ENTREPRENEURIAL STRATEGIES FOR SUSTAINABLE DEVELOPMENT

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The fields of Entrepreneurship and that of Strategic Management have been rather separate for a long time. Recently there have been a significant effort to integrate these two different stream of research in the view of a mutual benefit (see SMJ - Special Issue 2001). Supporting this view has been stated that Entrepreneurship is about creation and Strategic Management is about how advantage is established and maintained from what is created (Venkataraman & Sarasvathy, 2001). Both Entrepreneurship and Strategic Management share the same outcome: wealth creation. The approach that brings together opportunity seeking approach to business (Drucker, 1985), with that of exploiting and exploring competitive advantages (Porter, 1985), might be labelled as Strategic Entrpreneurship (Hitt, Ireland, Camp, & Sexton, 2001).

On the other side Sustainable Development stream of research has been flourishing in the last years. Among the various issues in its research agenda, one of the most intriguing one is about if and how a Sustainable development approach to business leads to an above the average economic performances (WBCSD, 2000). Regarding this specific point the common view is that sustainable approach can be positively linked to significant competitive advantage if strategic management capability is on board (Palmer, Wallace, & Portney, 1995). Therefore it is clear that Strategic Management and Sustainable approach have already meet each other and are on the way to define a shared research agenda. Unfortunately this does not seem to the case of Entrepreneurship and Sustainable approach. With few exceptions, whose concern is mainly on the process of gathering financial resources (O'Rourke, Malthouse, 2002), the two fields remain separates. This condition cannot be justified any more, and the concept of

Strategic Entrepreneurship might be of capital importance at least to understand the evolution of new businesses environmental related (i.e eco-oriented industries). We might suppose that the slow pace of growth in these businesses (Holliday, Schmidhney, Watts, 2002) is related to some constraints and systematic difficulties for new start-up companies to adopt a Strategic Entrepreneurship approach. Schumpeter's theory highlight the relevance of the entrepreneurs' role in innovation and creation of new businesses (Schumpeter, 1934). At the same time population ecology framework support the view that whenever radical changes occur in an industry the possibility that a cohort of young, new organizations will displaces the oldest ones is very high (Hannan & Freeman, 1977). There are many reasons why this happens, but organizational inertia of very well established companies might be the most important one. According to these approaches we should found an increasing number of new enterprises trying to establish themselves in new markets environment related, and even in emerging "green" niche market inside mature industry. New clean technologies in power generating industry; new business related to the recycling industry; emerging "green" niche markets in the agrifood industry could be considered as three kind of scenarios in which the "creative distruction" role of the entrepreneurship shows its power. Unfortunately what the longitudinal analysis, like the population ecology framework, tend not to consider is that in the short run the fight between incumbents or well established companies in general, and newcomers is very tough . This is why many newcomers falls under the crude law of the so knows "newness liability" (Stinchombe, 1965). One could argue that peculiar difficulties of newcomers, and or incumbents' slack resources might influence the amount of time necessary for entrepreneurial innovations to be in place. Of the two possible horns of a dilemma, the first should be considered the most constructive one. It means that a great attention should be devoted to the efficacy of entrepreneurial strategies of the newcomers in new business environment related at large. We are therefore interested in promoting a common research agenda between

Strategic Entrepreneurship and Sustainable development. More precisely we will try to analyze the following specific aspects of entrepreneurial strategies in new companies trying to enter eco-related industries

a) nature and sources of innovations;
b) resources, capabilities and organizational learning process;
c) structure of external networks and strategies to leverage valuable resources and competencies.

We expect to found different kind of constraints and difficulties in implementing entrepreneurial strategies in different kinds of environmental related businesses, i.e.:

a) new clean technologies in energy industry,
b) new emerging business environment related;
c) new green market niche in consumer products industry.

ENTREPRENEURSHIP AND ECONOMIC GROWTH

Since the ‘70s small-medium size firms (SMF) have been playing an important role in the economic growth. Their role is quite clear in terms of new jobs created (Birch, 1987): between 1995 and 2000, SMF have created around 12 millions new jobs in Europe, almost twice the jobs created by large companies. Furthermore their contribution to economic growth goes far beyond job creation, considering their peculiar capability to introduce innovation in new industry (Almeida and Kogut, 1997), and in niche markets inside mature industry. More generally speaking SMF are playing a key role in a broad range of economic activities that have been defined knowledge-based (Audretsch & Thurik, 1999). In this kind of economic activities, where creativity, autonomy and sense of freedom of human capital are at the hearth of firms' success, small organizations and especially new small organizations may have a clear advantages compared to old bureaucratic ones (Acs and Audretsch, 1990).

At the heart of rising economic role of SMF there is an accelerating pace of creation of new ventures. Around 2 millions of new ventures, the biggest part being very small at the beginning, are launched in Europe every year. A phenomenon that has been labelled as bloom of small business (Sengerberger et al, 1990).

Some important changes in the structure of economy have had an important role too in this bloom. Apart new technology , declining economy of scale due the introduction of technology innovation in many industries (steel industry is a point in case), deregulation of many highly regulated industry (like telecommunication and energy production and distribution) are just two of the most important factors that might have had a role in encouraging new venture creation. On the other side the search for efficiency has forced big companies to concentrate on their core business, leaving rooms for de-centralization and partnership with small entrepreneurial firms.

ON THE NATURE OF ENTREPREUNERSHIP

Even if new start-up companies might be the ideal recipient to put innovation in place, we know that in many case innovative entrepreneurial initiatives become frustrated ed eventually failed. Some of the most common difficulties that innovative start-ups experienced and that lead to what is know as liability of newness (Stinchombe, 1965), are rooted in entry barriers such as (Caves & Porter, 1977):

-economy of scale in the operations of the incumbents, customer loyalty, administrative regulations

-vertical integration of the incumbents, that could prevent the new companies to have access to components and or to the market;

-cartels and predatory prices policies from one or more incumbents.

Furthermore, new companies might have internal weaknesses, like:

-lack of managerial experiences;

-difficulties in attracting high level human capital;

-undercapitalization and difficulties to gain a Venture Capital's support.

Entrepreneurship has to deal with uncertainty that is of a different scale compared to established companies (Bhidè, 2000). Uncertainty about market reaction, cumulated with uncertainty about the real possibility to collect and to retain resources characterize the world of entrepreneur (Timmons, 1999). Since there is a direct relationship between the amount and quality of resources controlled by a companies and power that can be exploited in competition (Wernerfelt, 1985), the capability to attract and retain resources from various kind of partners has been indicated as the most important Entrepreneurial capability. Entrepreneurship itself might be conceived as a commitment to purse business opportunity that exceeded the resources currently controlled (Stevenson & Gumpert, 1985). Among the different kind of resources needed to implement a successful start-up, knowledge-based resources play a key role (Starr & MacMillan, 1990) Technological and managerial know-how, external reputation, and commitment from the participants to the new ventures might be considered as typical undercaptalized resources in new ventures. How to secure and to exploit such a scarce resources is a major task of entrepreneurial strategies. In this view innovation strategy, organizational learning, partnership may be considered as different facet of entrepreneurial strategies in acquiring and exploiting knowledge-based resources.

STRATEGIC ENTREPRENEURSHIP

Whereas entrepreneurship is related to the identification and exploitation of entrepreneurial opportunity, strategic management is related to the capability of maximizing the value that come from the exploitation of these opportunities

Given the closeness between the two fields, the intersection between entrepreneurship and strategic management has raised an increasing interest from scholars (Meyer, Neck & Meeks 2001).

Hitt et al. (2001) identify six content domains which lie at the intersection of entrepreneurship and strategic management (innovation, organizational networks, internationalization, organizational learning, top management teams and governance, and growth, flexibility, and change).

In this paper we argue that, in the analysis of "eco-oriented" (?) ventures, the three following research issues are particularly relevant because of the direct linkage in acquiring and exploiting knowledge-based resources:

- nature and sources of innovation;
- resources, capabilities and organizational learning processes;
- networking activity and strategies to leverage external resources and capabilities.

Our research proposal builds on exploration of these three issues in the context of eco-oriented innovative industries.

Nature and sources of innovation

Given the topic of the paper, the reason why the nature and sources of innovation are an interesting area of investigation is straightforward. Innovation is the main driver of wealth creation. The capability to innovate is the most important feature of an entrepreneur.

Entrepreneurship itself is innovation according to the most popular view, that dates back to Schumpeter (1934).

The issue of environmental sustainability has several implications in terms of arising the firms' need for innovation and creating opportunities for innovation. However, it is reasonably to maintain that the emphasis on innovation is different in the three kinds of "eco-oriented" firms that we identify. As a result, it can be interesting to investigate how the characteristics of innovation (i.e. technology versus market based, breakthrough vs. incremental innovation, product innovation vs. process innovation and so forth) differ across the three archetypes.

Resources and organizational learning

As resource-based view scholars point out, sustainable competitive advantage depends on the endowment of heterogeneous firm-specific resources, which are accumulated within a particular context as a result of a firm's specific investments, history and pattern of growth (Nelson &Winter, 1982).

New ventures are generally characterized by instability and high risk of failure, because of their own "newness liability" (Stinchcombe, 1965). They suffer from the lack of a large resource base, in terms of financial resources, management skills, market assets and working relationships with customers and suppliers (Stuart et al., 1999). In spite of the initial lack of a relevant endorsement of firm-specific resources, a new venture can leverage its relational capability in order to acquire the knowledge-based inputs it needs to exploit a business opportunity (Yli-Renko, Autio, & Sapienza, 2001).

Research about alliances has proved that firms' patterns of growth are related not only to the resources that they can individually accumulate, but also to the set of resources they can exploit leveraging on alliances. The increasing importance of the issues related to interorganizational learning has contributed to shift the focus from the internal resource endorsement of a single firm to the resources acquired through alliances and networks. Consequently, scholars are paying more and more attention to the analysis of processes by which resources and competencies are developed as a result of both dyadic and network relationships (Dyer & Singh, 1998). Specifically, know-how and intangible assets are more efficiently transferable through strategic alliances than through market mechanisms as learning is a socially embedded process. In fact, because of the difficulty to trade them on the market, knowledge-based resources can be incorporated better through inter-organizational learning processes (Kogut & Zander, 1992).

From this perspective, the success of a new venture is largely dependent on the acquisition of the resources needed for its growth.

Several variables may affect the processes through which firms acquire and deploy knowledge-based resources. Firm-specific as well as industry-specific variables influence those processes. For example, under certain circumstances, a greater emphasis of processes of (existing) knowledge exploitation could be observed while in other contexts the processes (new) knowledge exploration could prevail.

If and to which extent those processes differ across the three kinds of "environment-oriented" firms which constitute our research setting is one of the research issue we are going to explore.

Networking activity

Alliances and networks can allow firms acquire resources and capabilities that are difficult to imitate and, consequently, lead to a competitive advantage. Strategic networks are particularly important for new ventures, given the lack of resources they generally suffer from. Moreover, by leveraging external networks firms can access information, resources and markets, technologies (Gulati, Nohria, & Zaheer, 2000).

Network–based research has provided interesting insights for entrepreneurship studies (Aldrich & Zimmer, 1986; Birley, 1985). The network perspective of entrepreneurship emphasizes that entrepreneurial activity is a relational and social task and that entrepreneurial process largely results in a networking activity (Dubini & Aldrich, 1991). The very distinctive characteristic of the entrepreneur is to mobilize resources embedded in social relationships. Therefore, the process of resources accumulation can be explained over all in terms of the social interactions to which the nascent entrepreneur exposes himself (Alvarez & Busenitz, 2001).

Literature has emphasized the impact of entrepreneur's networking behavior on new venture performance by highlighting that entrepreneurs with greater networking activity are more successful (Birley 1985; Aldrich & Zimmer, 1996; Ostgaard & Birley, 1996; Stuart, Hoang, & Hybels, 1999; Baum, Calabrese, & Silverman, 2000).

How the structure of a firm network as well as its evolution over time differ in the three kinds of firms described above is one the research questions we address in the paper.

SUSTAINABLE DEVELOPMENT AND ENTREPRENEURSHIP

Linking the topics discussed above with the issues of sustainable development is an interesting challenge. Enterprise sustainability refers to firm strategies and actions which explicitly take into account the issue of environmental and social aspects of development. Sustainability is related to the concept of corporate social responsibility. The World Business Council for Sustainable Development defines CSR [corporate social responsibility] as a 'business' commitment to contribute to sustainable economic development, working with employees, their families, the local community, and society at large to improve their quality of life (WBCSD, 2000).

An environment-oriented strategic approach for new ventures implies that firms design their processes/products and, generally, their business models so as to take into account environmental issues. In some cases such approach may result in the development of new technologies. In other contexts, it results in more market-based innovations.

The analysis of the linkage between corporate social responsibility and firm performance is an important area of investigation. Far from being perceived just as a financial burden or a cost, CSR is increasingly considered as positively related to competitive advantage and, ultimately, to performance. However, whether and to which extent it might pay to be green is a question that has received different answers from economists and business scholars. In fact, research works about the relationship between environmental performance and firm profitability have produced inconsistent results. Russo (1997) identifies some methodological weaknesses of these studies. His research highlights that positive relationship between environmental performance and profitability is moderated by industry factors and specifically by growth rate within a industry: the greater the industry growth, the greater the positive impact of environmental performance on firm profitability.

In broad terms, environmental investments (like any other investment) provides benefits to shareholders either by increasing customers' willingness to pay or reducing firm costs. Put in other words, either a revenue increase or cost reduction must be related to the environmental initiative.

The first case occurs when eco-oriented firms are able to differentiate their products by their environmental actions. Such differentiation strategy creates some barriers to entry and mobility in the industry. This approach assumes that the industry is characterized by the presence of groups of "green consumers", i.e. consumers who are sensitive to environmental issues. In fact a better environmental performance enhances a firm's reputation among green consumers and, consequently, can increase sales.

A differentiation strategy can result in different actions. Moreover, the opportunities for differentiation differ across the industries. Therefore, it is interesting to investigate how firms put an eco-oriented approach into practice.

On the other hand, environmental initiatives could be driven by a cost-saving approach. Also in this case, even if examples of cost savings can be found in several industries (Porter & van der Linde, 1995), those opportunities differ across industries. Moreover, the implementation of an "eco-oriented approach" also results in additional costs for a firm (Palmer et al., 1995). So, this point is somewhat controversial. The conditions under which environmental cost savings opportunities emerge are to be further investigated.

Environmental issues increasingly affect firm strategies. Several changes have recently raised new pressures and demands on the firms that operate in eco-oriented businesses. The changing environment in which the eco-oriented firms operate calls for response to that change in terms of strategic activity. On the basis of an analysis of those changes, this paper aims to provide a contribution to the investigation of the need for strategic change that are emerging as a result of the new environmental pressures. In order to examine the strategic issues related to the environmental sustainability in new firms, this paper builds on the integration of strategic entrepreneurship literature and research works about sustainable development.

Especially in some industries, such new pressures and demands are leading to a radical change in industry structure and competition. Shrivastava (1995) defines such change as "eco-renewal". In this context, firms which are able to implement better environmental initiatives can acquire a competitive advantage. As Russo (1997, p. 522) argues ,"perhaps one avenue open to managers is to use their capabilities and resources to push an industry through what

Shrivastava (1995) called “eco-renewal” and find ways to improve industry growth through environmental initiatives. Such a renewal would benefit a firm not only directly, but also indirectly, by changing the nature of the competition it faces in ways that enhance returns to its resource base”. We maintain that in several industries, new ventures rather then large established firms can play a critical role as a driver of the industry change. Conditions and contexts in which new ventures can drive this process of change are to be investigated.

How do entrepreneurial firms incorporate the issues of sustainable development in their strategic processes?

Specifically, we are interested in exploring the differences across the three kinds of firms. In which way do entrepreneurial firms belonging to the three archetypes differ from one another? What’s the challenge for the kinds of firms mentioned above, in terms of strategic change and adjustment in their strategic management processes?

Differences in strategic management of those firms could be explained in terms of several strategic variables. A partial list of these characteristics would include:

- strategic orientation to the innovation (cost saving, differentiation, risk management);
- emphasis on internal competencies and organizational learning process;
- structures and processes in their networks of partners.

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