ADOPTION OF SUSTAINABLE ENTREPRENEURSHIP IN SMALL AND MEDIUM ENTERPRISES (SMES) IN DEVELOPING COUNTRIES: LITERATURE REVIEW

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Abstract

Sustainable entrepreneurship has been internationally acknowledged by both large and SMEs as a competitive strategy. However, there are few studies on the motivation, barriers and strategies of enhancing SMEs adoption of sustainable entrepreneurship particularly in developing economies. The purpose of this study is to conduct a literature review regarding SMEs adoption of sustainable entrepreneurship focusing on the motivation, barriers and the way forward to promote SMEs adoption of sustainable entrepreneurship.

Keywords: Sustainable entrepreneurship, small and medium-sized enterprises (SMEs), motivation and barriers.

Introduction

SMEs represent majority of businesses in developing economies and are globally recognized for enhancing economic and social growth, job creation, poverty reduction and enhancing income distribution (Hosseininia and Ramezani, 2016). In Africa, SMEs have caused environment and social challenges such as environmental degradation, exhaustion of natural resources, poverty, diseases, poor infrastructure, unemployment and emission of dangerous gases (Choongo, Van Burg, Paas and Masurel, 2016). These challenges have emerged due to the profit maximization motive of the SMEs owners at the expense of conserving the environment and the values of the society. In addressing environmental and social challenges, academicians, researchers and practitioners have recommended the need for SMEs to adopt sustainable entrepreneurship (Belz & Binder, 2017).

Shepherd and Patzelt (2011) define sustainable entrepreneurship as “the preservation of nature, life support and community in the pursuit of perceived opportunities to bring into existence future products, processes, and services for gain, where gain is broadly construed to include economic and non-economic gains to individuals, the economy and society”. In addition, Gast, Gundolf and Cesinger (2017) view sustainable entrepreneurship as “the process of identifying, evaluating and seizing entrepreneurial opportunities that minimize a venture’s impact on the natural environment and therefore create benefits for society as a whole and for local communities.”

A study by Alani and Ezekiel (2016) revealed that adoption of sustainable entrepreneurship enhances SMEs competitiveness through strengthening their reputation, customer satisfaction and retention, organizational resilience, financial stability, employee motivation, opportunity identification and enhancing the internal functioning of SMEs. Walker & Preuss (2008) contend that the benefits of sustainable entrepreneurship have made the concept popular among SMEs. Literature (Choongo et al., 2016; Hosseininia & Ramezani, 2016, 2016; Koe, Omar, & Majid, 2014; Koe, Omar, & Sa’ari, 2015; Walker et al., 2014) indicate that there are empirical and theoretical studies about the adoption of sustainable entrepreneurship in the last two decades. However, the motivation, barriers and strategies for enhancing SMEs adoption of sustainable entrepreneurship particularly in developing countries like Uganda has not been fully explored.

Existent literature indicates that socio-political support, regulation, forms of business organization, attitudinal and perceptual factors, customer orientation and human resource influence adoption of sustainable entrepreneurship (Faruk, Hassan and Islam, 2016; Hosseininia and Ramezani, 2016; Koe, Omar and Sa’ari, 2015; Mukulu, Oyugi and Mwarania, 2011; Wiese and Lotriet, 2014). However, it is not clear whether such factors motivate or limit sustainable entrepreneurship adoption by SMEs. Although Hoogendoorn, van der Zwan and...
Thurik (2017) revealed that institutional challenges such as lack of finance, administrative and informational support limit SMEs efforts in undertaking sustainable entrepreneurship programmes; appropriate strategies to enhance successful adoption of sustainable entrepreneurship among SMEs are lacking. Gray, Duncan, Kirkwood and Walton (2014) developed the one pillar model of sustainable development that focuses on the environmental dimension claiming that conservation of the ecological systems and natural resources are core for future generations. In developing countries like Uganda, the social dimension is highly recognized due to numerous social challenges faced by people. As such, SMEs tend to focus more on solving community based challenges and ignore conservation of the environment. Elkington (1994) suggested that adopting the triple bottom aspect of environmental, social and economic dimensions simultaneously could be vital in enhancing sustainable development.

Furthermore, literature on the motivation and barriers for SMEs adoption of sustainable entrepreneurship particularly in developing countries is inadequate. Most studies have been conducted in developed countries where the social, economic, political and institutional factors differ from those of developing economies (Gast et al., 2017; Neill et al., 2017; Hosseininia and Ramezani, 2016; Koe et al., 2015). Therefore, this study is intended to analyse literature on the definition of sustainable entrepreneurship, internal and external motivation and barriers of sustainable entrepreneurship in SMEs, with the view of proposing appropriate strategies that promote adoption of sustainable entrepreneurship among SMEs in developing countries.

**Definition of sustainable entrepreneurship**

Sustainable entrepreneurship is a new field of study in entrepreneurship. According to the world commission on environment and development of the United Nations 1987, sustainability is defined as “development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs”. Elkington (1997) viewed sustainability as a concept that integrates environmental, social and economic aspects. On the other hand, entrepreneurship is viewed as the process of creative destruction through which an entrepreneur destroys existing patterns in order to come up with new combinations in form of products, processes, market and new forms of organizations (Kabui and Maalu, 2012). Thus, the combination of sustainability and entrepreneurship gave birth to sustainable entrepreneurship.

Hoogendoorn et al., (2017) argue that there is no internationally acknowledged definition of sustainable entrepreneurship and different scholars view the concept differently. For instance, Gast et al., (2017) define sustainable entrepreneurship as “the process of identifying, evaluating and seizing entrepreneurial opportunities that minimize a venture’s impact on the natural environment and therefore create benefits for society as a whole and for local communities”. Furthermore, Shepherd and Patzelt (2011) view sustainable entrepreneurship as “the discovery, creation, and exploitation of opportunities to create future goods and services that sustain the natural and/or communal environment and provide development gain for others”.

Tilley and Young (2009) assert that sustainable entrepreneurship includes social, environmental and economic sustainable entrepreneurship. Vincenza Ciasullo and Troisi (2013) view economic sustainability as undertaking SMEs operations in maximizing shareholders wealth. Buckingham (2009) regards economic sustainability as the wealth maximization goal of the SMEs. Social sustainability involves SMEs accepting their responsibilities towards different stakeholders and the social environment in which they operate (Vincenza Ciasullo and Troisi, 2013). Faruk et al.,(2016) view social sustainability as “the practice of combining innovation, resourcefulness and opportunity to address critical needs of stakeholders”. Such stakeholders include; the employees, customers, suppliers, community and government. Walker et al., (2014) contend that SMEs can fulfill their responsibilities towards stakeholders through improving on the working conditions, employing community members, timely payment for suppliers, being transparent towards the government and satisfying customers’ needs. In doing so, SMEs benefit through recognizing their brand, retaining employees and customers. Environmental sustainability, on the other hand, involves safeguarding natural resources to benefit the present and future generation (Lu and Taylor, 2016). SMEs conserve the environment through proper disposal of wastes, professional use of energy and good methods of farming (Epstein and Roy, 2001). For the purpose of this study, sustainable entrepreneurship is conceptualized as the ability of SMEs to maximize profits while conserving the environment and the values of the society.

Stubblefield Loucks, Martens and Cho (2010) indicate that adoption of sustainable entrepreneurship in SMEs is ignored and large firms have received much attention, despite SMEs being the majority in developed and developing economies. In addition, most of the available literature focuses on the factors influencing adoption of sustainable entrepreneurship among SMEs (Choongo et al., 2016; Faruk et al., 2016; Hosseininia and Ramezani, 2016, 2016; Koe, Omar and Majid, 2014; Koe et al., 2015; Mukulu et al., 2011; Wiese and Lotriet, 2014).
Methodology

This section indicates the research method, data collection, data preparation and data analysis. The Research approach of this paper was a systematic literature review of secondary reported sources. This method is characterized by a well-documented, replicable and transparent search process. It is driven by a theory based understanding of the phenomena of interest and improves the quality of the review process. This method is common in business management studies (Bouncken, Gast, Kraus and Bogers, 2015; Gast, Filser, Gundolf and Kraus, 2015).

Data collection, preparation and analysis was done to discover all published articles in the field of sustainable entrepreneurship. The following search terms were defined and combined to identify appropriate publications: “sustainable”, “entrepreneurship”, “motivation”, “barriers”, “strategies” and “small and medium enterprises”. To discover a full range of scientific articles, libraries such as ProQuest, EBSCOHost and Elsevier were used in searching for articles. In addition, data bases such as Emerald Management Thinking, Emerald full text and Management Reviews, Google Scholar, Science Direct, Academic Search Complete were searched. These databases were searched because they provide important articles on sustainable entrepreneurship.

The study focused on peer reviewed journal articles. Thus, books, book chapters, reviews, discussion papers and conference papers were excluded. This is because peer reviewed journal articles are considered to be more valid (Macdonal and Kam, 2004). A total of 353 peer reviewed articles were identified, which were then screened manually. After exclusion of non-business related, non English and unrelated articles, the final sample for the systematic review of literature focused on 85 articles. Then relevant information was collected and organized by indicating the name of the author(s), year of publication, title of the article, journal, subject of study, research questions, methodology used and the key findings of the study for the remaining 85 articles in an excel sheet.

To ensure validity and reliability the multiple assessor method was applied. This was done by engaging two entrepreneurship scholars and two experts who read through and examined the articles, indicating the subject, research questions as well as the findings of the study. This enabled the researcher to develop and propose a research model. Suggestions and recommendations from the entrepreneurship scholars and experts thoroughly discussed and analyzed to enhance quality of this work. This study therefore recommends that the developed hypothesis model should be subjected to parametric tests that ensure normality, linearity, homogeneity of variance and multcollinearity.

Motivation of SMEs adoption of sustainable entrepreneurship

SMEs owners have realized the need to adopt and integrate sustainable entrepreneurship actions into their businesses. Koe et al., (2014) reveals that SMEs owner-managers have a positive attitude towards sustainable entrepreneurship and believe that they have the ability to undertake sustainable entrepreneurship actions. Thus, the following discussion presents the review of literature on what motivates SMEs owners in developing countries like Uganda to adopt sustainable entrepreneurship behaviours and actions.

According to Gray et al., (2014), networking is vital in motivating SMEs owners to adopt sustainable entrepreneurship. Networking enables SMEs to develop partnership with different stakeholders especially the environmental support authorities, industry associations, NGOs, donor agencies, customers, suppliers and environmental as well as socially concerned groups. Through such networks, SMEs owners get sustainable opportunities that enable them to attract government support in form of training and funding that is vital to undertake sustainability actions. In addition, network members can exert pressure on SMEs owners to undertake innovative actions that promote environmental and social value conservation (Wahga, Blundel and Schaefer, 2017).

Top management support to SMEs can boost SMEs adoption of sustainable entrepreneurship (Salimzadeh, Courvisanos and Nayak, 2013; Gast et al., 2017). As such, management of SMEs can develop their vision, mission, goals and strategies that are proactively planned and executed by the employees of SMEs. Hence, management in SMEs that is environmentally oriented usually integrates sustainability goals into the long-term strategy of the organization (Gast et al., 2017).

Furthermore, altruism towards others motivates SMEs owners to adopt sustainable entrepreneurship. Choongo et al.,(2016) views altruism as a person’s motivation to enhance the welfare of other people without any selfish interest. Altruism can be biospheric or social in nature (Enthoven, 2017). Thus, altruistic SMEs owners are generous, kind, helpful, empathic and sympathize with people in the society as well conserving the natural environment. It is such altruistic behaviour that promotes conservation of natural resources and the values of the society.

In addition, Choongo et al., (2016) reveals that entrepreneurial knowledge is critical in identification of sustainable entrepreneurship. This knowledge is developed through prior exposure and previous employment (Walker et al., 2014), which enables SMEs owners to understand their markets, develop green methods of production and strategies of handling
market needs in a green way. Such green entrepreneurial actions can motivate SMEs owners to integrate sustainability principles into the routine business operations.

SMEs owners’ moral values (Wahga et al., 2017) such as owners values, vision and mission of the entrepreneur are also important motivators of SMEs adoption of sustainable entrepreneurship. Such values can be realized through their own businesses. Thus, SMEs owners that value environmental conservation and protecting the values of the society are likely to embed such activities in the day-to-day running of their businesses. Additionally, moral values of the SMEs owners can enhance their desire to give back to the society through employment creation to community members (Schlange, 2006).

Wahga, Blundel and Schaefer (2017) reveal that the need to attain competitive advantage among SMEs owners may enhance adoption of sustainable entrepreneurship. It should be noted that some SMEs in developing countries like Uganda believe that investing in environmental activities such as producing green products, planting trees, sensitizing the community about sustainability initiatives attract customers and thus gain advantage in the market through reduced business costs, increased revenue and attaining good public image. Indeed, Gast et al., (2017) confirm that SMEs can outcompete other businesses through launching environmental orientated actions and behaviours.

Legal and regulatory environment could also induce SMEs owners to adopt sustainable entrepreneurship (International labour organization, 2007; Sunny and Shu, 2017). Regulations can be economic, environmental and social in nature (Wahga et al., 2017). Labour regulations, social safety, labour market policies and environment guidelines are important regulations expected to be followed by SMEs in undertaking sustainability actions. Such regulations should be well developed and communicated to key stakeholders. For example, the use of polythene bags was abolished in Uganda since its usage negatively affects the natural environment and in response, SMEs embarked on the convention of using paper sacks and cloth bags as sustainable packaging materials.

Furthermore, external pressure encourages SMEs owners to undertake sustainable entrepreneurship actions (Koe et al., 2014). Biondi, Iraldo and Meredith (2002) established that pressure from government agencies and local communities such as customers, suppliers, shareholders banks and insurance companies force SMEs to undertake sustainability actions before attracting their support. In addition, Ajzen (1991) asserts that pressure from the community motivates or discourages individuals to undertake certain actions. Pressure can arise due to production of poor quality products, poor waste management and location of business operations in areas that affect the quality of the environment. Such actions may prompt community members to force SMEs owners to undertake actions that are friendly to the society and the environment which in turn enhances sustainable entrepreneurial behaviours in SMEs.

A study conducted in Iranian Food Industry (Hosseininia and Ramezani, 2016) revealed that employee education enhances attainment of knowledge, skills and values that are vital in stimulating sustainable entrepreneurial actions in SMEs. Such competences make employees effective, efficient and motivated to adopt sustainable behaviours. Thus, the success of sustainable entrepreneurship is largely dependent on employees’ knowledge of activities that can affect the environment and the values of the society.

The desire for personal gains and recognition in the society could also motivate SMEs owners to embrace sustainable entrepreneurship (Hoogendoorn et al., 2017). Some entrepreneurs in developing countries like Uganda want to be respected and opt to undertaking activities that meet societal and environmental needs. This is achieved through; helping marginalized groups of people, employment creation and production of green products. These actions may in turn benefit the society and conserve the environment.

**Barriers to SMEs adoption of sustainable entrepreneurship**

Literature on the barriers of sustainable entrepreneurship has mainly focused on large multi-national companies yet SMEs which are the majority especially in developing countries like Uganda are under investigated. Therefore, understanding what limits SMEs adoption of sustainable entrepreneurship is vital in developing strategies to enhance sustainable entrepreneurship behaviours in SMEs.

Lack of commitment to pursue sustainability goals limits SMEs owner-managers’ plan to undertake sustainability (Enthoven 2017). As such, the need to reduce operational costs, attract customers, attain a bigger market share and the existence of stringent regulation force SMEs owner-managers in developing countries like Uganda to undertake sustainability action. This implies that sustainability actions are undertaken without the willingness of the SMEs owners. Hence, sustainable entrepreneurship can be adopted without commitment of SMEs owners to undertake green goals and values which contribute to the overall conservation of the environment and the values of the society.

Koe et al., (2014) point out that lack of sustainability knowledge discourages adoption of sustainable entrepreneurship. SMEs owners undertake sustainability action using their understanding of what to do in conserving the environment and
the values of the society. Lack of knowledge makes SMEs owners’ unable to plan and properly use the limited resource in implementing the triple bottom aspects in their businesses.

Sustainability competences such as systems thinking, embracing diversity and interdisciplinary, normative, foresighted, interpersonal, action and strategic management competencies are vital in undertaking sustainability actions and behaviours (Lans, Blok and Wesselink, 2014). Lack of such competencies for minimizing environmental issues especially in developing countries like Uganda hinder successful adoption of sustainable entrepreneurial actions (Salimzadeh, Courvisanos and Nayak, 2013).

In developing countries, SMEs are resource constrained and unable to invest in sustainable entrepreneurial actions (Hoogendoorn et al., 2017). As such, undertaking sustainable entrepreneurship behaviours is expensive for investing in social and environmental activities; and requires extra time and more efforts. This implies that SMEs owners always find it difficult to invest in activities that promote sustainable entrepreneurship. Furthermore, Institutional barrier such as lack of sustainability information and complexity of the administrative procedure hinder sustainability actions (Hoogendoorn et al., 2017).

Risk aversion among SMEs owners also limits the adoption of sustainable entrepreneurship. Hoogendoorn et al., (2017) reveal that sustainability actions involve investing in community and environmental-based activities without understanding the outcomes of such investments. Thus, SMEs owners that fear loss of income and becoming bankrupt develop panic of personal failure and hence affect their intention of undertaking sustainable entrepreneurship actions and decisions in their SMEs.

Furthermore, lack of environmental culture in SMEs (Biondi, Iraldo and Meredith, 2002; Kraus, Burtscher, Niemand, Roig-Tierno and Syrjä, 2017) adversely affects the SME’s adoption to sustainable entrepreneurship. As such, most SMEs adopt sustainability actions as a result of being forced by government regulation. This implies that majority of the SME owners that could be undertaking sustainability actions do so by force while out it being part of culture in their business which may limit effective adoption of sustainable entrepreneurship.

Way forward for SMEs adoption of sustainable entrepreneurship

According to Rizos et al., (2016), SMEs that develop and implement environmental management systems in their businesses registered higher performance in U.K in terms of sales as compared to their counter parts. This is in agreement with Biondi et al., (2002) who reported that environmental management system enables SMEs to attain competitive advantages over other businesses in the same industry. Thus, SMEs in developing countries like Uganda should develop environmental management policies to guide them in undertaking sustainability actions.

Furthermore, customers’ sensitization is essential in promoting adoption of sustainable entrepreneurship. For instance, Gast et al., (2017) argue that it is vital for SMEs owners-managers to inform their customers about their green products and services in terms of their features, benefits and how they enhance environmental conservation and preserving the value system of the society.

Integration of sustainability in entrepreneurship education in business schools globally encourages students to start and run businesses (Singhal, Suryawanshi and Mittal, 2017; Gast et al., 2017). However, the profit maximization goal is emphasized at the expense of the environmental and social aspects. Hence, business schools should teach entrepreneurship and sustainability jointly to motivate future entrepreneurs to identify sustainable opportunities and develop innovative actions in exploiting them. This will enhance creation of more sustainable ventures in future because the current students who are taught sustainability principles and actions are the entrepreneurs of tomorrow.

Relatedly, support from educational institutions like the universities can enhance sustainable entrepreneurship (de Eyto, Mc Mahon, Hadfield and Hutchings, 2008). A study conducted by Natarajan and Wyrick (2011) established that universities can team up SMEs that are sustainable to provide sustainability literacy to students. In this way, students can be involved in multidisciplinary learning activities right from the beginning of their courses and projects to foster environmental and social thinking and mindset. This can enable students to undertake sustainable entrepreneurial actions in their future SMEs.

Natarajan and Wyrick, (2011) established that networking enhances adoption of sustainable entrepreneurship especially through accessing important resources that are both tangible and intangible, linking SMEs owners-managers to sustainability information services, access to capital, infrastructure, getting sustainability opportunities, and promoting the local sustainability entrepreneurial culture (Kraus et al., 2017). Through such actions, SMEs are likely to find it easy adopting and integrating sustainability actions and behaviours.

Organizational learning is reported to influence and enhance adoption of sustainable entrepreneurship among SMEs in developing countries (Natarajan and Wyrick, 2011). This involves learning that takes place in an organization (Senge,
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This is achieved through conducting refresher training on sustainability actions, team work as well as bench marking with other SMEs to understand their best practices in regards to sustainable entrepreneurship.

Government support to enhance sustainable entrepreneurship behaviour in SMEs (Alani Lawal, Worlu, and Ayoade, 2016). This support can enable SMEs to undertake research, get improved technology that facilitates production of green products, quality assurance and market green products locally and internationally. The will make SMEs financially strong in the short and long run in their efforts to adopt sustainable entrepreneurship. (Walker et al., 2014) revealed that SMEs owners can as well be supported by family and friends in terms of subsidy and getting raw materials, accessing technology and marketing their green products.

Conclusion

This literature review contributes to the general understanding of the motivations, barriers and strategies to enhance SMEs adoption of sustainable entrepreneurship. Even though sustainable entrepreneurship has been popular in larger organizations, this does not imply that its adoption is irrelevant for SMEs. Irrespective of the size, nature and age of the business, all organizations have environmental and social impact on the conservation of the environmental and the values of the society. Thus, it is important to note that SMEs undertake sustainable entrepreneurship actions due to top management support, altruism towards others, networking with other stakeholders, having entrepreneurial knowledge, moral values of the SMEs owners, legal and regulatory environment, external pressure, employee education and training, desire for personal gains and recognition in the society and the need to attain competitive advantage. It is also noted that SMEs undertake sustainable entrepreneurship actions and behaviours informally and thus it is largely the SMEs owner-managers values that promote adoption of sustainable entrepreneurship. This is because of their decision making power and the fact that it is difficult to separate the business from the owner.

However, several factors limit adoption of sustainable entrepreneurship by SMEs in developing countries like Uganda. Such factors include: Lack of commitment to pursue sustainability goals, limited sustainability knowledge, lack of sustainability competences, resource constraints, Institutional barrier, risk aversion among SMEs owners limited awareness of the benefits of green products and lack of environmental culture in SMEs. Therefore, SMEs can engage in sustainable entrepreneurship through customers’ sensitization, integration of sustainability in entrepreneurship education, support from educational institutions, enhancing SMEs networking with different stakeholders, organizational learning and support from the government as well as the community. It is also noted that literature on SMEs adoption of sustainable entrepreneurship action in developing countries like Uganda is limited. Thus, there is need to undertake empirical research to increase on the body of literature on sustainable entrepreneurship among SMEs.

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