FACTORS INFLUENCING SUSTAINABLE ENTREPRENEURSHIP IN ROMANIAN SMALL AND MEDIUM SIZED ENTERPRISES

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Abstract
This paper analyses factors that influence sustainable entrepreneurship (SE) in SMEs. A questionnaire from a sample of Romanian entrepreneurs was used to collect data, which was further analysed using descriptive statistics. Following the triple bottom line approach, we developed a model comprising 3 dimensions and 12 variables (Environmental - Environmental standards, Environmental focus, Environmental development and Recycling; Social - Social development, Human resources focus, Customer orientation and Community environment; Economic – Turnover, Profit, Market orientation and Market share) to test sustainable entrepreneurship focus. We concluded that Romanian entrepreneurs display a traditional approach of sustainable entrepreneurship, with economic dimension emerging as dominant. However, social dimension of sustainable entrepreneurship gain importance while Environmental dimension is, unfortunately, the least important for them.

Keywords
Sustainable entrepreneurship; SMEs; triple bottom line; environment; social; economic

JEL Classification
M10, O1, L2

Introduction
There is still a significant lack of understanding Sustainable Entrepreneurship. While entrepreneurship has long been researched and its determinants extensively discussed, far little is known regarding Sustainable Entrepreneurship. This constitute the rationale of this paper. Our study aims to develop entrepreneurship literature and particularly its sustainable entrepreneurship side by providing an in-depth analysis on factors determining Sustainable Entrepreneurship among Romanian entrepreneurs.

1. Review of the scientific literature
Small and medium sized enterprises (SMEs) are considered crucial for economic and social growth, employment or poverty reduction (Ayyagari et al., 2007; Randerson et al., 2015) due to their share in the economy, contribution to economic development or flexibility to cope with environmental and social problems (Masulel, 2007). Unfortunately, despite this potential, most entrepreneurs seem to ignore sustainability as part of their operations (Masulel, 2007; Revell et al., 2010). As a consequence, various scholars argue that
entrepreneurs had to play an active role in balancing economic and ecological goals (Hockerts & Wüstenhagen, 2010). A concept related to entrepreneurship, namely Sustainable Entrepreneurship, became increasingly important in the literature recently (Crals & Vereeck, 2005; Dixon & Clifford, 2007; Dean & McMullen, 2007; Cohen & Winn, 2007; Gliedt & Parker, 2007; Choi & Gray, 2008; Lee, 2008; Kuckertz & Wagner, 2010; Webb et al., 2010; Hall et al., 2010; Parrish, 2010; Hockerts & Wüstenhagen, 2010; Schaltegger & Wagner, 2011; Melay & Kraus, 2012; Koe & Majid, 2014; Fellnhofer et al., 2014; Schaefer et al., 2015). Due to SMEs potentially negative impact on the environment (Cohen & Winn, 2007), scholars has increasingly begin analyzing their operations, most often non-renewable energy consumption, environmental degradation or pollution (Allen & Malin, 2008; Revell et al., 2010).

Relationship between entrepreneurship and environment have been examined by various scholars under different concepts like sustainability entrepreneurship (Schaltegger, 2002), sustainable entrepreneurship (Crals & Vereeck, 2005; Choi & Gray, 2008; Parrish, 2010; Hockerts & Wüstenhagen, 2010), environmental entrepreneurship (Lordkipanidze et al., 2005; Dean & McMullen, 2007; Meek et al., 2010), ecopreneurship and green management (Linnanen, 2002; Rodgers, 2010; York & Venkataraman, 2010; Rogers et al., 2013) or green entrepreneurship (Schaper, 2002).

Analysing various definitions, we concluded that Sustainable Entrepreneurship is approached as:

1) Environmentally oriented (Schaltegger, 2002; Linnanen, 2002; Dean & McMullen, 2007; Cohen & Winn, 2007; Kuckertz and Wagner, 2010) focusing on entrepreneurs’ attitudes concerning their business’ environmental goals and policies, the ecological characteristics of their results and management of environmental issues (Linnanen, 2002; Shepherd & Patzelt, 2011). Main topics comprise entrepreneurs’ contribution to reduce ecological degradation (Lordkipanidze et al., 2005; Schaltegger & Wagner, 2011; Jolink & Niesten, 2015), addressing environmental challenges (Allen & Malin, 2008; Hansen & Schaltegger, 2013), providing improvements for local communities (Choi & Gray, 2008), and find solutions to balance business goals with sustainability and environmental management (Hockerts & Wüstenhagen, 2010).

2) Socially oriented, with contributions that focused primarily on the social aspect of sustainability (Prahalad & Hammond, 2002; Rogers et al., 2013; Hall et al., 2010; De Clercq and Voronov, 2011, Ferreira et al., 2017), typically non-economic aspects of work, like social improvement and welfare (Lumpkin et al., 2013) or social wealth through social change or social needs fulfillment (Zahra et al., 2009).

3) Mixed approach, a combination of environmental or social entrepreneurship, an entrepreneurship that only needs to combine two of the three dimensions (economic, social or environmental) to be considered as sustainable (Gerlach, 2003, Schaltegger & Wagner, 2011).

4) Sustainability oriented focus on environmental, social, and economic goals simultaneously (Gerlach, 2003; Choi & Gray, 2008; Hockerts & Wüstenhagen, 2010; Parrish, 2010; Schaltegger & Wagner, 2011) with the purpose of achieving a comprehensive perspective that complies with the three dimensions of sustainability, in accordance with the triple bottom line (TBL) conceptualization by Elkington (1997). According to various scholars (Ashmos et al., 1998; Tilley & Young (2009), of utmost importance is the integration of the three dimensions. This paper adopts this approach in the understanding of sustainable entrepreneurship.

SMEs may contribute to sustainable entrepreneurship if their operations integrates solutions to environmental and social problems or if they supply environmentally superior products (Harini & Meenakshi, 2012). Environmental friendly products or services have been created
by SMEs in industries like constructions (Klein Woolthuis, 2010), food (Hosseininia & Ramezani, 2016), joinery or mining (Choongo et al., 2016). However, when it comes to the performance of SMEs in addressing sustainability, it turns out that SMEs have been largely ignored (Stubblefield Loucks et al., 2010). Unfortunately, significant conceptual problems persists in terms of Sustainable Entrepreneurship determinants (Linnanen, 2002; Hall et al., 2010; Rodgers, 2010; Rogers et al., 2013; Koe & Majid, 2014).

2. Research methodology
The sample consisted mainly from entrepreneurs and incidentally managers from SMEs. A random sampling method was used. The respondents were provided a questionnaire using closed questions relying on 5-point Likert scales in order to rate the main determinants of Sustainable Entrepreneurship. The reliability of the study was confirmed using Cronbach’s alpha coefficients. Initially, 21 factors were considered. After statically testing them, 12 were retained.

The questionnaire was distributed to 176 entrepreneurs, with 141 questionnaires returned, out of which 8 could not be used due to various reasons. The final analysis was performed on 133 valid questionnaires.

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Variable</th>
<th>Measurement scale</th>
<th>Cronbach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>Environmental standards</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.776</td>
</tr>
<tr>
<td></td>
<td>Environmental focus</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.712</td>
</tr>
<tr>
<td></td>
<td>Environmental development</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.715</td>
</tr>
<tr>
<td></td>
<td>Recycling</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.815</td>
</tr>
<tr>
<td>Social</td>
<td>Social development</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.742</td>
</tr>
<tr>
<td></td>
<td>Human resources focus</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.813</td>
</tr>
<tr>
<td></td>
<td>Customer orientation</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.824</td>
</tr>
<tr>
<td></td>
<td>Community environment</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.741</td>
</tr>
<tr>
<td>Economic</td>
<td>Turnover</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.894</td>
</tr>
<tr>
<td></td>
<td>Profit</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.863</td>
</tr>
<tr>
<td></td>
<td>Market orientation</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.809</td>
</tr>
<tr>
<td></td>
<td>Market share</td>
<td>Likert scale, 1 = strongly disagree, 5 = strongly agree</td>
<td>0.824</td>
</tr>
</tbody>
</table>

3. Results and discussion
To empirically test the data distribution, we used Kolmogorov–Smirnov test. The results showed that the significant value of the Kolmogorov–Smirnov test for all selected factors was below 0.05, with the data significantly deviate from a normal distribution.
Table no. 2. Kolmogorov–Smirnov test

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Variable</th>
<th>Mean</th>
<th>Asymptotic Significance (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>Environmental standards</td>
<td>3.87</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>Environmental focus</td>
<td>3.51</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>Environmental development</td>
<td>3.42</td>
<td>0.004</td>
</tr>
<tr>
<td></td>
<td>Recycling/reuse</td>
<td>4.17</td>
<td>0.001</td>
</tr>
<tr>
<td>Social</td>
<td>Social development</td>
<td>3.21</td>
<td>0.003</td>
</tr>
<tr>
<td></td>
<td>Human resources focus</td>
<td>4.14</td>
<td>0.001</td>
</tr>
<tr>
<td></td>
<td>Customer orientation</td>
<td>4.33</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Community environment</td>
<td>3.12</td>
<td>0.000</td>
</tr>
<tr>
<td>Economic</td>
<td>Turnover</td>
<td>4.69</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Profit</td>
<td>4.67</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Market orientation</td>
<td>4.45</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Market share</td>
<td>4.62</td>
<td>0.000</td>
</tr>
</tbody>
</table>

To assess the importance of each of the 12 determinants of Sustainable Entrepreneurship. For this, we used a Friedman test.

Table no. 3. Friedman Test for Assessment of the factors’ importance

<table>
<thead>
<tr>
<th>Determinant</th>
<th>Variable</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Profit</td>
<td>1</td>
</tr>
<tr>
<td>Economic</td>
<td>Turnover</td>
<td>2</td>
</tr>
<tr>
<td>Social</td>
<td>Customer orientation</td>
<td>3</td>
</tr>
<tr>
<td>Economic</td>
<td>Market share</td>
<td>4</td>
</tr>
<tr>
<td>Social</td>
<td>Human resources focus</td>
<td>5</td>
</tr>
<tr>
<td>Environmental</td>
<td>Recycling/reuse focus</td>
<td>6</td>
</tr>
<tr>
<td>Economic</td>
<td>Market orientation</td>
<td>7</td>
</tr>
<tr>
<td>Environmental</td>
<td>Environmental standards</td>
<td>8</td>
</tr>
<tr>
<td>Social</td>
<td>Community environment</td>
<td>9</td>
</tr>
<tr>
<td>Environmental</td>
<td>Environmental development</td>
<td>10</td>
</tr>
<tr>
<td>Environmental</td>
<td>Environmental focus</td>
<td>11</td>
</tr>
<tr>
<td>Social</td>
<td>Social development</td>
<td>12</td>
</tr>
</tbody>
</table>

The results of our study demonstrate that Romanian entrepreneurs display a traditional approach of sustainable entrepreneurship, with economic dimension of sustainable entrepreneurship emerging as dominant. So, in terms of Planet – Profit – People, the 3P of sustainable entrepreneurs, profit or economic dimension of Triple Bottom Line, comes first. Regarding economic (profit) dimension, the ranking of variables is Profit, followed by Turnover, Market share and Market orientation (1st, 2nd, 4th and 7th overall).

In terms of social and environmental dimension, our results are more balanced. Overall, social dimension comes second in terms of sustainable entrepreneurship determinants. Regarding social variables, the ranking is Customer orientation, Human resources focus, Community environment and Social development. Customer orientation emphasize stakeholders, so, by using Sustainable entrepreneurship principles the entrepreneur is able to better anticipate and meet client expectations and generate positive, long-term outcomes (Mitchell et al., 2010). Gray et al. (2014) or Hult (2011) advocates for its importance as customers decide how valuable new product or services are. Other studies reached similar conclusions. For instance, Jenkins (2006), Niehm et al. (2007) or Perrini et al. (2007)
emphasize that entrepreneurs has to rely on their network of personal relationships and reputation as a reliable tool within their market and community.

In terms of Human resources focus, we achieved similar results with other studies (Jenkins, 2004; Branco and Rodrigues, 2006), linking business attractiveness with sustainable development in SMEs. Stubblefield Locks et al. (2010) argue that the experience of staff have significant effects on the sustainable performance of SMEs, particularly with regard to social and environmental dimensions.

In terms of Community environment and Social development, Romanian entrepreneurs do not put much emphasis on them. Even though studies like Branco and Rodrigues (2006), Albinger and Freeman (2000), Korsgaard and Anderson (2010) or Steyaert and Katz (2004) place them among the first for Sustainable Entrepreneurship, we found them as significant but not important.

Finally, in terms of environment, the ranking is Recycling/reuse focus, Environmental standards, Environmental development and Environmental focus. Concerning Recycling/reuse, our study is in line with studies like Korsgaard and Anderson (2010) Hosseininia and Ramezani (2016) or Ceptureanu et al. (2017). A study of Nikolaou et al. (2011) mentioned recycling as one of the main components of green entrepreneurship, also. Environmental standards were considered, for instance, by Crals and Vereeck (2005), in their systematization of Sustainable Entrepreneurship. However, Romanian entrepreneurs seem to consider them in terms of requirements to be met and are less intrinsically motivated to follow them. Environmental development and Environmental focus as determinants of Sustainable entrepreneurship are considered in the literature in studies like Bradford & Fraser (2008). Or Stubblefield Loucks et al. (2010). Accordingly, Romanian entrepreneurs have expressed the importance of the future of our environment, even though Environmental focus ranked last in our study.

Conclusions
The results of our study have important implications for Sustainable entrepreneurship, at least in Romania. We concluded that Romanian entrepreneurs are more concerned by the business, traditional focus on profit. However, social dimension of Sustainable entrepreneurship gain importance, probably due to the entrepreneurs’ perception on stakeholders or customers impact on business results. Environmental dimension is, unfortunately, the least important for them.

In terms of limitations, one is that we only analysed small and medium-sized enterprises while future studies should include large enterprises, too, since the perceptions of sustainable entrepreneurship may be different. In terms of future direction for research, a more comprehensive model, not necessarily relying on triple bottom line approach may be constructed, allowing a more detailed picture of sustainable entrepreneurship in Romanian companies.

References


