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## The Distinctive Importance of Sustainable Entrepreneurship

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### Abstract

In facing the challenges of reducing detrimental environmental and societal impacts created by current unsustainable business practices, sustainable entrepreneurship has gained special attention because it might bring about necessary transformations to current products, processes and behavioral patterns. Despite its relevance and conceptual appeal, the conditions, processes, features and outcomes that distinct this form of entrepreneurship are yet to be defined. This current opinion aims to provide conceptual basis for stimulating scholarly thought and improving the understanding of sustainable entrepreneurship as an important field within entrepreneurship research.

**Key Words:** sustainable entrepreneurship; entrepreneurship research; sustainability

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### Introducción

The growing recognition of social and environmental issues has provided entrepreneurs with new types of opportunities, resulting in the emergence of environmental entrepreneurs and social entrepreneurs. More recently, due to the emergence of new ventures capable of combining social, environmental and economic aspects, there has even been reference to a different type of entrepreneurship; this is sustainable entrepreneurship (Hall et al. 2010). They bring into being a new business approach that resolves the dualistic divide between business ventures and altruistic endeavors (Parrish 2010) in favor of a new logic based on the creation of present value for the economy, society and the environment while contributing to the well-being of future generations. A closer look allows us to identify an individual who holistically integrates the goals of economic, social and environmental entrepreneurship into an organization that is sustainable in its goal and sustainable in its form of wealth generation (Tilley and Young 2009:88). It has been suggested that these entrepreneurs embody several sustainability values, such as freedom, equality, solidarity, tolerance, respect for nature, and shared responsibility, which direct their goals, frame their attitudes, and provide standards against which their behavior can be judged (Leiserowitz et al. 2006).

This emergent form of entrepreneurship seems to possess distinct features and the process through which sustainability opportunities are pursued appears to be more complex than its traditional counterpart (Patzelt and Shepherd 2010).

Despite its conceptual appeal and recent surge of research interest in this field, there remains a lack of understanding of the nature of the phenomenon. There is a need to define boundaries, connect theoretical fields and provide deeper explanations of sustainable entrepreneurship (SE) beyond current approaches to eco or social entrepreneurship.

For this emerging scholarly field to take strong roots, its research questions need to be situated in a concrete framework to visualise the specific conditions, features, and outcomes that account for sustainable entrepreneurship, and its distinctive importance within entrepreneurship research needs to be well established. In this vein, two questions need to be addressed: what exactly is the subject matter of sustainable entrepreneurship?, and what is the distinctive contribution of this field to a broader understanding of business enterprise?

## **The Distinctive Importance**

Given the E in SE, there are natural roots in entrepreneurship research. However, entrepreneurship literature has so far been unable to capture or explain, both at conceptual and empirical levels, the logic of creating present value for the economy, society and the environment while contributing to the well-being of future generations. Even though traditional definitions of entrepreneurship (e.g. Venkataraman, 2007) do consider the impact of the entrepreneurial activity, sustainable entrepreneurship refers to a new logic in the process of opportunity development, through which different outcomes are simultaneously pursued, namely social, environmental and economic sustainability.

Dean and McMullen (2007:58) define 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”. Similarly, Hockerts and Wüstenhagen (2010:482), define it as “the discovery and exploitation of economic opportunities through the generation of market disequilibria that initiate the transformation of a sector towards an environmentally and socially more sustainable state”. More recently, Shepherd and Patzelt (2011:137) offer the following definition: “sustainable entrepreneurship is focused on the preservation of nature, life support, and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy, and society”.

Sustainability-driven enterprises are not only about social and environmental entrepreneurship, whereby only social and environmental objectives are to be pursued; nor are only about economic entrepreneurship, although they strive for obtaining economic profit. This approach combines all components of sustainable development equally, holistically and integrally (Tilley and Young 2009), which means that this kind of entrepreneurial activity is about simultaneously achieving the three objectives, while committing to securing the economic welfare and social well-being of future generations, and ensuring a long-term sustainability of the environment (Young and Tilley 2006). In their delineation of the field, Shepherd and Patzelt (2011) provide support to this approach. In their account, the practice of sustainable

entrepreneurship entails sustaining and developing six elements: three constructs informed by sustainable development literature, i.e. sustain nature, life support systems and communities; and three constructs informed by entrepreneurship literature, i.e. develop economic gains, non-economic gains to individuals and non-economic gains to society.

What is missing in the above definitions is an overarching goal or logic based on which economic, social, and environmental sustainability can be put under one mantra. Accordingly, I propose a definition of the phenomenon that draws upon literatures on business sustainability and entrepreneurship: Sustainable entrepreneurship is focused on pursuing business opportunities to bring into existence future products, processes and services, while contributing to sustain the development of society, the economy and the environment and consequently to enhance the well-being of future generations. Sustainable entrepreneurship hence embodies a new form of entrepreneurial value creation aimed at fostering not three, but four central factors: social justice, environmental protection, economic prosperity and intra and intergenerational equity. That being the case, this definition establishes not only the different dimensions along which development is to be directed, but also an overarching concern with the fate of future generations. By doing so, it integrates two central elements of sustainability: the mutual need for environmental protection and development (Dresner, 2008) and the necessity of equity within and between generations (Beckerman, 2009).

To make the argument that SE is to be considered on its own merits as an important field within entrepreneurship research, I need to refute the intuitive counterfactual argument that SE is simply a particular form of entrepreneurship. In other words, if one could argue that any SE activity meets the broader definition of entrepreneurial activity, then SE is simply a subset of entrepreneurship. If on the other hand, we could show that SE activities would not necessarily qualify as entrepreneurial activities if judged on economic merits alone, then a case can be made for SE as important enough for requiring especial scholarly attention. In the exposition of the argument, I will use the illustrative case of British entrepreneur and eco-chef Arthur Potts Dawson. In March 2009, Arthur and his business partners joined efforts to elaborate the idea for a new business: The People's Supermarket. In facing the unsustainable business practices of the British retail sector, they wanted to develop a food buying and retail network that connects an urban community in central London with local farmers. The idea was to engineer social change while promoting values they considered ecological and fair. The People's Supermarket would be a hybrid sustainable venture, a convenience supermarket store run as a cooperative that achieves its growth and profitability targets whilst operating within values based on equity and cohesion, and advances the cause of community development and healthy living. This store emerges as an alternative to supermarkets, one that provides good-quality food at affordable prices and restores the link between the shopper and the producer.

The logic is simple: people pay £25 a year for one share in the sustainable supermarket and commit to work four hours in the shop each month. In return, they get 10 per cent off all their purchases, a share of the ownership of the store and a vote in deciding how the whole enterprise should be run. Hybridity, collective ownership and sustainability constitute the fundamental core of the business model. By doing so, they wanted to deconstruct the way mass food retailers do business and reshape it along what they feel are more ethically and environmentally sustainable pathways. Arthur was committed to integrating environmental best practices into all business activities. In developing the venture, he and his partners

accepted their environmental responsibilities and recognized their obligation to reduce the impact of the venture's operations on the environment. Every operational unit was created with a clear definition of its social, commercial and environmental goals, how they were to be pursued, and how each of these units were to contribute to the business in achieving its sustainability ambitions.

In pursuing their goals they created 'The People's Kitchen, a business unit that cooks ready-meals from the supermarket's out-of-date fruit and vegetables. By doing so, they reduced their monthly food waste by 500 kilograms, increased the sales of ready-meals and gave the possibility of full-time employment to four community members, previously unemployed. They also created 'The People's Florist, which is a business idea that emerged when a local family was forced out of business when they lost their store. The Supermarket needed to increase their produce range and flowers were a profitable alternative. Instead of developing a new business unit, Arthur offered the family a place to sell their flowers for a small fee. The logic is that the emergence of any new local supermarket should not affect negatively, but rather boost the local economy. With the aim of extending their service they created 'The People's Delivery. Instead of charging themselves for delivering produce, they decided to offer young, unemployed people from the community the chance to deliver produce to customers and earn the charge for the service. By offering a space within the supermarket and opening up job opportunities for members of the community, Arthur also managed to improve the life of their social environment.

The People's Supermarket is not only about social and environmental entrepreneurship, whereby only social and environmental objectives are to be pursued; nor is it only about economic entrepreneurship, although it strives for obtaining economic profit. Potts's approach combines all components of sustainable development equally, holistically and integrally (Tilley et al. 2009), which means that this kind of entrepreneurial activity is about simultaneously achieving the three objectives, and committing to securing the economic welfare and social well-being of future generations, and ensuring a long-term sustainability of the environment (Young and Tilley 2006).

Let's consider what it means to be pursuing social and environmental objectives concurrent with pursuing economic viability. At any decision point, there is a compelling argument that can be made about possibilities to strengthen the economic bottom line through the logic of economy of scale or scope and based on maximizing sales per square meter of retail space. Shunning this logic means being subject on high opportunity costs based on economic logic alone. Arguably, no entrepreneur operating on economic principles alone would settle for the operational and value chain configuration selected by Potts in the name of serving the community and the environment. In other words, this particular form of business activity would not exist under a logic that defines entrepreneurship as the pursuit of opportunities for profit, and opportunities as the situations in which revenues simply exceed costs.

The People's Supermarket shows us that entrepreneurial action can do many things, from creating economic gains for investors, entrepreneurs and economies, to preserving ecosystems (Meek et al. 2010) and improving the well-being of communities (Shepherd and Patzelt, 2011) and future generations (Tilley and Young, 2009). It has therefore the potential to cover wide, emerging aspects of reality (Wiklund et al. 2011). By overcoming barriers to the efficient functioning of markets for social and environmental resources (Dean and McMullen, 2007), entrepreneurship can indeed resolve sustainability challenges (York and Venkataraman, 2010) and operate as a central force in the development of an ecologically and so-

cially sustainable economy (Pacheco et al. 2010). In this context, sustainable entrepreneurs have been recognized as the engine of this process of change (Dean and McMullen 2007; Hall et al. 2010) and key actors in creating sustainable growth and wealth (Tilley and Young 2009).

This phenomenon without a doubt expands the prevailing entrepreneurial logic and extends the traditional view of entrepreneurial action, which understands action as the behavior in response to a judgmental decision under uncertainty about a possible opportunity for profit (Hebert and Link 1988). It is not only about pursuing opportunities for profit, but also about discovering or creating and pursuing opportunities for protecting, and further, improving natural and social environments. Although the understanding of the phenomenon has evolved through two separate streams, i.e. social and environmental entrepreneurship (Hockerts and Wüstenhagen 2010), sustainable entrepreneurship, as the conceptual category that gathers triple-bottom line new ventures, is the only category that focuses specifically on sustainable development. As Shepherd and Hockerts (2011) suggest, ecopreneurship and social entrepreneurship are part of, not synonymous with, sustainable entrepreneurship. Ultimately, it is about the combination of economic, social and environmental value creation, with an overall concern with the well-being of future generations.

Given this particular complexity and the practical relevance of SE in improving the development of society, the economy and the environment, it seems appropriate to think of sustainable entrepreneurship beyond any possible reductionist view. Its merits require particular attention within entrepreneurship research, which calls for an appropriate theoretical and methodological definition. Sustainable entrepreneurship research is needed to explore the role of entrepreneurial action as a mechanism for sustaining nature and ecosystems while providing economic and non-economic gains for investors, entrepreneurs and societies (Shepherd and Patzelt 2011).

## **Final thoughts**

Sustainable entrepreneurship as a research field is in its beginnings and I hope that this current opinion will help advance its development. I aimed to provide conceptual basis for stimulating scholarly thought and improving the understanding of sustainable entrepreneurship as an important field within entrepreneurship research. This offers a common platform for uniting a diverse academic community interested in a timely and important issue.

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