

Self-assured entrepreneurs are more likely to act against their own pro-environmental values

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Many entrepreneurs claim that they care about sustainability, yet they make decisions that are harmful to the environment. Economic researchers from Germany and the USA have discovered that many bosses do indeed have firm convictions - but that they unconsciously disengage their values from their business actions. The type of entrepreneur most likely to fall into this category are those who perceive themselves as highly influential or who are operating in a challenging industry environment.

They promise to do their bit for the environment and stick eco labels on their products. But sooner or later someone will point out that they sell products that are pesticide-ridden or that contain [palm oil](#) sourced from endangered rainforests. Did the [entrepreneurs](#) reach their decision after a rational cost/benefit analysis? Or does unconscious behavior play a bigger role in entrepreneurial decision-making than is often assumed? What are the triggers that cause entrepreneurs to act against their own values? To find the answers to these questions, economic researchers from Technische Universität München (TUM), Indiana University, and Oklahoma State University presented a range of scenarios to around 100 German [business](#) founders.

For the task, the entrepreneurs were asked to assess a variety of business opportunities against a number of attributes. They were asked first of all to assess the attractiveness of a particular business opportunity. They

were also asked to make a set of judgments in the context of [environmental impact](#), respect for nature, entrepreneurial [self-efficacy](#) and perceived business climate. Using the interconnected variables of this conjoint experiment, the researchers were able to draw conclusions on how various cognitive processes influence decision-making.

The research team found that even entrepreneurs with a strong respect for nature made decisions with a harmful effect on the environment. These decisions were not reached on the basis of any conscious process, however. "We found that the research subjects unconsciously adjusted the relationship between their values and their actions - with the effect that their actions seemed to coincide once more with their values," explains Prof. Holger Patzelt of the Chair of Entrepreneurship at TUM.

The researchers noted, however, that not all of the entrepreneurs displayed this disengagement of pro-environmental values. What these entrepreneurs had in common was a high level of entrepreneurial self-efficacy and a challenging business climate. According to the received theory up to now, entrepreneurs with low self-efficacy were thought more likely to experience a conflict with their own values.

Holger Patzelt comments further on the findings of the "I care about nature, but ..." study: "Entrepreneurs with very high entrepreneurial self-efficacy want to exert influence. This makes them more likely to disengage from values that limit their options. The same principle applies to an unfavorable industry environment, for example if the company is facing sharp competition. In such situations, too, company bosses believe that everything hinges on their decisions."

Meanwhile, the researchers' findings could be used to good effect in environmental legislation. "Law-makers could pass stronger regulations in industries prone to challenging economic climates with a view to protecting the environment," suggests Patzelt. For the entrepreneurs

themselves, the findings on unconscious decision-making mechanisms could help them gain more insight into their own business strategies. Last but not least, the researchers hope that their work will help to improve the structure of training. "Up to now, economics courses have placed an emphasis on turning out budding entrepreneurs with a high degree of entrepreneurial self-efficacy," remarks Patzelt.

"Now we know that this strategy can also have undesired consequences."

More information: Shepherd, D. A., Patzelt, H., & Baron, R. A. Early Online Publication. "I care about nature, but ...": Disengaging values in assessing opportunities that cause harm. *Academy of Management Journal*.

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