### **Prosocial Motivation, Moral Disengagement, and Unethical Behaviour among Nascent Entrepreneurs**

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### ABSTRACT

**Purpose:** Recent studies found that prosocial entrepreneurs involved in unethical business behaviour. To understand why this is so, this research aims to conduct a preliminary investigation that link prosocial motivation, moral disengagement, and unethical behaviour among nascent entrepreneurs.

**Design/methodology/approach:** This research utilizes quantitative method and it uses SPSS PROCESS macro technique to analyze the link between prosocial motivation, moral disengagement, and unethical behaviour of 130 nascent entrepreneurs in Indonesia.

**Findings**: The data validates the role of moral disengagement in mediating the relationship between prosocial motivation and unethical behaviour among nascent entrepreneurs.

**Research limitations/implications:** The insights of this research seem to imply that since other antecedents (such as trait cynicism) might play a role and they may positively influence moral disengagement, prosocial entrepreneurs might possibly still be involved in unethical business practices despite the presence of prosocial motivation.

**Practical implications:** Prosocial entrepreneurs needs to be aware of the role of moral disengagement. Being aware of the mediating role of moral disengagement may help them to reduce unethical business behaviour.

**Originality/value:** This research is one among the first that reveals the "hidden" role of moral disengagement among prosocial entrepreneurs - a phenomenon that is rarely investigated due to the widespread assumption that prosocial entrepreneurs are ethical

### Keywords

prosocial motivation, moral disengagement, unethical behaviour, social entrepreneurship Article classification: Research paper

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### Introduction

Addressing societal grand challenges – barriers that need to be removed to solve important problems in society, such as climate change, poverty, etc. – demands more research that takes into account the ethical aspects of entrepreneurship behaviour and actions (George et al., 2016). As an example, the emergence of sustainable entrepreneurshiphighlights the need for entrepreneurship research to be more social and environmentally-oriented (Dean & McMullen, 2007; Gray et al., 2014). Therefore, in recent years, studies on entrepreneurship ethics have begun to gain significance withinentrepreneurship literature (Vallaster et al., 2019; Hannafey, 2003; Miles et al., 2014).

Among the many emerging phenomena investigated within the entrepreneurship ethics domain, the prosociality of entrepreneurs has attracted a large amount of attention from various entrepreneurship scholars (Allison et al., 2015; Bendell, 2017; Branzei et al., 2018). Scholars seem to agree that prosociality plays an important role in entrepreneurship (Shepherd, 2015).

Prosocial motivation highlights the drive towards the welfare of others (Batson, 1998); and it is often considered as a moral and ethical driver that ensures positive behaviour and well-being among business people and entrepreneurs. For example, in a recent study, Lebel and Patil (2018) found that prosocial motivation encourages employees to be proactive and care for others despite discouraging

supervisors. Scholars highlighted the important effects of prosocial motivation and autonomy to commercial entrepreneurs' subjective well-being (Kibler et al., 2018). Furthermore, prosocial motivation is seen as an important concept, especially for entrepreneurs who want to "do good" in society, such as those characterized as being in a social and sustainable or environmental entrepreneurship (Christopoulos & Vogl, 2015; Shepherd & Patzelt, 2011). Prosocial motivation fuels the drive to provide solutions for neglected problems arising from the failure of the state and the market (Santos, 2012), to transform society, to build and operate new structures, and to create more effective social

systems (Zahra et al., 2009). However, a number of emerging studies have started to show conflicting results and indicate that prosocial entrepreneurs may also conduct unethical business behaviour. For example, a study found that social entrepreneurs often display a reluctant attitude in being committed to the entrepreneurship process and in entrepreneurial activities (Bacq et al., 2014), thus dashing the hopes of their beneficiaries when their businesses fail sooner than their commercial counterparts (Renko, 2013). Other scholars highlight the fact that the ethics of social entrepreneurs are emergent (Dey & Steyaert, 2014); and, it means that social entrepreneurs are not impeccable creatures like the rest of us: 'mortal-beings' struggling to reconcile capitalist power and ethical lives. These counterintuitive findings beg an important question: if prosociality is thought to drive positive social outcomes, why do prosocial entrepreneurs conduct unethical behaviour? Unfortunately, our understanding on this particular entrepreneurship ethics matter is rather limited (Vallaster et al., 2019).

A starting point to investigate this puzzling phenomenon is by looking at the extant ethics literature. Much research indicates that unethical business practices are mainly driven by a cognitive mechanism that leads to certain actions (Bandura et al., 1996); and a few studies highlight the role of moral disengagement as the cognitive mechanism responsible to explain the mechanisms behind people's involvement in unethical behaviour (Moore et al., 2012; Baron et al., 2014). Moral disengagement deactivates the self-regulatory process that prevents individuals from engaging in activities that violate their moral standards (Bandura et al., 1996).

Much research in the literature has put its attention on the mechanisms of moral disengagement in various contexts. For example, moral disengagement is employed to understand how children distance themselves from moral standards and how they are involved in unethical behaviour (Bandura et al., 1996), or how employees are involved in bad behaviour (Moore et al., 2012). Moral disengagement also serves as a framework to help scholars understand the perpetration of inhumanities during wars (Aquino et al., 2007) and as a framework to understand justifications made by politically astute leaders who are involved in corporate scandals (Beu & Buckley, 2004).

Yet, as a recently adopted concept in organizational and entrepreneurship literature (Samnani et al., 2013), our understanding of how moral disengagement plays a role in an entrepreneurial context is still scarce (Baron et al., 2014), especially in relation to the presence of prosocial motivation among nascent entrepreneurs (Renko, 2013; Chell, 2007).

In light of this, understanding the relationship between prosocial motivation and unethical business practices is important. While there have been many studies highlighting the antecedents of ethical behaviour (Baker et al., 2006; Mayer et al., 2012; Westerman et al., 2007), focusing on unethical practices allows researchers to further unpack the "hidden" and unexplored mechanisms, i.e. the role of moral disengagement, surrounding prosociality and unethical behaviour – a phenomenon that was only recently recognized in the entrepreneurship literature (Chell, 2011; Bacq et al., 2014).

Thus, this paper asks: What is the relationship between prosocial motivation, moral disengagement, and unethical business practices among nascent entrepreneurs?

This research aims to investigate the empirical connection between prosocial motivation, moral disengagement, and unethical business practices among nascent entrepreneurs using the Motivated Information Processing Theory (Kunda, 1990; Nickerson, 1998) that complements the extant moral disengagement framework (Bandura, 1999). In doing this, we hope to better explain the mechanisms that link prosocial and unethical behaviour motivation in nascent entrepreneurs. We argue that motivated entrepreneurs tend to cognitively select information that affects and influences their ethical decisions; and, prosocial motivation seems to play an important role in influencing the decisions of entrepreneurs in distancing themselves from moral disengagement and unethical business practices. Prosocial entrepreneurs tend to be more other-regarding (DeDreu &Nauta, 2009); thus, they tend to be cognitively biased towards selecting information that would reduce the chances of making unethical decisions. We employed SPSS PROCESS macro (Preacher & Hayes, 2008) to analyse data collected from a developing country, Indonesia. Our data provided support for the hypothesised relationships.

The findings in this paper contribute to the literature in a number of ways. First, we revealed the role of moral disengagement in negatively mediating the relationship between prosociality and unethical behaviour. We think our identification of the role of moral disengagement among prosocial entrepreneurs might open avenues in further explaining why they conduct unethical business behaviour. Previous research on moral disengagement identifies that a number of antecedents, such as trait cynicism, are positively related to moral disengagement (Detert et al., 2008). In light of our findings and taking a cue from the extant ethics literature, we think the different configurations between prosociality variables and moral disengagement antecedents might yield different levels of ethical behaviour among social entrepreneurs. Thus, by highlighting the mediating role of moral disengagement in prosocial entrepreneurs' unethical behaviour, we extend the social entrepreneurship literature, especially in the area of research that focuses on the ethical behaviour of social entrepreneurs (Smith et al., 2013; Chell et al., 2016; Bacq et al., 2014; Dey & Steyaert, 2014). Second, this paper extends the moral disengagement literature by showing the role of prosocial motivation as an antecedent in reducing moral disengagement and unethical behaviour among entrepreneurs.

### **Literature Review and Theoretical Framework**

### **Prosocial Motivation**

Entrepreneurship research has highlighted the idea that the motivations of entrepreneurs play important roles in opportunity recognition and action (McMullen & Shepherd, 2006). Motivation drives the ways in which entrepreneurs realise opportunities for their businesses (Shane et al., 2003).

Along with other motivations, many entrepreneurial prosocial activities are also driven by motives (Christopoulos & Vogl, 2014; Shepherd, 2015). Prosocial motivation refers to the focus of benefiting other people and is driven by the concern for the welfare of other people (Batson, 1998). However, prosocial motivation is dissimilar from altruism, because the latter focuses on the benefits of other people with the expense of the self (De Dreu, 2006). Various entrepreneurship research indicates that prosocial motivation may positively affect the subjective well-being of entrepreneurs if autonomy is involved (Kibler et al., 2018). Other scholars argue that prosocial motivation may affect the way entrepreneurs recognize an opportunity (i.e. third person and first person opportunities) (Shepherd, 2015; McMullen & Shepherd, 2006). Prosocial motivation also plays an important role in social entrepreneurship. Chell (2007) argued that prosocial motivation serves as the prime driver in the creation of ventures that primarily emphasise

achieving their social missions. In organizational literature, research on prosocial motivation highlights the fact that prosocial individuals tend to pay attention to other people's needs (Grant & Berry, 2011). Similarly, prosocial motivation also drives individual behaviour to be more environmentally-oriented. For example, Oskamp et al. (1991) investigated the role of prosocial motivation towards recycling behaviour among individuals. This stream of research implies the positive role of prosociality towards entrepreneurial ethics.

However, a number of emerging studies began to indicate and highlight the fact that many prosocial entrepreneurs are also involved in unethical behaviour. Chell and colleagues (2016), for example, called on researchers to problematize the relationship between social entrepreneurship and ethics. Thus, the characterization of social entrepreneurs as superior moral beings is mistaken. Using a sociological perspective, Dey and Steyaert (2014) argue that social entrepreneurs also need to struggle with power that attempts to impose on them as being neoliberal subjects. This makes social entrepreneurs become just like "one of us" – mortal beings who can also fall prey to unethical business practices.

Scholars further used Global Entrepreneurship Monitor (GEM) data to take a look at the entrepreneurial profile of prosocially-driven entrepreneurs (Bacq et al., 2014). It turns out that prosocial entrepreneurs tend to project a fragile entrepreneurial profile; thus, it reflects their reluctance to further pursue entrepreneurial activities – this may dash the hopes of the beneficiaries that they are trying to help in the first place. This particular finding is consistent with a similar study that utilizes Panel Study of Entrepreneurial Dynamics (PSED) data. Renko (2013) argues that prosocial motivation seems to inhibit new venture developments in several ways. Among others, the author argues that prosocial motivation may create subjective biases that may hinder the ways in which entrepreneurs make important entrepreneurial decisions required in creating new ventures.

### Moral Disengagement

People regulate their behaviour and prevent themselves from doing unethical behaviour through a series of cognitive mechanisms. These self-regulating mechanisms that take place in individuals may operate via several avenues (Bandura et al., 1996; Baron et al., 2014). They are through self-monitoring, self-judgmental processes, and self-reactive mechanisms. Self-monitoring refers to the ways in which individuals self-examine their decisions. A self-judgmental process occurs when the outcome of self-monitoring is judged as 'good' or 'bad'. A self-reactive mechanism, on the other hand, goes beyond monitoring and making a judgement, and it works to encourage individuals to censure their particular behaviours.

However, there are moments when people disconnect themselves from their moral standards and justify unethical behaviour through a series of cognitive mechanisms. These mechanisms are outlined in the theory of moral disengagement. Bandura and colleagues (1996) argued that people justify unethical behaviour through eight different moral disengagement mechanisms.

The first three – moral justification, euphemistic labelling, and advantageous comparison – act as cognitive

mechanisms that increase the moral acceptability of the perpetrators (Bandura, 1986). For example, moral justification enhances the acceptability of unethical behaviour of a person and makes it acceptable: entrepreneurs may believe that breaking the law is alright for the sake of the future employment that they may generate in society. Euphemistic labelling refers to the use of neutral language to make the actions appear harmless. As an example, there is the use of 'collateral damage' to refer to the number of persons killed in a war (Bandura, 1999). An advantageous comparison highlights the moral disengagement mechanism related to the comparison of an unethical behaviour to more harmful activities. This makes the existing unethical behaviour appear acceptable compared to others.

Three other moral disengagement mechanisms – displacement of responsibility, diffusion of responsibility, and distortion of consequences – happen when the perpetrators twist the consequences of their actions to appear harmless. Displacement of responsibility might happen when a person views that he/she is not responsible for one's actions because he/she is asked to do so by another person, for example, of a higher authority. Diffusion of a person's responsibility at the group level. The fact that an action of a mob tends to be more violent than its individual members when they act alone exemplifies this particular moral disengagement mechanism.

Two other mechanisms – dehumanization and attribution of blame – work by distancing perpetrators by dis-identifying themselves from the victims. Dehumanization and attribution of blame are both related to group identity and the feeling of us-and-them (Detert et al., 2008).

Much research has identified the various aspects that drive moral disengagement mechanisms among individuals (Harris & He, 2019). Detert et al. (2008) underscored individual differences that influence a person from engaging in moral disengagement activities. Moral identity, empathy, trait cynicism, and locus of control are identified as factors that contribute to individual differences in moral disengagement mechanisms. According to Detert et al. (2008), empathy – the extent to which an individual is concerned with the needs of others (Eisenberg & Miller, 1987; Batson et al., 1989; Miller & Eisenberg, 1988) serves as a factor that may prevent moral disengagement. This is also true for the moral identity of a person and the internal locus of control of an individual. In contrast, trait cynicism (i.e. characteristics of disillusionment and the feeling of frustration) and a chance locus of control (i.e. that the events of an individual's life are determined by chance) positively connected to moral disengagement are mechanisms. Other scholars have investigated the relationship between moral disengagement and time, arguing that people tend to be less morally disengaged in the morning than in the afternoon and evening (Kouchacki & Smith, 2014).

Scholars also argued that moral disengagement mechanisms directly lead to an individual's unethical behaviour (Detert et al., 2008) or counterproductive behavior (Seriki et al., 2019). Scholars have found a relationship between high moral disengagement and the unethical behaviour of individuals (Moore et al., 2012; Baron et al., 2014; Bandura et al., 2000). For example, in a study involving children, Bandura highlighted that those who scored high in moral disengagement tend to commit unethical behaviours (Bandura et al., 1996). Similarly, a study on moral disengagement among employees indicated the positive relationship of the mechanisms with unethical behaviour (Moore et al., 2012). Another study focused on the role of moral disengagement towards corrupt behaviour in organizations (Moore, 2008).

Although entrepreneurship research in this area is still scant, some research found that many entrepreneurs are also prone to moral disengagement. Shepherd, Patzelt, and Baron (2013) argued that entrepreneurs tend to disengage values when they assess opportunities that cause harm. This is related to the fact that entrepreneurs with higher entrepreneurial self-efficacy tend to be more morally disengaged. In addition to these individual characteristics, the research argued that entrepreneurs fall into moral disengagement when they operate in less munificent environments. In other words, competing in a scarce environment combined with high entrepreneurial selfefficacy pressures entrepreneurs to deactivate their moral compasses.

Other entrepreneurship research revealed the tendency of entrepreneurs to engage in unethical behaviour even before they become entrepreneurs. Obschonka, Andersson, Silbereisen, and Sverke (2013) as well as Zhang and Arvey (2009) highlighted that current entrepreneurs have a history of rule-breaking behaviour in their adolescence. In relation to this, Brenkert (2009) argued that the rule-breaking tendency among entrepreneurs is related to the inherently innovative traits that many entrepreneurs often demonstrate. Schumpeter (1975) reasoned that entrepreneurs are those who introduce creative disruption in society and to do so, entrepreneurs need to break the existing rules/laws.

### **Motivated Information Processing Theory**

The cognitive mechanism that links motivation and action may be explained by the Motivated Information Processing Theory (Kunda, 1990; Nickerson, 1998). The theory argues that people tend to select and notice as well as encode and retain information that is consistent to their desires (Kunda, 1990). People process information that they receive and their motivation plays an important role in providing a cognitive bias that affects the outcomes of this particular information-processing mechanism. Motivation affects the process of reasoning and subsequently influences the ways people form their judgements; develop impressions, beliefs, and attitudes; evaluate evidence; make decisions; and drive particular actions.

The Motivated Information Processing Theory has been used widely to explain the motivated reasoning of individuals, especially employees, in literature. For example, Lebel and Patil (2018) recently utilized the theory in explaining the role of prosocial motivation in employee proactivity despite discouraging supervisors. The research shows that motivated employees reduce the negative relationship between discouraging supervisors and proactivity in workplaces. Another piece of research extends the theory to explain motivated reasoning at the group level (De Dreu et al., 2008). At the group level, prosocial and proself motivation seems to also drive the selection and the encoding of information that people receive and affects the way they act in groups.

### **Hypotheses Development**

The Motivated Information Processing Theory highlights the ways in which cognitive mechanisms affect an individual's decision making. Thus, prosocially motivated entrepreneurs are cognitively more selective towards information that is closely related to their social missions than their pro-self counterparts. We argue that this may affect the resulting entrepreneurial actions. Based on this, we reason that prosocial motivation in entrepreneurs may have an opposite effect than the motivation of financial gain towards moral disengagement due to their cognitive bias towards their social mission (cf. Batson et al., 2014). This particular cognitive bias selects information to be processed and influences the way they decide to act. Taking a cue from this, pro-social entrepreneurs may be inclined to cognitively avoid harming others. Therefore, we develop the following hypothesis and illustrate the theoretical model in Figure 1:

## H1: Pro-social motivation in entrepreneurs is negatively related to moral disengagement mechanisms.

Entrepreneurs, including social entrepreneurs, use the moral disengagement mechanism to justify their unethical behaviour. Therefore, similar to previous research (Detert et al., 2008; Moore et al., 2012; Moore, 2008), we reason that all entrepreneurs also use moral disengagement mechanisms to justify their unethical behaviour. Thus, we offer the following hypothesis:

## H2: Entrepreneurs' moral disengagement is positively related to their unethical behaviour.

Hypothesis 1 and hypothesis 2 imply a mediating role of moral disengagement in explaining the relationship between the prosocial motivation of entrepreneurs and their unethical behaviour. Therefore, we offer the following mediating hypothesis:

# H3: Moral disengagement mediates the negative relationship between the prosocial motivation and unethical behaviour of entrepreneurs.

=== Insert figure 1 about here ===

### Method

### **Participants and Procedures**

The data for this research was collected in Indonesia. Indonesia is appropriate for the purpose of this research because this developing country is one among many fertile grounds for entrepreneurs, including social entrepreneurs, to set up their businesses. A recent report indicates that Indonesia is perceived as the most favourable place for entrepreneurs (BBC, 2011). The Indonesian economy is also growing and therefore the country provides a vibrant and dynamic environment for these entrepreneurs to establish both commercial and social enterprises. At the same time, Indonesia has long been a place for prosocial entrepreneurs to offer their services to many people in need. Idris and Hati (2012), for example, showed that the social entrepreneurship movement in Indonesia has existed since the country's preindependence era and many were prosocial entrepreneurs who fought for the country's independence. Thus, Indonesia presents a suitable environment for studying prosociality in entrepreneurship. However, since Indonesia does not have a legal structure for social enterprises (Pratono & Sutanti, 2016), there are many non-proclaimed prosocial entrepreneurs and social enterprises in Indonesia. These prosocial entrepreneurs can operate from traditional nonprofit or profit-driven legal entities. Therefore, the best way to ensure heterogeneity in our research data was to gather research participants from a group of nascent entrepreneurs - persons who were in the process of establishing ventures (Reynolds & White, 1997; Dimov, 2010). Entrepreneurs in nascent ventures are often individuals who seek to pursue opportunities and they may be driven by strong motivation to gain profit (pro-self) or to help others (prosocial) (Chell, 2007).

The population of this research was start-up enterprises in Jakarta, Indonesia. Unfortunately, there is limited reliable data on the sizes of the start-up population in Indonesia. However, according to a recent Indonesian news agency report (Antara, 2018), there are approximately 1,590 start-ups in Indonesia. This size estimation also seems to correspond to a private start-up recruiting portal that identifies around about 1,500 start-ups across Indonesia valued at an average of \$3.1 million, with more than half (700) being located in Jakarta (Angel.co, 2018).

The participants of this research were nascent entrepreneurs who were members of several entrepreneurship associations located in Jakarta, Indonesia. The associations hosted 653 entrepreneurs. Of these entrepreneurs, around 50% (326) of them were nascent ventures below two years old. We used this group of nascent entrepreneurs as the sampling frame of our research. We then distributed invitations to participate in our survey to these selected entrepreneurs. From the total, 130 of them responded and filled in a paper-based survey. The measures used in this research were all adapted and translated from English. To avoid a common method bias, we ensured that the survey questions were translated appropriately from the original language. Following suggestions from Podsakoff, Mackenzie, and Podsakoff (2012), we ensured the questions were simple, specific, and concise. The first author, fluent in both English and Bahasa Indonesia, translated the questions to Bahasa Indonesia from existing English survey scales. The second author who is also fluent in both languages checked whether there were ambiguous survey items. The second author provided feedback and the translation was adjusted. The response rate was 40% and this was considered good since it covered almost half of the nascent entrepreneurs in our sampling frame. Translation and back-translation procedures were conducted to ensure that the meanings of the measures were consistent (Brislin, 1970).

### Measures

### **Unethical Business Practices**

The unethical behaviour of entrepreneurs was measured by developing a vignette specifically designed to reflect a real entrepreneurial situation. Vignettes have been used to measure unethical behaviour of individuals in much research. For example, Detert et al. (2008) used vignettes to measure unethical behaviour. Similarly, Moore et al. (2012) also used vignettes to measure the unethical behaviour of employees. The scenario in a vignette allows the researcher to present rich information so the respondents can relate and imagine themselves in the described situation. This approach allows more realistic information to be captured from the respondents (Firtzsche & Becker, 1982). Our vignette tells a scenario where entrepreneurs could be tempted to conduct unethical business practices. The scenario describes a situation where entrepreneurs may decide to significantly mark-up the price of a product when the potential buyer looks rich and has a strong ability to pay. For our respondents in Indonesia, who are mostly Muslims and religious, this behaviour is often seen as a moral violation since Islamic teaching assert that entrepreneurs need to be proportional in capturing profit. According to the popular teaching in Indonesia, greed should not be entertained (Abeng, 1997); and therefore selling products with a significant mark-up is considered a religious sin. Thus, within this particular cultural context, the case presented in the vignette can subjectively be considered to represent an unethical business behaviour. Entrepreneurs were then asked to score whether they were likely or less likely to conduct similar unethical business practices using a 6-point Likert scale. First author developed the vignette. Prior to deployment, the second author checked the face validity of the vignette to ensure that it is easy to understand.

### **Moral Disengagement**

We measured moral disengagement by adapting the 24-item moral disengagement scale developed by Detert et al. (2008). This scale measures all eight moral disengagement mechanisms outlined in Bandura et al. (1996). The scale was translated to Bahasa Indonesia and adjusted to the context of the country. Similar to previous research on moral disengagement, we reshuffled the items to prevent fatigue when respondents filled in the survey. Taking account the suggestion to consider moral disengagement as a single higher order construct (Bandura et al., 1996), we followed the approach introduced by moral disengagement scholars in the past (e.g. Detert et al., 2008) to average the 24-item scale into a single composite measurement of moral disengagement.

### **Entrepreneurs' Prosocial Motivation**

We adapted and translated the existing measurement (Grant & Berry, 2011) to measure prosocial motivation in nascent entrepreneurs. Four items of prosocial motivation were used to capture the construct. We put forward statements such as:

"I would like to help people through my work". These items were measured on a 6-point Likert scale.

### **Control Variables**

As control variables, we used gender and the previous ethical education that the entrepreneurs in our sample received. Previous studies indicated that gender plays an important role in moral disengagement (Almeida et al., 2009) with boys tending to be more morally disengaged than girls. Similarly, past ethics education is also suspected to have an influence on ethical decision making (Monteverde, 2014). Thus, we asked whether participants, if they could recall, had received business ethics education in the past. We gave examples of business ethics education such as specific learning on how to conduct an ethical business from the family (parents), school, or even from formal ethics training programs. We measured gender as a dummy code (1 = male; 0 = female); and this was also true of ethics education (1 = receiving no ethics education; 0 = receiving)ethics education).

To check for biases, we conducted Harman's single factor test on the main variables used in this research (prosocial motivation, moral disengagement, unethical business practice). A single factor should emerge if a common method variance was present. Our test showed that there was no common method variance in our data. The first factor only explained 18.7% of the variance which indicated that there was no single variable dominating the explanation of the variance. We further supplemented our test with a confirmatory factor analysis of the variables since Harman's test is often criticized as being inadequate (Podsakoff et al., 2003). The CFA test of the continuous variables indicated a fit as the indices showed a relatively robust model (Chi-Square = 96.72, p < 0.001, df = 51; NFI = 0.85; CFI = 0.92; IFI = 0.91; TLI = 0.9; RMSEA = 0.08).

### **Results**

Table 1 displays the descriptive statistics of the data. We further tested the hypotheses using the SPSS PROCESS macro (Preacher & Hayes, 2008). The macro allowed SPSS to calculate separate path coefficients, and the bootstrapped Confidence Interval (CI) of the indirect effect a\*b. Table 2 shows the results of the hypotheses tests and indicates that the control variables were not significant. Hypothesis 1 suggested that prosocial motivation was negatively related to the moral disengagement of entrepreneurs. Hypothesis 2 proposed that the moral disengagement of entrepreneurs corresponded to the unethical business practices of the entrepreneurs. Hypothesis 3 proposed that there was a mediation role that moral disengagement played in the relationship between the prosocial motivation and unethical behaviour of the entrepreneurs.

=== Insert Table 1 and Table 2 about here ====

The results of the analysis illustrate that the relationship or the path between prosocial motivation and moral disengagement (path a) is negative and significant; and the result is also positive and significant for the relationship or the path between moral disengagement and unethical behaviour (path b). The indirect path (path a\*b) is negative, and the bootstrapped 95% of the CI indicates that it is significant because it does not include zero. These results support hypotheses 1, 2, and 3.

### Discussion

This paper started with a puzzling question as a backdrop: if prosociality is thought to drive good business behaviour, why do prosocial entrepreneurs conduct unethical business practices? However, since our understanding on this matter is very limited, our paper offers to further advance our knowledge on this issue by conducting a preliminary investigation on the link between prosocial motivation, moral disengagement, and unethical business practices conducted on a sample of nascent entrepreneurs in Indonesia. It sought to seek "hidden" mechanisms that better explain the under-explored relationship between prosociality and unethical behaviour. Our data supports the hypotheses and shows that entrepreneurs with prosocial motivation tend to have low moral disengagement and are less likely to be involved in unethical business practices.

Our findings validate the role of moral disengagement behind the different levels of unethical behaviour conducted by prosocial entrepreneurs. Our findings reveal that is negatively associated with prosociality moral disengagement and subsequently reduces the unethical business behaviour of entrepreneurs. Prosocial entrepreneurs are motivated to create a social impact; and consistent with the tenets of the Motivated Information Processing Theory, they tend to be biased. Therefore, their prosociality may affect the ways in which they may be involved in moral disengagement as hypothesized in this paper. This, as indicated by the moral disengagement literature, affects the outcomes - i.e. the unethical business behaviour of entrepreneurs.

We think our main finding on the central role of moral disengagement in this "hidden" mechanism is crucial as a starting point to explain why prosocial entrepreneurs conduct unethical behaviour. It invokes an interpretation of the potential interactions of prosociality variables with moral disengagement antecedents. Previous research has indicated that moral disengagement is also influenced by other cognitive factors. These factors may have a positive effect on moral disengagement and thus, they may alter the levels of unethical behaviour of an individual. In the presence of factors that positively contribute to the high level of moral disengagement, we think individuals with high prosocial motivation could be prone to display unethical business behaviour.

Thus, prosocial motivation may be a necessary condition to reduce unethical behaviour, but it is not a sufficient condition to yield good business practices. This way of making sense of the relationships between the factors involved in the mechanisms of unethical decision making reflect a configural or person-centered approach in understanding organisational phenomena (Morin et al., 2018). The central tenet of this approach is an acknowledgement that a population may consist of a number of sub-populations with different characteristics and that each configuration may lead to different outcomes; thus, this approach allows researchers to consider different subpopulations of prosocial entrepreneurs that may have different configurations of prosociality and other cognitive variables, especially the antecedents of moral disengagement.

As an example, among other factors that may increase the level of moral disengagement is trait cynicism (Detert et al., 2008). Trait cynicism is defined as an attitude that displays frustration, as well as distrust towards other ideologies, institutions, persons, and groups (Abraham, 2000; Costa et al., 1985; Hochwarter et al., 2004). We think that identified factors like trait cynicism (and other relevant factors that might be positively related to moral disengagement), together with different levels of prosocial motivation, may provide interaction effects that alter the level of moral disengagement of an individual entrepreneur. For example, distrust towards capitalism and market ideologies may make a group of prosocial entrepreneurs have a higher level of trait cynicism than others. People with a high level of trait cynicism tend to question the motives of others; and they also tend to diffuse responsibility because they feel that many people are also selfish (Detert et al., 2008). Thus, this sub-population of prosocial entrepreneurs may have different patterns of unethical business behaviour from the rest of the population.

This configural point of view between prosociality variables and other relevant factors in moral disengagement is also reflected in other similar discussions related to tensions encountered by social entrepreneurs. This may indicate the increasing relevance of incorporating person-centered approach in understanding entrepreneurship phenomena. Wry and York (2018), for example, identified the emerging and ongoing tensions between the personal identity and role identity of an entrepreneur. These identities can be fully aligned with either the commercial or social organizational logic of their organizations; and thus they are manifested in purely prosocial or pro-commercial entrepreneurs. However, there might be configurations where these identities are differently aligned to commercial and social organizational logic, respectively. According to Wry and York, these could be manifested in someone who "works as a venture capitalist (role identity) and views her/himself as an environmentalist (personal identity) who recycles and drives a hybrid vehicle" (Wry & York, 2017: 442). We think this illustration given by the authors implies a configural relationship between prosocial identities (personal identities) and other potentially conflicting factors (role identities). While Wry and York do not discuss the ethical implications of these configurations, we argue that their insights on the relationship between personal and role identities and their alignments to organizational logic correspond to our identification that prosocial motivation is a necessary but not a sufficient condition to reduce unethical business behaviour.

In light of the findings and the implications discussed in this paper, our investigation provides several contributions to the literature. First, this research uncovers the mechanisms of unethical behaviour among prosocial entrepreneurs by showing the role of moral disengagement in mediating the relationship between prosocial motivation and unethical business behaviour using the Motivated Information Processing Theory. Furthermore, since a few cognitive antecedents may positively correlate with moral

disengagement, we suggest that the different configurations between prosociality variables and these antecedents may yield different levels of unethical misconduct among prosocial entrepreneurs. In doing this, this study provides a preliminary insight that helps scholars in explaining the unethical behaviour of prosocial entrepreneurs. This study, therefore, contributes to the extant entrepreneurship literature, especially that which focuses on the ethics of entrepreneurs (e.g. Chell et al., 2016; Vallaster et al., 2019). Second, this paper answers a recent call to further conduct moral disengagement research (Detert et al., 2008). Research on moral disengagement has investigated the antecedents of moral disengagement, such as empathy, trait cynicism, locus of control, and moral identity (Detert et al., 2008); however, little is understood on the role of prosociality in moral disengagement. This is due to the fact that most assumptions in the literature highlight the role of prosociality in leading to good social behaviour. In contrast, this paper extends existing moral disengagement research by identifying prosocial motivation as an antecedent that also significantly affects moral disengagement.

One of the main insights that emerged from this paper is the suspected configural relationship between prosocial motivation and other identified antecedents in moral disengagement. However, due to limitations in the data collection processes, this paper does not provide empirical evidence on these interactions. This drawback implies a need for future research on entrepreneurship ethics that utilizes a person-centred approach. This particular approach considers the extent to which different interactions of psychological factors may affect particular behavioural outcomes.

Entrepreneurship ethics research from a person-centred approach would, for example, investigate the different configurations of prosociality and other cognitive factors that may lead to both the ethical and unethical behaviour of entrepreneurs. A person-centred approach would allow researchers to investigate the equifinality of configurations – i.e. different configurations that are responsible to drive similar outcomes. As these factors rarely affect outcomes on their own, understanding the configurations would deliver better insights on the relationship between prosociality and the ethical behaviour of entrepreneurs. In turn, this will also provide better guidance for practitioners.

### Conclusion

Why do prosocial entrepreneurs conduct unethical behaviour? This puzzling question was the main driver that motivated this research. The extant literature often indicated that prosocial entrepreneurs were individuals with "pure" and "impeccable" social motives who aim to create a social impact in society. They might operate from social and commercial enterprises and they have one thing in common: they are seen as ethical individuals because they are prosocial.

However, emerging research has begun to show that this characterization was misleading. Prosocial entrepreneurs may also fall into the valley of unethical misconduct. Our research offered an initial step to further uncover this phenomenon - we aimed to peel the first layer of the proverbial onion by investigating the link between prosocial

motivation and unethical behaviour in a sample of nascent entrepreneurs.

Our study uncovered the "hidden" mechanism by showing that prosocial motivation and unethical behaviour was mediated by moral disengagement – a cognitive mechanism responsible to disconnect individuals from their moral standards. This finding and investigations of past literature led to a proposition that prosocial entrepreneurs might activate moral disengagement, and thus deactivate their moral standards, if their prosocial motivation interacts with other cognitive factors that positively correlate with moral disengagement, such as trait cynicism. We suggest that future research should employ a person-centred approach to make sense of the phenomenon and to move the entrepreneurship ethics studies forward.

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