



Green entrepreneurship in transition economies: a case study of Bosnia and Herzegovina



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ABSTRACT

The countries with transition economies are under pressure to increase entrepreneurial activities that will enable fast growth with minimum impact on natural resources. Despite specific challenges the economies in transition face, development of (sustainable) entrepreneurship has not been in focus of the academic research. This leaves some open questions such as those concerning the role and mode of operation of public policies, level of risk and its influence on entrepreneurship creativity, role of knowledge in diffusing entrepreneurial values and fostering aspirations, externalities created for the society and the connection between sustainability and entrepreneurship.

This paper aims to introduce a discussion on sustainable entrepreneurship in countries with economies in transition. The research carried out included (i) review of literature and statistical data on entrepreneurial environment, (ii) structured interviews with representatives of government, civil society, business sector and academia to understand the society's perception of green entrepreneurship and (iii) analysis of case studies on green entrepreneurs.

It can be concluded that entrepreneurs in economies in transition do not seem to be ready to respond to the challenges or to take any risks by investing in green business, but also that the government and educational institutions do not recognize their own role and fail to support the development of green entrepreneurship. For those "green oriented" businesses, the key sociological constructs are personal motivation and mission, locality, and a forward-thinking orientation in terms of sustainability. All businesses managed to achieve the economic, environmental and social value creation without any support from the government.

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1. Introduction

Over the past two decades, interest in entrepreneurship, and particularly in the emergence of new entrepreneurs and enterprises, has grown among governments and academics. This interest is based on evidence demonstrating the contribution of entrepreneurship to the economic growth, increased productivity, and rejuvenated social and productive networks. Entrepreneurship has been shown to help revitalize regional identity, make the

innovation process more dynamic, and create new job opportunities (OECD, 2011).

The 99% of all European businesses, classified as small and medium size enterprises (SMEs), have fewer than 250 employees. They provide two out of three private sector jobs and contribute to more than half of the total value-added generated by businesses in the EU. They are primarily responsible for increasing wealth and economic growth, next to their key role in innovation and research and development (European Commission, 2012).

In the light of the present growing need to achieve sustainability, it is recognised that entrepreneurship can be a panacea for transition towards a more sustainable society. The researchers in the field of entrepreneurship have devoted increasing attention to the interrelation between businesses and the environment, in particular to the role of entrepreneurs and their small and medium sized enterprises in the development towards a more sustainable

Abbreviations: B&H, Bosnia and Herzegovina; FB&H, Federation of Bosnia and Herzegovina; RS, Republika Srpska; SME, small and medium enterprise.

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commercial and economic system. Hall et al. (2010) concludes that sustainability has become a main stream strategy in doing business and that entrepreneurship is a significant conduit for a more sustainable society. Levinsohn (2013) states that SMEs play a key, but under-researched role, in contributing to the sustainability of local communities. Zu (2014) points out that sustainable entrepreneurship gained momentum in recent years as a global movement that aims to encourage businesses to pay closer attention to their social and environmental impact. Special issues of Journal of Cleaner Production (Volume 19, issue 8, 2011) and Journal of Business Venturing (Volume 5, 2010) devoted to sustainability and entrepreneurship show that many authors employ the term “sustainable development” to refer to the positive contribution of entrepreneurship to society. The transition toward a more sustainable system is a complex process that requires interactions between technology, policy/power/politics, economic/business/markets, and culture/discourse/public opinion and requires a multi-level perspective analysis (Geels, 2011).

The green entrepreneurs, or ecopreneurs as often called by some authors (Kirkwood and Walton, 2010), are those who start businesses based on the principle of sustainability with strong underlying green values and who sell green products or services. These private sector investments in green business do not just generate private profits but also (create) large positive externalities for society, especially when they do not contribute only to the creation of a small niche market, but have the potential to be scaled up to reach the sustainable transformation of an entire industry. Farinelli et al. (2011) states that green entrepreneurs are of crucial importance to the economy as they make significant contributions to job creation. They are also recognized as engines of change and have been credited for introducing innovation, adapting to new ideas and responding to changes more rapidly, flexibly and efficiently than larger companies. Through his review, Sarkar (2013) demonstrates that that eco-innovations and their eco-specific promotional and developmental efforts stimulate sustainable development of eco-industries and enhance the green growth.

What makes green entrepreneurs exceptional in the business world is the strong connection between their business and personal passions and values. Most of them share a fundamental belief in the importance of the environmental and social awareness above strict economic success. A survey of 10 case studies of green entrepreneurs carried out by Allen and Malin (2008) revealed three key sociological constructs in green business: personal motivation and mission (passion and humility); locality (community); and a forward-thinking orientation in terms of sustainability (taking the long view).

And while entrepreneurial activity has been an important force for economic, social and environmental sustainability, Pacheco et al. (2010) points out that its efficiency is dependent upon the nature of market incentives that must encourage sustainable practices. This is specifically true for the emerging economies where entrepreneurs primarily think of how to survive the open market competition. Thus, the institutional, structural, social and economic factors play a critical role in whether entrepreneurs invest in new business ventures associated with natural resources (Nikolaou et al., 2011). Pacheco et al. (2010) discussed over different models of collective actions that proved to be successful in improving competitiveness of sustainable behaviours, including partnership with the industry and civil sector. Ashraf et al. (2014) showed that networking has had a positive effect on carbon performance carbon performance of companies in emerging economies. Lorek and Spangenberg (2014) stress the role of non-governmental organisations, suggesting their ability to stimulate bottom up action and mobilise the pressure necessary for institutional changes through networking and advocacy.

It has been well documented by several authors that education plays an important role in diffusing entrepreneurial values and fostering aspirations. Education can foster activities on raising SMEs' and entrepreneurs' awareness of the scale and implication of the transition towards a green economy and tackling SME knowledge and skill gaps in relation to green technologies, practices and business models. Bonnet et al. (2006) demonstrates that it is possible to successfully combine entrepreneurship, sustainability and project education in a subject for undergraduate engineering students. Lans et al. (2014) postulate that worlds of higher education for entrepreneurship and for sustainability can reinforce each other and lay the knowledge foundation for sustainable entrepreneurs. Lourenco et al. (2013) examined relationship between nascent entrepreneurs' intentions to exploit learning and the extent of a profit-first mentality. He showed that there is a strong relationship between perception of learning benefits and intentions of nascent entrepreneurs to exploit those benefits.

Former Communist countries such as China, the former Soviet Union and Eastern European Countries are in the process of transition from a centrally planned economy to a free market. These, so called, transition economies undergo economic liberalization, where market forces set prices rather than a central planning organization. In transition economies, where many economic activities still need to be developed, the introduction of green technologies and processes can take place simultaneously with the development of key economic sectors, thereby ensuring an organic and gradual assimilation of green economy principles.

In his critical review on sustainable entrepreneurship, Levinsohn (2013) noticed a lack of discussion over the ways in which entrepreneurs contribute to the various areas of society that are in need of development. Tan (2001) reports that development of sustainable entrepreneurship in transition economies was not in the focus of the recent academic research despite the struggle entrepreneurs have to grow economies while, at the same time, preserving the natural resources, as well as some good practices which can be encountered. Kronenberg and Bergier (2012) have notices that, in general, examples from developed countries are cited when making reference to good practice in sustainable development while there is limited access to case studies from transition economies. They also conclude that SMEs have not received enough attention in research although they constitute the largest share of businesses in transition economies. This is confirmed by the extensive literature review carried out by the authors which has revealed a clear gap in information on the nature of entrepreneurship, especially small and medium enterprises, and innovation activities in economies in transition. Kronenberg and Bergier (2012) point out the importance of research in transition economies, arguing that entrepreneurs can learn best from each other's experience, as they can relate better to the lessons-learned and recommendations given than to the case studies from developed countries.

This paper aims to introduce a discussion on sustainable entrepreneurship in countries with economies in transition by using small and medium enterprises as case studies. Some of the questions that authors explore are:

- What is the role and mode of operation of public policies in transition economies in encouraging entrepreneurship, especially green entrepreneurship?
- Is the risk management different in transition economies from that of mature economies? If it is, what is the level of difference? If transition economies are considered to be high risk environments, how does that influence the entrepreneurship creativity?

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