

## Exploring the Barriers in Developing Social Innovation and Sustainopreneurship in Sri Lanka

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### Abstract

The interconnection between innovation, entrepreneurship, and sustainable development is a subject of immense concern these days, as society considers answers leading to sustainable development. Further, Social Innovations play a significant role in the development of Sustainopreneurship in the context of sustainable development. Given this context; this study investigates the barriers in developing the Social Innovation and Sustainopreneurship barriers in Sri Lanka. The study used the multiple case study method, and data were collected via in-depth interviews with fifteen Sustainopreneurs in Sri Lanka. The study's findings reveal several barriers in developing Social Innovations and Sustainopreneurship as; a) competition arises from non-sustainable businesses, b) lack of government support, c) high prices, and d) people's attitude towards Social Innovations and Sustainopreneurship. Due to the dearth of research conducted on this area, this study contributes to the Social Innovations and Sustainopreneurship literature. The recommendations provide useful information for future strategic developments to practitioners and policymakers.

**Keywords:** *Entrepreneurship, Multiple Case Study, Sustainopreneurship, Social Innovations, Sustainable Development*

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## Introduction

In recent years, scholars and practitioners have been more interested in the subject of sustainability. Much of the early work on the subject came from the fields of spirituality, environmental science, and philosophy. Berry (1988) and Van der Ryn and Calthorpe (1985) outline their visions for sustainable communities and the environment. From the perspectives of political theory and health sciences, Bernstein (1976) and Chivian (1993) demonstrate that sustainability is possible. Recently, the management world has begun to embrace sustainability research. Accordingly, Hawken (1994) has received massive support for the *Ecology of Commerce: A Declaration of Sustainability* book, which was widely influential for his vision for a restorative economy. Other prominent publishers, such as Walley and Whitehead (1994) and Biddle (1993), have attempted to link commercial goals with the environmental concern of being “green”.

Published case studies of large industrial businesses that have prioritized sustainability in their corporate strategies are also promising (Wei-Skillern, 2003). Over time, sustainability has evolved into a broader notion that is increasingly linked to corporate social responsibility (CSR). Nonetheless, the phrases "sustainable" and "corporate social responsibility" are not equivalent. The term "sustainability" has gained popularity in recent years because it effectively emphasizes the necessity to confront the critical challenges that the world faces today. At the individual company level, sustainability is commonly defined and operationalized as attaining the Triple Bottom Line or achieving economic, environmental, and social objectives all at the same time. (Choi & Gray, 2008).

Meanwhile, the term "social innovation" has been a common phrase in recent years, and it has emerged as a new focus in the study of innovation. Souza, Lessa, and Lázaro da Silva Filho (2019) consider it a growing

research field. Some studies in the literature focus at the relationship between Social Innovation and sustainability, but only a few look at the reciprocal relationship, such as CSR and Social Innovation (Osburg, 2013) or Social Innovation and the social component of sustainability (Parra, 2013).

Indeed, especially in innovative start-ups and simultaneously in the entrepreneurship domain the relationship between Social Innovation and the three specific pillars of sustainability has not yet been analyzed.

(Piccarozzi, 2017). Osburg (2013) declares that “Social Innovation is like the core business of what is commonly thought of and the vital for companies to achieve corporate sustainability and therefore meet the needs of Triple Bottom Line reporting. It is not a new concept in CSR, and it has a lot of potential in the future. The dominant companies in the coming decades will be those who fully embrace corporate sustainability by developing Social Innovations. “We are only at the very beginning now” (Osburg, 2013, p. 21). There have been relatively few studies on the intersection of sustainability, social innovation, and entrepreneurship (Kardos, 2012). One area that has been left out is the field of “social entrepreneurship,” which involves the formation of non-profit organizations and government or community-supported agencies to address social welfare issues (Thompson, Kiefer, & York, 2011).

Gerlach (2003) emphasizes the need of examining the role of Sustainopreneurs in implementing sustainable development from an innovation standpoint. The focus is still on inventions that improve sustainability. (Gerlach 2003, as cited by Yoon & Tello, 2009). Successful social innovation is achieved when entrepreneurial performers acquire competitive advantages, i.e., economic success, through the use of novel social practices and/or environmental practices.



Sustainopreneurship is gradually becoming recognized as a driving force for competitiveness, innovation, and entrepreneurial spirit, and is thus seen as one of the most important factors in achieving sustainable development (Sullivan Mort, Weerawardena, & Carnegie, 2003). According to the social effect assessment document, Piccarozzi, 2017 reveals that innovative start-ups expressly pay attention to Social Innovation and sustainability in many ways.

Meanwhile, studies have discovered that the relationship between Social Innovation and Sustainopreneurship is not well defined in academic and institutional literature (Torres-Valdés, Castro Spila, Lorenzo Álvarez, & Santa Soriano, 2017). Overall, the formation and growth of innovative businesses are critical for fundamental change in the direction of long-term sustainability. Countries that do poorly in terms of innovative entrepreneurship have minor long-term development outcomes.

According to the Global Innovation Index, nations like Indonesia, Vietnam, China, and India are rising in the Global Development Index. Sri Lanka can also examine their experiences and techniques to achieve its development goals, which will aid the country in developing an entrepreneurial culture and innovation and creativity. Although Sri Lankan entrepreneurs have marketable company plans and very inventive concepts that may easily be turned into lucrative, long-term ventures, they receive little support in the long run.

Moreover, the Sri Lankan entrepreneurs get discouraged in no time, because of the naive supporting system. The difference in defining entrepreneurship creates some matters in assessing the innovativeness of a country significantly. Usually, studies attempt to quantify countries' entrepreneurship by measuring replicative entrepreneurship – the number of small businesses or the number of self-employed people. While these figures provide

important information about the economy, using them to define innovation creates a skewed picture. Grunt work is done by many self-employed people, such as cooking, cleaning, driving, etc., while most small businesses are small convenience stores that may never expand into anything more. On the other hand, innovators find a void in the market that has not been loaded and step in. Hence, assessing entrepreneurship in Sri Lanka is still largely uncharted territory (UNDP Sri Lanka, 2015).

Further, Global Entrepreneurship and Development Institute (GEDI) featured Sri Lanka in the recently released annual Global Entrepreneurship Index (GEI). The country showed in the index for the second consecutive year, although it has fallen 16 places from its debut ranking of 71st to 97th in the globe. As a result, it is difficult to say how inventive Sri Lanka is in a specific sense, even though it is clear that there is still a lot of work to be done. However, this is not a completely honest depiction of the country due to severe methodological difficulties.

Therefore, in the context of Sri Lanka, the scant knowledge to guide the sustainable development needs supporting to the innovation initiatives and activities in business sectors, working as engines for change in the new development paradigm to discourse both present and future challenges. Thus, it denotes that exploring the barriers in Social Innovation and Sustainopreneurship barriers in Sri Lanka is a notable context that demands such contemporary studies to contribute new knowledge insights towards any entrepreneurial industry. The empirical and theoretical justification found within the Social Innovation and Sustainopreneurship denotes the significant importance of further examining. Hence, the researcher examines this problem in this study and attempts to fill this knowledge and empirical gap. Therefore, the purpose of this study is to identify the Social Innovation and Sustainopreneurship development barriers in Sri Lanka while serving as a new



approach to managing the Triple Bottom Line.

## Literature Review

Sustainopreneurship can be defined broadly as innovative behavior of players in the context of sustainability, including governmental and non-governmental, profit and non-profit organizations. Sustainopreneurship is defined in a more narrow sense as the innovative activity of individuals or organizations in the private sector who consider environmental or social challenges as a primary purpose and competitive advantage. Sustainopreneurs spot market potential for sustainability-related innovations, successfully execute them, and develop new products or services (Gerlach, 2003).

Sufficiency advocates call for a rethinking of current consumption and production patterns in response to the issue "how much is enough." They argue for a shift in existing lifestyles centered on precaution, modesty, and frugality, which they consider as essential to happiness (Sachs, 1999, pp.209, Huber 1995, 123 as cited by Gerlach, 2003). As a result, sufficiency focuses on Social Innovations as a means of achieving long-term growth (Huber, 1995). The radicalism of these ideas is most likely restricted by a lack of societal acceptance (Gerlach, 2003). Sustainopreneurs have been defined as forward-thinking individuals who promote the use of sustainable development principles. Thus, the role of Sustainopreneurs in applying sustainable development seems to be comparable to the role of promoters for the innovation process (Gerlach, 2003).

The EU Commission defines Social Innovations as "Innovations that are both social in their ends and their means Social Innovations are new ideas (products, services, and models). That simultaneously meet social needs (more effectively than alternatives) and create new social

relationships or collaborations" (EU-Commission, 2012).

Social Innovation will start with an organization that recognizes and generates attention to a social issue and then develops a team that has compassion and a plan of action (Salim Saji & Ellingstad, 2016).

It can be said that the realization of Social Innovation is often based on sustainable actions and/or initiatives, but simultaneously fosters sustainability with actions and initiatives deemed to attain one or more of its pillars. Sometimes these actions have broader effects on sustainability than those expected and/or followed by innovative start-ups (for example, the connection between the social aspect of sustainability and economic sustainability). According to a recent study, "Firm sustainability-oriented innovation also creates collective benefits; this type of innovation aims to: (1) reduce the negative outcome, or enhance the positive outcome, for collecting some business activities even beyond the levels established by regulations; (2) meet the individual target market requirements with modes (delivery modes, , products, services) which create a significant positive influence on the community; (3) to raise the social and environmental impact of the work of other economic entities such as distributors, supply chain partners, end customers; (4) drive the progressive raising of reference values to all operatives which must strive about environmental and social issues"(Caroli, 2015; Piccarozzi, 2017).

In a variety of areas, the leading sustainability companies demonstrate high levels of skill in addressing global and industry concerns. First, they incorporate long-term environmental, economic, and social issues into their company strategies while retaining global competitiveness and brand recognition in terms of innovation methods. Second, shareholders' demands for stable financial returns, long-term economic growth, open communication, and



transparent financial accounting are met in the financial sphere (Belz & Binder, 2017).

Third, they invest in long-term client relationship management to create customer loyalty. Product, service, process, and business model innovations are all working together to build technical innovation platforms that employ natural, financial, and social resources in an effective, efficient, and cost-effective way over the long term of innovation life cycles (Benneworth et al., 2015). Entrepreneurs must respond to other stakeholders in this area, in addition to servicing customers, by establishing trustworthy norms of corporate governance and stakeholder engagement, including corporate codes of conduct and transparent reporting (Kuckertz & Wagner, 2010).

Moreover, Innovation concepts were initially built around entrepreneurship in capitalism with the objective of profit maximization. However, several economic crises, societal disorders, and environmental disasters have proven that innovation is not quickly diffused if entrepreneurs are unaware of sustainability. Entrepreneurial firms are not only vital to sustaining their customers but also to their stakeholders (Savetpanuvong et al., 2011). Choi & Gray (2008) found that many

Sustainopreneurs are a unique with little experience in the commercial world. The majority of them receive funding from unconventional sources and adopt unconventional procedures; yet, effective human resource management practices are useful in running efficient, environmentally sound operations and are clever in their marketing efforts. They also devise novel ways of matching their financial ambitions with their desire to make a positive impact on their surroundings and society (Choi & Gray, 2008).

## Methodology

### Research Philosophy and Logic

The social constructivist technique is reasoned to be more fit for this research after evaluating the characteristics of the two opposing viewpoints. The study wants the researcher to feel like he or she is a part of the environment, and that reality is generated by and through the environment's relationships and interactions. Furthermore, it is supposed that there are various realities and that there is no prior reality. As a result, the strong embrace positivistic approach with deductive reasoning is invalidated.

### Research Approach

Because Sustainopreneurship research is still in its early stages, it is being undertaken as a qualitative study with a multiple case study method. Given the dearth of research in this field, an exploratory approach is appropriated. In this research, questions seek to explain the more present circumstance of "how" and "why" and an extensive in-depth description of the social phenomenon.

According to this research, if all or most of the cases provide similar results, there can be substantial support for the development of a preliminary theory that describes the phenomena. Hence, the multiple case study approach is chosen for the study as this research is required to exploring the role of Social Innovations in developing Sustainopreneurship in Sri Lanka.

### Data Analysis

Thematic analysis was used to examine qualitative data. Because the quantity of data sets is minimal and reasonable, manual coding was performed. Furthermore, the researcher does not use a well-structured questionnaire that yields consistent results. In addition, the researcher selects themes based on the sources and then manually codes nodes in Nvivo. The researcher then drags and drops relevant references to nodes that have been manually created (Abeysekera, 2016). When the data was analyzed, concepts/themes emerged that were not the same as the topics suggested by



the algorithms based on common words/similarities in the interview transcripts. As a result, manual coding was used.

## Findings and Discussion

Referring to the research objective “to explore the barriers in developing Social Innovations and Sustainopreneurship in Sri Lanka,” several questions were made and answers of respondents were evaluated considering the below four themes;

### Competition Arise from Non-Sustainable Businesses

The finding shows that one of the main barriers faced by Sustainopreneurs is the competition that arises from the non-Sustainopreneurs. Moreover, typical businesses are mainly running with mass production and they are benefited from the advantages like economies of scale while Sustainopreneurs are mostly run with small-scale production. That also led a high competition for the Sustainopreneurs.

The Sustainopreneur in SEO-12 stated that

“Commercializing new products is difficult since locals are more concerned about economic value than the environmental and social value. However, when we are coming with something sustainable and Social Innovation, it’s challenging to provide that as same as the other product prices, which are not sustainable or innovative. So, the competitions given by non-Sustainopreneurs are really high. They can use whatever materials.... but as Sustainopreneurs, we concern about the environment, so we have to compete with non-Sustainopreneurs.”

Respondent SEO-12, Personal Interview, 2019

Further, they have mentioned that in a country like Sri Lanka, anything can be sold through marketing, which many of the Sustainopreneurs are not in a position to do

a high level of marketing. Most of the Sustainopreneurs do not want to market and publicize that they are doing something sustainable and they are doing Social Innovations. Their attitude is that they are doing it for them to know and where there are trying to operate in a way that they feel leaves the planet better off than when they started and that has always been their goal. So, Sustainopreneurs are just doing things how they should be done and hopefully in a way that helps the planet.

### Government Support

The findings reveal that there are no proper government supports or policies to support the development of Social Innovations and Sustainopreneurship in Sri Lanka, which affects the development of Sustainopreneurship. The interviewees stressed this point and the following is one of the quotations to substantiate this.

The Sustainopreneur from SEO-8 said that

“(Laughing) ...actually I was working at the government institution, a national department. One year before, I gave up the position. And they don’t even want to handle it. They are totally different. A very old model that they are working on. It is not about now; it is not about the future. They are not a part of the future. They will not change. We have to change.”

Respondent SEO-8, Personal Interview, 2019

Further, the findings reveal that the most significant barrier faced by Sustainopreneurs is the Sri Lankan policy at this stage. Because as Sustainopreneurs they have done many groundworks instead of waiting for the government or anybody else. Moreover, people’s behavior to adapt to this system and the government regulations work as a barrier to develop the Sustainopreneurship in Sri Lanka. This is evidenced by the below quotations as well.



Even though government institutions can help mainly for the development of Sustainopreneurship and Social Innovations, the government has not recognized these. That may be mainly because of the unavailability of information in one place and lack of integration in the networks that entrepreneurs seek help for.

### High Price

The findings show that when entrepreneurs concern about sustainability, prices for all the input materials will be high and also the manufacturing processes as well. Hence, they have to market their products for high prices than non-Sustainopreneurs. As an example, organic farmers cannot provide their vegetables to the market at the same prices as non-organic vegetables. In Sri Lanka, wealthy people even would come and buy their food in organic but in middle-level range people when they use to come and buy they use to buy few veggies especially for their children's or for their grandchildren's. Because even they know the value of this product they don't have a lot of money and organic is usually a hundred percent more expensive than the non-organic vegetables in the market. This is evident from the following quotation.

The Sustainopreneur from SEO-6 stated that

“Initial capital (laughing) so it is money. Finding the right partners towards with collaborations even figure where to sell your products, whether the consumer would want it because you can be pumping so much money. But if the consumers are not buying you'll be at a loss.”

Respondent SEO-6, Personal Interview, 2019

Thus, it is clear that the high prices of Sustainoprenarial products affect the development of Sustainopreneurship negatively.

### Peoples Attitude

Moreover, it was found that people's learning methods such as the education system, unstable government policies, taxation, and lack of support to encourage innovations are the main barriers to the development of Sustainopreneurship. The study also reveals that a lack of integration in networks and the educational system also works as a barrier to the development of Sustainopreneurship. The education system should be improved especially to develop the attitude among younger generations. Interviewees highlighted that the education system needs to incorporate these Social Innovations and all these sustainable concepts into the educational system through that Sri Lanka can change the peoples' attitude then they will do something to this country it will create some Sustainopreneurs who will come up with many Social Innovations to develop Sustainopreneurship in this country. This can be supported by the following quotations.

The Sustainopreneur from SEO-10 stated that

“Anything can be sold in Sri Lanka through marketing, but for our business, we are not in a position to do that level of marketing. Because to penetrate this concept among the customers, we need marketing, but currently, we do not have it. Also, a customer and attitude is another barrier with the education system these attitudes should be changed. People should change their attitudes they need to think about the society they need to think why we need to think about sustainability then they will value these concepts.”

In terms of barriers, it is mainly the people's behavior to adapt to this system and the regulations. Moreover, it shows that most of the foreigners' have good attitude than the locals. Due to that attitude gap, it is difficult for the Sustainopreneurs to address the local market.

### Conclusion



The finding of the research shows that there are many barriers to developing Social Innovations and Sustainability in Sri Lanka. However, as the Sustainability entrepreneurs mention that barriers are getting less and less when compared to the past. The most significant barrier is the Sri Lankan policy at this stage. They need some policy-level support. For example, they need legal recognition for Sustainability entrepreneurs and they need unique funding mechanisms, and they need to develop stuff like social stock exchange, impact bonds. So there are advanced instruments and tools that sustainable enterprises used in other countries which Sri Lanka also can apply. Thus, to develop these things, Sustainability entrepreneurs need the support of the policymakers, the government, and parliament, and so on.

The findings are largely consistent with the literature (Hall et al., 2010; Jackson et al., 2011; Adams et al., 2012). Sustainability and Sustainability entrepreneurship are made possible with the availability of information on linkages between entrepreneurs and government institutions as well as government policy. Previous scholars show that the government institutions and the public are the major linkages between entrepreneurship and business management and are critical for attaining sustainable development goals and achieving economic growth (Adams et al., 2012).

Many of the interviewees complained that the other barrier is that the existing business world in Sri Lanka is last not taking this up than promoting it. They are very selfish and short term so they are not promoting sustainability. Though Sustainability entrepreneurs are doing long term in a genuine way where other business leaders around the world are doing.

Moreover, the finding shows the Sri Lankan education system as the main barrier to the development of Social Innovations and Sustainability. Their idea is that the

education system is not producing citizens who are entrepreneurs including higher education. They highlight that most of them are not getting responsibilities, try to blame others, and like to pass the blame to others, blame the system and blame the government, etc. with the attitudinal issue.

Moreover, the other thing is that even though many things happening in the country, the only thing responsible bodies should take necessary actions to map these things and highlight them and get toward those. This is not happening currently. Though places like good markets are doing well, considering the requirement of the development of Social Innovations and Sustainability in Sri Lanka, those can be considered as a small platform. Moreover, Sustainability entrepreneurs highlighted that Sri Lanka need more than hundred platforms in this country. If someone or the government can start another platform, they are very happy to support and contribute their maximum to the success of that platform. Because the things need to come, only a single business model cannot play a massive role in order to develop this Sustainability and Social Innovations in this country, and everybody needs to play an equal role in blooming up these new thinking.

Moreover, other findings revealed that though the numbers of innovations are generated, the commercialization aspect is not functioning accurately due to political instabilities and other external forces in Sri Lanka.

And a finding reveals that people's attitudes should be changed as it is the main barrier for the development of Sustainability and Social Innovations. Literature also confirms that the Sustainability should contain attitudes toward sustainability, since attitudes, which are molded by value priorities, shape intentions and the subsequent behavior (Fischer & Schwartz, 2011).



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