

The Foundations of Sustainable Entrepreneurship

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Sustainable entrepreneurship is an emerging area of investigation within the entrepreneurship field, that still suffers from a quite fragmented theoretical foundation as well as confusion about what it means in practice. Our ambition here, in a very condensed form based on ongoing research, is to suggest a holistic framework that conceptualizes sustainable entrepreneurship as a combination of three different dimensions: the economic, social and environmental. The notions of social, economic and environmental entrepreneurship are presented and analyzed and their synthesis in a unifying and holistic framework forming the concept of sustainable entrepreneurship is proposed.

Sustainable Development

Although sustainable development is usually defined in an abstract way, most researchers agree that it combines the so-called "three dimensions": economic development, social equity and environmental conservation. More precisely, Cohen and Winn (2007, p.34) state: "sustainability, [...] means the balancing of economic health, social equity and environmental resilience, serving as the integrative concept which offers a long-term perspective and provides opportunities for win-win solutions". Consistent to this understanding, sustainable development should depend on the fulfillment of the triptyque of Economy-Society-Environment, (figure 1). According to Elkington, (1997), firms using this concept are often referred to as managing the "triple bottomline".



FIGURE 1. The three dimensions of sustainable development

However, these dimensions are not always compatible, which, as far as the spatial scale is concerned, creates developmental problems to localities. A first step towards sustainability in a specific spatial context, such as a region, is to identify the problems that this region faces. Regions comprise areas representing a bundle of actors, who try to satisfy their needs: inhabitants act in order to achieve social wellbeing, while economic actors try to achieve economic competitiveness. When sustainability is not met, then these activities are in essence the factors that cause the specific regional problems. Consequently, in order to achieve sustainability a reconciliation of both needs (area's and actors' needs) must be achieved by regional policies. The weakness of implementation of a steady policy in many countries and the low level of acceptance at both national and regional levels, highlight that there are many difficulties in planning and assessing the consequences, as well as many other methodological and scientific problems.

The degree to which the environmental aspect should be taken into account when a developmental policy is designed has led to many misunderstandings and to the adoption of a variety of approaches: from extreme economy-centric to extreme eco-centric. The first group considers environment as a restrictive condition for development, which should be targeting the prosperity of humans and which is calculated through the GDP. The second approach discounts to any intervention concerning the natural resources. Today, it is well understood that sustainable development cannot be achieved through the adoption of either of those extreme approaches, but by identifying the golden middle way between them for a specific situation at hand.

Entrepreneurship

Entrepreneurship involves the study of sources of opportunities, the process of discovery, the exploitation of opportunities, and the characteristics of individuals in organizational settings who discover, evaluate, and exploit these opportunities. Entrepreneurship is perceived as an engine of economic growth, since it leads to customer / user value and wealth creation. The most prevalent views of entrepreneurship focus on the perception of new economic opportunities and the introduction of new ideas in the market. As Audretsch (1995) claims, entrepreneurship is concerned with the process of change, which corresponds to the definition provided by OECD: "Entrepreneurs are agents of change and growth in a market economy and they can act to accelerate the generation, dissemination and application of innovative ideas" (OECD, 1998, p.11).

The definitions provided, although varying in nature, in general agree to the positive effects that entrepreneurship poses on firms' wealth-creating efforts. A combination and synthesis of entrepreneurship definitions provide the identification of some common elements:

- *Risk taking.* Since entrepreneurial efforts and activities take place within an uncertain environment, this usually requires high investments in the present with uncertain return in the future
- *The formation/creation of something new.* This might refer both to innovation (new combinations of goods and services) and to the formation of new organizations, since in order to pursue opportunities for innovation and to create value, organized efforts and actions are required. Such creation might occur at multiple levels of analysis (individuals and teams, new ventures, etc) and in a wide variety of contexts (start-ups, existing corporations, franchises, etc).
- *Creativity.* Organizational members and individuals have to come up with new ideas and concepts conducive to differentiation from competition in the relevant market place or among potential users / adopters.
- *Value creation.* It emerges when resources are transformed into outputs such as products or services or through financial exchange as customers purchase the entrepreneurial organization's products and services.

Entrepreneurship scholars seek to answer questions such as why, when and how opportunities for the creation of goods and services come into existence; why, when and how some people and not other discover and exploit these opportunities; why when and how different modes of action are used to exploit entrepreneurial opportunities (Shane and Venkataraman, 2000). In relation to the issue of sustainability, this his combined definition seems useful for a number of reasons. It focuses attention on 1) opportunities and their sources, 2) the entrepreneurs, who are the agents of entrepreneurial actions and 3) on opportunity exploitation and its consequences, 4) the outer environment. Furthermore, it extends the field's boundaries to place entrepreneurship into a larger social context that allows for the development of a structured, yet broadly inclusive agenda.

Building on the Schumpeterian base of entrepreneurship as a disequilibrating phenomenon, Shane and Venkataraman (2000) state that entrepreneurship is about discovering and exploiting new opportunities in the environment. This highlights the key role of opportunity identification as well as doing something with these opportunities that is conducive to improvement, change and wealth creation.

Sustainable Entrepreneurship

Even though sustainable entrepreneurship is a recent phenomenon, both in practice and as a scholarly inquiry (Cohen and Winn, 2007) some definitions have already appeared in the literature. Most of them draw upon the Schumpeterian tradition and the definitions provided by Shane and Venkataraman (2000) for the notion of business entrepreneurship. By synthesizing literature from environmental and welfare economics, Dean and McMullen (2007) propose a definition for sustainable entrepreneurship as "the process of discovering, evaluating, and exploiting economic opportunities that are present in market failures which detract from sustainability, including those that are environmentally relevant" (p. 58) while Cohen and Winn, (2007, p. 35) see sustainable entrepreneurship as the examination of "how opportunities to bring into existence "future" goods and services are discovered, created and exploited, by whom and with what economic psychological, social and environmental consequences".

Drawing on the previous analysis of sustainability and entrepreneurship, and integrating the above definitions, we define sustainable entrepreneurship as

"the teleological process aiming at the achievement of sustainable development, by discovering, evaluating and exploiting opportunities and creating value that produces economic prosperity, social cohesion and environmental protection".

Thus, the three dimensions of the entrepreneurial activity: social, economic and environmental, serve as interrelated subsets of the broader concept of sustainable entrepreneurship. In figure 2 we exhibit the concept of sustainable entrepreneurship at two levels: in terms of its context and in relation to its teleological objectives.



FIGURE 2 The dimensions of the Sustainable Entrepreneurship Concept

By considering the social benefits, stemming from environmental initiatives (e.g. reduction of pollution increases quality of life and population health), of the economic benefits of successful venturing and of entrepreneurship's positive impact on social wealth, in the following, our analysis addresses each of these three aspects of sustainability separately.

The Social Dimension

The first dimension, pertaining to the social equity objective of sustainable entrepreneurship should ensure the equal access of all members of society to resources and opportunities. Central to the definition of sustainable development is the recognition that present and future "needs," must be met (WCED, 1987). Human needs not only include basic needs such as food, clothing, and shelter, but also good quality of life, such as health care, education, and political freedom (IUCN et al., 1996).

The social dimension is directed towards achieving social change and making resources available to a larger audience. Although cases of social entrepreneurship entail the creation of value that embraces both social and economic aspect, the focus is on social value, while economic value creation is seen as absolutely essential in order to ensure financial viability. This can be materialized within a social action context and in terms of providing a catalytic leadership (Weerawardena and Murt, 2006) in areas of social concern with the purpose of change. Social entrepreneurial organizations allow the exploitation of resources which otherwise, would not be allocated to welfare and development issues, using allocation rules other than market ones. They also contribute to stimulating social cohesion, enhancing the level of trust within society and economy and they contribute to accumulating social capital, which is embedded in a community as well as to local development.

The Economic Dimension

The economic prosperity dimension promotes a reasonable quality of life through the productive capacity of organizations and individuals in society (Holliday et al., 2002). Economic prosperity involves the creation and distribution of goods and services that will help to raise the standard of living around the world. Open, competitive, international markets that encourage innovation, efficiency, and wealth creation are fundamental aspects of sustainable development (WBCSD, 2002). Economic prosperity is intrinsically tied to the principles of social equity and environmental integrity (Schmidheiny, 1992). For example, people intending to meet basic needs such as food, clothing, and shelter will use natural resources to satisfy those immediate needs at the cost of the long term health of the natural environment. Millions of hectares of forests are destroyed every year to provide fuel for cooking and heating, to provide fertile land for agriculture, and to provide wood for housing (WCED, 1987). A society that does not create economic prosperity will ultimately compromise its own health and well-being (WBCSD, 2002). Without equal access to income-related benefits, conflict among people will erupt, so that some perceived sense of equity is achieved (WCED, 1987).

The Environmental Dimension

The environmental integrity dimension ensures that human activities do not erode the earth's land, air, and water resources. Ecosystems are assumed to be non renewable resources and thus, have limited regenerative capability and carrying capacity (IISD, 1995). Population growth, combined with excessive consumption, escalating pollution, and depletion of natural resources, threatens environmental integrity (Pearce et al., 1989; WCED, 1987). Human activities can have a significant negative impact on the natural environment, which includes, but which is not limited to, decreased biodiversity, ozone depletion, and accumulation of greenhouse gases, waste management, deforestation, and toxic spills. If the natural environment is compromised, then basic and necessary resources for human life, such as air, water, and food, will also be compromised.

While industry is considered one of the largest contributors to environmental degradation it has also the potential to minimize its negative impact. Over the last years there has been a plethora of management initiatives, projects and programs for the greening of production and for improved environmental performance. In this field, according to Dean and McMullen (2007) opportunities for environmental entrepreneurs exist in discovering and implementing new product or process technologies that are more environmentally friendly. Moreover, there are opportunities for environmental entrepreneurs in discovering customers to whom environmental superior products and services appeal or motivate the elimination of subsidies and incentives which cause environmental degradation.

Problems as Opportunities

The above analysis demonstrates the high interrelationship among the three dimensions. Problems for institutions and individuals alike occur within and among each dimension and today's business success lies heavily upon the organizational capacity to efficiently deal with the above issues. However, these problems can simultaneously be conceived as worth pursuing entrepreneurial opportunities leading to entrepreneurial development. Venkataraman (1997) and Sarasvathy (2003) highlight the important role of entrepreneurial opportunities and their sources. Drawing on literature regarding entrepreneurial opportunities, we distinguish among the allocative, discovery and creative view. The first one perceives opportunities to exist when resources are redistributed without any trade offs. The second perspective suggests that entrepreneurial opportunities arise from information asymmetries with respect to the value of resources and their combination into outputs (Sarasvathy et al., 2003). Finally, the creative perspective suggests that entrepreneurs seek to maximize the utility functions of multiple stakeholders and that opportunities can only be identified ex/post (Sarasvathy et al., 2003).

Sustainable Entrepreneurship as a field for academic research, policy-making and concrete entrepreneurial activity contributes to the advancement of business and human life. First, as a field it provides the ground for important problematic issues to be confronted, since it can foster a consensus as to their possible solutions. Second, it fosters a pro-active stance in facing global challenges of environmental and social cohesion. Third, it alerts the "entrepreneur on the street" about the importance of considering not only the wealth creation and economic aspects of a successful entrepreneurial project, but also the dimensions of social and environmental character.

The article builds research papers that have received the following distinctions:

Katsikis I. and Kyrgidou L., (2007), The Concept of Sustainable Entrepreneurship: A Conceptual Framework and Empirical Analysis, Annual Academy of Management Conference "Doing Good by Doing Well", August 3-8th 2007, Philadelphia, USA.

This paper was awarded one of the AOM 2007 Best Paper Awards and published at the AOM 2007 Best Paper Proceedings.

Katsikis I. and Kyrgidou L., (2007), Sustainable Entrepreneurship, Global Success and Local Development: The Case of Mastiha from the Island of Chios, Greece, 47th Congress of the European Regional Science Association, August 30th - September 3rd, 2006, Paris, France.

This paper was awarded one of the ERSA 2007 Epainos Awards.

Katsikis I. and Kyrgidou L., (2007), Sustainable Entrepreneurship: Theoretical Approach, Strategic Considerations and Empirical Evidence, British Academy of Management Conference, 11-13 September 2007, Warrick, England, UK.

This paper is nominated for the British Academy of Management 2007 Best Paper Award.

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