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Sustainability entrepreneurship in Transition economies

Role of sustainability in Sustainability Entrepreneurship in case of
Russia

by

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Abstract

Sustainable development and sustainability entrepreneurship are the hot topic in the academic literature. With high importance of the context where entrepreneurships operate, it is vital to study sustainability beyond the border of the developed countries. On the one side, transition economies are complex places to start sustainable startups. On the other side, transition economies are lagging behind in sustainable development and thereby create opportunities to bring new and radical solutions. This paper used a qualitative method, single-case study, based on the empirical data from three companies in Russia. This research shades light on the role of sustainability in the process of the development of sustainability entrepreneurship firms. This paper concludes that there are several aspects that are influenced by the experience from the abroad and presence of the foreign MNEs in the transition economy. Moreover, cultural and societal differences of transition economies also forces sustainability entrepreneurs to adapt to these characteristics, and create different pathways of value proposition.

Keywords

Sustainability entrepreneurship; Transition economies; Sustainability transitions;

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1 Introduction

1.1 Transition and Developed economies

Since the beginning of humankind, difference in development and wealth of different countries and regions existed. In the past, this was one of the reasons for wars, while nowadays it creates debates among academic authors. Very recent and still ongoing debate in the academic literature is arguing who is the leader of innovation and where innovations come from?

Is it developed countries that possess such extensive knowledge with strong universities, large investment funds and great opportunities for R&D. Or is it developing countries, that are so flexible and often called “Hubs of innovations”, where ideas get implemented quickly leading to major growth rates. Developed countries are caught in “lock problem”, where they are organized so well that even small change takes long time to implement. Meanwhile, by outsourcing production to the developing countries, developed countries create opportunities for developing countries to adopt these changes quickly and at low or almost non-R&D cost. Thereby, increasing chances of the developing countries to “leap frogging” and “catch up”.

Without any effort, we can come up with several examples, when developing countries acted as experimental grounds and took over innovation leadership from developed countries by implementing innovations faster. E.g. world’s first mobile money transfers via cellphone took in a developing country (Rice, 2007), first president elections using blockchain technology also took place in a developing country (Polites, 2018). Which leave the question about the fututer leaders of technological development open.

Nevertheless, when we talk about developing and developed countries, we are taking two extremes, which are highly different. However, in reality, every country has different development level. And on this development line there are countries, which have high growth rate, relatively high living standards, welfare and developed infrastructure, but they are still not developed. Transition economies, similar to developing countries, have some social, cultural, economic and political conditions, which differentiate them from so-called “developed countries”. Including for example a weaker state apparatus, less efficient bureaucracies, higher levels of political and economic instability, less transparency in legal proceedings and enforcement of legal frameworks and relatively high levels of economic and social inequality (Lachman, 2012; Ramos-Mejía, 2018). Furthermore, developing countries typically rely on foreign sources of technology, knowledge and financial resources to a greater extent than developed countries – with external donor interventions playing a role especially in the least developed ones – and they are typically characterised by less advanced industrial processes, a dominance of low-tech (primary) sectors, reliance on extended family

ties and clientelism, and employment in the informal sector (Viotti, 2002; Bell, 2007). (Hansen et al., 2017)

Developing economies are undergoing many serious changes and transformations (Boso et al., 2013). Clearly, transition economies lag behind developed economies, as they still have high influence of the state, corruption and generally, it is more complicated to do business. Nevertheless, these economies grow faster than developing economies.

An interesting paradox is that innovations from less developed economies would possess stronger consumer resistance (Ram and Sheth, 1989). Meanwhile, developed economies in some areas greatly benefit from social acceptance innovations, such as renewable energy (Wüstenhagen et al., 2007). And with these challenges in Transition economies and opportunities in developed economies, there are cases when development plays a negative role in innovation process.

1.2 Sustainable development and sustainability transitions

Another hot topic in academia is the grand challenges (Jerneck et al., 2011). Issues like climate change, biodiversity loss, water scarcity, land use changes as well as other sustainability challenges are taking place globally. These changes affect equally everyone and everything.

While some countries face these issues and do something to make changes, other are continue to overexploit available resources. Presence of teleconnections makes it more complicated to solve the challenges, as pollution taking place in wealthy region, capable of cleaning their region. Pollution can, however, travel further and reach countries that do not have resources and capabilities to solve these issues. Moreover, tracking and finding who to blame is not easy, as some countries look “environmentally clean” from the first sight, but when studying closer they can be net importers of CO₂. Meaning that they actively import goods from other countries and all the CO₂ pollution remains on the producer country.

There are many different sustainability problems, but what all these issues have in common is that they represent serious threats to the future generations. Sustainable development is increasing its importance. The sustainable development goals were first introduced in “Our common future” report by Brulandt and there author defined sustainable development as a “kind of development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (Brulandt, 1987).

In addition, with the ongoing changes in policies, we can clearly notice that sustainability challenges are not “privilege of the rich countries”. Set of goals proposed by the United Nations includes development goals in all the relevant areas that is achievable for any



Figure 1 Sustainable Development goals (United Nations Sustainable Development, 2018)

country, regardless of their current development level and welfare system (Thomson, 2015). Sustainable development goals - are goals that can be reached by every country on Earth.

On the one side, all of the grand challenges are obviously negative. On the other side, however, they create great opportunities for some organizations to come up with solutions and not only solve the problem, but also improve economic situation of the founders. According to Cohen and Winn (2007), most of these challenges create significant entrepreneurial opportunity. And if under normal economic situation, some innovations would have very difficult time entering the market due to resistance to change (Ram and Sheth, 1989). With the window of opportunities, created by the challenges, new and established ventures can introduce innovations that are more radical. Obviously not every innovation would help in this situation, only sustainable solutions would have the greatest value to bring. Innovations that have capability to contribute to ecological quality and social welfare (Parrish and Foxon, 2009). Companies aiming to solve social, environmental issues, while satisfying their own financial interest are often have a major impact on the society in terms of greater structural changes within sustainability (Parrish and Foxon, 2009).

In this case the role of the innovative organization, also referred as sustainable entrepreneurship redefines the term success for this organizations (Schaltegger and Wagner, 2011), as they do not only change the market, market conditions as well as set new norms for future organizations. These major shifts, also referred in the literature regime shifts takes several decades (Geels, 2011) and it is possible to analyse on the large contexts. There are many ways how a regime can shift and how countries can transition and some researchers suggest that less developed economies can have alternative pathways for sustainability transitions (Markard et al., 2012).

One case going hand in hand with sustainable development is sustainability transition. This more specific example of this regime shifts is sustainability transition (Markard et al., 2012; Geels, 2011). Sustainability transition is rather a new perspective for research (Markard et al., 2012). These transitions are equally important for developed economies as well as transition economies (Hansen et al., 2017). Up until now there is no clear answer whether sustainability transition pathway differs in developed countries and less developed countries. Some

researchers suggest that there are possibilities that transition economies have their own sustainability transition (Hansen et al., 2017).

Transitions take place on a national level and involves many actors: policymakers, organizations and society (Loorbach, 2010) and takes decades before it completes (Geels, 2011). However, if we shift focus from national level to company level and focus on shorter time span, we will be able to find organizations that are located within technological niches and have potential to influence sociotechnical regimes and with the help of window of opportunities start regime shifts and sustainability transitions.

Technological niches in essence include companies or networks of organizations, that have capabilities to innovate. Moreover, technological niches are representing smaller areas or regions, that have certain new technologies diffused to some extent, that with a help of window of opportunities can make regime shift (Geels, 2011). Clearly, technological niches play an important role for sustainability transitions, as these are the regions with the sustainability entrepreneurship that can change the future of countries.

1.3 Sustainability entrepreneurship in different contexts

Having talked about different contexts, now we will discuss how these contexts can influence entrepreneurship and sustainability entrepreneurship. For many decades, the role of entrepreneurship in developing countries was neglected. However, there were many changes in the recent years (Naudé, 2009). One of the reasons for this change was the fact that for the past couple of years, entrepreneurs became the part of the formal business world. Meaning, that they have to be properly registered and report all the numbers. This influenced grey market activities and reduced significantly “corruption, rent-seeking, state capture, and repression of private initiative, the pendulum has now swung to the point where there is, as was mentioned at the start of this paper, considerable enthusiasm for entrepreneurship in developing countries (and of course elsewhere).” (Naudé, 2010, p.11)

Nevertheless, with all these positive changes for the entrepreneurial activity in less developed economies, we can also see other difference (O'Neill Jr et al., 2009). This includes cultural context of Sustainability Entrepreneurship. In essence social entrepreneurship in different cultures will differ, thereby sustainability entrepreneurship will have to adapt to the given environment as well as culture of the country. Moreover, according to Muñoz and Cohen (2018), only 41% of papers focuses on the context, within sustainability entrepreneurship, leading to assumption that context plays an important role, however, it is currently understudied.

On the one hand, imperfections of the transition economies provides less support and underdeveloped infrastructure, that makes entrepreneurial activities even more vulnerable and higher chances of failing. On the other hand, these imperfections in the environment are the unexploited opportunities that create larger incentives for entrepreneurs in transition economies to innovate contrary to developed economies.

Undoubtedly, the context plays an important role for entrepreneurs (Muñoz and Cohen, 2018). However, in the past years, when globalization occurs quicker (Jerneck et al., 2011) and presence of teleconnections increases importance (Mulgan, 2006), both developing and developed countries have to think about the grand challenges (Jerneck et al., 2011) our hope is on companies possible to make difference.

If we switch to sustainability issues, we will find that less developed economies have many issues with environment, pollution and in particular the carbon emission (Dhanda and Murphy, 2011). Even though changes take place and better policies are introduced to regulate emissions. This creates extra advantage for the sustainable business solutions. As they get extra attention, subsidies and support from the government.

However, there is very small gap between successful policies and policies that will create ineffective conditions for sustainability organizations. Moreover, besides environmental issues there are social issues that should be solved. And sustainable entrepreneurs are the ones that can make the change. However, meanwhile with environmental issues, it is more or less clear what should be done, in social issues we have many actors with different needs and priorities. And creating productive and supporting environment for the sustainability entrepreneurs is a challenging task (Harbi and Anderson, 2010).

What is unique about sustainability entrepreneurs that is the focus on social, ecological and financial issues from the early stages of their operation (Muñoz and Cohen, 2018). The central idea behind sustainable entrepreneurship is that “Sustainable entrepreneurship is focused on 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.” (Shepherd and Patzelt, 2011, p.156)

These sustainable entrepreneurship firms has the highest possibility to come up with radical innovations and initiate transition towards more sustainable future, through sustainability transitions (Muñoz and Cohen, 2018; Schaefer et al., 2015), while bringing both economic and noneconomic benefits for different actors, such as stakeholders, founders and the society (Shepherd and Patzelt, 2011).

Recent studies, show that studying entrepreneurship as well as sustainability entrepreneurship in not only developed countries is important for the academia, to better understand unique characteristics of entrepreneurs in less developed and transition economies. (Boso et al., 2013; Weerawardena and Mort, 2006)

1.4 Problem discussion

The current state of the research about sustainable entrepreneurship in transition economies is studied very little. Latest researchers focused a lot on the western and developed economies, “nearly 80% of the papers are concentrated in five countries, USA (27%), UK (23%), Canada

(10%), Germany (10%) and the Netherlands (8%), reflecting a (unavoidable) bias towards Western countries.” (Muñoz and Cohen, 2018, p.303)

Consequently, sustainable entrepreneurship in transition economies is not well studied and it is very likely that important features of the transition economy markets are neglected (Muñoz and Cohen, 2018; Smallbone and Welter, 2001). Clearly, context in which sustainability entrepreneurship has to operate is very likely to differ between transition and developed economies. Thereby, the way companies adapt to these differences might differ. Moreover, sustainability entrepreneurship is crucial to study within the context, where it operates, as the context influences and affects sustainability entrepreneurship development. And since transition economies differ from developed economies in various ways. It is very likely that sustainability entrepreneurship startups will have to adapt to the context. Moreover, differences in cultures, which certainly exist in different countries, also create potential for sustainability entrepreneurship startups to differentiate (Smallbone and Welter, 2001).

Transition economies are more likely to provide less support to sustainable entrepreneurship organizations that is especially important for the newly developed organizations. In particular, transition economies will differ in terms of support from formal institutions, which ensures surviving the early stages of development (Geels and Kemp, 2007). Since transition economies usually present highly unregulated environments (Dhanda and Murphy, 2011), support for the sustainability entrepreneurship organizations is of utmost importance. While researchers in developed economies can view different forms of incentives, such as tax exemptions or subsidies for sustainability entrepreneurs (Schot and Geels 2008). On the one hand, from this point we can expect highly challenging context for sustainability entrepreneurs, that is very likely to demotivate them to develop sustainability focused firms.

On the other hand, environmental and social issues are developed largely in transition economies. Analogy with environmental disasters can be drawn, meaning that in regions, where a disaster occurs, it is local companies and local society that is the first that tries to solve the consequences (Muñoz and Cohen, 2018). As these people, have the best understanding of the local issues and they are the ones who are affected the most (Muñoz and Cohen, 2018). From this perspective, sustainability entrepreneurship could arise in transition economies to a greater extent.

Overall, sustainability entrepreneurs in transition economies have to adapt to culture and lack of business support that could potentially lead to different development patterns and result in a different set of factors that affect the development of the sustainability entrepreneurship firms.

1.5 Research Question

What is the role of sustainability in the development process of sustainability entrepreneurship firms in transition economies?

1.6 Aim and Scope

Differences in transition economies and developed economies exist (Smallbone and Welter, 2001; Dhanda and Murphy, 2011) these differences includes policies, which creates different conditions for the actors within these contexts. These differences include social and environmental importance, acceptance of innovations and other factors that affect potential sustainability transitions in these two regions. Meanwhile, sustainability entrepreneurship is somewhat studied in developed countries, it remains rather unstudied in transition economies.

Clearly, any differences in the context (Muñoz and Dimov, 2015; Smallbone and Welter, 2001) will create various effects and provide different level of support for the entrepreneurial companies (Smallbone and Welter, 2001). In academic literature, there are researchers, who studied development of sustainable ventures and proposed frameworks to study sustainability in entrepreneurial organizations (Muñoz and Dimov, 2015). However, the framework was tested on UK and US, which clearly are developed and has relatively good conditions for the entrepreneurial activity. Nevertheless, how this model will fit the parts of the world that poses less attractive conditions for entrepreneurial business, such as transition economies.

Mainly focusing on the sustainability companies and their internal operations and value propositions for the stakeholders, will help us to test the proposed model in transition economies. Resulting in answering the research question and proposing practical implications on improvement of the model. Moreover, this paper will cover the gap and contribute to sustainability entrepreneurship in less developed economies, which lacks critical reflectiveness (Hansen, 2015).

Following factors proposed by Muñoz and Dimov (2015), this research will look at prior knowledge, sustainability orientation, entrepreneurial intention for sustainability, desired value creation, perceived social support and perceived business support of sustainability entrepreneurship organizations in transition economies.

1.6.1 Scope

Focus on sustainability entrepreneurship startups, so the work will not look at sustainability entrepreneurship within large-scale organizations or multinational corporations. Moreover, the focus is only on transition economies.

Importance of the context was mentioned several times in the literature (Muñoz and Dimov, 2015; Smallbone and Welter, 2001), therefore short secondary research of the contexts would be presented. Moreover, analysis of the sustainability entrepreneurship startups will not focus on the whole network of the company, but only relevant actors and institutions.

1.6.2 Delimitation

Since sustainability study is an emerging topic, there is lack of literature. Moreover, with the scope of transition economies, amount of academic papers decreases even more. Thereby, to support this research, it will be relevant to refer to incomplete studies about sustainability entrepreneurship, such as eco-entrepreneurship and social entrepreneurship.

Moreover, a context where sustainability entrepreneurs are operating will be presented based on the secondary data, and certain level of generalization about transition economies will be used in order to make it possible to study this subject. This includes generalization about the society and social values.

1.7 Outline of the Thesis

In the first chapter, introduction to the topic will be present. Describing broad concepts that represent the background of this research. Using the funnel approach, in introduction chapter the research will move from broad theoretical concepts to specific problems in the literature, moreover this chapter will include problem definition, aim and research question.

The second chapter will present overview of the existing literature related to the topic. Moreover, theoretical framework, which will be used for the analysis of the empirical data, will be presented in this section.

Third chapter introduces methodology that is used for this study, explaining methods as well as strategy and data collection for this research.

In the fourth chapter, empirical data collected from the sustainability entrepreneurship organizations is present.

In the fifth chapter, gathered data will be analyzed to form conclusions.

Lastly, in the sixth chapter the answer to the main research question is present and converted into practical implications. Moreover, potential for further research is presented and limitations of this research is declared.

2 Theory

2.1 Previous Research

2.1.1 Sustainability entrepreneurship

There is close link between sustainability entrepreneurship and radical innovations or radical changes. However, the key difference between these two concepts is presence and balance between the three characteristics: environmental, social and financial aspects. Clearly, sustainable entrepreneurship is important for various countries, both developed and less developed (Mulgan, 2006).

The parallel between the sustainability entrepreneurship and radical innovations, is useful for understanding of the concept, however, having clearer definition of the concept is crucial to proceed the study of this phenomenon. Thereby, in this section, we will look closed on available definitions of the term sustainability and choose one that would explain the sustainability entrepreneurship within this research. Thereby, we will look at different definitions of the term in order to select the right one for this research.

“Sustainable entrepreneurship as the examination of how opportunities to bring into existence future goods and services are discovered, created and exploited, by whom and with what economic, psychological, social and environmental consequences” (Cohen and Winn, 2007, p.35)

“Sustainable entrepreneurship is focused on 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” (Shepherd and Patzelt, 2011, p.156)

“Sustainable entrepreneurship is the discovery, creation, evaluation and exploitation of opportunities to create future goods and services that is consistent with sustainable development goals” (Pacheco et al., 2010, p.471).

“Sustainable entrepreneurship is the discovery and exploitation of economic opportunities through the generation of market disequilibria that initiate the transformation of a sector towards an environmentally and socially more sustainable state” (Hockerts and Wüstenhagen, 2010, p.482)

“Sustainable entrepreneurship can be described as an innovative, market-oriented and personality-driven form of creating economic and societal value by means of breakthrough

environmentally or socially beneficial market or institutional innovations” (Schaltegger and Wagner, 2011, p.226)

“Sustainable entrepreneurship is seen as a way of generating competitive advantage by identifying sustainability as new business opportunities, resulting in new and sustainable products, methods of production or ways of organizing business processes in a sustainable way” (Lans et al., 2014, p.37)

There are numerous different definitions of sustainability, some of them refer to social, environmental values, and others focus more on the entrepreneurship perspective and talk about opportunity discovery. Some are good for describing individual level motives; others are taking into consideration whole markets. Within this research, definition by Pacheco et al. (2010) will explain the phenomenon the best way. It includes sustainable development goals that were presented previously. Since the goals do change with the time, this definition ensures that it always refer to the recent development goals.

The sustainability entrepreneurship is interesting topic and clearly, it is not studied well enough. It lacks understanding of the nature of the phenomenon and empirical studies (Muñoz and Cohen, 2018), which will be improved by this research.

2.1.2 Sustainability in development of entrepreneurship firms

Sustainability in the process of formation and development of an organization is rather unstudied topic. Thus, when we talk about entrepreneurship in general, large number of researchers refer to individuals perspective to understand ongoing processes. In other words, in the process of business formation and early development stages it is the founder that takes decisions and reasoning behind these choices can differ from individual to individual. Muñoz and Dimov (2015) Some authors explain that the main reason for integrating sustainability values, e.g. solidarity, tolerance, saving of the natural resources, etc. is determined by the ambition to stand against the current norms and standards.

Sustainability focus can provide different values for the entrepreneurs. On the one hand, if the society and institutions are aware of the environmental and social issues, they will be very likely to support sustainability firms, since it brings benefits not only to the owners of the firm, but also to the stakeholders and society (Wüstenhagen et al., 2007). On the other hand, sustainability solutions will more often represent more uncomfortable and costly solutions. This can be challenging, since people are generally do not accept changes and innovations (Ram and Sheth, 1989).

According to Muñoz and Cohen (2018) there are two theoretical developments in the literature: first that discuss how sustainability is brought to entrepreneurship and second, where entrepreneurship is brought into sustainability studies. In essence, these different ways of literature development, might bring slightly different outcomes, as the starting point of these two approaches differ. (Muñoz and Cohen, 2018) Nevertheless, sustainable entrepreneurs in the literature are referred as businesses that seek to achieve multiple objectives, namely social welfare and commercial logics (Muñoz and Cohen, 2018).

Since sustainability entrepreneurship firms are embedded in the context where they operate, there is a strong and continuous interaction between the business and other actors, such as stakeholders, investors, government, competitors, etc. Sahlman (1996) proposed in his work a concept that emphasized creation of a dynamic relationship and balance between four interdependent pillars, namely, people, context, deal and opportunity.

Further, this concept was developed further by various authors and sustainability aspect was introduced in the concept (Schaltegger and Wagner, 2011; De Clercq and Voronov, 2011; Muñoz and Dimov, 2015). And resulted in the following pillars: the sustainable entrepreneur, the context for sustainable entrepreneurship, the sustainable entrepreneurship outcome and the sustainability opportunity. (Muñoz and Cohen, 2018)

In addition, to bring more of the existing knowledge from the literature, authors incorporate knowledge from related concepts, such as eco entrepreneurship, social entrepreneurship, institutional entrepreneurship and sustainable entrepreneurship (Schaltegger and Wagner, 2011; De Clercq and Voronov, 2011), this provides better understanding of the the motivation behind the sustainability of the firm.

Overall, sustainability motivation of individual entrepreneurs are vital for the sustainability business developments. Entrepreneurial intentions in transition economies are clearly more challenging than in developed economies, in transition economic society and institutions have a clear understanding of the importance of these types of businesses, thereby entrepreneurial companies can benefit in transition economies (Smallbone and Welter, 2001). Sustainability entrepreneurship intentions in transition economies, as opposed to entrepreneurial intentions, are less known within the society and are not fully implemented in terms of policies in different institutions. Evaluation of desirability and feasibility of the new organization will be the main question for entrepreneurs in the early stages of the development. Therefore, sustainability entrepreneurs have to evaluate their potential based on these two kinds of perceptions (Muñoz and Cohen, 2018).

2.1.3 Sustainability entrepreneurship in Transition economies

There is little knowledge in the literature specifically about the sustainability entrepreneurship firms in transition economies. And current literature has more extensive research on the sustainability within the developed countries. Meanwhile, nearly half of all the papers in the literature underlines importance of the context, where a sustainability entrepreneurial firm is operating. (Muñoz and Cohen, 2018)

Papers, that are studying sustainability entrepreneurship in other contexts than developed economies, underlines importance of the environmental and social value propositions could for the different contexts (Muñoz and Dimov, 2015).

Several researches also emphasize that success of the sustainability entrepreneurship in most cases is dependent on the institutional infrastructure and network (Muñoz and Cohen, 2018).

Moreover, transition economies will have a stronger presence of the cultural aspect in the business environment. And in case, where pollution and inequality existed for decades, the attitude towards solving these issues would be different than in developed economies (O’Neill et al., 2009).

According to Smallbone and Welter (2001), transition economies forms unique context that lead to a distinctive features for entrepreneurial firms. Transition economies represent particularly unstable contexts for entrepreneurs and sustainability entrepreneurs (Smallbone and Welter, 2001).

2.2 Theoretical Approach

In order to conduct the research and analyze empirical data, the research will use the theoretical framework proposed by Muñoz and Dimov (2015) for study of development of entrepreneurship ventures.

2.2.1 Sustainability entrepreneurship venture development

Clearly, development of new organizations have certain similarities in the development path (Muñoz and Dimov, 2015). Initial business idea and motivation of the founder are important when studying development of organizations. These factors include not only self-realization, financial success, innovation or independence, willingness of people to play the entrepreneurship game or desire to ‘change the world’ (Linnanen, 2005; De Clercq and Voronov, 2011; Shane et al., 2003; Carter et al., 2003). Finding this would be possible not only through interview, but also as suggested by Schaltegger (2002) through the business goals. In addition, literature support the view that the context plays an important role in the development process of new organizations.

According to Muñoz and Dimov (2015), in order to discuss sustainable ventures, it is vital to understand what the connection of the business and sustainability issues is. The model “Visual representation of relevant causal conditions” incorporates the most important factors that has to be taken in consideration, when analyzing sustainable ventures.

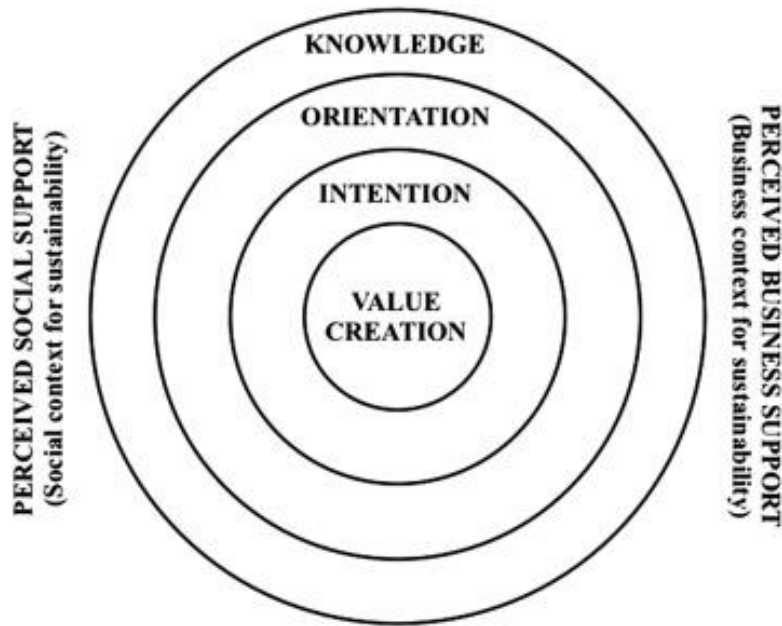


Figure 2 Visual representation of relevant causal conditions. (Source: Muñoz and Dimov, 2015).

The model by Muñoz and Dimov (2015) was formed based on the literature and tested quantitatively to ensure validity of the model. Nevertheless, the model relies on 289 new ventures from United States and United Kingdom, which creates high opportunity for bias, as these are developed countries. Moreover, since most of the current literature is based on the developed countries (Muñoz and Cohen, 2018), the model has to be tested on less developed countries, or transition economies.

The model by Muñoz and Dimov (2015) consists of several layers of, where the closest to the center inner circles relate strongly to the goals of the founder and outer reflects the knowledge and ideas related to sustainability. Starting with the value that the business creates for the stakeholders and the society. Which positions within intention that represents intentions, that the founder wants to provide, however, not necessarily business can provide it. Further, at the next level there is sustainability orientation that shows businesses' orientation towards environmental, social and financial issues. Lastly, there is prior knowledge that represents founders' awareness of social and environmental problems (Muñoz and Dimov, 2015). Now we will look at every layer in more details and later operationalize those.

Prior knowledge about sustainability

Clearly, every individual has different knowledge, education, experience and other factors affecting its awareness about social and environmental issues. Different levels of awareness about these issues create different possibilities for entrepreneur to critically assess available opportunities. Generally, the literature supports the view that relevant background that focuses on social or ecological environments often result in identification of opportunities within these challenges, rather than solely business and financially oriented opportunities. (Muñoz and Dimov, 2015)

Sustainability orientation

In essence, orientation towards sustainability refers to protection of the environment and presence of social responsibilities. Muñoz and Dimov (2015) argue that literature support the view that sustainable orientation is critical for sustainability entrepreneurship. Moreover, sustainability orientation has to be well balanced within social, environmental and economic dimensions.

Entrepreneurial intention for sustainability

Assuming that the founder of business has prior knowledge about sustainable development and sustainability challenges. Moreover, the founders understands importance of sustainability and have created sustainability-oriented business, this is not everything. In addition, it is critical to evaluate the strength of the individual's intention to contribute to solving societal and environmental problems, as intentions can have different scale, e.g. make difference within a region or aim for the whole country. Moreover, intentions might be influenced by the feasibility, which depends on the support from the stakeholders and society. (Muñoz and Dimov, 2015)

Desired value creation

Meanwhile, intentions can be great and very broad, actual value proposition of the business will often be limited to a specific set of benefits for certain players. Even though, greater value for stakeholders and society is vital, the company has to be careful and not trap into altruistic charity. In essence, it is crucial to look whether the company has: economic value, social value, ecological value and value for future generations. In practice, these values will be also visible in strategies of the business that are capable improving welfare, reducing pollution and poverty, as well as solving deforestation (Hart and Milstein, 2003).

Perceived social support

Society plays important role for business development, as norms and values of the individuals in the society can either support sustainability, or ignore these challenges. Meanwhile, in developed economies sustainability would be considered as important value proposition, in transition economies, it will most likely be less recognized and admired. Thereby, companies in transition economies might spend unnecessary resources, on aspects that are not valued by the customers. Especially, where income distribution is not equal, and social benefits are mostly relevant for the lower class, meanwhile the most financially strong part of the society will not be concerned about these challenges. So in essence, the company may end up in unproductive business. (Muñoz and Dimov, 2015)

Perceived business support

Lastly, support from institutions and government is crucial. Receiving financial support from the banks is the key for creating business. The fact that business operates sustainably, can either increase value of the business for the institutions, or it can be seen as unnecessary luxury that does not pay off. Understanding how big are “returns over sustainability” is important part of understanding perceived business support.

Supportive business context obviously incorporates factors, such as ease of doing business and lack of bribery. However, from the sustainability perspective, it is crucial to understand

whether any of sustainability practices can help in entering new markets, easier to receive financing, hire staff, etc. (Muñoz and Dimov, 2015)

2.2.2 Multi-Level Perspective

Since the entrepreneurship is rather complex subject to study. In order to incorporate context into this study, we will use the multi-level perspective model (MLP) proposed by Geels (2011). The model helps to study sustainability transitions, where sustainability entrepreneurs play very important role.

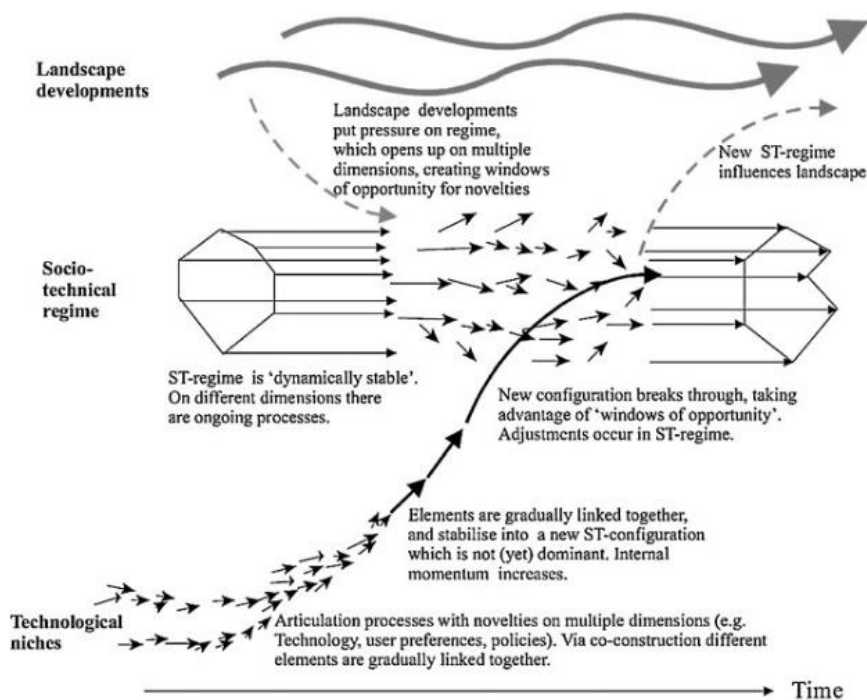


Figure 3 The multi-level perspective on sustainability transitions (Source: Geels, 2011)

The MLP model is very broad and this creates both challenges and opportunities for this study. In essence, sustainability businesses are dependent on society and institutions, which can be seen within the MLP model.

3 Methods

3.1 Research approach

Sustainability entrepreneurship is emerging field of study, and there is little knowledge about this field. Therefore, the best way to contribute to this field of study is through qualitative research (Muñoz and Cohen, 2018). Currently in this field “Most of the research reviewed is theoretical/conceptual (40%) or qualitative (31%) based on case-study methodology.” (Muñoz and Cohen, 2018, p.303). Out of the three research approaches: inductive, deductive and abductive (Alvesson and Sköldbberg, 2017), this paper will use the abductive approach. This approach type incorporates both existing academic literature and empirical studies. This research has its starting point in existing literature, aggregates what is known about sustainability entrepreneurship in transition economies now and supports with framework.

Currently there is lack of empirical and qualitative studies in the literature that could support and explain better developments that take place in sustainability entrepreneurship. As according to Muñoz and Cohen (2018) most of the existing research is based on developed economies and lacks empirical evidence from transition economies.

The choice of the abductive approach will also facilitate the purpose of the research to explain the theory behind sustainability entrepreneurship in transition economies.

3.2 Research method and strategy

As mentioned previously, this research follows qualitative method that is necessary for this research topic (Muñoz and Cohen, 2018). Since this research, aims to provide explanation and shed light on a subject that was not researched to high extent, qualitative method will be the most suitable (Alvesson and Sköldbberg, 2017). In addition, the research question that starts with “How?” or “What?” can be best explained by the qualitative research (Yin, 2014).

Case study will be used for this paper, as this strategy does not separate phenomenon from the context. In addition, Yin (2014) names case study as a primary tool for qualitative analysis. This is crucial, as entrepreneurship and sustainability entrepreneurship are highly context and culture dependent (Muñoz and Cohen, 2018; Smallbone and Welter, 2001). Thus, case study allows to study complex phenomenon in the environment where it is embedded, with its unique social systems and geographical location. (Yin, 2014)

3.3 Case study design

According to Yin (2014) there are different case study designs, that includes a single or multiple case studies (Yin, 2014). AS we are studying development of the sustainability entrepreneurs in transition economies, this represents one case. Contrary to the previous research that focuses on developed countries, this research studies the topic of transition economies, which is a slightly different case. The choice of the case study provides opportunity to perform a wider exploration of the topic.

In order to study transition economies, we will focus on one country in order to avoid multiple case study. Moreover, by focusing on one country it is possible to obtain deeper understanding of the studied subject and feasible in the given timeline of the research. Nevertheless, this type of design has also negative side, such as lower possibility for generalization of the results.

3.3.1 Selecting case companies in transition economy

Taking starting point in the researches that cover topics of sustainability entrepreneurship in developed economies and with the support of studies of entrepreneurship in transition economies, this paper defined a research question and determined the aim. The main purpose of this paper is to understand the role of sustainability in the process of development of sustainability entrepreneurship ventures in transition economies.

The main feature of transition economy is the change from centrally planned to market economy. Generally, there are differences across various transition economies in terms of geographical, cultural, economic and social context (Trivić and Petković, 2015). The choice of transition economies is large, but for this research, we will use case of Russia. The country switched from centrally planned to market oriented economy. Moreover, Russia is going through liberalization, macroeconomic stabilization, privatization and legal and institutional reforms. (Trivić and Petković, 2015)

In order to collect empirical data to answer the research question, it is relevant to pick sample companies that will provide relevant data for the analysis. In order to answer the research question and find relevant companies, we will search for sustainability entrepreneurship firms that fulfill this definition:

“Sustainable entrepreneurship as the examination of how opportunities to bring into existence future goods and services are discovered, created and exploited, by whom and with what economic, psychological, social and environmental consequences” (Cohen and Winn, 2007, p.35)

The companies are selected deliberately, meaning that we will not randomly select companies. This will ensure that we can get companies that match our criteria: the companies have to be connected with sustainability entrepreneurship. Moreover, case companies were differentiated in terms of geographical location, region of operation and industry.

The case company list contains the following organizations:

- 1) Smocat Sharing (Samocat Sharing, 2018) - Scooter sharing scheme interview with the founder of the startup.
- 2) Национальное агентство устойчивого развития (National Agency for Sustainable Development) (National Agency for Sustainable Development, 2018) interview with the co-founder of the business.
- 3) Techopark-Mordovia PR Manager (PR Manager at Techopark-Mordovia, 2018) interview with PR Manager of the company.

3.4 Data collection

At initial stages, in order to prepare context description, secondary data was used, such as academic literature. In order to obtain relevant information data was gathered through the search of articles using the following keywords: ‘sustainability’, ‘entrepreneurship’ and ‘transition economies’.

In order to provide empirical data for the analysis, primary data was used based on the interviews with companies. The data was collected using semi-structured interview with the following sustainability entrepreneurship ventures.

3.5 Interviews

One of examples of the primary data collection is interview. This is the best method for data collection in qualitative research (Alvesson and Sköldbberg, 2017). Within this research, we will use semi-structured interviews that has a great advantage of combining flexibility to tell the story while remaining within the boundaries of the researched topic.

In essence, the semi-structured interview is a set of open questions that allow interviewees to provide empirical data regarding the case. Moreover, the fact that all the interviewees are top management level or founders of organizations ensures that data was collected from the individuals, who has the best understanding of the organization.

Interview questions were translated to the used language within the interviewed territory and academic terms were explained in case the researcher was not aware of the meaning.

3.5.1 Operationalization

In order, to operationalize this research, we will divide it into two parts.

First, we will look at an example of the transition economy, which in this research will be Russia. We will identify relevant sustainability aspects of this country in order to describe the context, where sustainability entrepreneurs operate. In this part, we will identify as many social and environmental challenges as it is possible. This will be done by looking at all three levels of the MLP model, namely landscape developments, socio-technical regime and technological niches (Geels, 2011).

Second, we will operationalize the model proposed by Muñoz and Dimov (2015) in order to form a semi-structured interview. In order to ensure correct interpretation of every section of the framework, we will form discussion questions based on the questionnaire, which was used in the survey by Muñoz and Dimov (2015). Every section will be summarized in one or two discussion questions, which will create starting point for the discussion.

Prior knowledge (KNOWLEDGE): How much do you know about sustainability issues?
What do you know about economic problems, social problems and environmental problems?

Sustainability-oriented ideas (IDEA): Awareness of the sustainability problems in the early stages of the development of the business idea.

Sustainability orientation (ORIENTATION): From the business perspective, what are your business obligations in terms of sustainability?

Entrepreneurial intention for sustainability (INTENTION): With the given idea in mind what is your intention in terms of sustainability?

Sustainability-oriented entrepreneurial actions (ACTION): Which sustainability objectives were leading the start of the new business?

Sustainability-driven exchange relationships (EXCHANGE): What is the relationship between the sustainability and your business? What is the role of sustainability in your business?

Desired value creation (VALUE CREATION): What business value you wanted to bring to the stakeholders?

Perceived business support (BUSINESS SUPPORT): Within the context where your business operates, who benefits from your sustainability?

Perceived social support (SOCIAL SUPPORT): How your sustainability focus affects your stakeholders and your community?

Lastly, to minimize misunderstanding, we will translate topic question to Russian in order to gather data (Appendix C).

3.5.2 Transcription of the interviews

The best way to use interviews for the qualitative research is to make transcriptions of the interviews. (Alvesson and Sköldbberg, 2017) This ensures that no data was lost on the way, and provides better possibilities to compare all empirical data and to make analysis.

3.6 Data analysis

According to Alvesson and Sköldbberg (2017) researcher acts not as data collector, but also as interpreter of this data. Therefore, it is crucial for the researcher to extract only important insights related to the studied topic. Therefore, the process of data analysis, where most of interpretation takes place is very crucial. Proposed models and knowledge from the revised literature are the key components to do the analysis (Alvesson and Sköldbberg, 2017). To ensure the best interpretation, every empirical case will be summarized in the key points for every factor of the model, to ensure that all the relevant data is used in analysis and interpretation of the empirical information.

4 Empirical data

4.1 Multi Level Perspective

4.1.1 Context in Russia (Transition economy)

To better understand the context of sustainability transition in Russia, we will look at various levels of the multi-level perspective model, to understand general sustainability entrepreneurship and describe current situation in Russia.

4.1.2 Landscape developments

Due to globalization process, the grand challenges (Jerneck et al., 2011) prevail in transition economies. Issues such as climate change, biodiversity loss and water scarcity take place in Russia too. Since, these problems are evident; there are ongoing discussion on different levels. Nevertheless, in transition economies, such as Russia, practical implementation of policies that would improve sustainability far from being in place.

According to GEM General Entrepreneurship Monitor (2018) in 2016 Russia there was a considerable growth in indicators related to sustainability of the entrepreneurial business. Russia's economy completely recovered from recession in 2017 and this is the time, when we can see new fiscal and environmental policies that improve sustainability (World Bank, 2018).

4.1.3 Socio-technical regime

Russia has access to a wide range of natural resources, including oil, gas, forest and land. However, these resources are cheap within Russia and exported to other countries. These reduces available resources with extreme speeds, meanwhile in culture there is perception that these resources are unlimited.

Science and education is developed on a very high level in Russia and is capable to provide highly skilled labor. Nevertheless, according to World Bank (2017) private businesses sector requires much larger number of skilled labor. In regards to sustainability, this remains one of the main barriers for sustainability implementation expansion and growth.

Nevertheless, culture plays an important role in the business context (Muñoz and Dimov, 2015) of transition economies (Smallbone and Welter, 2001). Unique characteristic of

transition economies as well as Russia is that culture in some cases can play higher importance than other aspects of business. In general, it means that high level of bureaucracy and grey market still exist in Russia (OECD, 2018). However, great effort is made by Russia in the past years to ensure higher environmental standards and improve wealth of the society. (The World Bank, 2013; OECD, 2018)

In terms of policies, it is vital to mention that regional development in Russia differs greatly from one region to another. If we take two regions, such as Moscow and Irkutsk, clearly, we are talking about different resource availability. Meanwhile some regions face grand challenges already today and change sustainability regulations to improve the situation; other regions are still lagging behind. (World Bank, 2017)

In the article by The World Bank (2013) proposes that access of Russia to World Trade Organization (WTO) plays an important role for sustainability improvement. The key action, that will improve overall situation is trade liberalization. Clearly, this will create higher wealth that creates tends to generate a demand for environmental improvements. Moreover, access to WTO is access to more effective practices of how to use available resources and decrease waste. (The World Bank, 2013)

4.1.4 Technological niches

Since sustainability actions from the government are currently include policy creations and there is no general sustainability trend in the society, most of the sustainability entrepreneurship exist in Russia in a form of technological niches. This means that sustainability entrepreneurships will be newly created organizations that are operating on smaller regions.

Thus, sustainability is crucial for transition economies, as these countries are suffering from grand challenges and often are not saving environmental resources. In addition, issues such as overuse, overpopulation, inequality and uneven income distribution are common in Russia, and sustainability organizations are the ones that can make difference (The World Bank, 2013; Muñoz and Cohen, 2018).

4.2 Case companies

4.2.1 Smocat Sharing System

Samocat Sharing is a startup based in Moscow, Russia. The company was first founded in 2017 and joined Skolkovo Innovation Center as resident shortly after the launch in order to start pilot runs. The company developed service that helps to improve smart mobility solutions in cities. The Samocat Sharing System is the first automated kick-scooter sharing system. The choice of kick-scooters is determined by the fact that they are light, foldable and easy to use. Moreover, as opposed to the bicycles, kick-scooters can be used easier on

pedestrian roads, where there is no infrastructure for bicycles. Kick-scooters do not pollute and the part of sharing these products helps to achieve the highest utilization rate of resources. Meaning that it minimizes wasted resources. (Samocat Sharing, 2018)

Prior knowledge about sustainability

The founder of the startup has experience from abroad (Bykov, 2018), as he lived in several places in Europe. During his life abroad, he have learnt about sustainability and saw practical implementations of businesses that has sustainability in mind. Moreover, the founder of Samocat Sharing said that parts of his higher education were relevant for understanding of the sustainability, which also contributed for the development of sustainability entrepreneurship.

One of the key challenges that Bykov (2018) was addressing during the times of development, has been excessive number of cars that creates enormous and ineffective traffic.

Sustainability orientation

From the very beginning of Samocat Sharing, the founder integrated sustainability aspect into the business model. The initial idea of the Scooter Sharing business contained sustainability aspect. The business was created with sustainability in mind, namely, providing alternative means of transportation for regions with excessive number of cars and inhabitants. According to Bykov (2018) if we take the case of Moscow, we will quickly realize that there is an issue with ecology, due to large number of cars. From the one side, this affects environmental aspect of the city, as there is high pollution due to high CO₂ emissions. On the other side, large number of cars in the city creates extreme traffic conditions, traffic and noise.

Since these environmental issues and social issues are obvious in metropolitan areas, solving those to some extent was one of the goals of the founder (Bykov, 2018). Moreover, the founder believes that individual has to give something back to society, which organization's founder decided to do through his business.

Entrepreneurial intention for sustainability

Sustainability is integrated in the business model of Samocat Sharing, e.g. they use solar energy to run their infrastructure (Samocat Sharing, 2018). In addition, primary intention of the business is to educate people about better and more sustainable means of transportation. That as founder believes has all the chances to create a healthier lifestyle trend with the society.

Nevertheless, the firm has to remain profitable, as this is not a social project, nor non-governmental organization (NGO). However, giving somewhat back to the society is important, since organization derives its profits from society. Thereby, Samocat Sharing offers alternative mean of transportation.

Desired value creation within sustainability

The business model of Samocat Sharing incorporates three aspects of sustainability: financial, ecological and social. By providing the alternative method of transportation, it creates value for the society by creating possibility to emerge a trend for healthier lifestyle and better resource usage.

Obviously, the founder does not expect that his solution will take over the main way of transportation, namely cars, but providing alternative means for those who already think about switching to bicycles would benefit largely from Samocat Sharing services.

Furthermore, Bykov (2018) notes that every person switching to bicycle or kick-scooter create value for the city, as they remove one car from the city. This results in lower pollution and lower CO2 emissions. However, founder also underlines that switching from the car to alternative means of transportation, is a stand out from the comfort zone. In essence, the customer performs an uncomfortable action, and the goal of Samocat Sharing is to make this switch as comfortable as possible. They create different motivational programs that would motivate people to switch to the sustainable solutions.

Lastly, in order to provide maximum value for its customers Samocat Sharing offers various solutions to different customers, such as “green solution” for institutions, “business solution” for tourist-focused businesses and mixed solution for Metropolitan municipalities. (Bykov, 2018)

Perceived social support (due to sustainability)

Customers generally choose Samocat Sharing solution, as this is one of the first alternatives for transportation in the city. Bykov (2018) stresses out the fact that on the one hand, society follows mainstream trends and since currently, the most convenient and widely accepted way of transportation is car, it means that switching to alternative mean of transportation will not provide the same level of comfort.

On the other hand, Samocat Sharing aims to make this green transportation cool and trendy for the society. Certainly, there are parts of the society that understand importance of sustainability and does not need extra motivation to switch to bicycle or kick-scooter. This is the main part of society that can provide support to the company. Meanwhile, part of the society that is not aware of sustainability challenges needs extra motivation to use the service, and strong support cannot be expect from the large part of the society.

People, who uses Samocat Sharing services, besides choosing a less comfortable mean of transportation also have to perform additional activities, such as folding and unfolding kick-scooters. However, they still are committed to choosing the sustainable alternative, and are willing to paying for this solution.

Perceived business support (due to sustainability)

However, when Bykov (2018) talks about business-to-business or business-to-government support the company feels support from metropolitan areas that are aware of ecological and social issues in their areas. However, this support is higher in Saint Petersburg, Moscow and Ekaterinburg, where green solutions have access to innovative projects and have preference to perform test runs. Meanwhile, regions where sustainability challenges are not obvious will not provide support nor preference to sustainability in case it is more costly.

All in all this support is determined by the availability of resources and budget available for the project. Hereby, smaller cities, where these social and environmental issues are not extreme or lack funding, have lower chances of prioritizing sustainable solutions.

Bykov (2018) suggests that, sustainability is interesting aspect for potential investors. However, in the end of the day, it is mostly returns on investments that play the key whether investors will provide funding.

Certainly, Innovation Center Skolkovo gave a great support in the beginning of the project, by providing test ground of the concept. Even though the company was not resident of the Skolkovo Community Bykov (2018) believes that sustainability focus of the organization played an important role Innovation Center played an important role in the Samocat Sharing, as it provided test area for pilot runs.

4.2.2 Technopark-Mordovia

Techopark-Mordovia provides a comfortable business environment, infrastructure and support to innovative businesses. The organization encourages generation of new ideas, implementation of new projects and diffusion of innovation. (Technopark-Mordovia, 2018)

Technopark-Mordovia is located in Saransk. In addition, the organization provides support to sustainable innovations, in development and commercialization processes, as well as later integration of the sustainable solutions in businesses (Technopark-Mordovia, 2018).

Prior knowledge about sustainability

Based on the interview, it was possible to see that company initially started almost without any prior knowledge in sustainable development (PR Manager at Technopark-Mordovia, 2018). There was general knowledge about ecological situation and environmental issues.

Sustainability orientation

Initial idea was to help innovative ideas get developed, tested and integrated in real life. Therefore, the organizations started with idea to support local projects (PR Manager at Technopark-Mordovia, 2018) and share knowledge in the Region.

There is interest to be more sustainable and currently incorporation of more sustainable practices is in development process. Moreover, as from support for its partners, Technopark-Mordovia does prioritize nor provide extraordinary support for sustainability entrepreneurship compared to regular startups.

However, PR Manager at Technopark-Mordovia (2018) notes that sustainable startups gets good infrastructure for sustainability developments.

Entrepreneurial intention for sustainability

Sustainability focus is not the primary goal of the organizations. Nevertheless, Technopark-Mordovia creates support for sustainable organizations. In the perspective, PR Manager at Technopark-Mordovia (2018) sees high interest and intentions to drive sustainability projects into society and real business world.

Desired value creation within sustainability

In order to provide value for the society and stakeholder Technopark-Mordovia provides support for small and medium startups and ensure knowledge share in the region. It provides formation of human resources potential in all specializations of the Technopark. Organizes long-term and short-term educational programs for training and retraining of personnel, internships, trainings, seminars. (Technopark-Mordovia, 2018)

Cooperation with the leading industrial companies of the republic provides support for the development and promotion of their innovative products and technologies. (Technopark-Mordovia, 2018) The company has access to venture funds, companies, banks, private investors to attract funding for innovative projects at various stages of their development from the origin of the idea to entering the mass market. (Technopark-Mordovia, 2018) The company has also network with the governmental institutions, that ensure possibility to support interaction between business and public authorities. (Technopark-Mordovia, 2018)

Perceived social support (due to sustainability)

PR Manager at Technopark-Mordovia (2018) suggests that currently there is a trend for ecologically green solutions and creating benefits for society. Thereby, organizations are interested to work with sustainable solutions more than before. This trend also creates awareness within society leading to larger interest for sustainable solutions.

PR Manager at Technopark-Mordovia (2018) believes that in the future sustainable technologies and solutions might be more important than today.

Perceived business support (due to sustainability)

Generally, there is interest for sustainable solutions (PR Manager at Technopark-Mordovia, 2018). However, every case is individual and support to sustainability entrepreneurs depends on many other parameters and not only sustainability.

4.2.3 National Agency for Sustainable Development

The National Agency for Sustainable Development is the leading information, educational and communication center for sustainability and sustainable development. It was created to solve a wide range of tasks aimed at implementing innovative principles of sustainable development in the field of architecture, construction and urban planning. National Agency for Sustainable Development supports sustainable architectural and construction innovations. Being an expert in sustainable architectural solutions, they assist construction organizations that have lack of knowledge and capabilities in the sustainability development. (National Agency for Sustainable Development, 2018)

Prior knowledge about sustainability

Prior to establishing National Agency for Sustainable Development Andrianov (2018) worked in World Wide Fund for Nature (WWF), where he got first insight into the sustainability development and environmental issues. This background allowed the founder to build

knowledge about sustainability further and on the moment when the business was established the author had a good understanding of sustainability.

Andrianov (2018) was aware about the intention within the construction industry to strengthen control over energy efficiency, thermal conductivity of walls and windows of buildings. This was one of arguments to create business focused on sustainability. During the times when National Agency for Sustainable Development was founded, ecological construction was a hot topic in the community (Andrianov, 2018).

Sustainability orientation

Andrianov (2018) explains that sustainability is highly integrated in their business model. In addition, initially founders were trying to spread sustainability knowledge within the industry. On the early stages, business was aiming to provide classes to educate experts within the construction industry. Nevertheless, this model did not succeed in practice, due to the level of knowledge about sustainability among the experts.

Thereby, founders adjusted and focused on educate society and businesses within construction industry on individual level. Mission of the business remained to introduce sustainability principle to as many architects as possible.

Entrepreneurial intention for sustainability

The main intention of the business is to spread knowledge about sustainability among architects, construction firms and developers. Through visual and practical examples and presentations. (Andrianov, 2018)

The organization incorporated sustainability deep in their business, as example Andrianov (2018) explains that on the very early stages of development, they found that the everyday work in the company can be sustainable. In order to do that, National Agency for Sustainable Development decided to operate without office, which means that employees can work from home. Thereby, they reduce number of cars on the road.

Desired value creation within sustainability

National Agency for Sustainable Development offers concepts that focuses on energy-effective solutions and user-friendly city planning. Andrianov (2018) explains that their organization positions itself as an expert in sustainability for construction industry that share and promotes knowledge about sustainability within the industry.

The organization creates value within sustainability through support and education of professionals in the architectural and construction industry, as well as the promotion of innovative solutions and approaches to daily construction practice. (National Agency for Sustainable Development, 2018) These practices and innovative technologies has to create comfort for the end consumers (Andrianov, 2018).

Perceived social support (due to sustainability)

The initial plan to share knowledge about sustainability through the organized courses was not the right approach as it revealed that it was ineffective. Reason for that was the fact that in order to explain benefits of sustainability construction customers needed to have a good

knowledge about sustainability. However, founders quickly realized that this knowledge was missing. (Andrianov, 2018)

The fact that there are enormous amount of resources in Russia, society perceives them as unlimited. Moreover, the price that individual pays for these resources are a small fraction compared to sustainable resource. As example, Andrianov (2018) mentions an experiment that they use to understand social support and interest of the society in sustainability: the organization, has asked in auditorium people to name the price that individual pays for gas. No one was aware of the correct price, as it is so small that there is no interest to check it or know it.

However, Andrianov (2018) can see support from younger generations, which are currently taking related studies in universities and question the right way of development.

Perceived business support (due to sustainability)

In order to ensure that customers understand necessity for sustainability, National Agency for Sustainable Development had to use commonly known benefits, sometimes not related to sustainability and integrate sustainability later in the process, in order to keep clear communication with the client at all times.

The company in order to communicate their services have to interest customers about “innovative solutions”, while only on later stages incorporating sustainability.

Andrianov (2018) explains that generally in the construction industry, there is very little development in terms of sustainability. One of the driving forces of sustainable innovation in this industry are global multi-national companies from abroad, that came to this industry with highly developed sustainability integrated in their business model. This fosters local companies to slowly incorporate these practices, meanwhile support from governmental and financial institutions is weak, in terms of supporting sustainability driven organizations.

Moreover, Andrianov (2018) tells that municipalities and governmental organizations can be considered the least interested in sustainability within construction industry, when talking about smaller regions of Russia or about Russia in general. Which can be explained due to financial limitations, as well as lack of knowledge about sustainability.

5 Empirical Analysis

This section will follow the structure of the theoretical framework. Where every section will summarize interesting findings and build a link with the academic literature. Moreover, the focus is on the information that can improve the theoretical model for better description of the sustainability entrepreneurship in transition economies.

5.1 Prior knowledge about sustainability

Based on the empirical data, we can support the research by Muñoz and Dimov (2015) that prior knowledge is important for sustainability entrepreneurship. We can further see that in transition economies sustainability knowledge can be obtained primarily from experience from abroad, where sustainability focus is not only on the level of policies, but rather well understood by the society (Andrianov, 2018). There is analogy with the concept proposed by Saxenian (2000) when people bring network and knowledge from abroad. For example after taking education abroad (Bykov, 2018; Andrianov, 2018) or working and living abroad, people return to their home countries with more advanced understanding of sustainability concepts (Bykov, 2018). Meanwhile, organizations that develop sustainability entrepreneurship within transition economies end up with different perception of the sustainability compared to academic definitions (PR Manager at Technopark-Mordovia, 2018).

Moreover, knowledge about sustainability can also enter transition markets through the presence of the global multi-national corporations, which enter transition economy markets with sustainability knowledge from the very beginning. (Andrianov, 2018)

Meanwhile education level in Russia is high, we can also see that graduates often miss skills that are crucial for the business environment (World Bank, 2017). Thereby, we can expect that knowledge within sustainability is not being generated fast enough within the society.

5.2 Sustainability orientation/Entrepreneurial intention for sustainability

Within sustainability-orientation and intention, there were no findings that would not fit within the model proposed by Muñoz and Dimov (2015). Companies in transition economies focused a lot on educating stakeholders about the importance of sustainability. The view of

sustainability was closely incorporated into the business model of the firms (Bykov, 2018; Andrianov, 2018; PR Manager at Technopark-Mordovia, 2018)

5.3 Desired value creation within sustainability

Sustainability in value creation of the firms revealed interesting insights that were not fitting well in the existing model. Due to low awareness of sustainability and lack of understanding why society has to save resources (Andrianov, 2018) companies used communication messages that were not sustainable. In other words, companies use general value to market and sell their sustainable solutions. Meaning that by looking at benefits, that customer will receive from using sustainability entrepreneurship firm would sound like any regular benefits from non-sustainability focused firms.

Moreover, sustainability organizations have to find additional motivation factors to create incentives for the clients to use their product. Such as bonus systems, that customer could get for using services or products of sustainability-focused organization (Bykov, 2018).

Switching to sustainable solutions is perceived as a more negative thing, due to the fact that either people will have to choose more uncomfortable way of doing things or pay extra (Bykov, 2018; Andrianov, 2018). Thereby, actual value proposition of the firms is often masked or hidden behind broader benefits (Bykov, 2018; Andrianov, 2018).

So locating this information within the theoretical model was tricky, and thereby it is necessary to add a section that could fully cover this unique aspect within the framework.

5.4 Perceived social support (due to sustainability)

Within Russia society is not fully aware of sustainability and social and ecological challenges. So in order to receive support, companies need to communicate on the level that is understandable for the society (Andrianov, 2018; Bykov, 2018; PR Manager at Technopark-Mordovia, 2018).

Moreover, as described in the value proposition section, sustainability companies have to create benefits and motivational incentives that are not directly linked to sustainability, to make it much more understandable for the customers. (Andrianov, 2018; Bykov, 2018)

Among the part of society that is not aware of resource scarcity, it is even more important to create awareness. As with the perception that resources are not scarce, there is no clear communication between sustainability entrepreneurs and the society. Thereby, it is difficult to gain support from the society.

5.5 Perceived business support (due to sustainability)

Some business advantages for sustainability entrepreneurship exist in transition economies. Nevertheless, based on empirical data we can conclude that in the studied case, support to sustainability entrepreneurship firms prevail in regions, where ecological and social challenges are obvious. (Bykov, 2018) In this case, municipalities are more interested to take action to take action (Andrianov, 2018). Clearly, in the end of the day sustainability service must have competitive advantage and provide return on investment for the investors.

In order to interest governmental institutions in sustainable solutions, which are often more costly in the short run, especially in more traditional industries, such as construction, where innovation did not emerge for decades, sustainability can only be promoted by convincing institutions in profitability of the solution (Andrianov, 2018).

However, one of the things that promotes sustainability in transition economies are presence of global MNEs that brings sustainability from developed countries (Andrianov, 2018). This not only makes local competitors to incorporate sustainability in their practices, but also makes municipalities to look on long-term benefits that sustainability can bring to the region.

5.6 Multi-Level Perspective

In order to position these findings within the broader context, we will use the multi-level perspective. We can clearly see that all three companies in terms of sustainability could be located within the technological niches of the Multi-level perspective model (Geels, 2011). Based on the empirical findings, all the companies are talking about small regions or social niches that fully understand their business.

Thereby, only these niches provide support for the sustainability entrepreneurship firms. Meanwhile, all three case companies are promoting their business and bringing value to the customer, they often have to use extra effort to make sure that customers choose sustainable solutions in the future.

And even though all the social and environmental issues are developed to the high extent, the effort of these organizations does not foster faster implementation of the sustainable solutions. This questions, whether the opportunity of underdevelopment of transition economies as well as general business challenges that sustainable entrepreneurs face can create additional incentives to be sustainable.

5.7 Discussion

All these findings can be visualized as factors that are connected with the causal conditions proposed by Muñoz and Dimov (2015). Prior knowledge in the process of development of sustainability is affected by the foreign knowledge and capabilities. Furthermore, we can see that sustainability companies in transition economies creates incentives for sustainability for its stakeholders and use of broad benefits to attract customers, or bonus programs to make customers continue using the service.

In essence, some of the parts of the model resemble looped processes, e.g. companies aim to educate society, which will lead to social trends and lifestyles, leading to social business, which will create trend in the broader audience within society.

Based on these findings, we can add several aspects that are vital when analyzing sustainability firms in transition economies, namely we will add: foreign effect, communicated benefits and sustainability value.

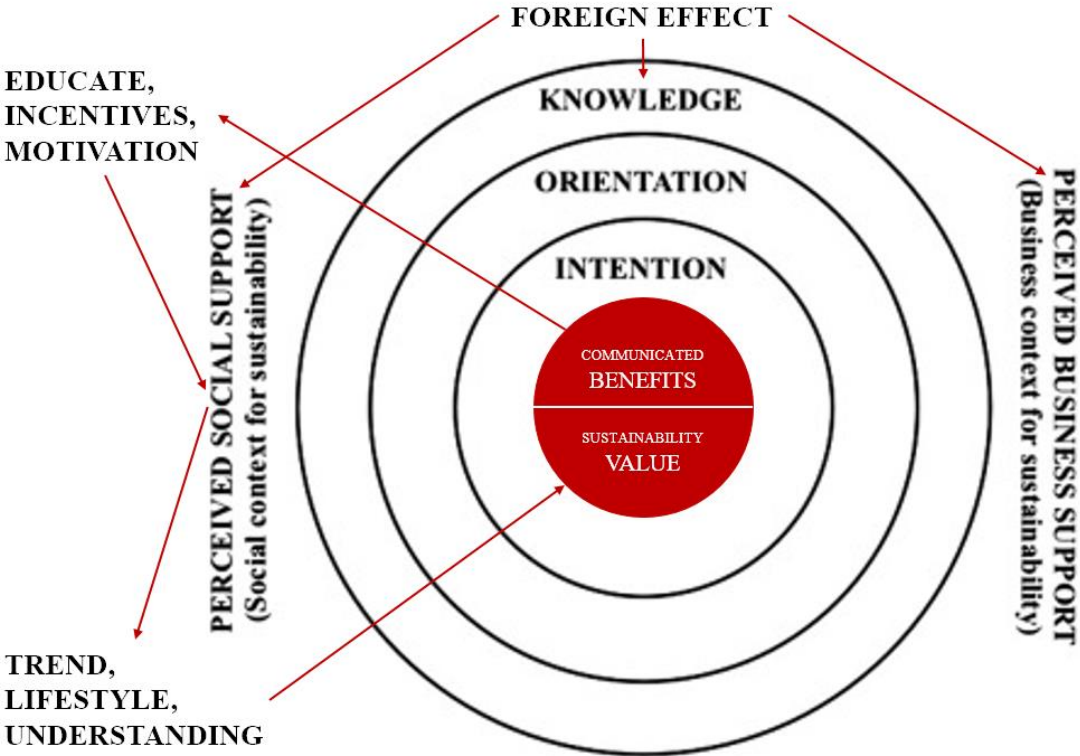


Figure 4 Sustainability in the development process of sustainability ventures (Source: Own figure; based on Muñoz and Dimov, 2015).

5.7.1 Foreign effect

Based on the research, we can see that transition economies are far behind in implementation of sustainability practices. Even though some environmental policies and societal issues are being solved, general awareness of the sustainability challenges among people is low.

Based on the research we found out, that there is foreign effect that plays an important role in sustainability adaptation. Global companies that enter transition economies have effect on the industry, governmental authorities

5.7.2 Communicated benefits and Sustainability value

In the original model, in the center, there was value proposition of the business that originally summarized specific set of benefits that sustainability provides to its customers and stakeholders. And according to Muñoz and Dimov (2015) will be visible from strategies of the business. Nevertheless, what was observed in transition economies is that due to low understanding of the sustainability among various stakeholders, companies have to communicate more general benefits, in some cases not related to sustainability.

Moreover, after necessary knowledge is created, companies also create incentives for stakeholders to switch to sustainable solutions. Moreover, companies aim to create trends and lifestyle, in order to further promote sustainability among stakeholders and get greater support from the society.

Thereby, it is relevant to separate value proposition section, into communicated benefits and sustainability value.

6 Conclusion

So what is the role of sustainability in the development process of sustainability entrepreneurship in transition economies? Overall, sustainability can be seen on early stages of its adaptation in the society and business environment in transition economies. Certainly, in the right regions, where there is broad knowledge and understanding of sustainability, there is a great support for sustainability entrepreneurship. This fits well within the current studies of sustainability entrepreneurship that is based on the developed world.

The fact that challenges for businesses in the transition economies can create opportunities for the sustainability firms (Cohen and Winn, 2007), is rather questionable. As it is possible to see that there has to be strong enough motivation of the founders to proceed with sustainability, when there is such a low support from the society and institutions.

Nevertheless, unique characteristics and overall low awareness about sustainability challenges, reveals that sustainability studies in transition economies can be improved. The theoretical model of sustainability entrepreneurship development conditions, show that transition economies have strong influence from abroad. This includes both experience from abroad, as well as presence of global players on the market.

Moreover, due to lack of societal and business support to sustainability entrepreneurs, they had to come up with unique ways of addressing stakeholders. This relates to communication of unrelated benefits for the clients. That also helps companies to overcome resistance from the society, through education of importance of the sustainability.

6.1 Practical implications

This paper have information and can help managers in transition economies to better understand the conditions that can foster the development of sustainability entrepreneurship.

Furthermore, this paper contains a model that can be used for further research to study sustainability entrepreneurship in other transition economies as well as developing countries.

6.2 Research Limitations

Based on the empirical data, we can see that organizations that are not affected by foreign effect on early stages of development create their own understanding of sustainability. In

essence, little prior knowledge about sustainability in the beginning and increasing interest in sustainability creates own sustainability interpretation, which is different from academic. Moreover, understanding of sustainability is very dependent on the language and culture, it is possible to see that businesses with lower sustainability focus, might simply understand sustainability differently and search for regular sustainability as we understand it in academia might be not the right thing to do. In case of Russian language, people who know sustainability from academic papers will understand it properly, whereas learning about sustainability based on practical development of the company, and without prior knowledge can result in own interpretations of the term. Thereby, in order to fully study sustainability entrepreneurship in transition economies, it is relevant to include other definitions of sustainability.

As this research is a single case study design, it creates limitations in terms of generalization.

6.3 Future Research

As this research is a single case study design and generalization is limited, future research can explore this case in different transition markets or perform empirical analysis using quantitative methods.

Ultimately, this paper provided a theoretical model that can be tested. On developing countries, that possess different context from developed countries, in terms of context for sustainability entrepreneurship.

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Appendix A

Interview Guide based on the Muñoz and Dimov (2015) survey

Prior knowledge (KNOWLEDGE)

How much do you know about sustainability issues? What do you know about economic problems, social problems and environmental problems?

- I can understand the economic problems we are facing as a society
- I can understand the social problems we are facing as a society.
- I can understand the environmental problems we are facing as a society.
- I can understand the problems new generations will be facing in the future.

Sustainability-oriented venture ideas (IDEA)

Awareness of the sustainability problems in the early stages of the development of the business idea.

- Key events that inspired by the time you were exploring possible ideas for this business?)
- Were you aware are you of the sustainability problem(s) that your business was trying to solve.
- I was conscious of the existence of a number of business opportunities that might have been useful for solving the sustainability problem.
- I was conscious of the relation between the business idea and my willingness to solve some sustainability problem.
- I knew that pursuing this business idea implied more than just making money.

Entrepreneurial intention for sustainability (INTENTION)

With the given idea in mind what is your intention in terms of sustainability?

- I am able to find solutions to current challenges and problems.
- I am regularly coming up with new business ideas on how to create a better world.
- I like taking ideas and make something important of them.
- I am constantly seeking business ideas with the potential of making contributions beyond making money.
- I do what it takes to create value for others.

Sustainability-oriented entrepreneurial actions (ACTION)

Which sustainability objectives were leading the start of the new business.

- Improving health and well-being
- Creating and distributing economic value amongst all stakeholders
- Improving the quality of life in a particular community
- Creating employment opportunities
- Protecting or restoring the natural environment
- Creating ethical and fair products
- Establishing fair trading with suppliers
- Promoting democratic business models

Sustainability-driven exchange relationships (EXCHANGE)

What is the relationship between the sustainability and your business? What is the role of sustainability in your business?

- The firm clearly states the sustainability problem or challenge is trying to address.
- There is a clear intention to tackle sustainability issues (mission statement, value proposition).

- The firm frames the business opportunity in the context of sustainability.
- The firm seeks to build relationship with the broader audience based on a sustainability logic.
- The firm presents its products/business model in connection to sustainability.
- The firm communicates its commitment to sustainable business practices.
- The firm's language and images reflects sustainability.

Sustainability orientation (ORIENTATION)

From the business perspective, what are your business obligations in terms of sustainability?

- I strongly believe in the power of my business in contributing to solve many of the problems we have as a society.
- My firm has an obligation to society that extends beyond making money.
- My firm has to give back to society since it derives its profits from society.
- Regardless of the nature of my business, it has to trade fairly with customers and suppliers.
- Regardless of the nature of my business, it has to make a responsible use of natural resources.
- When I was choosing between the business ideas I had in mind, I always chose the one that contributed to building a better society.

Desired value creation (VALUE CREATION)

What business value you wanted to bring to the stakeholders?

- Economic value
- Social value
- Ecological value
- Value for future generations

Perceived business support (BUSINESS SUPPORT)

Within the context where your business operates, who benefits from your sustainability?

- Gives [the venture] a competitive advantage
- Helps [the venture] be valued by its customers
- Affects the purchase decisions of the [the venture]'s customers
- Helps [the venture] sell products and/or services
- Helps [the venture] recruit employees
- Helps [the venture] retain employees
- Helps [the venture] to be valued by potential investors
- Helps [the venture] establish meaningful relationships with the community
- Helps [the venture] establish meaningful relationships with suppliers

Perceived social support (SOCIAL SUPPORT)

How your sustainability focus affects your stakeholders and your community?

- Encourage sustainable behaviours
- Emphasize the responsibility that the individual has in contributing to address community issues
- Promote environmental responsibility
- Encourage young people to be independent and start their own businesses

Appendix B

Interview Guide “Sustainability entrepreneurship”

Prior knowledge (KNOWLEDGE)

How much do you know about sustainability issues? What do you know about economic problems, social problems and environmental problems?

Sustainability-oriented ideas (IDEA)

Awareness of the sustainability problems in the early stages of the development of the business idea.

Entrepreneurial intention for sustainability (INTENTION)

With the given idea in mind what is your intention in terms of sustainability?

Sustainability-oriented entrepreneurial actions (ACTION)

Which sustainability objectives were leading the start of the new business.

Sustainability-driven exchange relationships (EXCHANGE)

What is the relationship between the sustainability and your business? What is the role of sustainability in your business?

Sustainability orientation (ORIENTATION)

From the business perspective, what are your business obligations in terms of sustainability?

Desired value creation (VALUE CREATION)

What business value you wanted to bring to the stakeholders?

Perceived business support (BUSINESS SUPPORT)

Within the context where your business operates, who benefits from your sustainability?

Perceived social support (SOCIAL SUPPORT)

How your sustainability focus affects your stakeholders and your community?

Appendix C

Интервью “Устойчивое предпринимательство”

Устойчивое развитие (англ. sustainable development) — это процесс экономических и социальных изменений, при котором эксплуатация природных ресурсов, направление инвестиций, ориентация научно-технического развития, развитие личности и институциональные изменения согласованы друг с другом и укрепляют нынешний и будущий потенциал для удовлетворения человеческих потребностей и устремлений. Во многом речь идёт об обеспечении качества жизни людей.

Предварительные знания (ЗНАНИЕ)

Насколько много вы знаете об устойчивости окружающей среды? Что вы знаете об экономических проблемах, социальных проблемах и проблемах окружающей среды?

Идеи, ориентированные на устойчивое развитие (ИДЕЯ)

На сколько вы были осведомлены о проблемах устойчивости на ранних этапах развития бизнес-идеи?

Предпринимательское намерение по обеспечению устойчивости (НАМЕРЕНИЕ)

С учетом данной идеи, каково ваше намерение с точки зрения устойчивости?

Предпринимательство ориентированные на устойчивое развитие (ДЕЙСТВИЕ)

Какие цели устойчивости стали началом нового бизнеса?

Связь между устойчивым развитием и вашим бизнесом (ОБМЕН)

Какова взаимосвязь между устойчивостью и бизнесом? Какова роль устойчивого развития в вашем бизнесе?

Ориентация на устойчивость (ОРИЕНТАЦИЯ)

В пределах бизнеса, каковы ваши бизнес-обязательства с точки зрения устойчивого развития?

Создание требуемой ценности (СОЗДАНИЕ ЦЕННОСТИ)

Какую бизнес-ценность вы хотели предоставить для клиентов, поставщиков, пр.?

Получаемая бизнес-поддержка (БИЗНЕС-ПОДДЕРЖКА)

В контексте в котором действует ваш бизнес, кто получает выгоду от вашего дополнения к устойчивому развитию?

Воспринимаемая социальная поддержка (СОЦИАЛЬНАЯ ПОДДЕРЖКА)

Как ваша ориентация на устойчивое развитие влияет на ваших клиентов и ваше сообщество?