



Entrepreneurial orientation and its effect on sustainability decision tradeoffs: The case of sustainable fashion firms



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ABSTRACT

We examined the entrepreneurial orientation and sustainability orientation, a persistent and conflicting duality, of sustainable entrepreneurs and their evaluation of competing priorities in sustainability decision making. We conducted an exploratory, mixed-method study of 24 sustainable fashion firms and collected data through structured surveys and rich in-depth interviews. Through our inductive and deductive analysis, we derive three sustainability decision making profiles (singular, flexible and holistic) with distinct prioritization logic (nested, ordered and aligned, respectively). We find different configurations of entrepreneurial orientation correspond to the sustainability decision making profiles. We extend the literature by showing how the reflexivity of entrepreneurial orientation interacts with sustainability orientation.

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1. Executive summary

We argue that founders of sustainable enterprises (green, social or both) have a sustainability orientation (SO) comprising values that shape formally and informally the decision making processes and policies of the firm and the logic they use to choose between competing priorities. As entrepreneurs they also have an entrepreneurial orientation (EO), an indication of the firm's processes, structures and behavior to exploit opportunities (Lumpkin and Dess, 1996). Sustainable entrepreneurs, touted by the literature to be change agents that have the capabilities to disrupt the established unsustainable order of industries (Hall et al., 2010; Hockerts and Wüstenhagen, 2010), have a dual orientation and make complicated entrepreneurial and sustainability decision tradeoffs.

We investigated how entrepreneurial orientation interacts and effects sustainability decision making by conducting an exploratory, mixed-method study using a multiple case approach. We used a multi-dimensional measure of entrepreneurial orientation (innovativeness, proactiveness, risk taking and future orientation) and a multi-dimensional measure of sustainability tradeoffs in decision making (economic, social and ecological) and collected data from in-depth interviews. From our data, we derive three types or profiles of sustainability decision making: singular, flexible and holistic. We show that differential configurations of entrepreneurial orientation correspond to specific sustainability decision making profiles and we uncover prioritization logics.

Singular decision making, which is hyperfocused on one sustainability dimension, uses a nested prioritization and corresponds to an EO configuration of high risk taking. Flexible decision making, which accepts greater compromising among the three

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sustainability dimensions, uses an ordered prioritization and corresponds to an EO configuration of high innovativeness and proactiveness. Holistic decision making, which integrates and balances all three sustainability dimensions, uses an aligned prioritization and corresponds to an EO configuration of high proactiveness and risk taking. This paper contributes to the growing literature on sustainable entrepreneurship. The findings have practical implications for sustainable entrepreneurs and for policy makers to provide support and incentives for sustainable entrepreneurship.

2. Introduction

There is increasing agreement that continuous economic growth of established economic systems is unsustainable (Balakrishnan et al., 2003; Pacheco et al., 2010). An emerging branch of literature on sustainable entrepreneurship argues that the Schumpeterian entrepreneurial process can contribute to solving complex social and ecological issues and act as a catalyst for industrial transformation (Cohen and Winn, 2007; Hall et al., 2010; Hockerts and Wüstenhagen, 2010; Muñoz and Dimov, 2015; Parrish, 2010; Schaltegger and Hansen, 2013). This breed of entrepreneur, the sustainable entrepreneur, is dually oriented – on one side towards entrepreneurial growth and on the other towards sustainable development.

The notion that entrepreneurship can contribute to solving complex social and ecological issues is very promising but debated in the literature (Hall et al., 2010). Like all entrepreneurs, the sustainable entrepreneur has an entrepreneurial orientation, a disposition or ability to recognize and exploit entrepreneurial opportunities (Lumpkin and Dess, 1996). Yet, the sustainable entrepreneur also has a sustainability¹ orientation, a conviction to grow his business in the most ecologically and socially responsible way possible. Sustainable entrepreneurs are thought to challenge the established industrial order through the innovation of more sustainable practices (e.g. alternative technologies, waste conservation policies, recycled materials) and effect enduring change and transformation (Hall et al., 2010; Hockerts and Wüstenhagen, 2010; Tilley and Young, 2006). The combination of an entrepreneurial orientation (EO) and a sustainability orientation (SO) presents a duality of interdependent and conflicting values and is not easily reconciled (Dean and McMullen, 2007; York and Venkataraman, 2010).

There is an assumption from an economics perspective that entrepreneurs are driven by self-interest, profit-seeking motives (Parrish, 2010). Sustainable entrepreneurship contrasts with this economics perspective and places shared, societal interest on par with private self-interest (Freeman et al., 2004; Porter and Kramer, 2011). The duality of entrepreneurial orientation and sustainability orientation creates a paradox for the sustainable entrepreneur. The recognition, evaluation and exploitation of entrepreneurial opportunities are complicated decision making judgments about the expected benefits and impacts in the three sustainability dimensions: economic, ecological or social (Byggeth and Hochschorner, 2006; Elkington, 1994; Figge and Hahn, 2012).

We argue that even though EO and SO may have conflicting orientations, there is interdependency in that EO influences the recognition, interpretation and evaluation of sustainability decision alternatives (Hahn et al., 2014). First, this is because founders of sustainable enterprises (green, social or both) have values that imprint and shape formally and informally the decision making processes and policies of the firm (Mathias et al., 2015) and their entrepreneurial orientation (Suddaby et al., 2015). Second, decision making tradeoffs in sustainability dimensions are unavoidable and sustainable entrepreneurs make decisions on multi-faceted entrepreneurial opportunities and risks (Hahn et al., 2010). We posit that entrepreneurial orientation, as an indication of the firm's processes, structures and behavior to exploit opportunities, can help us understand in more depth how sustainable entrepreneurs manage this paradox of entrepreneurial enterprising within the boundaries of economic, ecological and social responsibility. It is important to gain more insight into how they manage this persistent dual orientation to understand the scope, limitations and promise of the systematic, transformative sustainability change they can initiate, accomplish and sustain.

Our study is an exploratory, mixed-method study of 24 sustainable fashion firms. We collected data about entrepreneurial orientation and sustainability tradeoffs using Likert scale questions and held in-depth interviews. We conducted a cluster analysis based on four entrepreneurial orientations (innovativeness, proactiveness, riskiness and futurity) and three sustainability dimensions (ecological, social and economic). We categorized the competing priorities in sustainability decisions and identified the underlying entrepreneurial processes, structures and attitudes associated with making sustainability decisions.

From our findings, we derive three types or profiles of sustainability decision making: singular, flexible and holistic. We show that differential configurations of entrepreneurial orientation correspond to specific sustainability decision making profiles and we uncover prioritization logics. Singular decision making, which is hyperfocused on one sustainability dimension, uses a nested prioritization and corresponds to an EO configuration of high risk taking. Flexible decision making, which accepts greater compromising among the three sustainability dimensions, uses an ordered prioritization and corresponds to an EO configuration of high innovativeness and proactiveness. Holistic decision making, which integrates and balances all three sustainability dimensions, uses an aligned prioritization and corresponds to an EO configuration of high proactiveness and risk taking.

We provide the theoretical background in the next section, followed by the methodology and findings. In the discussion, we present the three sustainability decision making profiles and discuss the implications of our findings for the relevant literature, practitioners and policy makers.

¹ We use the term sustainability in reference to all three sustainability pillars: economic, ecological and social (Elkington, 1994).

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