# Sustainable entrepreneurship and corporate competitiveness: introduction to the special issue


## Vanessa Ratten*

Department of Entrepreneurship, Innovation and Marketing,
La Trobe Business School,
La Trobe University,
3086 Melbourne, Victoria, Australia
Email: v.ratten@latrobe.edu.au
*Corresponding author

## Elisa Pilar Baraibar-Diez

Business Administration Department,
Faculty of Business Economics,
University of Cantabria,
Avda. Los Castros, 56,
39005 Santander, Cantabria, Spain
Email: elisa.baraibar@unican.es

## Carla Susana da Encarnação Marques

University of Trás-os-Montes and Alto Douro and
CETRAD Unit Research,
Quinta de Prados, 5000-801, Vila Real, Portugal
Email: smarques@utad.pt


**Biographical notes:** Vanessa Ratten is an Associate Professor at the La Trobe University, Australia. She is the Programme Coordinator of the Entrepreneurship and Innovation degrees at La Trobe Business School. She has previously been on the Business Faculties of Deakin University, Duquesne University (Pittsburgh), Queensland University of Technology and the University of Queensland. She has guest edited journals including *Team Performance*, *Journal of Business & Industrial Marketing*, *Journal of Management and Organization*, *Thunderbird International Business Review* and *International Entrepreneurship and Management Journal*. She has co-edited six books about entrepreneurship including sports entrepreneurship and innovation. Her current research focus is on sport, education and entrepreneurship.

Elisa Pilar Baraibar-Diez is an Associate Professor teaching (both in Spanish and in English) in the fields of business administration, entrepreneurship, international business and simulation in business administration. Her research interests focus on corporate transparency, corporate social responsibility, reputation and corporate governance. She has taken part in several national and international conferences and held research stays at Institutfür Management belonging to Humboldt Universität (Berlin), Sun Yat-sen University (Guangzhou, China) and La Trobe University (Melbourne). She was accredited as an Associate Professor by the National Agency for Quality Assessment and Accreditation (ANECA) in July 2013.

Carla Susana da Encarnação Marques is an Assistant Professor (with habilitation) at the University of Trás-os-Montes and Alto Douro (UTAD), Portugal. Currently, she coordinates the 'innovation, markets and organization' research group at UTAD's Centre for Transdisciplinary Development Studies (CETRAD). Her research on innovation and entrepreneurship has been presented at numerous international conferences and journals. Her research interests include innovation, entrepreneurship and development.

## 1 Introduction

In the last decade, the main challenge of organisation leaders has been the response to pressures related to corporate competitiveness, corporate governance and corporate citizenship, as well as the interrelationships among them (World Economic Forum, 2003). In a context of uncertainty and competitiveness in which companies need to create value, they must maintain the trust of their investors and stakeholders in corporate management processes. In addition, they have to generate greater social value, responding to changing and more demanding social requirements and expectations. Being responsible today implies responding to those challenges in a dynamic way, knowing how to adapt to a changing demand, being accountable for the impacts on the environment and maintaining standards that allow to do so in a sustained manner over time.

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). While developing economic profit is central to the definition of entrepreneurship (Venkataraman, 1997), the literature on sustainable development suggests that besides economic gains, non-economic outcomes (gains to persons and society) are also main development goals (National Research Council, 1999). The weight that sustainable entrepreneurs place on the generation of economic versus non-economic gains likely differs across individuals, organisations and economies. Sustainable entrepreneurship may include aspects like corporate social responsibility (CSR).

Scholars have developed many definitions of CSR and models trying to integrate it into organisations. Those definitions emerge depending on the context used and are "often biased toward specific interest" (Dahlsrud, 2008), but most of them "cover various dimensions including economic development, ethical practices, environmental protection, stakeholders' involvement, transparency, accountability, responsible behavior, moral obligation, corporate responsiveness and corporate social responsibility" [Rahman, (2011), p.166].

In the analysis of the evolution of CSR, Rahman (2011) states that it is in the 1960s when literature on CSR was broadened, due to the awareness of the relationship between businesses and the environment and a society that did not know how to respond to money and power. After that, both society and the impact that corporate behaviour has on it have been recurring topics in the definitions of CSR, giving rise to other terms like ‘social obligation’, ‘social responsibility’, ‘social responsiveness’ or ‘public responsibility’ (Sethi, 1975; Preston and Post, 1975). In 1979, Carroll stated his renowned definition of social responsibility as it “encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” and created a pyramid which is probably the most well-known model of CSR.

A few years later Freeman (1984) brought a new concept of CSR by concluding that the aim of the company is to meet the needs of stakeholders or “any group or individual who can affect or is affected by the achievement of the organization’s objectives.” This has led to the development of the study of stakeholders and their identification in the organisation, how to map them, how to identify their needs, the best way to reach them and how relationships with the organisations are or should be maintained (Suseno and Ratten, 2007). In this sense Mitchell et al. (1997) proposed a new theory of stakeholder identification based on their salience, which is higher depending on the power of stakeholders to influence the firm, the legitimacy of the stakeholders’ relationship with the firm and the urgency of the stakeholder claim on the firm. In this sense to be more competitiveness, the organisations must be taken in account the needs of theirs stakeholders that are more and more informed and exigent relatively to organisation’ sustainability.

## 2 Sustainable entrepreneurship

Economics and management theories neglected the phenomenon of entrepreneurship for a long time. However, for the last couple of decades more and more authors have started to deal with entrepreneurship following the work of Schumpeter (1934) and Kirzner (1973), and this has partially contributed to the increasing focus on sustainable entrepreneurship as a specific type of entrepreneurship.

Sustainable entrepreneurship is in essence the realisation of sustainability innovations aimed at the mass market and providing benefit to the larger part of society. By realising such sustainability innovations, sustainable entrepreneurs often address the unmet demand of a group of stakeholders. Stakeholders are groups or individuals that materially affect or are affected by a organisation’s activities (Freeman,1984) and can provide important input on entrepreneurial opportunities (Hart and Sharma, 2004) that are ultimately discovered and/or exploited by sustainable entrepreneurs, since lead users foreshadow future demand of a large majority of market participants. This is a fundamental aspect to organisation competitiveness: in 21st century the market want innovation, but with sustainability.

The term ‘sustainable entrepreneurship’ combines two words: sustainability and entrepreneurship. Sustainable entrepreneurship is characterised by “some fundamental aspects of entrepreneurial activities which are less oriented towards management systems or technical procedures, and focus more on the personal initiative and skills of the entrepreneurial person or team to realize large-scale market success and societal change with environmental or societal innovations. Sustainable entrepreneurship – defined in a narrow sense – deals with a very innovative company start-up supplying environmentally and/or socially beneficial products and services with the potential to conquer a large part of the market” [Schaltegger and Wagner, (2011), p.226]. However, the spirit and the process of creating substantial market success with environmentally or socially beneficial products and services is not limited to start-ups; sustainable entrepreneurship can also be seen in established organisations (Schaltegger and Wagner, 2011) and his research may help to better understand the entrepreneurial mechanisms for developing non-economic gains too (Shepherd and Patzelt, 2011). In this way sustainable entrepreneurship may also include aspects like CSR, which refers to actions that appear to further some social good, beyond the interests of the organisation and that which is required by law (McWilliams and Siegel, 2001). However, CSR is not necessarily linked to entrepreneurial action and innovation but often denotes societal engagement of organisations (Shepherd and Patzelt, 2011).

## 3 CSR, sustainability and stakeholders

In response to the controversial question of whether CSR pays off, it is at this point that scholars begin to analyse the relationship of CSR actions with different types of performance and within different industries and countries. Empirical results are diverse (Arlow and Gannon, 1982; Cochran and Wood, 1984; McWilliams and Siegel, 2000; Margolis and Walsh, 2003; Nelling and Webb, 2009; Cavaco and Crifo, 2014) and they depend mainly on the dimensions or components of CSR considered and its effects on desired outputs, determined by complementarity or substitutability between CSR practices (Cavaco and Crifo, 2014). The capacity of a firm to generate long-term financial performance is determined by its relationship with critical stakeholders (Post et al., 2002; Cavaco and Crifo, 2014). The consequences of implementing social actions have led to consider the business case for CSR, since not only financial returns are obtained but other performance outcomes. Embedded in a variety of theories, main outcomes of CSR include cost and risk reductions, positive impact on competitive advantage, seeking legitimacy and reputation, and also win-win situations for both society and organisation (Kurucz et al., 2008). More reasons to implement CSR include "innovation, brand differentiation, employee engagement, and customer engagement" (Carroll, 2016).

The study of the impacts of CSR requires recognising not only new actors or stakeholders but how those relationships develop. Khoury et al. (1999) describe CSR as "the overall relationship of the corporation with all of its stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance." It is here when the relationship between CSR and ethics arises, and the approach is twofold. Is business ethics a motivation to implement CSR actions or is the implementation of CSR actions what makes an organisation ethical? In any case, the relationships between concepts and terms are constant and controversial (Fukukawa et al., 2007), but managing ethically with all stakeholders remains to be an important challenge for organisations. As Carroll (2004, p.117) states, "ethical responsibilities encompass the full scope of norms, standards, and expectations that reflect a belief in what employees, consumers, shareholders, and the global community regard as fair, just, and consistent with the respect for and protection of stakeholders' moral rights."

In the 1990s the relationship between CSR and sustainability begins to flourish. In this sense, Carroll and Buchholtz (2000) consider that "the idea of social responsibility requires the individual to consider his (or her) acts in terms of a whole social system, and holds him (or her) responsible for the effects of his (or her) acts anywhere in that system." This concept of responsibility for the effects closely matches the definition of sustainability development issued by the Brundtland Commission as "development which meet the needs of current generations without compromising the ability of future generations to meet their own needs" (WCED, 1987). Definitions of CSR now try to integrate these concepts. For example, Torugsa et al. (2012) define CSR as "responsible business practices that support the three principles of sustainable development: economic growth and prosperity, social cohesion and equity and environmental integrity and protection."

In recent years, institutions and associations continue the debate, construction and evolution of the concept of CSR beyond academics. The European Commission consider that CSR is a concept whereby companies integrate social and environmental concerns in their businesses operations and in their interaction with their stakeholders on a voluntary basis and the World Business Council for Sustainable Development (2000) defines CSR as "the continuing commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

With the aim of achieving homogenisation in CSR issues, ISO has published a standard related to CSR, ISO 26000, which poses one of the simplest and most inclusive definitions of CSR, evolving towards impact management. Thus, in the Guidance on social responsibility, CSR is defined as "the responsibility of an organization for the impacts of its decision and activities on society and the environment, through transparency and ethical behaviour that:

1. contribute to sustainable development, including health and welfare of society
2. takes into account the expectation of stakeholders
3. is incompliance with applicable law and consistent with international norms of behaviour
4. is integrated throughout the organization and practices in its relationship" [ISO, (2010), p.??].

As considered by ISO 26000, CSR is a tool or enabler of doing business towards sustainable development (ISO, 2010) with focus on corporate competitiveness with economic and non-economic gains. In this Special Issue several studies give emphases to CSR as a way of sustainable entrepreneurship and competitiveness in different sectors.

## 4 Challenges for the future

Taking into account the evolution and interaction of sustainable entrepreneurship with concepts such as CSR and business ethics, there are still many challenges to be addressed:

- Based on a multidisciplinary theoretical approach there are possibilities for multi-level studies within sustainable entrepreneurship; there are benefits to the same research questions being pursued from a different discipline perspective, for example, they may provide a similar explanation of the phenomenon, which increases the robustness of the results and our confidence in the knowledge accumulation process, like suggestion of Shepherd and Patzelt (2011).
- If companies want to be successful in implementing CSR, they have to focus on *how* to implement CSR issues more than on *what* CSR issue to implement. In an effort to say that the company is engaged in CSR (to say simply that they do CSR), companies can perform poor overall results. Strategic management of CSR shows good management (Akpinar et al., 2008) and this implies selecting which policies are important to develop and why, taking into account the key stakeholders.
- Newell (2005) suggests that "CSR initiatives work for *some firms*, in *some places*, in tackling *some issues*, *some of the time*" (Newell and Frynas, 2007). Thus, they propose that the challenge is to explore limitations of CSR, as current models may not be suitable for other environments. Although the analysis of CSR is beginning in emerging countries and other types of economies, it is interesting to know and delve into the limitations of each context.
- Many organisations consider CSR to be something they have to react to, as the regulatory playing field is increasingly complex and they have to comply with it. The voluntary nature of CSR must foster the concept of proactive CSR, defined as "business practices adopted voluntarily by firms that go beyond regulatory requirements in order to actively support sustainable economic, social and environmental development, and thereby contribute broadly and positively to society" (Torugsa et al., 2013).
- Complementariness between CSR and corporate governance should be developed. Scholars have started to integrate corporate governance and CSR (Sacconi, 2006; Luo, 2006; Aguilera et al., 2007; Fassin and Rossem, 2009) and Conley and Williams (2005) have stated that "the CSR-movement can also be interpreted in what has been called 'new governance'."
- Communication is still one of the cornerstones in CSR. More volume of information does not imply higher informativeness and greater transparency. Working on new techniques to communicate CSR information leads to greater effectiveness in reaching stakeholders. So, beyond confusion when using terms, it is essential to work on the quality of information and how it is conveyed to stakeholders.
- Finding a balance in implementing CSR policies with different groups of stakeholders is complex. Some scholars explore CSR as a polyphonic concept, and consider that "analysis and management of CSR should explore how corporations may integrate the plurality of partially polarized voices and partially incompatible values from their environment at a discursive level" (Castelló et al., 2013). Trying to respond to this plurality without compromising the consistency of a CSR strategy is one of the main challenges that organisations face.

## References

Aguilera, R., Williams, C., Conley, J. and Rupp, D. (2006) 'Corporate governance and social responsibility: a comparative analysis of the UK and the US', *Corporate Governance: An International Review*, Vol. 14, No. 3, pp.147–158.

Akpinar, A., Jian, Y., Gomez-Mejia, L.R., Berrone, P. and Walls, J.L. (2008) *Strategic Use of CSR as a Signal for Good Management*, IE Business School Working Paper, WP08-25.

Arlow, P. and Gannon, M.J. (1982) 'Social responsiveness, corporate structure, and economic performance', *Academy of Management Review*, Vol. 7, No. 2, pp.235–241.

Carroll, A. (1979) 'A three-dimensional conceptual model of corporate social performance', *Academy of Management Review*, Vol. 4, No. 4, pp.497–505.

Carroll, A.B. (2004) 'Managing ethically with global stakeholders: a present and future challenge', *The Academy of Management Executive (1993–2005)*, Vol. 18, No. 2, pp.114–120.

Carroll, A.B. (2016) 'Carroll's pyramid of CSR: taking another look', *International Journal of Corporate Social Responsibility*, Vol. 1, No. 3, pp.1–8.

Carroll, A.B. and Buchholtz, A.K. (2000) *Business and Society: Ethics and Stakeholder Management*, South-Western Publishing Co., Cincinnati.

Castelló, I., Morsing, M. and Schultz, F. (2013) 'Communicative dynamics and the polyphony of corporate social responsibility in the network society', *Journal of Business Ethics*, Vol. 118, No. 4, pp.683–694.

Cavaco, S. and Crifo, P. (2014) 'CSR and financial performance: complementarity between environmental, social and business behaviours', *Applied Economics*, Vol. 46, No. 27, pp.3323–3338.

Cochran, P.L. and Wood, R.A. (1984) 'Corporate social responsibility and financial performance', *Academy of Management Journal*, Vol. 27, No. 1, pp.42–56.

Conley, J. and Williams, C. (2005) 'Engage, embed, embellish: theory versus practice in the corporate social responsibility movement', *The Journal of Corporation Law*, Vol. 31, No. 1, pp.1–39.

Dahlsrud, A. (2008) 'How corporate social responsibility is defined: an analysis of 37 definitions', *Corporate Social Responsibility and Environmental Management*, Vol. 15, No. 1, pp.1–13.

Fassin, Y. and Van Rossem, A. (2009) 'Corporate governance in the debate on CSR and ethics: sensemaking of social issues in management by authorities and CEOs', *Corporate Governance: An International Review*, Vol. 17, No. 5, pp.573–593.

Freeman, R. (1984) *Strategic Management: A Stakeholder Approach*, Pitman, Boston.

Fukukawa, K., Balmer, J.M. and Gray, E.R. (2007) 'Mapping the interface between corporate identify, ethics and corporate social responsibility', *Journal of Business Ethics*, Vol. 76, No. 1, pp.1–5.

Hart, S.L. and Sharma, S. (2004) 'Engaging fringe stakeholders for competitive imagination', *Academy of Management Executive*, Vol. 18, No. 1, pp.23–33.

International Organization for Standardization (ISO) (2010) *ISO 26000: 2010 – Guidance on Social Responsibility*.

Khoury, G., Rostami, J. and Turnbull, J. (1999) *Corporate Social Responsibility: Turning Words into Action*, Conference Board of Canada, Otawa.

Kirzner, I. (1973) *Competition and Entrepreneurship*, University of Chicago Press, Chicago, IL.

Kurucz, E., Colbert, B. and Wheeler, D. (2008) 'The business case for corporate social responsibility', in Crane, A., McWilliams, A., Matten, D. and Moon, J.S. (Eds.): *The Oxford Handbook of Corporate Social Responsibility*, pp.83–112, Oxford University Press, Oxford.

Luo, Y. (2006) *Global Dimensions of Corporate Governance*, Blackwell Publishing, Malden.

Margolis, J. and Walsh, J. (2003) 'Misery loves companies: rethinking social initiatives by businesses', *Administrative Science Quarterly*, Vol. 48, No. 2, pp.268–305.

McWilliams, A. and Siegel, D. (2000) 'Corporate social responsibility and financial performance: correlation or misspecification?', *Strategic Management Journal*, Vol. 21, No. 5, pp.603–609.

McWilliams, A. and Siegel, D. (2001) 'Corporate social responsibility: a theory of the firm perspective', *Academy of Management Review*, Vol. 26, No. 1, pp.117–127.

Mitchell, R., Agle, B. and Wood, D. (1997) 'Toward a theory of stakeholder identification and salience: defining the principle of who and what really counts', *The Academy of Management Review*, Vol. 22, No. 4, pp.853–886.

National Research Council (1999) *Our Common Journey: A Transition Toward Sustainability*, National Academy Press, Washington, DC.

Nelling, E. and Webb, E. (2009) 'Corporate social responsibility and financial performance: the 'virtuous circle' revisited', *Review of Quantiative Finance and Accounting*, Vol. 32, No. 2, pp.197–209.

Newell, P. (2005) 'Citizenship, accountability and community: the limits of the CSR agenda', *International Affairs*, Vol. 81, No. 3, pp.541–557.

Newell, P. and Frynas, J.G. (2007) 'Beyond CSR? Business, poverty and social justice: an introduction', *Third World Quarterly*, Vol. 28, No. 4, pp.669–681.

Post, J., Preston, L. and Sachs, S. (2002) 'Managing the extended enterprise: the new stakeholder view', *California Management Review*, Vol. 45, pp.6–28, DOI: doi:10.2307/41166151.

Preston, L. and Post, J. (1975) *Private Management and Public Policy: The Principle of Public Responsibility*, Prentice Hall, Englewood Cliffs, New Jersey.

Rahman, S. (2011) 'Evaluation of definitions: ten dimensions of corporate social responsibility', *World Review of Business Research*, Vol. 1, No. 1, pp.166–176.

Sacconi, L. (2006) 'A social contract account for CSR as an extended model of corporate governance (I): rational bargaining and justification', *Journal of Business Ethics*, Vol. 68, No. 3, pp.259–281.

Schaltegger, S. and Wagner, M. (2011) 'Sustainable entrepreneurship and sustainability innovation: categories and interactions', *Bus. Strat. Env.*, Vol. 20, No. 4, pp.222–237.

Schumpeter, J. (1934) *The Theory of Economic Development*, Harvard University Press, Cambridge, MA.

Sethi, S. (1975) 'Dimensions of corporate social performance: an analytic framework', *California Management Review*, Vol. 17, No. 3, pp.58–64.

Shepherd, D.A. and Patzelt, H. (2011) 'The new field of sustainable entrepreneurship: studying entrepreneurial action linking "what is to be sustained" with 'what is to be developed'', *Entrepreneurship Theory and Practice*, Vol. 35, No. 1, pp.137–163.

Suseno, Y. and Ratten, V. (2007) 'A theoretical framework of alliance performance: the role of trust, social capital and knowledge development', *Journal of Management & Organization*, Vol. 13, No. 1, pp.4–23.

Torugsa, N.A., O'Donohue, W. and Hecker, R. (2012) 'Capabilities, proactive CSR and financial performance in SMEs: empirical evidence from an Australian manufacturing industry sector', *Journal of Business Ethics*, Vol. 109, No. 4, pp.483–500.

Torugsa, N., O'Donohue, W. and Hecker, R. (2013) 'Proactive CSR: an empirical analysis of the role of its economic, social and environmental dimensions on the association between capabilities and performance', *Journal of Business Ethics*, Vol. 115, No. 2, pp.383–402.

Venkataraman, S. (1997) 'The distinctive domain of entrepreneurship research', in Katz, J. (Ed.): *Advances in Entrepreneurship, Firm Emergence, and Growth*, pp.119–138, JAI Press, Greenwich.

World Business Council for Sustainable Development (2000) *Corporate Social Responsibility: Making Good Business Sense*.

World Commission on Environment and Development (WCED) (1987) *Our Common Future*, Oxford University Press, Oxford and New York.

World Economic Forum (2003) *Responding to the Leadership Challenge: Findings of a CEO Survey on Globlal Corporate Citizenship*.