or the outcomes of behavior, insufficient in relation to entrepreneurship as misbehavior. The reason is that for entrepreneurial ventures, the underlying intentions are often good, but the outcomes are often not (Aldrich & Auster, 1986;

Aldrich, & Ruef, 2006; Lundmark & Westelius, forthcoming; Shane, 2008); and that making assessments of the outcomes of entrepreneurial ventures a priori is notoriously difficult (Aldrich & Auster, 1986; Aldrich & Ruef, 2006; Lundmark & Westelius, forthcoming).

Assessing misbehavior based only on organizational level evaluations (Robinson & Bennett, 1995) is likewise insufficient in relation to entrepreneurship. The reason for this is that support for the venture may be needed also from actors outside of the organization. Furthermore, what constitutes the organization is not always clear. Therefore, we argue that it is necessary to broaden the view of what institutions determine whether a venture classifies as misbehavior when analyzing entrepreneurship. Doing so highlights frequent inconsistencies between various institutions' assessments. Such inconsistencies can put employees in situations where they have to choose which institutions to trespass against. In this regard, exiting the organization to pursue the venture elsewhere is not a guarantee against being classified as misbehavior. Considering the emphasis that the entrepreneurship literature puts on the informal nature of many entrepreneurial ventures within existing organizations (Kuratko & Goldsby, 2004; Zahra, 1991) and the lack of research on misbehavior with positive consequences (Richards, 2008), the overlap between entrepreneurship and misbehavior seems to be fertile ground for future research.

NOTES

1. One can of course discuss the degree of newness required to qualify or the entity to which the newness refers, for example, new to the organization, new to the industry, new to the region, or new to the world. Such discussions are, however, outside of the scope of this chapter.

2. There are other levels of institutions such as industry and profession (Spreitzer & Sonenshein, 2004).

3. Facebook currently claims to have more than 800 million active users in total and 400 million a day and 80% of the users are outside the USA. More than 7 million apps and websites are integrated with Facebook and users perform more than 20 million apps downloads per day. (Facebook statistics, accessed 25-01-2012).

4. The original name of the website was thefacebook, which was located at thefacebook.com. In 2005 the domain facebook.com was acquired for \$ 200,000 (Williams, 2007).

5. A common venvap procedure is to provide expensive loans from group units on channel islands (tax havens) to countries where operations run at a profit.

6. Interestingly, the general public and the politicians seem much less concerned about Swedish pharmaceutical companies making profit than care and healthcare being operated by for-profit companies.

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