Framework for Sustainability Entrepreneurship for Small and Medium Enterprises (SMEs) in an Emerging Economy

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In this modern electronic era, sustainability entrepreneurship is a new research design venture of small and medium enterprises (SMEs), viewed from two broad agendas viz., environment quality improvement and social well-being. The impacts of five most effective factors for an effective entrepreneurship are identified. A framework for sustainable entrepreneurship is developed for continued growth of SMEs or small businesses. The nature, scope and limitations of this new design venture, in modern era are explored. How this new design venture affects a novice entrepreneur is detailed with a brief framework of work processes. Uncertainties associated with are grouped with a view to minimize them. This work also argues that this emphasis is elaborating the opportunities for a new entrepreneur in the form of innovative products or services.

1. Introduction

In simple terms, the sustainability entrepreneurship (SE) is typically focuses on identifying opportunities for creating value for customers, ultimately yielding a profit for the founders and investors. Most of the entrepreneurship courses and texts share this primary focus. SE takes a slightly different perspective, by emphasizing some additional goals such as promoting sustainable living, in terms of social equity and environmental improvement. From an entrepreneurial perspective, such an emphasis presents opportunities in the form of innovative products, services, and production processes that alleviate social or environmental conditions. This make more efficient use of energy and natural resources, and harness renewable resources that save costs, lower risks, and are less harmful to society in the long run. At present, there is no suitable text on the subject. This paper proposes a framework, learning objectives, course outline, and content for “Sustainability Entrepreneurship" course for graduate and undergraduate students.

Past research on entrepreneurialships have traditionally understood and discussed but has been restricted to profit-driven ventures aimed at maximum of return for the entrepreneurs (Campbell, 1992; Caisson, 2003). The very concept of socially and

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environmentally responsible entrepreneurship is of relatively recent origin, making a drastic departure from the primacy of profit driven motive. The argument is made that entrepreneurship can be used not only to benefit the individual entrepreneur but also to achieve socially desirable outcomes, such as preservation of environment, conservation of non-renewable energy sources, reduction of emission, alleviation of poverty and so on.

In recent years, sustainability driven entrepreneurship has been gathering momentum one of the major direction in which traditional entrepreneurship is redirected (Parish and Tilley, 2009). For example, argue that sustainability entrepreneurship not only fills a gap but also acts as a catalyst in our ongoing efforts to combine the motive of self-interests with the outcome of social welfare. Various researchers discuss various “eco-social” enterprises in Europe, Africa, North America and the Asia-Pacific regions (Bradley D, etal, 2006) (Alex S, 2010).

In this paper it is argued that sustainability entrepreneurship open a new avenues for creation of job opportunities, performing social-ecological support functions, in a way that is readily different from the traditional means of achieving such outcomes, such as charities and non-profit organizations. Second it is argued that SE performs a critical role in creating sustainable development and preservation of the environment through large scale structural transformation. Third, a framework of the three different and significant work processes viz., entrepreneur, sustainability and integration of these two (sustainability entrepreneurship) are proposed. Finally there is special note on emerging economies is the most of the developing nations is highlighted, along with its detailed relevance in the context of sustainability entrepreneurship.

2. Sustainability and Entrepreneurship

Sustainability is an emerging field of SE, which has its original roots in the concept of sustainable development that grew out of the conservation and environmental movement of the 1970’s. Therefore, dating from the 1970’s this field emerged in reference to establishing limits on developed growth; the by the term "sustainability" was and is used to blend ecology and economic growth of a business organization. Entrepreneurship is the act of being an entrepreneur, for transforming innovations into economic goods, while starting up a new business venture. In recent times, the entrepreneurship helps design the public policy and business perspectives in recognition of the need to support a growing economy. At the same time it helps reducing the technological, social, and economic costs of national economic growth.

Therefore the SE in SMEs is defined as sustainable development needs for continuing commitment by business to behave ethically and contribute to economic development
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while improving the quality of life of the workforce, their families, local communities, the society and the world at large as well as future generations (Hilton M, 2000). Sustainable entrepreneurship is thus defined to be a continuous commitment by businesses to behave ethically and contribute to economic development. At the same time, they also attempt improving the quality of life of the workforce, their families, the local and global community as well as future generations. This strategic vision of SE is of primary importance to both developing as well as developed nations around the world.

As we move towards 21st century, there are several social, economic and environmental factors, compiling human sustainability on this planet. For example, the emergence of information and networking technology has made computers and Internet as part of our daily life, questioning our sustainability without them.

Sustainable entrepreneur is thus not only responsible for shareholders but also responsible for nature, society and future generation (Bos A, 2002) (Borgo E Etal, 2000). Thereby, SE is considering being a more holistic approach for undertaking a business venture. But how does this relate to the true essence of entrepreneurship, is still an open question to many researchers.

3. Small and Medium Enterprises

From the beginning, SMEs have always had a distinct nature of their own in the development of emerging economies. SMEs by virtue of their structure do not entail development of large scale technology which they often associate with environment degradation, concentration of wealth, depletion of non-renewable energy resources, and elimination – rather than creation – of employment opportunities. Further, SMEs are instrumental in distributing economic growth in a decentralized and more equitable manner, eliminating concentrated areas of population and focus more equitable allocation of the fruits of economic growth throughout an emerging country.

Many SMEs have registered threads of rapid growth in several fields of industrial activity such as rubber, food, chemicals and quite a few other service sectors. Various researchers discusses the role of SMEs in various sectors and subsectors in technology dissemination and economic development in emerging economies, such as India, Pakistan, Bangladesh, Srilanka (Hambrick, D. C, 2007) (Alter S, 2003).

In general, entrepreneurship and small business are typically used synonymously and interchangeably, presenting as one in the same. In reality, an entrepreneurship primarily differs from small business in four critical ways: amount of wealth creation, risk and
innovation, speed of wealth accumulation. In this electronic era, technology support for SMEs is become vital for effective business process implementation.

Many researcher has discussed the technology and information support is actually making SMEs more and more competitive as well as profit making institutions, ultimately leading and making them to be a major part for their national economic growth (Agarwal R, etal, 2005)(Pfeiffer J, 2007). SMEs are in need of good management apart from well-established business process that demands few factors from sustainability. Therefore the social life of information systems is playing a vital role for an entrepreneur, in improving their productivity (DeSanctis G, 2003) (Ray A, etal 2006). To some extent, entrepreneur needs to relay on the deliberations on sustainability of information systems firm to lay the foundations for his resources.

In this modern era, SMEs start incorporating the concept of sustainability into the free market consciousness and allow the consummate entrepreneur, who seeks wealth creation within a tremendous risk-reward environment, through sustained invention and innovation, to achieve success

3.1 Entrepreneur Education

The past literature on entrepreneurship and entrepreneur education is clearly indicating two base line assumptions (Hilton M, 2000)(Kathleen M, 2010)(Schaper M, 2002):

A) In starting up a new venture or an own business, the entrepreneur needs to use some of his/her own money to get going.
B) An entrepreneur needs to be mentally prepared to a seminal fact: He/she may not have an income for several months as he/she build momentum.

There will be some factors, which form the basic items of risk and uncertainty one can face in small business. There is also sufficient potential for lack of structure, order and organization. Initial days’ the entrepreneur may not realize this fact, but later on this becomes vital for his/her SME’s survival in the market, with any new venture. Therefore the educational background of the entrepreneur matters a lot to start up a new venture on his own. Technical skills coupled with his basic education background make him a good leader and manager, for managing his existing resources; especially at his initial stages of SME setup. His education also helps him/her, resolving uncertainties, which will crop up during the SME establishment stage.

The past history of entrepreneurship or SMEs does not specify any specialized qualifications for prospective entrepreneur. Here are a few tips to help entrepreneur better handle the risks and uncertainties of entrepreneurship (Giuseppe M, 2005)(Kathleen M, 2010):
Learning creative ways to manage difficult times. If there is no marketing budget, it is better to try free avenues like social media and word-of-mouth.

There can be some unpredictable business situations lend itself to innovation or a great new invention, so always be prepared for change perspective.

Entrepreneur should always be surrounding with a strong support network that includes both trusted professional contacts as well as loved ones.

Always an entrepreneur should make some time for him/herself. A clear head is a vital requirement for evaluating any risks.

Entrepreneur should practice some adaptability, giving enough room for reaction time. Thus keeping a watch on what is happening in the business environment prepares for fourth coming uncertainties.

Always look at best fit for the proposed new venture by realizing business factors from inside and outside. This makes one tangible for facing more management risks if any.

In today's competitive market, an entrepreneur should always have a backup business plan for new products and services.

Therefore the entrepreneur education needs to have the reflection on the following five prominent goals for developing his/her skills:

A. Know why (that is, for building the required attitudes and motivation for start-up)
B. Know how (that is, for attaining technical capabilities necessary to create a business)
C. Know how (that is, for promoting vital contacts for developing the business)
D. Know when (that is, for achieving the sharp intuition to act at the correct moment) and
E. Know what (attaining the knowledge base and information for new venture development aspects of entrepreneur learning)

4. Preconditions to Implement Sustainable Business Practices

Sustainability has its base lies in a way of living in the modern era, by balancing the health and environment for a livable and lovable entrepreneurship and business success. Here we propose the following preconditions to implement SMEs and their practices.

A. Every business should have a precondition of commitment for going green
B. A firm view of integration of environmental sustainability into several (as many as aspects possible) business aspects such as new market attractions, new revenue generation opportunity
C. Every business practice of an SME owner should have sustainability factors to reduce business risks
D. The main idea of retaining the talent within the organization is to capture new market opportunities, mainly based on several sustainability factors.
E. The SMEs should invest some time for their employees as well as their organizational health aspects, immaterial of their financial resources or revenue generation.

F. Sustainability is surely for long term; therefore the business practices should include few self-initiated processes such as bringing the business needs as well as consumer needs near to environment green.

G. One of the preconditions for implementing sustainable business practice is to integrate three important factors: Corporate values, Production processes and Consumer needs.

5. Emerging Economy

In simple terms, the term “emerging economy” is defined as “economy with low to middle per capita” income. This is clearly visible in some countries that constitute approximately 80% of the global population, and represent about 20% of the world's economies. The economy in these countries falls under this category normally varies from very big to very small, and are usually considered emerging because of their developments and reforms. For this reason, even though China is deemed one of the world's economic powerhouses, it is lumped into this category alongside much smaller economies with a great deal less resources, like Tunisia. The emerging economy is considered to be fast-growing economies, mainly due to their respective embarked economics programs and reforms. These emerging economies are branded as transitional, indicating their state of moving from closed economy to an open market economy while building within the system. This section details certain success and failure aspects of these upcoming emerging economies.

One key characteristic of the emerging markets is an increase in both local and foreign investment (portfolio and direct). A growth in investment in a country often indicates that the country has been able to build confidence in the local economy. Moreover, foreign investment is a signal that the world has begun to take notice of the emerging market, and when international capital flows are directed toward an emerging economy, the injection of foreign currency into the local economy adds volume to the country's stock market and long-term investment to the infrastructure.

For foreign investors or developed-economy businesses, an emerging economy provides an outlet for expansion by serving, for example, as a new place for a new factory or for new sources of revenue. For the recipient country, employment levels rise, labor and managerial skills become more refined, and a sharing and transfer of technology occurs. In long-run, it is expected that these emerging economies overall production levels rise, increasing their gross domestic product and eventually lessening
the gap between the emerged and emerging worlds. Therefore these are very good in a free market context, and are about job creation which in turn produces disposal income, that eventually begets increased demand for goods and services. Ultimately, these are accompanied by a multiplier effect that allows a dollar to flow through the economy something like two times or more. Apart from these also begets additional demand for goods and services, which further increases disposal income, resulting in increased corporate revenue for re-investment, capital accumulation, and business growth. Since these economies are in transition and hence not stable, thereby they are offering an opportunity to investors who are desperately looking to add some risk to their portfolios. Most common risks include corruption, political instability, liquidity, and currency collapse (Schaper M, 2002).

This type of compounded economic activity finally produces increased state and federal corporate and personal income tax revenue, allowing for infrastructure investment in public works such as roads, bridges, railways, dams, and national lands like parks, wetlands, mountain ranges, and the like. These emerging economy markets are volatile subject to their political and social factors, resulting in an attempt to open up their economy to the world. The people in those economic countries are accustomed to being protected from outside world, often be distrustful to any foreign investments. This clearly gives a huge scope for small and medium enterprises development. At the same times, these SMEs need some standards, ethics, coupled with their cultures.

5.1 Success Factors of an Emerging Economy

Among all, the four key success factors of an emergence economy includes: peace and stability, infrastructure investments, a functioning financial system and free market policies.

1. **Peace and Stability**: Peace and stability are prerequisites for any business or economic success. If there is stability, most of the businesses will feel confident investing full resources and expertise. For example, China and India have experienced sustained growth because they have, by and large, succeeded in maintaining law and order situation. On the other hand, in countries that have been ravaged by civil strife such as Sri Lanka and Afghanistan, the pace of development has been slow to non-existent.

2. **Infrastructure Investments**: Infrastructure development is the backbone of an emerging economy; this specifically demands investments in education and transportation. Emerging economies must have the sufficient manpower to sustain rapid growth. To achieve this, they need to invest in education and training facilities. Similarly, there needs to be investments in the transportation infrastructure, such as new roads, bridges and railways. For example, the Indian railway system used to
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run on coal engine locomotives. However, the gradual transition to diesel and electric engines has made the system more efficient.

3. **Functioning Financial System**: A functioning financial system starts with an independent central bank that is on guard against inflation. The central banks in both China and India have stepped in repeatedly to keep inflation in check, although that is easier said than done when you're experiencing high-single to double-digit growth. Laws and regulations also need to be in place to protect individuals and businesses against corruption and money laundering.

4. **Free Market Policies**: Government policy in emerging economies needs to favor open markets and free trade. China, although technically a socialist country, has promoted capitalist principles in their economy. India went through a long period of sluggish growth because state-controlled enterprises were running at a loss and strangling the economy. Taxes were high and tax evasion was rampant. The economic reforms started in the late 1990s, along with investments in high technology, have resulted in marked improvements in the Indian economy.

**5.2 Failure Factors of an Emerging Economy**

In a smart way, the fast-growing and liberalizing Asian and Latin American countries, start adopting market-based policies, leaving their old economic formalities, to boost their economic conditions. Undoubtedly this has helped their government policies favoring the economic liberalization. At the same time there are some failures likely to involve in this process in long term. The following are some of the failures that are most likely to come in this process of emerging economic boost.

- Most of the state-owned enterprises, which pay more attention to their development are indirectly tied up with government, for several reasons such as to receive direct financial subsidies, are not able to measure positively about their potential growth.
- The rapid change in their market mechanism may have impact on the economic destabilization, results in lowering the private sector growth.
- Certain microeconomic stabilization is difficult to achieve for any external financial support.
- Public suspicion about the foreign direct investment is still an open question
- Support to interaction between financial institutions and business firms is in doubt due to market imperfections.
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6. Framework for Sustainability Entrepreneurship

It is realized that sustainability entrepreneurship is definitely demands certain amount of knowledge and tools from the entrepreneur to maximize the business performance. In addition to these, entrepreneur also requires certain management techniques. Keeping in view of the sustainability management, each entrepreneur needs to adopt certain environmentally responsible practices. Therefore there is vital need for a framework for sustainability entrepreneurship, to have a better business performance, these section details framework aspects of sustainability.

The past literature on framework proposals of various researchers applicable for business organizations start stressing the importance on the business process emphasizes the importance of adopting a strategic approach, so that sustainable development is considered as a part of (Peeters L, 2002) (Hambrick D.C, 2007) (Ramona K Z and Chandra S M, 2010).

- strategic discussions,
- objectives,
- goals, and
- targets

At the end, they are integrated with governance and accountability arrangements of business coupled with risk management. Ensuring sustainable entrepreneurship development is featured at a strategic level, supported by leadership and envisioning, is the only way to ensure its integration into all parts of the operational plan-do-check-act management cycle. Framework discussed in this work focuses on all those socio, economic and environmental areas aiming at better performance and help organizations to deliver strategic and specific sustainable development objectives and targets.

Therefore, the perspective of framework includes advice entrepreneurs on how their SMEs can achieve relatively simple quick wins to improve energy efficiency and reduce office waste, that can help them improve environmental performance while reducing their maintenance costs, all in a relatively short time frame. SMEs need to be well managed and best business practices will be in the best position to deliver high-quality information about their sustainability and corporate responsibility performance to investors.

Apart from the business process improvement a framework gives an insight into the business aspects of the new venture for a prospective entrepreneur. In general, an entrepreneur is more concentrated towards profit-making in short term. The framework follow up always gives a clear in sight and strategic view for the visionary SME, in terms
of business process, people management, risk management etc. The framework is like blue print plan, vital for a prospective entrepreneur, help sustaining in the competitive market and balancing the local market synergies at the same time. Keeping in view of increased profitability and competitive advantage, a framework should be in a position to logically integrate between the ‘entrepreneurs work process’ and ‘certain sustainability factors’. This is precisely the missing factor in the past literature and is now addressed in this work.

The Framework proposed in this research work is of three fold. Initial, “entrepreneur work process” describes the business work process of SMEs. Later “sustainability framework” details the sustainability inputs vital for SMEs coupled with economic and continuous commitment aspects. Finally “sustainability entrepreneur” framework describes an integrated view of both sustainability as well as entrepreneurship.

6.1 Entrepreneur Work Process

This framework proposed in the Figure 01 below is totally aim at prospective entrepreneurs, who is really intended to start their own businesses. There are many researchers focus on different aspects of entrepreneur, but focus on the business process.

![Figure 01: Entrepreneur Work Process](image)

**Explore:** As a first any entrepreneur should explore the possible business needed for the community at which he/she is planning to start an SME. This is a kind of entrepreneurial process normally begins with the exploration of new ideas. In the past several authors detailed this concept in the following number of ways:

1. According to March (1991), exploration details the (a) search requirements, (b) calculated risk-taking, (c) date to experimentation, (d) new discovery and (e) required innovation
2. According to McCline (McCline, et al., 2000), the exploration begin with discovery of opportunities.

**Exploit:** Every entrepreneur should exploit all the possible resources and community help needed to start up his business. This primarily includes the feasibility study, technology support and financial support. The following are some of the issues an entrepreneur needs to exploit.

A. Discover market imperfections (Kirzner, 1997)
B. Realize opportunities in a constantly changing marketplace (Jacobson, 1992).
C. Exploit the effective and efficient discernment of the nature of the opportunity.

**Exit:** Under sustainability issue, for SMEs, there is always an exit from private to public. That is there is a change of mind set for entrepreneur. He needs to become more and more strategic and ethical and responsible. This holistic vision needs to be improved for future generation entrepreneurs.

These three factors are most important for establishing and improving the entrepreneur’s business process. Once this process is established the different aspects of it can result in the expected outputs.

### 6.2 Sustainability Framework

Many researchers start defining the sustainability in different perspectives, such as region’s economy is moving towards sustainability or away from it. Their basic aim is sustainability needs multi-dimensional indicators (Giuseppe Munda, 2005). The following is a proposed framework, as shown in Figure 02, most suitable for a prospective entrepreneurship.

![Figure 02: Sustainability Framework](image)

The concept of sustainability encompasses the following fact: Organizations are fully aware of the impact of their behavior on the material and immaterial situations of their direct and indirect environment. It just not only bothers about the opportunities and threats but also bother about environment.
How this sustainability framework helps entrepreneur? From one aspect, entrepreneurship is to look at the local community and look for adopting sustainability techniques. In that situation, these SMEs will eventually turn into a productive global company in long term. On the other hand, entrepreneur considers an organization being solely look at profit-making, may not pay much attention to this social, economic and environmental issues. Therefore, the highest priority is thus to educate this entrepreneur (improve his/her mental awareness) towards this sustainability issues. That leads them to the continuing commitment to business as shown above. Ultimately this makes him more ethically and morally responsible for the business. Several researchers suggest that certain environmental and social audits are vital for enforcing this sustainability, which change the mind set of entrepreneur (Schaper M, 2002) (ray, etal, 2006). Therefore certain certification is vital for each entrepreneur, for his/her SMEs strategic growth in this modern era. This obviously demands a framework coupling the sustainability and entrepreneur work process.

For any business, it is not possible to define clearly the environmental, social and economic constraints, as they depend on the nature of the business. At the same time, certain common issues like business process and managing the people will have a direct impact on the overall productivity and quality of the business. Thus in any business activity it is clear that, there is no guarantee of success always from improving the environmental, social and economic performance. But at the same time, it is vital for us to measure them, if not at least one should keep a look at the factors influencing these issues. These factors help identifying the risks associated with business process, hence improving the overall corporate performance. Therefore sustainability is itself a continuous process, from small activities that bring quick returns to incorporation in strategies that bring long-term competitive advantage – pushing businesses to be more point focused.

6.3 Sustainable Entrepreneur Framework

The greatest entrepreneurs in this world are start dealt with new problems, as they were growing up with their new venture. A clear business vision is definitely not possible in the beginning of the business. At the same time making a clear business plan and following neat framework certainly take them to the different heights. Therefore it takes some time for the entrepreneur to understand the different components of framework for sustainability, in the realm of market trend, existing competition and technology trend.

Once we have a framework for entrepreneur work process and sustainability, the next obvious task is to look for an integrated view of these two. The Figure 03 below is an integrated version of above two (entrepreneurship and sustainability) frameworks, focusing on the sustainability issues essential for modern entrepreneurs. Making the
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people more social and ethical, with reference to their business needs, is an important aspect in view of competitive nature of the modern market.

![Diagram of Sustainability Entrepreneurship Framework]

**Figure 03: Sustainability Entrepreneurship Framework**

In this framework, more insight is towards sustainability inputs, results in generating more social and ethical employees, who are aware the importance of sustainability inputs for the SMEs strategic growth. At the same time, this framework also suggests, that an entrepreneur can go back to this original model at any time in the process of adopting sustainability factors. This type of flexibility makes entrepreneur more networking oriented, while retaining him/her as a strategic and holistic thinker. This framework also makes it clear that the work process in this particular way makes relationships of SMEs link with bigger companies, apart from increasing their positive reputation.

7. Emerging Economy and Sustainability

The idea of an *emerging economy* describes a narrow list of middle-to-higher income economies among the developing countries. Governments in these countries start promoting private sector by lending small enterprises, which is considered a social responsibility as well as commercial opportunity. The current research question here is to look for sustainability and its real relevance or value in emerging economy. The large scale study analyzing the entrepreneurship value for sustainability revealed two important facts:

1. High sales and reduction in costs, coupled with lower risks.
2. Improved environment practices coupled with social and economic development
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On the other hand, the three dimensions of ‘sustainability’ (for all organizations) are: (a) economic viability, (b) social responsibility, and (c) environmental responsibility. There might be a trade-off between these dimensions, but generally they are socially responsible (towards employees, communities, and other stakeholders), and environmentally responsible, lead to enhanced trust, and therefore makes good business sense. Organizations realized the fact: social and environmental responsibility cannot, however, stand in isolation from economic viability. No doubt, profitability and growth always create jobs and wealth; organizations must therefore continue to provide products and services that people want.

A company’s reputation is intangible, at the same time it helps to build sales, attracts capital and business partners, while recruit and retain workers. Whereas in emerging economies, brands normally tend to be fairly weak, which puts brand owners in highly competitive? Therefore the sustainability is becoming an increasingly significant factor for them. Emerging economic countries have some specific advantage over developed countries in building alternative products and service markets. For example, these countries can leapfrog stages of technology – in power, moving straight to off-grid renewable energy without ever having polluting power generation plants.

**8. Conclusions and Future Possibilities**

Taking care of our environment is vital not only for us but also for the future generation. This requires, especially for an entrepreneur, a different mindset, this frame work attempts to provide the same. More or less all SMEs are regional specific. In general, they design, develop and serve according to the local community needs and demands. Attitudes to sustainable SMEs development are varying significantly from region to region. At the same time, one cannot conclude that opportunities are not available for some SMEs. This is because the local priorities and pressures play an important role in the particular benefits being experienced in those regions. This proposed framework is expected to suggest entrepreneurs in that direction. Further, by coupling some of the strategic management techniques to this model one can extend a framework for managing environmental sustainability that may help new entrepreneurs’ to be more environmental friendly in future.

**References**

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