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DOES A SUSTAINABLE BUSINESS IMPEDE THE IDENTIFICATION OF SUSTAINABLE OPPORTUNITIES? (SUMMARY)

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≈ SUMMARY ≈

DOES A SUSTAINABLE BUSINESS IMPEDE THE IDENTIFICATION OF SUSTAINABLE OPPORTUNITIES?

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Principal Topic

Entrepreneurs can make an impact on reducing environmental and societal problems. Recent studies have proposed theoretical explanations for the fact that some entrepreneurs do identify and pursue such opportunities to prevent environmental and community degradation. The explanations for the identification of sustainable opportunities are still largely conceptual. Our study empirically explores when entrepreneurs become more likely to identify sustainable opportunities. In particular, we explore when entrepreneurs, running an existing business, identify sustainable opportunities. How do their existing business arrangements enable or constrain the identification of sustainable opportunities?

Method

The study sample includes 211 Dutch and Belgian small and medium-sized firms. We use both quantitative and qualitative data. First, data about the existing situation of the firm was collected by an interview and a survey with the lead entrepreneurs. The results from the interview and survey were discussed during a brainstorm session focusing on the firm's strengths, weaknesses, opportunities and threats. These data were coded by two independent coders. We test relationships using negative binomial regressions.

Results and Implications

We find that perceived constraints rather than perceived strengths lead to identifying sustainable opportunities. Firm's past success makes an entrepreneur overembedded in the current business structures, thus impeding the identification of sustainable opportunities. Specifically, reduced margins and recent sales decreases have a direct positive effect on imagining opportunities related to environment and community preservation. The effect of some constraints only becomes visible after we take the moderating effect of the functional diversity of the entrepreneurial team into account. In particular, important conditions for seeing the sustainable opportunities are constraints in marketing and sales capabilities and presence of past sales decreases. Interestingly, the functional diversity of the entrepreneurial team has a negative effect on identifying sustainable opportunities when combined with these two types of constraints. Thus, whereas team diversity as such has a positive effect, we observe that having a diversified team turns around the effect of both prior sales decreases and constraints in marketing and sales capabilities into a negative effect on the identification of sustainable opportunities.

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