



## Sustainable development and entrepreneurship: Past contributions and future directions

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### ABSTRACT

This article discusses the emerging research concerned with sustainable development and entrepreneurship, which is the focus of this special issue of the *Journal of Business Venturing*. Entrepreneurship has been recognized as a major conduit for sustainable products and processes, and new ventures are being held up as a panacea for many social and environmental concerns. However, there remains considerable uncertainty regarding the nature of entrepreneurship's role and how it may unfold. We begin with an overview of sustainable development and the role of entrepreneurship and outline recent contributions exploring this role. We then summarize the papers presented in this special issue and conclude with suggestions for further research.

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### 1. Executive summary

This article outlines the emerging research and potential future research directions concerned with sustainable development and entrepreneurship, the focus of this special issue of the *Journal of Business Venturing*. Sustainable development has emerged as an influential, albeit controversial, concept for business and policy, and there is growing recognition that a fundamental transformation is needed to reduce detrimental environmental and societal impacts created by our currently unsustainable business practices.

Within this context, entrepreneurship is increasingly being recognized as a significant conduit for bringing about a transformation to sustainable products and processes, with numerous high-profile thinkers advocating entrepreneurship as a panacea for many social and environmental concerns. Yet, despite the promise entrepreneurship holds for fostering sustainable development, there remains considerable uncertainty regarding the nature of entrepreneurship's role in the area, and the academic discourse on sustainable development within the mainstream entrepreneurship literature has to date been sparse. While entrepreneurs have long been recognized as a vehicle for exploiting emerging opportunities associated with societal need, we have little understanding of how entrepreneurs will discover and develop those opportunities that lie beyond the pull of existing markets. Thus, while the case for entrepreneurship as a panacea for transitioning towards a more sustainable society is alluring, there remain major gaps in our knowledge of whether and how this process will actually unfold.

The purpose of this special issue is to begin to address this gap. We begin this paper with an overview of studies exploring the role of entrepreneurship for sustainable development. We then summarize the papers presented in this special issue and conclude with suggestions for further research in this increasingly important area. While this special issue offers considerable insights, there remain ample opportunities for further research in this emerging area. For example, the potential for societal transformation

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through entrepreneurship – the Panacea Hypothesis – remains an active undercurrent in the discourse, while the relationship between sustainable development and entrepreneurship is often more prescriptive than descriptive and, perhaps, overly optimistic. Hence, it remains an open question as to what extent entrepreneurs have the potential for creating sustainable economies, how they motivated and incentivized, if there are structural barriers to the capture of economic rents for sustainable ventures and if sustainability-oriented entrepreneurs differ from traditional entrepreneurs. Further research is also needed to explore the role of public policy and how it may positively influence the incidence of sustainable entrepreneurship.

Another rich area for further research could explore conditions where entrepreneurial ventures rather than incumbent firms provide sustainable products and services. The legitimization of sustainable development within business and policy circles changes the "rules of the game", but also adds additional complexities, with implications for both incumbents and new entrants. Conversely, further research could explore entrepreneurship as welfare-creating versus welfare-destroying, once all externalities are factored in, or the downside to entrepreneurship such as "unsustainable" rent-seeking by entrepreneurs that chose to enter "dirty" industries vacated by incumbents.

Finally, what are the conditions where entrepreneurship simultaneously creates economic growth, while advancing environmental objectives and improving social conditions? Absent within this special issue is the role of entrepreneurs within impoverished communities from developing economies. A key foundation of sustainable development is the recognition that social pressures, especially those within impoverished communities, are a major hindrance to environmental improvement, yet few studies have empirically explored this relationship.

## 2. Introduction

Sustainable development has emerged as an influential, yet controversial, concept for business and policy. Awareness is growing that a fundamental transformation in the way society consumes natural resources and produces energy may be needed if we are to make progress on pressing environmental issues such as ecosystem degradation and global climate change. With this as context, entrepreneurship is increasingly being cited as a significant conduit for bringing about a transformation to sustainable products and processes. Numerous books that sound dire warnings of environmental disaster often end on an optimistic note, concluding that civilization's salvation rests upon the shoulders of heroic social and environmental entrepreneurs (Brown, 2006; Homer-Dixon, 2006; Lovins et al., 2004; Vaitheeswaran, 2003). Influential practitioner journals such as the *Harvard Business Review* and the *MIT Sloan Management Review* advance the idea that entrepreneurship may be a panacea for many social and environmental concerns (Brugmann and Prahalad, 2007; Handy, 2003; Senge et al., 2007; Hart and Milstein, 1999; Wheeler et al., 2005).

Yet, despite the promise entrepreneurship holds for fostering sustainable development, there remains considerable uncertainty regarding the nature of entrepreneurship's role in the area of sustainability and how it may unfold. While entrepreneurship has long been recognized as a vehicle for societal transformation, especially as an economy moves from one technological epoch to another (Schumpeter, 1934, 1942), we have little understanding of how entrepreneurs will discover and develop those opportunities that lie beyond the pull of existing markets. While the case for entrepreneurship having a central role in a transition to a more sustainable society has been proposed by many, there remain major gaps in our knowledge of whether and how this process will actually unfold.

To date, the academic discourse on sustainable development within the entrepreneurship literature has been sparse. Relatively few rigorous studies exploring the relationship between sustainable development and entrepreneurship have been published in mainstream entrepreneurship journals. The purpose of this special issue is to begin to address this gap. In this paper, we outline some of the recent contributions exploring the role of entrepreneurship in sustainable development. We also identify the gaps in our understanding of this emerging research, provide an overview of the papers in this special issue that bridge some of these gaps, and conclude with suggestions for further research in this increasingly important area.

## 3. The emergence and evolution of sustainable development

The term "sustainable development" was first coined at the United Nations Conference on the Human Environment in 1972 and later gained prominence by way of a report to the United Nations by the World Commission on Environment and Development (WCED, 1987), chaired by Norwegian Prime Minister Gro Harlem Brundtland (henceforth referred to as The Brundtland Report). The definition emerging from the report, "Sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs" (WCED, 1987: 43), emphasizes the dynamic aspect of sustainability. At its core is the notion that all natural systems have limits, and that human well-being requires living within those limits.

Sustainable development implies that renewable resources should be used wherever possible and that non-renewable resources should be husbanded (e.g., reduced and recycled) to extend their viability for generations to come. This intergenerational aspect of sustainable development suggests a confluence of diverse social, environment, and economic objectives and raises a number of important questions. How do we weigh the material needs of the present against those of the future? How do we balance environmental protection with poverty relief?

To many, sustainable development seeks to place social and environmental objectives on equal footing with economic objectives (the so-called "triple bottom line"). Heretofore, environment and economy were primarily conceptualized as separate and competing realms, with earnest scholars speaking of trade-offs between the competing objectives of growth and resource degradation. To the extent that these two distinct domains could be reconciled, it was through the elaborate pricing of previously unpriced values via elaborate cost-benefit analyses or by providing procedural protections via regulation (e.g., McAllister, 1984).

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