Entrepreneurship and sustainability: do they have anything in common?

Abstract: The main aim of this paper, within a conceptual approach, is to show the possible relationship between entrepreneurship, especially entrepreneurial orientation, and sustainability. The entrepreneurial orientation of companies (measured by their innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness) and sustainable development are not mutually exclusive. Entrepreneurial orientation is more a particular way of acting whereas sustainability is a set of postulates and aims. Thus, in order for a favourable relationship to exist between the two, implementing the pro-social and pro-ecological postulates of sustainability must provide measurable benefits for a company and must be incorporated into a company's strategy.

Keywords: entrepreneurship, entrepreneurial orientation, sustainability.

JEL codes: L29, L21.

Introduction

The main aim of this paper is to show the possible relationship between entrepreneurship, especially the entrepreneurial orientation of companies, and sustainability; within a conceptual approach. Entrepreneurship; understood as innovativeness, risk-taking, proactiveness or pursuing the attainment of the greatest profit; may be treated as an opposite to any idea of sustainability. Sustainability is connected with efficiency, equality, and intergenerational equity based on economic, social and environmental aspects [Ciegis, Ramanauskiene & Martinkus 2009]. Both of these concepts are very prominent and promoted by policy makers. There is even a definition of sustainable entrepreneurship that is presented in the literature as focusing on the preservation of nature, supporting life and the community [Shepherd

1 The first version of the paper was presented at the 10th International Conference of Territorial Intelligence "Sustainable economics within the new culture of development", September 12th-14th, 2011, Liege, Belgium and published as Working Paper 2011, no. 3 of FIBE, Poznań University of Economics.
Entrepreneurship is seen as profit-oriented idea which leads to new company creation, the fast growth of existing companies and gaining a competitive advantage. Sustainability is treated as being socially-oriented which entails respecting the needs of current and subsequent generations of people. Entrepreneurship can be perceived as a way of thinking and acting through the personal interest of a given person, while sustainability is connected with the interest of the whole society and overlapping generations. This means that entrepreneurship and sustainability are perceived from different perspectives. Does this mean that they are completely opposite or do they have anything in common? Is it possible to achieve these two sets of goals simultaneously, to combine the profit and social orientation in one company? If yes, under what conditions?

At the same time, both of these concepts can be analysed at different levels, at the macro level, the company level and the personal level, and are widely understood in many contexts. These multi-level and multi-dimensionality of both ideas generate theoretical and methodological problems. To answer any research question about the possibility of the simultaneous combination of profit and social goals a clear conceptualization of ideas is required.

This paper is divided into two sections. The first section describes the idea of entrepreneurship and entrepreneurial orientation to clarify the basic concepts. The second section includes a presentation of sustainability and the relationship between entrepreneurial orientation and sustainability. Finally, there is a summing up in the conclusions.

1. Entrepreneurship and entrepreneurial orientation

Entrepreneurship, although it is commonly believed to be an important economic factor contributing to economic growth, is outside the mainstream of economics; therefore a comprehensive, homogeneous theory of entrepreneurship or even its definition do not exist [e.g. Campbell 1992; Bygrave & Hofer 1991]. Within the framework of the neoclassical theory of general equilibrium, an entrepreneur does not serve any other aim than a rational, decision-optimizing manager. Only a rejection of many assumptions of the general equilibrium theory makes it possible to explain entrepreneurship because it is market disequilibrium which encourages setting up new businesses [Dean, Meyer & DeCastro 1993]. Entrepreneurship is indeed regarded as a state of disequilibrium [Shane & Venkataraman 2000]. Contemporary scientific research on entrepreneurship originates from three main traditions, i.e. from the views of F. Knight, J. Schumpeter and the Austrian school. The first ap-
proach focused on an entrepreneur’s ability to bear risk, therefore an entrepreneur is identified with a person who accepts the risk of failure. The second theoretical trend underlines the ability of entrepreneurs to create innovation, so an entrepreneur is an innovator introducing new business solutions. Finally, according to the tradition of the Austrian school, an entrepreneur is perceived as an outsider who recognizes the opportunities of making a profit on the market and takes advantage of them [e.g. Emmett 1999; Kirzner 1997; Kirchoff 1991; Schumpeter 1960]. The many ways of understanding entrepreneurship requires an analysis of this phenomenon at different levels: at the macro level, as a feature of the whole society or economy, at company level, as a feature of a company’s organizational culture and at the personal level, as the characteristic of a person.

Within entrepreneurship as a research area, the idea of entrepreneurial orientation is explored. This concept belongs to a company’s level of entrepreneurial research. It originates from the work of Miller [1983], and was later developed by many followers [e.g. Lumpkin & Dess 1996]. Entrepreneurial orientation (EO) indicates the organization’s predisposition to accept entrepreneurial processes, practices and decision making [Merlo & Auh 2009] and shows the degree to which the identification and exploitation of market opportunities influence a company’s growth [Baker & Sinkula 2009]. Entrepreneurial orientation is a strategic construct [Covin, Green & Slevin 2006], a process of strategy-making [Rauch et al. 2009], and one of the constructs in strategic management [Richard, Wu & Chadwick 2009], whose aim is to achieve company growth. Because of EO, companies have a better chance to rebuild their activities through introducing new products and entering new markets, implementing new processes and through strategic transformation [Bratnicki 2008]. Entrepreneurial orientation is part of a company’s organizational culture and indicates a way of acting.

There are five dimensions to EO: autonomy, innovativeness, proactiveness, competitive aggressiveness, and risk-taking; though some works still tend to refer to only three dimensions: innovativeness, proactiveness and risk-taking [e.g. Bratnicki 2008; Covin, Green & Slevin 2006; Baker & Sinkula 2009; Frishammar & Horte 2007]. These dimensions make EO a more operational concept.

**Innovativeness** means a company’s openness to new ideas, novelty and experimentation, as well as creative processes aimed at developing new products, services or technological processes [Frishammar & Horte 2007; Dess & Lumpkin 2005]. **Risk-taking** is connected with making decisions and taking actions without any knowledge of the possible outcomes [Dess & Lumpkin 2005] and shows the degree of making risky resource commitments [Frishammar & Horte 2007]. **Proactiveness** is treated as a forward-looking perspective as a result of which first-mover or market-leader advantages can be achieved [Frishammar & Horte 2007; Dess & Lumpkin 2005]. **Proactiveness** involves searching for market opportunities in order to introduce onto the market new products or services ahead of one's
competitors, as well as anticipating future demand [Rauch et al. 2009]. *Autonomy* is understood as the independent action of people aimed at realising business visions [Dess & Lumpkin 2005], or as the ability to be self-directed in searching for market opportunities [Lumpkin & Dess 1996]. Employees’ sense of independence is a prerequisite for building competitive advantage and for identifying business opportunities [Lumpkin, Coliser & Schneider 2009]. *Competitive aggressiveness* means the level of effort needed to outperform industry rivals, and is characterized by an aggressive response aimed at improving one’s market position [Dess & Lumpkin 2005].

The main directions of research into entrepreneurial orientation focus on the influence of entrepreneurial orientation on companies’ performance [e.g. Lumpkin & Dess 1996; Madsen 2007; Hughes, Hughes & Morgan 2007], the relationship between entrepreneurial orientation and an increase in sales [Covin, Green & Slevin 2006], or the flexibility of new products [Chang et al. 2007].

In a given company each of the features of entrepreneurial orientation can have a different intensity, from relatively low to very high, which is represented in Table 1. The presented attitudes are only examples which indicate the two extreme levels, whereas in reality a range of intermediate values are likely to appear.

As it is indicated in Table 1, the intensity of each EO dimension can vary. When *innovativeness* is analysed the companies’ attitude can be from imitative innovation to radical innovation. Taking into account the *risk-taking*, enterprises can represent attitude towards risk from aversion to risk to propensity for risk. The lowest intensity of *proactiveness* means that companies rely on current and past trends; while the highest, a strong orientation towards the future. The difference in *autonomy* dimensions vary from undertaking actions imposed by external factors to independent strategic decisions. *Competitive aggressiveness* can represent a range of intensiveness from accepting existing competitors to a strong competitive drive.

<table>
<thead>
<tr>
<th>Entrepreneurial orientation</th>
<th>Attitude with a low intensity</th>
<th>Attitude with a high intensity</th>
</tr>
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<tbody>
<tr>
<td>Innovativeness</td>
<td>imitative innovation</td>
<td>introducing radical innovation</td>
</tr>
<tr>
<td>Risk-taking</td>
<td>aversion to risk</td>
<td>propensity for risk</td>
</tr>
<tr>
<td>Proactiveness</td>
<td>relying on current and past trends</td>
<td>strong orientation for the future</td>
</tr>
<tr>
<td>Autonomy</td>
<td>undertaking actions imposed by external factors</td>
<td>taking independent strategic decisions</td>
</tr>
<tr>
<td>Competitive aggressiveness</td>
<td>accepting existing competitors</td>
<td>strong competitive drive; striving to stand out from competitors</td>
</tr>
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</table>

Table 1. Examples of companies’ attitudes depending on the intensity of their dimensions of entrepreneurial orientation
Additionally, it can be assumed that in a given company the intensity regarding the particular dimensions of EO may vary, as a high or low intensity in one dimension does not automatically apply to all the other dimensions. For example, a company can be characterised by a high intensity of autonomy, a low intensity of competitive aggressiveness and average innovativeness. As a result, it is theoretically possible to have a considerable number of variants in the intensity of entrepreneurial orientation dimensions.

Although the literature related to the subject usually concentrates on the relationship between entrepreneurial orientation and a company’s performance, this paper tries to explore the possible relationship between entrepreneurial orientation and implementing a concept of sustainable growth. The research questions are: Can the growth of a company, being the result of entrepreneurial orientation, be understood as sustainable growth? Does a pro-growth entrepreneurial orientation, by its very nature, foster or preclude sustainable development? How do the dimensions of entrepreneurial orientation influence sustainability? To answer these research questions the relationships between entrepreneurial orientation and sustainability are analysed in section 2.

2. Entrepreneurial orientation and sustainable development – a conceptual approach

To be able to reply to the questions from section 1, a definition of sustainability needs to be described. Sustainable development has become such a broad concept that it can be linked with every aspect of human life. This complex and multidimensional notion combines effectiveness, equality, and intergenerational equity based on economic, social and environmental aspects [Ciegis, Ramanauskiene & Martinkus 2009]. Sustainability is built on three pillars: a sustainable society, sustainable environment and sustainable economy [Zaman & Goschin 2010]. Three main principles of sustainable development are environmental integration, social responsibility and economic prosperity achieved by the creation of new value [Bratnicki 2006].

From an economic perspective, sustainable development is the kind of development which ensures that the future generations’ income per capita will not be lower than that of the current generation. From a sociological perspective, such development supports society by fostering close social ties. And from an ecological perspective sustainable development ensures the diversification of the biosphere, the basic ecosystems and ecological processes [Ciegis, Ramanauskiene & Martinkus 2009].

From a business context sustainable development is also understood as obtaining sustainable profit through employing well-planned business practices which are sensitive to social and environmental needs [Wikstrom 2010]. The business models
of large companies are changing. By implementing social and environmental aspects into their operations companies enact the concept of sustainable development, which is particularly noticeable in Scandinavian countries [Birkin, Polesie & Lewis 2009].

In the economy, economic growth, measured by the growth of GDP per capita, is separate from development; including sustainable development, which is measured by quality-of-life indicators. However, enacting the concept of sustainable development in an organisation not only does not have to preclude economic effectiveness, but it can actually promote it. For example, an emphasis on a balanced use of energy and materials may lead to a more effective use of resources, and consequently to an improvement in a company's economic performance [Birkin, Polesie & Lewis 2009].

A review of existing definitions of sustainable development [Bartkowiak 2008, p. 14 and following] indicates a wide range of understanding but there are two dominant ones. Sustainable development means development which fulfils the needs of the current generation of people while at the same time respecting the needs of subsequent generations. Sustainable development also means such processes of development and bettering of living conditions which do not violate the natural environment of human beings.

Sustainable development can additionally be regarded from different perspectives. It can be analysed at the macro level, as a feature of society, or at company level as a way of acting for a given company.

In order to find answers to the research questions posed in this paper, sustainable development is analysed at company level in the same way as entrepreneurial orientation is a feature of company strategy. Furthermore, the particular dimensions of entrepreneurial orientation were assessed in respect of their positive and negative implications for sustainable development.

Proactiveness, which involves looking into the future and actively seeking market opportunities, seems to have a positive influence on any enactment of the idea of sustainable development based on either the demand or supply sides of the market. From the point of view of demand, in order to ensure that the income per capita of future generations will not be lower than that of the present generation and to ensure social equality, the purchasing power of future consumers must be maintained or even increased and the level of social exclusion must be reduced. From the point of view of supply, efforts to ensure continuous access to natural resources should have a favourable influence on companies’ access to factors of production. A proactive approach to a company’s operations in the context of sustainable development will make it possible to lower production costs through the economical use of natural resources.

At the same time proactive companies, i.e. those which are best at identifying and exploiting market opportunities, can in their operational framework strive to exploit the market opportunities created by sustainable development. Implementing the concept of sustainable development necessitates changes in ways of thinking
and operating, which in turn generates new market and social needs, additionally supported by government policies. Thus pursuing the concept of sustainability may become a trigger for changing a company's operational strategy and encourage them to take advantage of those opportunities, which will allow proactive companies to find new areas for their activities.

The above mentioned relationships can be analysed through sustainable developmental opportunities, which means the opportunities that sustain the natural and communal and benefit the development of others. According to the research findings, entrepreneurs' openness towards the discovery of sustainable development opportunities depends on their knowledge of natural and communal environments [Patzelt & Shepherd 2011].

Innovativeness, which involves introducing new products, services and technologies onto the market or entering new markets can be very helpful in the realization of sustainability, because sustainable development requires changes in production and consumption which will lead to a more rational use of natural resources while observing the principle of intergenerational equity. This means that sustainability requires innovation in the areas of production and consumption, and an innovative attitude by companies seems indispensable for sustainable development. Introducing innovation, while at the same time trying to make a rational use of natural resources, may lead to the lowering of companies' production costs, which in turn will improve their profitability.

However, in order for innovativeness, as one of the elements of entrepreneurial orientation, to have a favourable impact on sustainability, it must be oriented towards attaining the goals included in the stipulations of sustainable development. In itself, innovativeness involves introducing market novelties, but it does not specify their nature.

The propensity for risk-taking, understood as undertaking actions the future outcome of which is unknown, is another dimension of entrepreneurial orientation which can have an influence on sustainable development. Although at first glance sustainability and risk-taking seem to be quite opposite, in fact taking risks means undertaking decisions the future results of which are unknown. At the same time, implementing sustainability also means undertaking actions with unknown future results, so risk-taking as an entrepreneurial orientation can lend support to sustainability.

Implementing the principles of sustainable development also means undertaking actions the outcome of which is unknown though will become known in the future, and there is no guarantee of obtaining the desired goals. Moreover, risk-taking involves trying to predict the future, and profit is treated as a consequence of correct predictions. The stipulations of sustainable development are also founded on predictions regarding future phenomena affecting society and the environment which may never materialise.
The above similarities seem to indicate that there can be a favourable relationship between risk-taking and sustainable development on condition that they share the same social and ecological goals. However, it seems that the time perspective is shorter in the case of risk-taking than it is in the case of sustainable development.

Autonomy, understood as the independence of individual employees and teams in undertaking professional activity, seems not to be connected with the idea of sustainability because the introduction of the concept of sustainable development is a result of long-term strategies of companies or societies and not of independent decisions by particular employees. However, if sustainable development becomes part of a company’s strategy, then the independence of the employees may be a feature that will facilitate a more efficient implementation of this strategy.

Competitive aggressiveness means the level of effort needed to outperform industry rivals and is characterized by an aggressive response aimed at improving one’s market position [Dess & Lumpkin 2005]. A pro-ecological and pro-social attitude in a company, as a postulate of sustainability, can be the basis for the competitive advantage of a company.

A pro-ecological and pro-social attitude, postulated by the concept of sustainable development, can be the source of a company’s competitive advantage. This claim can be substantiated by the examples of Scandinavian companies whose values are based on social equality and respect for the environment [Birkin, Polesie & Lewis 2009]. It must be pointed out, however, that the perspective of sustainable development is long-term, and the perspective of companies creating a competitive advantage is decidedly shorter, usually not more than a few years. This discrepancy regarding the time perspectives may mean that a company’s actions are more likely to be determined by the present situation rather than by long-term trends. Only by creating a permanent competitive advantage can companies support the implementation of sustainable development. Some authors go even further by claiming that sustainable development and competitiveness go hand in hand, and they propose the concept of “sustainable competitiveness” [see e.g. Balkyte & Tvaronaviciene 2010].

As research results show, companies are most strongly oriented towards sustainable development linked to business rather than to social and ecological stability [Wikstrom 2010]. Consequently it can be assumed that entrepreneurial orientation can have a positive impact on implementing the concept of sustainable development if enacting pro-ecological and pro-social postulates brings measurable business profits to companies.

Thus it can be stated that if a company aims to enact the postulates of sustainable development, a certain combination in the intensity of the different dimensions of entrepreneurial orientation can be helpful when implementing a strategy of sustainability. In particular, the sustainable development of a company can be supported by a high level of proactiveness and innovativeness, a moderate propen-
sity for risk-taking and competitive aggressiveness, and a low level of autonomy. The above findings are presented in Table 2.

Table 2. The intensity of dimensions of entrepreneurial orientation supporting the idea of sustainable development

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<tr>
<th>Entrepreneurial orientation</th>
<th>Low intensity of orientation</th>
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<th>High intensity of orientation</th>
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<td>Innovativeness</td>
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Based on these reflections the most consistent intensities regarding the dimensions of entrepreneurial orientation can be presumed (Table 2). A high intensity of innovativeness and proactiveness can promote the introduction of radical innovation with regard to future trends in sustainable economic, social and environmental development. A neutral level of risk taking and competitive aggressiveness and a low level of employee autonomy promote the realization of this strategy for a sustainable future.

Conclusions

The aim of the theoretical research presented in this paper was to observe the relationships between entrepreneurial orientation and implementing the concept of sustainable development. Entrepreneurial orientation; measured by innovativeness, proactiveness, risk-taking, autonomy and competitive aggressiveness; is the strategic construct of a company which leads to its development. However, does company development achieved through the help of entrepreneurial orientation fulfil the postulates of sustainable development?

To answer the question, some clarification is needed. Both of these concepts, entrepreneurship and sustainability, can be analysed at different levels, at the macro, company or personal level. It is important to make some basic assumptions about the levels analysed. In the current paper, the company level is presumed to be where both entrepreneurship and sustainability are treated as possible strategic attitudes for a firm.
Summing up this theoretical reflection, there can be a favourable relationship between entrepreneurial orientation and sustainability, although entrepreneurial orientation is rather the way a company acts while sustainability is rather a set of postulates and aims which can be implemented by a firm. This positive relationship between them can exist if the enactment of the postulates of sustainability can bring business advantages to companies and be incorporated into companies’ strategies.

The above issue has been analysed through examining the possible influence of each dimension of entrepreneurial orientation on the implementation of the principles of sustainable development. Proactiveness, through the maxim of looking into the future and taking advantage of market opportunities; plus innovativeness, as the inclination to introduce new products, services and technologies; are those dimensions of entrepreneurial orientation which can promote sustainable development. Implementing the postulates of sustainable development can be the basis for building a company’s long-term competitive advantage. Risk-taking, which involves undertaking present actions with unknown future results on the basis of predicting future trends, also seems to be favourably linked to implementing sustainability. However, for the positive influence to occur any introduction of changes must be done in accordance with pro-ecological and pro-social principles.

Employee autonomy, however, does not seem to lend support to sustainable development because a company’s pro-social and pro-ecological attitude is a reflection of a strategy adopted by the company as a whole rather than of the actions of particular groups of employees. But if sustainable development is a strategic goal of a company, the autonomy of its employees is a factor which helps in the attainment of this goal.

In conclusion, entrepreneurial orientation and sustainable development are not mutually exclusive; even though entrepreneurial orientation is more a certain way of acting whereas sustainability is a set of postulates and aims. Thus, in order for a favourable relationship to exist between the two, implementing the pro-social and pro-ecological postulates of sustainability must provide measurable benefits for a company and must be incorporated into a company’s strategy.

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