

THE CONCEPT OF SUSTAINABLE ENTREPRENEURSHIP: A CONCEPTUAL FRAMEWORK AND EMPIRICAL ANALYSIS

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ABSTRACT

We introduce the concept of “sustainable entrepreneurship” (SE). Since the field of business success lies on three distinctive levels, we argue that SE provides a holistic approach for organizational strategic development. Our case study exhibits how SE can be materialized and offer opportunities for doing well by doing good.

INTRODUCTION

This paper aims at providing a holistic approach to the entrepreneurial phenomenon by introducing the concept of “Sustainable Entrepreneurship”. Sustainable entrepreneurship (SE) is an emerging area of investigation within the entrepreneurship approach, yet quite fragmented, without a coherent theoretical framework. In particular, current conceptualisations of sustainable entrepreneurship fail to adequately consider its unique characteristics and the context within which it should take place. The objective of the paper is, therefore, to enhance our knowledge in the field of sustainable entrepreneurship and to address this research gap by developing a holistic framework that conceptualizes sustainable entrepreneurship as a combination of three different dimensions: the economic, the social and the environmental one. Moreover, the paper draws on the case study of Chios Gum Mastic Growers Association, as a characteristic example that exhibits how entrepreneurial activity has produced local sustainable development. This serves as a tool for unveiling the core of SE in order to guide future research pertaining to sustainable development and for the formation of a strategy that addresses modern business issues. Moreover, implications for sustainable entrepreneurship theory, management practice and policy directions are briefly discussed.

SUSTAINABLE ENTREPRENEURSHIP

The academic literature on business and sustainability is comparatively poor, with the exceptions of the 2007 issue of the Journal of Business Venturing, the 1995 issue of the Academy of Management Review and the papers of Hart (1997) and Hart and Milstein (2003). At the same time, the progress made through corporate responsibility and green production initiatives in the business world, provides only a partial approach to the way of implementing a sustainable entrepreneurial strategy in practice. These non-

radical approaches, according to Cohen and Winn (2007), fail to address the three dimensions of sustainability simultaneously, inadequately resolve practical problems and fail to capture innovative and profitable opportunities leading to sustainable development. Several definitions of sustainable entrepreneurship draw upon the Austrian tradition and the definitions provided by Shane and Venkataraman (2000) for the notion of business entrepreneurship. Dean and McMullen (2007) 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”. Cohen and Winn, (2007) based on Venkataraman (1997), define 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” (p: 35).

Considering definitions provided for the concepts of entrepreneurship, sustainability and sustainable development, we view sustainable entrepreneurship as a synthesis stemming from the concept of business entrepreneurship and sustainable development. Therefore, based on Shane and Venkataraman (2000), 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, the social, economic and environmental one, serve as interrelated subsets of the broader concept of sustainable entrepreneurship. In figure 1 we examine the concept of sustainable entrepreneurship on two levels: in terms of its context and in relation to its teleological objectives.

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 catalytic leadership (Weerawardena and Mort, 2006) in areas of social concern with the purpose of change. 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 living standard around the world. With respect to the environmental dimension, while industry is considered one of the largest contributors to environmental degradation, it also has the potential to minimize its negative impact. Over the last years, a plethora of such management initiatives have developed. According to Dean and McMullen (2007), opportunities for environmental entrepreneurs exist as to the discovery and implementation of new, more environmentally friendly, product or process technologies.

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. 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. Since the field of contemporary business success heavily lies on the social, economic and environmental aspect, the concept of SE provides a holistic approach with important implications for the strategic development of the firm. In this way, the paper makes an important theoretical contribution to the field of SE, since it highlights the opportunities that are generated from issues that exist within the domain, in terms of developing entrepreneurial activity. In the following section, a case study is presented, exhibiting how SE can be materialized to sustainable development, and how problems can be transformed into opportunities, through entrepreneurial activity. We develop a *descriptive case study*, since this is an empirical inquiry that can help us investigate the phenomenon of sustainable entrepreneurship within the real-life context, given that the boundaries between the phenomenon and context are not clearly evident (Yin, 2003). Moreover, our methodology was enriched by a collection of both primary and secondary resources.

THE STORY OF MASTIHA IN THE ISLAND OF CHIOS

Mastiha, or “mastic gum”, is a product of the mastic tree, which is exclusively cultivated in a specific area in the south of the Greek island of Chios, located in the North Aegean Sea. Small cuts are made in the bark of the tree; the sap seeps out and congeals into ‘tears’ of resin, which are harvested and cleaned by hand. The Chios Gum Mastic Growers Association is a Union of Partnerships that was established in 1938. It is a legal form which unites and serves as a collective expression of 20 first degree co-operations from the 24 Mastic producing villages in the south of Chios. It consists of more than 5.000 partners being the biggest organization of the kind over Greece and holding the privilege of having the monopoly of the production of natural mastiha. Its main activity is the collection, manufacturing, packaging and sale of the natural mastic of Chios and its products. Its commercial activities have mainly focused on exports, since 70% of the annual production of mastiha is distributed to markets outside Greece. The Union’s products are verified as “products with name of origin” and thus are thought to be products of high real and symbolic value. In 2001, the Union was rewarded with an ISO 9001, while in 2003, it started operating under the HACCP specification, while gaining the title of “Responsible Enterprise”. Apart from its economic and managerial activities, the Union plays a very important and active role in the economic and social life of the marginal and remote island of Chios.

Problems: The Paradox

The paradox lies in the fact that despite the uniqueness of the product and the monopolist position, the Union had proved unable to realize profits for several years. The trading of mastiha had followed conventional practices, affecting both the Union and its members. In this way, the product’s surplus value was captured by the intermediates, thus, failing to reach the Union and to return to the producers. Moreover, due to the product’s low price, the cultivation of mastiha plots did not yield any significant value,

which forced a large amount of producers to abandon their cultivations. In the following, the Union's main problems are presented, categorized into two groups: production and distribution problems.

Mastiha's collection process is a labour intensive procedure that requires skilled personnel. A major problem in mastiha's production has been the abandonment of the mastiha plots and of mastiha's cultivation. There are several factors that account for the former, such as: The Request of labor outside the farming production is a problem that mainly pertains to young people, who do not wish to occupy themselves with agriculture and specifically with the cultivation of mastiha. Because of the "agricultural exit" of young farmers, the population of mastiha growers becomes older. This implies greater dependence on paid employment and foreign working capital and increased production costs. Moreover, Mastiha plots are usually small in size and geographically dispersed, thus constituting the cultivation and collection of mastiha a difficult process that increases the transportation cost of the working personnel in the field. The result is the aesthetic degradation of this human made natural landscape, which creates changes in the current form of the ecosystem. Manufactured mastiha and mastic oil are products that can offer a distinctive and unique flavor and/or aroma, leading to highly diversified products, used even in low quantities (LID, 2003). However, the Union has failed to benefit from this potential. Instead, producers would only sell mastiha as a raw material to firms outside the region, which used mastiha in the production of end products. Therefore, all the added value of mastiha's unique characteristic was absorbed by other firms and not by the initial producers. The Union was also insufficient in the way in which it commercialized its product since there was not an organized distribution network and as a consequence, the product reached the market through mediating distribution channels, which controlled both the quantity and the end price.

Strategic Decisions for Development

The above important issues lie within two categories: problems with which the Union is unable to directly cope, such as the production problems that appeared due to agricultural exit, lack of new mastiha producers, and those to which it can respond through the implementation of effective strategies. The undertaking of the Union's activities by a new CEO provided the solid ground for adapting innovative solutions to the organization's long lasting problems. This new set of strategies aimed at achieving repositioning in the market, the creation of a large scale retail chain network, the introduction of innovative, high quality and valued products and the reconstruction of its corporate identity and brand image as directly connected to locality, tradition and to well being (LID, 2003). After several efforts, the Union managed to reorganize its operations and finally created the platform for realizing profits and for repositioning itself in the market. This was attributed to three major investments such as the modernization of the gum production plant, the modernization of the mastiha plant and the introduction of new products, some of them also in cooperation with other local firms. Moreover, it made significant radical strategic changes and realized innovative policies through specific processes of intrapreneurship, such as setting upper and lower limits to other firms as to the purchase of mastiha quantities, establishing a retail chain of shops (Mastiha shops) and establishing a subsidiary company in order to realize and implement the above

strategies. All the above strategies, measures and intrapreneurial initiatives, form a holistic approach aiming at contributing to the reconstruction and reorganization of the total business mindset. These strategies and their implications are presented and discussed more in depth below.

The Union adapted specific measures referring to big buyers. In order to prevent monopolistic behaviour from large firms, it introduced limits as to the purchase of mastiha quantities, with both positive and negative motives. The establishment of Mediterra S.A. as a subsidiary company to the Union, in the summer of 2002, was a strategic decision neither easy to take, nor simple to implement. This action was taken for legal reasons and in order to provide larger flexibility, since the Union is a social cooperation with limited business orientation. The creation of the retail network (the chain of mastiha shops, see www.mastihashop.com) would allow the Union to establish a distribution network alternative to the existing one, thus overcoming the intermediates and exploiting a larger part of the added value of its products. Mastiha shops were a great success. This retail chain already operates eight shops all over Greece. In the meantime, the Union has developed collaboration with the “CoffeeWay” chain, which leads to the creation of additional 80 selling spots, named “Mastiha Corners”. Moreover, the establishment of Mediterra S.A. was used as an external facilitating mechanism for achieving change to the Union internally.

Measurement of Success in the three dimensions

The above intrapreneurial practices resulted into successful outcomes. This section analyses how each of the three dimensions leading to economic prosperity, social cohesion and environmental protection accordingly, constitutes an example of entrepreneurial and organizational success. The modernization of the factory’s equipment led to the creation of a large variety of innovative and highly distinctive new products. On the other hand, the strategic reorientation through the adoption of a series of organizational innovations and the establishment of Mediterra SA and of its network of mastiha shops, caused increasing demand for mastiha, which resulted to a parallel price increase, due to its limited production quantity. What is remarkable is the organization’s constant growth and expansion across the production chain, from the cultivation of mastiha to its end products. Today, Mastiha shops already have/or are about to open in New York, Paris, London, Dubai and Tokyo.

In addition to the economic prosperity offered to Union’s members, there were also some important social benefits achieved. Mastiha’s high price further encouraged several mastic producers to return to mastic tree cultivations, thus addressing the issue of agricultural exit and the shortage of young mastiha producers. A significant number of producers who had left mastiha growing, returned to the cultivation and was reinstalled in the mastiha producing villages, helping their revival and thus producing local development. Equally important to the economic and social benefits are the environmental ones. The “mastic landscape”, besides its value as a functional ecosystem, has a high symbolic value due to particular characteristics of its structure and due to the existence of drystone walls. The revival of local communities in the mastic production areas has led to the restoration of the human made landscape as an ecosystem and by that resulted to upgrading the local environment in both the functional and the aesthetic level.

This positive environmental outcome allows for additional opportunities to be developed, as is the field of eco-tourism.

CONCLUSION AND DISCUSSION

This paper argues that the process of attaining sustainable development requires the adoption of specific strategic mechanisms and under this view, sustainable entrepreneurship was defined accordingly. Theoretically, this paper contributes to literature in four distinctive ways. First, this study is one of the few efforts to combine two currently disparate fields, that of organizations and sustainable development and that of entrepreneurship. Second, sustainable entrepreneurship is only a recent phenomenon that has emerged in the management studies' literature, both as a theoretical notion and as an empirical approach; this paper offers a theoretical definition of this emerging field based on the Schumpeterian approach to business entrepreneurship and a holistic conceptual framework grounded on the sustainable development literature. Third, the paper provides an explanatory case study as supporting evidence and as an empirical example of the way in which each of the three dimensions were materialized through the entrepreneurial activity aimed at sustainable development. Fourth, it explores the relation of the institutional form and of new venture creation, as well as the application of strategies and the management of the three dimensions of the SE model, the economic, social and environmental.

The case study presented offers some important empirical contributions to the field of entrepreneurial activities. First, it demonstrates how the three dimensions of sustainable entrepreneurship are interconnected and closely linked, since each one leads to the other. Second, it reveals the presence of large-scale entrepreneurial opportunities grounded in problems that either appear as issues of local development or of organizational inertia. This answers Venkataraman's (1997: 122) question about "where opportunities to create goods and services in the future come from". Third, as Dean and McMullen (2007) highlight, such cases, help us understand the role that developmental, economic, social and environmental problems play in creating opportunities and bring us closer to a theory of sustainable entrepreneurship that addresses more broadly the role that entrepreneurs can play in creating a more socially and environmentally sustainable economy. At the same time, this case provides evidence for moving towards a less deterministic and more proactive role of entrepreneurs in forming the conditions that are necessary to overcome existing problems.

While the focus on new venture performance and survival constitutes is critical, the entrepreneurship field should go beyond the traditional strategic management focus and include an examination of the implications that new venture creation has on social wealth (Venkataraman, 1997). Finally, in our case, the economic benefits were mediated by the activities of a business firm (Mediterra S.A.), while the social ones, such as the distribution of the added value of products to the producers, were mediated by the Union (social organization). This might shed light to the way towards a differentiated form of institutional entrepreneurship in implementing a sustainable entrepreneurship strategy for firms and other organizations.

REFERENCES AVAILABLE FROM THE AUTHORS

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