



Entrepreneurship contribution to the three pillars of sustainable development: What does the evidence really say?

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ABSTRACT

Compared to the prior discussion of the emerging research on entrepreneurship and sustainable development, the purpose of this study is to investigate the ability of the entrepreneurial activity to simultaneously enhance economic growth, advance environmental objectives, and improve social conditions in developing countries. We mainly found that entrepreneurship in these countries positively contributes to the economic and social dimensions of sustainable development, while its contribution to the environmental dimension is negative. The results of causality test confirm the interactions among entrepreneurship and these three dimensions in both short and long-run. Limitations and future research directions, some managerial and policy implications for entrepreneurial action in sustainable development are also discussed.

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1. Introduction

Concerns about the planet's sustainability have emerged as an increasingly influential subject in business practice and academic settings, and more recently with the United Nations publication "The Future We Want" one of the outcomes of Rio + 20 conference on sustainable development held in 2012 (Rahdari, Sepasi, & Moradi, 2016). Consciousness is increasing to highlight that a fundamental change in the way society produces energy and uses natural resources is needed if we make advances on pressing environmental concerns such as global climate change and ecosystem degradation (Hall, Daneke, & Lenox, 2010). With this as context, the entrepreneurial action is increasingly recognized as an important vehicle to promise the future development of the whole society's preoccupations (Dean & McMullen, 2007; Patzelt & Shepherd, 2011).

The role of entrepreneurship, as a vehicle of economic and societal transformation, is not new in the economic literature. Several authors have already studied the link between resolving global problems and entrepreneurship (Drucker, 1985; Matos & Hall, 2007; Schumpeter, 1934, 1942). In this context, entrepreneurship has been cited as an important channel towards sustainable products and services, and new projects are underway as a panacea for many environmental and social concerns. For instance, Cohen and Winn (2007) proved that four types of market imperfections

contributed to the environmental pollution and considered it as a source of significant entrepreneurial opportunities to establish the foundations for an emerging model of sustainable entrepreneurship by slowing the degradation and even gradually improving the earth's ecosystems. Similarly, York and Venkataraman (2010) proposed entrepreneurship as a solution rather than a cause of environmental degradation. They built a model that embraces the potential of entrepreneurship to supplement regulation, corporate social responsibility, and activism in resolving environmental problems. Recently, numerous prestigious journals in this area, like the Harvard Business Review, Journal of Business Venturing, and MIT Sloan Management Review, among others, have forwarded the idea that entrepreneurship could be a solution for numerous environmental and social preoccupations (e.g. Hall et al., 2010; Senge, Lichtenstein, Kaeufer, Bradbury, & Carroll, 2007; Wheeler et al., 2005), but also in the documents of the international organizations e.g. UE Strategy (2020), both, i.e. entrepreneurship and sustainability, being considered to guarantee the future development of the whole society.

Yet, despite the economic literature and research lines exploring the key role played by entrepreneurship in promoting a sustainable society, still major gaps in our knowledge of whether and how this process would actually hold in developing countries (Hall et al., 2010), while researchers from Global Entrepreneurship Monitor (GEM) reports that the rates of entrepreneurial activity in developing countries are more higher compared to those in developed ones (Vivarelli, 2013). In addition, since the Sustainable Development Goals (SDGs), appeared from the Rio + 20 conference

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on sustainable development in 2012, are aimed at improving the economic, social and environmental conditions particularly in least developed countries, none of the entrepreneurial economic studies have explored the ability of entrepreneurship in achieving these goals in case of developing countries. Moreover, still there is a research gap in the literature on a holistic framework used to assess the contribution of the entrepreneurial activity in reaching the economic, environmental, and social goals of sustainable development – TBL or 3BL (triple-bottom-line) suggested by [Elkington \(1998\)](#)¹ – in an integrated framework, as emphasized by [Hart and Milstein \(2003\)](#).

Attending to the above-mentioned motivations, the purpose of this study is to address these gaps and give empirical evidence on the role of entrepreneurship in making developing countries more sustainable. It thus makes two fundamental contributions to the existing pool of knowledge. First, we examine the ability of the entrepreneurial activity to make developing countries more sustainable. Specifically, we examine the contribution of entrepreneurship on the economic, social and environmental dimensions of sustainable development to find out if entrepreneurship may create economic growth, advances environmental objectives and improves social conditions in the developing countries. To the best of our knowledge, none of the existing studies have investigated the relationship between entrepreneurship and these three dimensions in an integrated framework, and in the context of developing countries. Second, our results, regarding to the linkages among entrepreneurship and the above-mentioned pillars of sustainable development, also contribute to the existing literature. To be more precise, they strongly support the environmental economics literature and the research in game theory by confirming that the challenges of sustainable development in developing countries correspond to a prisoners' dilemma problem whether the businesses/entrepreneurs are compelled to environmentally degrading behavior due to the divergence between individual rewards and collective sustainability goals.

We begin our analysis with a review of the concept of sustainable development and discussing the connection between entrepreneurship and the three-pillars of sustainable development that are economy, society, and ecology. We then describe the study's research methodology and the used data. The empirical findings are then presented, followed by a discussion of their contributions to existing literature, managerial and policy implications for entrepreneurial actions in sustainable development, and limitations and future research directions. Study's main conclusions are given in the end.

2. Literature review

A compact review of the literature on the concept of sustainable development, its main components and their interactions with the entrepreneurial activity are presented in this second section.

2.1. Sustainable development – a complex concept

Historically, the concept of sustainable development was first appeared in a document entitled “Our Common Future”, also

¹ John Elkington coined this concept to express the diffusion of sustainable values in business activity performance ([Elkington, 1999](#); [Elkington, 2004](#)). The TBL is a useful tool in helping businesses to demonstrate their commitment the three main pillars of sustainability such as society, the environment and the economy ([Mark-Herbert, Rotter, & Pakseresht, 2010](#); [Wiedmann & Lenzen, 2009](#)). Also, it has become one of the significant guiding paradigms for measuring sustainability performance ([Hubbard, 2006](#); [Slaper & Hall, 2011](#)) and many scholars frequently used TBL/3BL concept to explain “sustainable development” ([Chick, 2009](#)).

known as the Brundtland Report, provided by the UN World Commission on Environment and Development (WCED) in 1987 ([Lele, 1991](#)). It defines sustainable development as a development which meets the needs of the present generation without compromising the ability of future generations to meet their needs (WCED, 1987: 43).

Indeed, sustainable development is recognized as a potential pathway to reorient development towards a more inclusive model, which aims to achieve a symbolic relationship among desirable economic, social, and environmental systems for both present and future generations ([Cobbinah, Black, & Thwaites, 2011](#); [Folke et al., 2002](#)). This objective was born from the idea that the social, environmental and economic pillars of sustainable development are intimately interrelated and cannot be considered separately² ([Strange & Bayley, 2008](#)). We understand from this interrelationship that pure economic development needs to have some limits because the attainment of sustainable development needs the integration of not only its economic dimension, but also its environmental and social dimensions at all levels. If an economy focuses only in the economic sustainability dimension, then it would be a society whose gross domestic product gets higher, but also the one that destroys the environment or the one that disrespects their population's rights ([Baker, 2006](#)). Therefore, only by integrating social, economic and environmental sustainability can positive synergies fostered, negative synergies be arrested and real development encouraged³. According to [Serageldin \(1995\)](#), the basic premise that leads to this idea is that all human activity is a subsystem of the ecosystem. Indeed, the human population and the activity that it engenders are part of a larger whole that is the ecosystem in which they evolve. This ecosystem includes the physical environment and all living organisms that share and interact in and with this space. Human activity depends on the ecosystem and the ability of this ecosystem to maintain this activity. Some environmentalists will also push this reasoning further, because, in their view, human activity influences the ecosystem and, if human development is unchecked, there will be irreversible changes in the ecosystem that will endanger its ability to ‘endure’ human activity. According to this vision, sustainable development offers a development model that tries to reduce the impact of human activity on the ecosystem that it does not undergo significant and permanent changes.

However, with the current global challenges such as rapid urbanization, increasing poverty, climate change, and food insecurity a practical understanding of sustainable development is necessary and urgent especially in developing countries ([World Economic & Social Survey, 2013](#)). For that reason, leaders of 189 countries met in September 2000 at the United Nations in New York and agreed to achieve eight international development goals

² [Baker \(2006\)](#) summarizes the interrelationship between environment, economy and society in the following points: environmental stresses and the economic development system are interrelated; environmental and economic problems are related to political and social factors; and these problems exist within a state, but also among states.

³ Social, Economic and environmental sustainability form elements of a dynamic system. They cannot be pursued in isolation for sustainable development to flourish ([Kwarteng, Dadzie, & Famiyeh, 2016](#)). Social sustainability is the ability of our society to ensure the wellbeing of all its citizens. This well-being translates into the possibility for everyone, to access, whatever their standard of living, to basic needs: food, housing, health, equal access to work, security, education, human rights, culture and heritage, etc (see [Dempsey, 2009](#); [Mackenzie, 2004](#)). The economic sustainability is the ability to promote growth and economic efficiency through sustainable production and consumption patterns, i.e. a system of production that satisfies present consumption levels without compromising future needs (see [Basiago, 1999](#)). The environmental sustainability is the fact to preserve, improve and enhance the environment and natural resources in the long term, maintaining the great ecological balance by reducing risks and preventing environmental impacts (see [World Bank, 1986](#); [Basiago, 1999](#)).

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