

Exploring the Nexus between Sustainable Entrepreneurship and Ethical Consumerism

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Abstract

Sustainable entrepreneurship has emerged as a new area of scholarship in the field of entrepreneurship research. Sustainable entrepreneurs pursue opportunities that combine sustainable social and environmental development with entrepreneurship and economic growth. An important feature of entrepreneurial research is how entrepreneurs seek and respond to market opportunities. We propose that opportunities for sustainable entrepreneurship exist within the wider context of market failure, sustainable development and ethical consumerism and that the sustainable entrepreneur and the ethical consumer exist as a symbiosis. We follow our review of sustainable entrepreneurship and ethical consumerism literature with a series of questions to guide further research in this domain.

Introduction

Academic interest in entrepreneurship has traditionally viewed the entrepreneur as playing several roles within an economy that is focused on economic growth. These have included the innovator of new products or methods of production leading to disruption of the status quo (Baumol, 1968; Schumpeter, 1934). The entrepreneur has also been identified as an opportunity spotter who discovers and exploits previously unnoticed opportunities for making profit (Kirzner, 1997). Also that of a risk taker (Knight, 1933), and resource manager who can effectively allocate resources to generate above average returns (Alvarez and Barney, 2004). However, the process of entrepreneurship can also be applied to achieve social and environmental rather than purely economic outcomes (Neck, Brush and Allen, 2009; Paredo and McLean, 2006; Sullivan Mort, Weerawardena and Carnegie, 2003).

Over the last two decades the positive outcomes of social and environmental entrepreneurship have generated interest amongst scholars, practitioners and policy makers (Mair and Marti, 2006). This reflects a shift away from the traditional view of entrepreneurship as focused only on economic growth. During the past 20 years social entrepreneurship has emerged as a separate theme in the entrepreneurship literature (Weerawardena and Sullivan Mort, 2006). Although it remains a poorly defined concept, it primarily examines how entrepreneurship can be used to solve social problems. By doing so it introduces an altruistic element to entrepreneurial motivation (Austin, Stevenson and Wei-Skillern, 2006; Dacin, Dacin and Matear, 2010; Short, Moss and Lumpkin, 2009). A further theme of recent years has been environmental entrepreneurship. This research focuses on the identification, evaluation and exploitation of opportunities that emerge as a result of environmentally relevant market failure (Dean and McMullen, 2007).

Less attention has been given to how entrepreneurship can be used to maintain a sustainable economy, society and ecosystem. Sustainable entrepreneurship seeks to address social *and* environmental problems created by market failure while attaining entrepreneurial rents. Sustainable entrepreneurs pursue opportunities with potentially positive social, environmental and economic returns by combining the goals of sustainable development with entrepreneurship and economic growth (Gibbs, 2009). This area of entrepreneurship research has been constrained by a lack of research and conceptual confusion. Poor definitional

boundaries have resulted in overlap and confusion in terminology and definitions used in scholarly research which has undermined scholars' ability to explore the potential impact of this type of enterprise on economic, social and environmental outcomes.

An important feature of all entrepreneurial action and research is how entrepreneurs seek and respond to market opportunities. In the area of sustainable entrepreneurship this raises questions about the role of ethical consumerism in shaping the opportunity seeking behaviour of such entrepreneurs. Therefore, this paper explores the nexus between sustainable entrepreneurship and ethical consumerism. In doing so it identifies key research questions that seek to extend academic enquiry in these areas of entrepreneurship, marketing and consumer behaviour.

Sustainable Entrepreneurship

Research into sustainable entrepreneurship explores the nexus between entrepreneurial activity and the development of a sustainable society and eco-systems. The sustainable entrepreneurship literature is unique in that it illustrates how an entrepreneur's ideological belief in sustainability can motivate them to seek out, develop and exploit opportunities using a combination of goals. Sustainable entrepreneurship combines the goals of sustainable development (Jacobs, 1995), with entrepreneurial action and economic growth (Gibb, 1996). Westley *et al.* (2002) argue that sustainable development is an interaction between the natural environment, humans and their artefacts (i.e., technology, organisations and institutions). Sustainable entrepreneurs seek to enact a positive 'triple bottom line' (i.e., positive returns to people, planet and profits) in their enterprise (Elkington, 1998). They do this by undertaking entrepreneurial actions that support issues such as social equity, animal welfare, economic stability and a reduction in environmental degradation. From the perspective of innovation systems management, sustainable entrepreneurial ventures seek 'bottom-up' solutions to transform the path of socio-economic and environmental development towards sustainable development (Hekkert and Negro, 2009). Sustainable entrepreneurs holistically combine environmental, economic and social aspects of sustainability into their enterprise (Parrish, 2007; 2010; Young and Tilley, 2006). Further, sustainable entrepreneurs organise differently from traditional commercial entrepreneurs by using a '*whole enterprise design*' to address sustainable development.

Young and Tilley (2006) argue that taking a 'whole enterprise design' approach achieves unique organisational goals by combining elements of social, environmental and economic sustainability in the organisational design. Consequently, these authors explain that the design of such new organisational forms is based on economic, social *and* environmental benefits rather than just one or two of these. Similarly, Parrish (2010) suggests that some entrepreneurial opportunities are just a means to the ultimate end of sustainable organisational design. The author, drawing on evidence from four case studies, proposes that sustainable organisational design is the distinctive factor in identifying sustainable entrepreneurship from other forms of enterprise. The 'whole enterprise design' approach stresses the resources needed in the long-term rather than short-term profits and suggests that this is the key factor in distinguishing sustainable entrepreneurship from traditional forms of commercial entrepreneurship. The creation of sustainable entrepreneurial ventures is based on the following sustainable design principles: i) Resource perpetuation; ii) Benefits stacking; iii) Strategic satisfying; iv) Qualitative management and, v) Worthiness of the contribution. The 'whole enterprise design' approach employed by sustainable entrepreneurs prioritises the resources required in the long-term rather than short-term profitability. Anderson (1998) proposes that sustainable entrepreneurs proactively seek opportunities to reap higher yields to the triple bottom line rather than reacting to stakeholder threats. Since they work counter to

most profit-seeking businesses, sustainable entrepreneurs use alternative methods and business practices (Abrahamsson, 2006; Gibbs, 2009) to achieve multiple goals.

Scholarship in the areas of environmental management and general business provides few examples of sustainable development. However, research combining sustainable development and entrepreneurship is relatively new. A review by Hall, Daneke and Lennox, (2010) illustrates the current methodologies for enquiry into sustainable entrepreneurship. Predominant research models remain in the prescriptive or descriptive realms of conceptual models rather than testing empirical research (Parrish, 2007; 2010; Young and Tilley, 2006). In exploring the motivations of sustainable entrepreneurs, research suggests that there is a strong relationship between social justice, environmentalism and entrepreneurship (Dixon and Clifford, 2007). However, few studies examine these relationships empirically. Further, little is known about the provenance and profusion of opportunities for achieving positive social, environmental and economic outcomes simultaneously in the sustainable entrepreneurship context. In addition, further research is required to explore how sustainable entrepreneurial opportunities that address both environmental and social market failures are discovered, assessed and exploited.

Traditional, commercial entrepreneurship research has explored the issue of the provenance and profusion of entrepreneurial opportunities. The research suggests that entrepreneurial opportunities exist in imperfect markets and entrepreneurial rents are achieved through the exploitation of uncertainties inherent in such markets (Venkataraman, 1997; Sarasvathy, 2003). Market imperfections or failures, such as public goods, negative externalities, monopoly power, inappropriate government intervention and imperfect information (Bator, 1958), can result in environmental and social problems and provide potentially profitable opportunities for entrepreneurs seeking to address them with innovative business solutions (Austin, Stevenson and Wei-Skillern, 2006; Cohen, 2007; Dean, 2002; Dean and McMullen, 2007). Sustainable entrepreneurship scholars argue that for sustainable development to occur through global commerce, market failures or imperfections must be addressed by market actors simultaneously seeking to obtain entrepreneurial rents and resolve environmental and social problems (Austin, Stevenson and Wei-Skillern, 2006; Cohen, 2007; Dean, 2002; Dean and McMullen, 2007).

Ethical consumerism

Ethical consumers are becoming increasingly important in product development, production and marketing across a range of industries and product categories (Caruana, 2007; Korthals, 2001; Matthews, 1994). For instance, emerging in the 1950s and 1960s, the environmental movement expanded its influence over the past twenty years. The '*Green Consumer*' was spurred on by the efforts of Anita Roddick's *The Body Shop*, or Ben Cohen and Jerry Greenfield's *Ben & Jerry's* (Mirvis, 1994). Ethical consumers actively select products that are seen as less harmful to the environment and society (Harper and Makatouni, 2002). They are increasingly seen as niche segments that may provide companies and industries with opportunities to promote their social corporate responsibility credentials (Shaw and Duff, 2002). Further, consumers acting on their ethical concerns can force changes in production and marketing activities through their purchase decisions (De Pelsmacker, Driesen and Rayp, 2005; Karpatkin, 1998), or through boycotts (Freidman, 1995; Rudell, 2006). For example, a shift in European consumer demand away from cage-laid eggs, to free range eggs was driven by concerns about animal welfare (Bennett, 1997; Rolfe, 1999). This consumer activism motivated legislation to phase out conventional layer hen cages in the European Union (Appleby, 2004).

Central to ethical consumer research is the role of information as the means with which the ethical, environmental and social credentials of business and preferences of consumers are signalled in the market. Thus, it follows that ethical consumption, facilitated by the development and provision of appropriate information (i.e., advertising, labelling, branding and promotion), will assist in resolving market failures (Barnett, 2005). However, the relationship between ethical consumption, information and market failure is poorly understood. While many consumers are concerned over animal welfare, environmental sustainability, human health and economic exploitation of workers, these remain complex issues that may impact on different individuals in different ways.

Research into ethical consumers' concerns and preferences has largely focused on specific contexts. For instance, research has examined ethical consumer choice in food purchasing contexts (e.g., Grunert and Juhl, 1995; Harper and Makatouni, 2002; Honkanen, Verplanken and Olson, 2006; Steenkamp, 1997; Verbeke and Viaene, 2000), and footwear and cosmetics (Auger *et al.* 2008). Further, studies of ethical consumer behaviour have almost exclusively focused on examining consumer attitudes towards *one or two* ethical issues, such as labour exploitation (e.g., Dickson, 1999; Dickson, 2001; Rudell, 2006; Shaw and Duff, 2002), and environmental sustainability (Chen, 2006; Hustvedt, Peterson and Chen, 2008; Shim, 1995), or animal welfare (Hustvedt, Peterson and Chen, 2008; Peterson, Hustvedt and Chen, 2008). Cherrier (2007) argues that ethical consumer behaviour is a more complex consumer decision making process than is currently conceptualized and a focus on one or two issues is likely to overstate the influence of the single issue being studied, and/or completely ignore important, relevant issues entirely. A small number of studies of ethical consumer behaviour have found that consumers consider, prioritize and trade-off a range of ethical concerns (Auger, 2003; 2007; Auger *et al.* 2008; Newholm, 2000; Shaw, 1999).

The motivations and influences that lie behind ethical consumer behaviour remain complex and poorly understood in comparison with mainstream consumer behaviour. For example, the trade-offs between a consumer's desire to behave ethically can be counteracted by their desire to obtain the best price or quality in products and services (Caruana, 2007). The ability for entrepreneurs seeking sustainable objectives is made more complex due to this need to address multiple ethical concerns and gaps between intentions and behaviour with sustainable enterprise design.

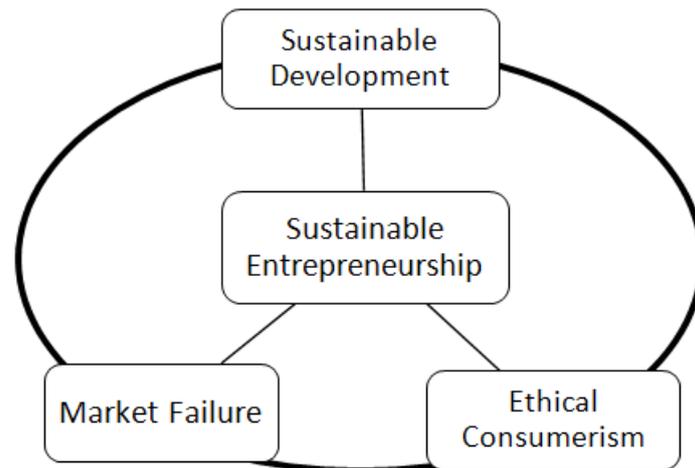
Nexus between sustainable entrepreneurship and ethical consumerism

The sustainable entrepreneurship literature reviewed in this study primarily considers the influence of organisation design and the process of opportunity identification, assessment and exploitation that simultaneously address economic, environmental and social issues. Whereas, the ethical consumerism research reviewed in this study considers the complex and multi-faceted nature of consumer choice. Drawing these related but currently unconnected research threads together is the next challenge for both marketing and entrepreneurship researchers. It could be assumed that entrepreneurs who seek sustainable objectives and the ethical consumers who choose to buy from them share a common ideological belief that their actions can result in a more ethical, humane, just and sustainable world. However, at present there is insufficient understanding of where this nexus lies.

Figure 1 illustrates what we might call the 'domain' of sustainable entrepreneurship and ethical consumption. Sustainable entrepreneurship exists within the wider context of market failure (caused by a lack of appropriate behaviour within the mainstream economy), sustainable development (the goal or purpose of the entrepreneurial action), and ethical consumerism. Without the latter there would be no market for the sustainable entrepreneur and no opportunity for their product or market innovations to be diffused within the wider

economy. The sustainable entrepreneur and the ethical consumer exist as a symbiosis. Their relationship with each other is vital to the process of sustainable development and the ability to address market failures. Each has much to learn from the other. In a similar way, the two fields of entrepreneurship and marketing have much to offer the other in building a sound understanding of these phenomena within a wider context.

Figure 1: The Domain of Sustainable Entrepreneurship and Ethical Consumption



Entrepreneurship scholars have explored the sustainable design of an organisation where all elements of sustainable development are pursued. However, further research is required to examine the process of recognition, assessment and exploitation of venture opportunities that simultaneously address social and environmental market failure. Further, there is little research that explores the provenance and profusion of opportunities. Thus, scholars should examine where opportunities for positive social, economic and environmental outcomes originate and how plentiful these opportunities lie. In a similar way, marketing scholars have explored the nature of ethical consumerism, although there remains more work to do before a full understanding is achieved. In particular there is a need identify the antecedents of ethical consumer behaviour, how trade-offs are made in relation to final purchase decisions, and what this can do to inform the sustainable entrepreneur. Future research should address the following questions:

1. Where do opportunities to achieve simultaneously positive economic, environmental and social outcomes come from and how plentiful are those opportunities?
2. What is the process of identification, assessment and exploitation of opportunities that simultaneously address economic, environmental and social market failures?
3. What are the antecedents of ethical consumerism and do they apply uniformly for all markets and contexts?
4. What are the trade-offs consumers will make in order to achieve sustainable development objectives, and is there a uniform pattern of behaviour for all markets and contexts?

If all ethical consumers and sustainable entrepreneurs are not uniform in their behaviours, future research should aim to develop appropriate typologies and taxonomy as a mechanism for enhancing theory through better definition of these complex phenomena.

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