
**STAKEHOLDER PERCEPTION IN SUSTAINABLE ENTREPRENEURSHIP:
THE ROLE OF MANAGERIAL AND ORGANIZATIONAL COGNITION**

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ABSTRACT

This paper aims to shed light on how sustainability driven entrepreneurs perceive their stakeholder relationships. Entrepreneurial cognition theory has emphasized the need to better understand how individual perception drives the behaviour of entrepreneurs in general and their opportunity seeking in the early stages of business formation in particular. Much of the freedom sustainability driven entrepreneurs will experience in successfully developing their businesses depends on the appropriate management of stakeholders in support of their business ideas. Therefore, an important research question focuses on how critical stakeholders are identified and addressed in this phase. Against the background of entrepreneurial cognition theory, we argue that sustainability driven entrepreneurs are distinct in the way they deal with this particular task due to the triple-bottom-line nature of their ventures. The paper discusses the emergence of sustainability driven entrepreneurship, develops a revised model of stakeholder identification and proposes a qualitative research design illustrated by a case study.

Keywords

Sustainable development, entrepreneurship, stakeholder management, cognition

INTRODUCTION

Entrepreneurship has been described as “a process of opportunity realization through a creative approach to resource control” (Legge and Hindle, 2004, p. 171). This definition implies that during the implementation of a new business idea, from the entrepreneurs’ viewpoint control over resources is restricted (Venkataraman 2002, p. 46). As a consequence, the process of implementing an entrepreneurial venture is characterized by a continuing effort to gain higher levels of control. Typically, essential resources such as funding, management capacity, or public support are not at the disposal of the entrepreneur because they are controlled by others. Individuals or groups which get involved in a business by incurring potential risks and benefits have been referred to as stakeholders (Freeman 1984, p. 83). Since their respective support directly influences success, dealings with stakeholders are at the center of an entrepreneurial venture. Gaining or losing support from any of the critical groups may either make it a sensational triumph or put the venture as a whole at stake. Therefore, the amount of freedom entrepreneurs will experience in developing their business depends on the appropriate management of stakeholders.

In this paper we will argue that this is specifically true for entrepreneurs striving to integrate the concept of sustainability into their business models. As it has been introduced by the Brundtland commission (UN, 1987), this concept has at its core three central objectives for the future development of humankind: society/ethics, economy and ecology (popularly quoted as “the triple-bottom-line: People – Profit – Planet”). Given the contradictory nature of these objectives, for sustainability driven venturing stakeholder management may turn out to be a particularly challenging task. When compared with the situation of commercial entrepreneurs, we may suspect that the requirements of sustainability involve a more comprehensive set of groups with which the sustainable entrepreneur has to interact (e.g. Pastaika, 2005, p. 96).

In addition, it appears more likely that such a stakeholder environment involves higher levels of complexity. According to the hub-model of the stakeholder environment (Freeman, 1984), relationships between the entrepreneur and selected groups have been depicted as dyads (Jones, 1995). If more groups within this environment become relevant for the entrepreneurial venture then not only the amount of direct relations are expected to increase, but also the indirect linkages between various stakeholders (Freeman and Evan, 1990; Rowley, 1997; Vandekerckhove and Dentchev, 2005). As a consequence, regarding the entrepreneurial process in general and of sustainability driven ventures in particular, it is vital to enhance our understanding of how stakeholders are identified.

In this paper we propose entrepreneurial cognition theory as a suitable approach to address this issue, since it is “about how and why individuals discover, evaluate, and exploit opportunities” (Mitchell et al., 2004, p. 510; Shane and Venkataraman 2000, p. 218). In order to delineate its distinctive research domain, Mitchell et al. have argued that its central question then is “How do entrepreneurs think?” (2007, p. 3). Stated in more specific terms, we have found one question as particularly inspiring for developing our research agenda: “Do entrepreneurs pursuing non-economic values (instead or in addition to economic values) think about their contexts differently?” (Mitchell et al., 2007, p. 11). Our contribution to this subject focuses on how entrepreneurs driven by sustainability perceive their stakeholder

environments. Therefore, the objective of the paper is to develop the proposition that because they pursue economic as well as non-economic values they have a more comprehensive set of relevant stakeholders which they select by applying distinct criteria.

The paper proceeds as follows: in the next section, against the background of prevailing concepts of entrepreneurship we give a short review of the emergence of sustainability driven entrepreneurship. Then, we briefly discuss differences between these concepts regarding the task of stakeholder analysis. In the section '*Analyzing Stakeholder Perception of Sustainability Driven Entrepreneurs*', we develop a revised model of stakeholder identification and give an outline of a qualitative research design illustrated by a case study. In the last section, we summarize our findings and make recommendations for further research.

ENTREPRENEURSHIP AND SUSTAINABILITY

Over the last decade, the notion of 'sustainable entrepreneurship' has emerged from within scholarly debate. "Sustainable development" stresses the need to balance objectives including the three basic dimensions of society/ethics, economy and ecology (UN, 1987). Historically, this concept may be viewed as a way of moderating the global political debate focussing on the dichotomy of continued economic growth versus constraints to a continued exploitation of ecological resources by emphasizing the need for social development. Simply stated, all three objectives are conceived as mutually dependent in that an enduring human society on our planet must rely on an economic development which respects the tolerance of the natural environment.

Entrepreneurship has defined human behaviour as 'entrepreneurial' when being orientated toward opportunities (Kirzner, 1973, Stevenson and Jarillo, 1990; Shane and Venkataraman 2000). In a cognition perspective, opportunities are mental constructs which cannot be explained without taking the individual cognitive structures into account (Krueger, 2003, p. 111). More precisely, in parts of the literature the intentions of a person are viewed as a key component in the cognition process. In this view intentions represent a selecting mechanism within human perception which helps to perceive situational conditions as opportunities that lead to entrepreneurial action (Krueger, 2003, p. 115; Hindle, 2004, p. 589). Intentions however, may be quite diverse across a given set of real-life entrepreneurs. Therefore, an important stream of entrepreneurship research has focussed on the explanation of their individual goals and aspirations (Cooper, 2003, p. 24). Every single combination of opportunities and intentions adds to the multi-faceted reality we long to describe and, hopefully, to explain.

This approach is used here to give a brief outline of how the idea of entrepreneurial behaviour driven by the concept of sustainability may be located on the background of established conceptualizations of entrepreneurship (Legge and Hindle, 2004, p. 38). In accordance with a larger part of the entrepreneurial cognition literature, it is based on the assumption that entrepreneurial behaviour is defined as a process to be examined on the individual level.

Economically Driven Entrepreneurship

Entrepreneurship as a field of scholarship is partly founded in, and therefore has strong connections with, the field of economics. Based on a classic definition of entrepreneurship as “purposeful activity to initiate and develop a profit-oriented business” (Cole, 1959), profit creation has been viewed as being at the center of entrepreneurial activity. Similarly, Penrose (1959, 1995, p. 31) has emphasized the essential role of entrepreneurs for the growth of firms as regards their contributions to introducing innovations, obtaining resources, and expanding business activities. Emphasizing the function of entrepreneurship for the economic texture of society, this view has been criticized from within the field of economics as well as from other disciplines. However, the approach of combining innovation and wealth creation appears to have stood the test of time (Legge and Hindle, 2004, p. 366).

As a consequence, from the business and economics perspective, an *opportunity* is primarily regarded as a potential to create economic value. Value creation in this respect may adopt various forms: the growth in sales volume for a given economic entity (such as a firm) owned by the entrepreneur or the growth in profit he strives to make on the individual level. Within existing organizations, corporate entrepreneurs create economic value by introducing new products or processes which help expand the business and/or render it more efficient. Moreover, in a more abstract sense gaining individual freedom may represent a value in itself for people who realize their economic independence by becoming their own bosses (lifestyle entrepreneurs). In sum, for the economically driven form of entrepreneurship it is essential that value creation is based on rational behavior within market processes that help to maximize individual utility.

The idea of *sustainability* in this type of entrepreneurship is primarily adopted in connection with the survival of the firm in the sense of creating a business that sustains itself. The triple concept of sustainability is used as a means to *extend and/or develop* the basic approach to value creation: simply stated, the introduction of social and ecological values to the business model may be no more than a means to salve consciences. Therefore, by highlighting the goal of business survival in this case we can speak of ‘sustainable entrepreneurship’ rather than of entrepreneurship driven by the triple-bottom-line concept sustainability.

Socially Driven Entrepreneurship

Due to its continued lack of precise delineation (Cooper, 2003), the field of entrepreneurship research from its beginnings has experienced a large amount of interest from related disciplines (Landström, 1999, p. 11). Sociology and anthropology for instance have contributed to an augmented comprehension of the role of entrepreneurs in society. In particular, value creation from this point of view has been analyzed in a more general sense as the contribution of entrepreneurs to the well-being of all members of society. In this respect the creation of social and cultural values replaces in part the limited function of economic value creation. Social entrepreneurship has been defined as “any venture that has creating social value as its prime strategic objective and which addresses this mission in a creative and innovative fashion” (Nicholls, 2006). However, this certainly does not mean that economic value creation is thrown over board, since innovative social ventures typically blend their value creation around both economic and social impacts across their unique ‘social’ value chains (Emerson, 2003).

As a consequence, from the social perspective an *opportunity* may be regarded as a potential to create value for society at large (or distinctive parts thereof). Here, the idea of value creation is partly detached from its monetary aspect. Instead, it lies in innovative solutions to society's most pressing social problems, for instance by promoting a social cause, by realizing altruistic ideas, or by helping people in need, all of which represent opportunities for tackling major social issues and offering new ideas for wide-scale societal change (Bornstein, 2004). This view implies both the possibility that social value is created by activities carried out during the change process and the one that a changed situation will be better compared with a given status quo.

Whilst a widely accepted, clear definition of 'the social enterprise' is still lacking (Reid and Griffith, 2006), from within social entrepreneurship the idea of *sustainability* is adopted as a possibility to *enhance* the bottom-line concept. Since the primary intention of social entrepreneurs is to create social value, the necessity to deliver positive economic results is treated as a constraint rather than an end in itself. Moreover, if a social venture strives for economic survival and/or, in case of subsidized or sponsored activities, for greater autonomy, it needs to achieve a financially sound performance. In this respect, social enterprises create 'blended value' by working both for social and for financial gain (Isaak, 2002; Emerson, 2003; Hockerts, 2006; Chell 2007). As a consequence, the concept of sustainability in social entrepreneurship can be viewed as a means to circumvent the "not-for-profit" logic without impairing the imperative to avoid individual profit maximization (Jones and Keough, 2006).

Ecologically Driven Entrepreneurship

Partially driven by environmental concerns, during the last decade entrepreneurship research has seen the awakening of a novel approach named "ecopreneurship" (Isaak, 1998, 2002; Schaper, 2002; Schaltegger, 2002). Insights gained in the field of environmental and corporate responsibility management have made clear that achieving ambitious objectives to change corporate policies and practices calls for innovative organizations. At this point, the essential role of an entrepreneurial mindset has re-entered the field of vision, particularly focusing the leverage to be provided by corporate entrepreneurs. Ecopreneurship in this view has been conceptualized as innovative behavior of single actors or organizations which see environmental aspects as core objective and competitive advantage (Gerlach, 2003). This concept may be applied to the private as well as to the public sectors on the one hand, and to profit and non-profit ventures on the other (Isaak, 2002, p. 85).

As a consequence, from the environmental perspective an *opportunity* may be regarded as a potential to create value in the ecological sphere. For instance, this may be a regeneration of natural systems by introducing and advocating the adoption of eco-friendly ideas, products, and processes, whilst the use of environmentally sound technologies may foster the internalization of externalities. There is a collective profit to be gained, since the abatement of environmental hazards by changing public attitudes as well as production and consumption patterns will be beneficial for society as a whole. In this respect, the idea of ecopreneurship has strong parallels with social entrepreneurship, since environmental pollution frequently accounts for pressing social problems as well.

Hence, ecologically driven entrepreneurship has *sustainability* as a key element to *motivate* its basic approach. The starting point for eco-driven business models is to offer solutions to problems which need to be addressed if (human) life is to continue on planet Earth. The primary intention is to secure the preservation, regeneration and positive development of natural systems which are an indispensable precondition for human activities. Sustainability in this view is derived from the vision of a biosphere that is able to survive in the long run. From a business point of view, the development and market penetration of eco-friendly solutions offers both, i.e. to gain competitive advantage to secure business success and to save life on planet Earth as well.

As a result, the three concepts of entrepreneurship examined in the paper represent different streams of scholarly discussion and research. All have their respective merits. As important strands of thought, our attempt to reconstruct them from the sustainability perspective has shown that they represent distinct approaches to analyze diverse aspects of the entrepreneurship phenomenon. None of them however, seems to fully grasp the inherent complexity of the threefold concept of sustainability. Thus far, this concept in turn has proven to be useful as an *extension* of economically driven entrepreneurship, as an *enhancement* of socially driven entrepreneurship, and as a *motivation* of ecologically driven entrepreneurship.

Sustainability Driven Entrepreneurship

From its very beginning, the concept of sustainability in essence has been an endeavor to integrate a diverse set of pretensions regarding the development of humankind into the long term future. Embedded in a contradictory context of economic, social, and ecological aspects, it represents an effort to balance fundamentally divergent demands and aspirations. Generally speaking, this gives way to a broad and continued controversial debate in the theoretical realms, and in particular as regards its practical implementation within business, politics, and culture (Elkington, 1999).

In so far, within the entrepreneurship field the discussion about *sustainability* issues may be viewed as a facet of the mirror reflecting the continued re-questioning of the concept as such. We propose here to use the preliminary findings within this debate as a constructive input to reframe the idea of sustainability driven entrepreneurship. Sustainability in this respect is a conceptual platform apt to *moderate and combine* the three concepts of entrepreneurship examined in this paper. In other words, entrepreneurial ventures driven by sustainability may be defined by their distinct approach to balance the requirements of the triple-bottom-line.

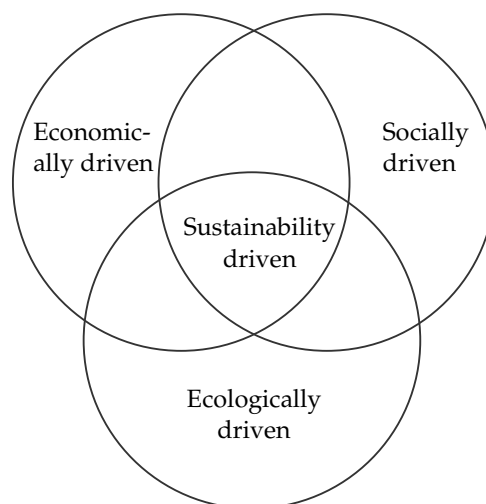
From an *opportunity* point of view, sustainability driven entrepreneurship is oriented towards the creation of sustainable values in the most general sense. This comprises the furthering of long term survival on all relevant levels, i.e. the firm and its stakeholders, society, and last but not least, humanity as a whole. As a requirement for a sustainability driven venture, value creation in this regard is based on the principle of meeting the needs of present stakeholders without compromising the ability to meet the needs of future stakeholders (see also Hockerts, 2003).

At present, this idea appears to be on the verge of a break-through. Just recently, various strands of the discussion have led to this consensual point. For instance, a three-dimensional imperative of sustainability has been proposed by Robinson (2004), and from within the field of social enterprise Reid and Griffith have suggested to re-name 'not for profit' organizations as "more than profits" and to implement "triple-and-more bottom lines" as adequate measure of success (2006, p. 24). This gives us a clearer impression of what could be a basic *intention* of sustainability driven entrepreneurs, in that they attempt to mediate between the contradictory objectives, particularly when their ventures are lead into the start-up phase (Schlange, 2007).

Regarding the complex nature of the problems involved, especially when it comes to realizing sustainability on a larger scale, entrepreneurship is induced to reconsider its self-perception of centrality. In a traditional centric view and in accordance with the hub-model of the stakeholder environment, the entrepreneur (or the entrepreneurial team) is in the midst of all relevant activities that are undertaken to render the business venture at stake successful. Therefore, in principle it is the internal viewpoint which defines entrepreneurial success. Within social and environmental driven entrepreneurship this view has somewhat shifted by introducing a multi-centric perspective: success measures are defined from a variety of viewpoints which predominantly belong to external stakeholders. As a consequence, the controversial nature of the sustainability concept requires extending this number of viewpoints even further. It may therefore be more correctly described by a polycentric set of perspectives.

Figure 1 depicts this polycentric view by combining the concepts of economically, socially, and ecologically driven entrepreneurship. In accordance with our discussion of relevant entrepreneurial opportunities and intentions, sustainability driven entrepreneurship is represented as the intersecting area of the three concepts. In other words, in this view a venture qualifies as sustainability driven if it combines opportunities and intentions to simultaneously create value from an economic, social, and ecological perspective.

Figure 1. Sustainability driven entrepreneurship as a concept of intersection



As a result from this discussion, we propose issues that need to be dealt with if we want to achieve a more profound understanding of the phenomenon of sustainability driven entrepreneurship. Regarding its polycentric nature it appears to be of primary interest to study how such a venture enacts its business environment (Weick, 1979). This concerns the way sustainability driven entrepreneurs carry out their environmental scanning, monitoring and analyzing activities with specific regard to the way they perceive the stakeholders relevant for their success.

STAKEHOLDER FRAMEWORK

A stakeholder view of entrepreneurship has been found useful as a descriptive tool in a broader context as well as being helpful in instrumental terms (Donaldson and Preston, 1995; Jones, 1995; Jones and Wicks, 1999). From a stakeholder perspective, the key activity of an entrepreneur is to by intention develop a network of contacts from which resources can be obtained and with whom the entrepreneur will work to convert resources into value. In essence, an entrepreneur is a relationship builder who creates a unique configuration of resources through these relationships. The stakeholder view thus provides a realistic foundation for understanding entrepreneurial activity as a stakeholder equilibrating process because the focus is on humans (Harrison, 2002, p. 146). In our view, it is the entrepreneurial intentions that direct this process, whatever its fundamental drivers may be.

As a consequence, the process of creating unique stakeholder relationship configurations calls for inspection in some more detail. In an instrumental approach, the first step in a distinctive entrepreneurial situation is to uncover the relevant stakeholder groups (Freeman, 1984). Resource dependence theory has been helpful in pointing out the significance of control over resources as a means of analysis (Penrose, 1959; Selznick, 1957; Wernerfelt, 1984). In particular, issues of stakeholders who control resources that are critical for the survival of a venture are likely to be addressed actively, whereas for the remainder this will not be the case (Frooman, 1999; Jawahar and McLaughlin, 2001, p. 406).

In addition, stakeholder relationships are likely to change over time as a venture matures. Whilst during its formative stages suppliers of knowledge, investment capital, and human labor are most important, later-on the entrepreneur will become more customer-focused in developing the venture. In case of success, entrepreneur-stakeholder relationships are likely to change again (Harrison, 2006, p. 46). In an organizational life cycle approach to stakeholder analysis, the stages of start-up, growth, maturity, and transition have been distinguished (Jawahar and McLaughlin, 2001, p. 405). Since the conceptual focus of our present discussion is on the development of new ventures in the context of sustainability, we will concentrate on the start-up stage. Meanwhile, we are conscious of the possibility that in later stages other configurations of stakeholder relationships may come into effect.

As a result, the discussion below explores the distinctive features of stakeholder relationship configurations by comparing the concepts of economically, socially, and environmentally driven ventures.

Stakeholders in Economic Ventures

Since economically driven entrepreneurs primarily intend to create economic value their focus is on stakeholders which directly influence the cash flow of a new business venture. Therefore, a widely accepted view holds that in the early stages of business formation the most important stakeholders control three kinds of resources: funding, revenues, and legal standards (Legge and Hindle, 2004, 35). Financial resources are needed to set up business operations, and revenues as well as official consent are required to keep it operational. In addition, in a modern knowledge-intensive economy human resources increasingly play a crucial role because they represent a key input factor to business operations. Similarly, in case of a production of material goods, supply of input factors may be a critical resource.

As a consequence, the most important stakeholders in this case will be shareholders and creditors, customers, key staff, and authorities. In terms of risk-taking, it is likely that shareholders and management carry the larger parts of the venture whereas creditors, employees, and suppliers have somewhat smaller stakes (see also Jawahar and McLaughlin, 2001, p. 407). In terms of benefits, these are expected to accrue mainly with customers. However, the other groups are affected by positive returns.

Stakeholders in Social Ventures

In contrast, because socially driven entrepreneurs primarily intend to generate social values creating a new organization is vital but profit is no part of the motivation. Therefore, the need to generate cash-flows and positive returns for social enterprises is attenuated. However, by no means – at least in the longer run – is it irrelevant. The values created are intended to be dispersed among a larger set of potential beneficiaries, some of which receive the market services supplied for free or at a price that does not cover the costs of production. As a consequence, resource control in this view refers not only to the economic aspects of business operation but to the support provided by stakeholders in a more general sense. Social enterprises are democratically controlled and may thus be viewed as stakeholder organizations not least because their asset base is owned by a community rather than by shareholders (Low, 2006, p. 379). For instance, whilst the need to focus on creditors, customers, employees, and suppliers for starting the venture persists, goodwill from the greater public in terms of donations, subsidies from public bodies and other sources of funding becomes more important.

This view is supported by empirical findings from an exploratory study of six cases of cooperatives in the U.K. It uncovered quite diverse patterns of distributed entrepreneurship with external groups playing key roles. The entrepreneurs within the focal organizations were found to play central roles whilst a wider group of supportive external stakeholders were sometimes quite closely and essentially involved. In addition, there was a supportive context of players providing resources in terms of “social capital”, such as specific expertise (Spear, 2006). Another recent study of the creation processes of five community-led nonprofit social ventures showed stakeholder mobilization and reflection as central process stages and pointed out the importance of support by volunteers who do not have a controlling interest in the new venture (Haugh, 2007).

In sum, whilst socially driven entrepreneurs are forced to equilibrate an enlarged set of stakeholders, a prioritization of these relationships appears as a particularly demanding task.

Stakeholders in Ecological Ventures

The dominant intention of ecologically driven entrepreneurs lies in the creation of value in terms of improving the ecological environment and/or preventing it from degradation. Since it largely represents a summation of public goods, however, the question then is whether the purpose to alleviate nature from destructive effects by human interventions and/or ecological incidents is a commercial or a social one. In the first case, business logic is quite similar to the one we have discussed for economically driven entrepreneurs: 'green' business opportunities are viewed as means to create a potentially viable venture since the ecological aspect may be used to generate competitive advantage. In the latter however, social cause is a primary driver reflecting the insight that environmental deterioration will eventually hit society at large. This view is echoed in the social enterprise literature, where non-profit social ventures are described as pursuing economic, social, or environmental aims, generating at least part of their income from trading (Haugh, 2007).

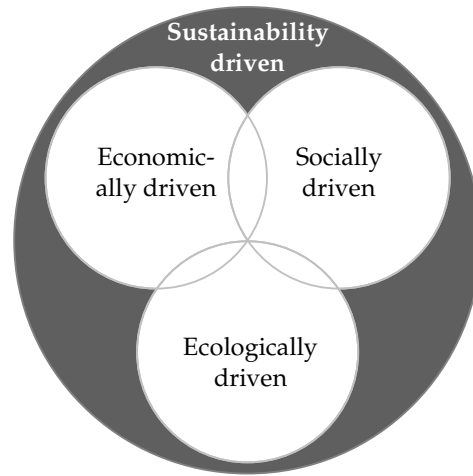
In sum, at a first glimpse a stakeholder framework for ecologically driven ventures shows strong parallels with the ones we have previously discussed. However, in reality additional groups take advocacy for the natural environment, such as environmentalists, NGOs, scientific communities, political parties, or a variety of dedicated pressure groups. Viewing the natural environment as main recipient of their initiatives puts the relevance of the other stakeholder groups in perspective (Driscoll and Starik, 2004).

Conclusions for Sustainability Driven Ventures

As we have seen from the preceding discussion, as to their stakeholder frameworks the three entrepreneurship concepts stand for themselves. However, as a matter of fact there are at least three areas of overlap. First, the social and ecological aspects are combined to form the idea of "social ecopreneurship". Secondly, the latter is combined with economic aspects to create what has been addressed as "commercial ecopreneurship" (Pastaika, 1998). And finally the combination of social and economic aspects that has been addressed as "more-than-profit" enterprise (Reid and Griffith, 2006).

As a consequence, the question is whether the stakeholder framework of sustainability driven ventures can be conceived as a mere combination of the other three variants. In that case it would be located inside the intersection as we have depicted in figure 1. The stakeholder framework for sustainability driven entrepreneurs would then be correctly described by simply adding up what has been said for the three others. It is our opinion that this will not be the case. Instead, we suspect that there is something distinct about the way how this sort of entrepreneurs perceives their stakeholder environments. In fact, we assume that they have an all-embracing point of view which integrates and augments the respective perspectives of the other concepts (figure 2).

Figure 2. Sustainability driven entrepreneurship as a concept of integration



First, we want to point out that this view is consistent with the generic concept of sustainability which was introduced as an integrative model for conflicting objectives and the respective stakeholders (UN, 1987). In addition, besides the possibility to bring all the stakeholders together in one view, the very nature of the concept implies the question of ‘what makes a whole that is greater than the sum of its parts’. Isaak (1998, and 2002, p. 17) has put the idea forward that sustainability for an entrepreneurial personality may embody an ethical or even a spiritual sphere. We believe there is a level of holistic understanding of the entrepreneurial situation that transcends any domain-specific perspectives.

In other words, we posit that sustainability driven entrepreneurs view their ventures as integral parts of a larger societal context in which they are able to contribute to the improvement of life conditions in the most general sense. They ground on the principle of meeting the needs of present stakeholders without compromising the ability to meet the needs of future stakeholders (see also Hockerts, 2003). Extending this idea to its full potential brings us to the threshold where such ventures may generate augmented benefits for future stakeholders because as innovators they long to be ethically sound, in harmony with the needs of society, respect the constraints posed by nature, and still adhere to economic necessities. As a consequence, we consider stakeholders as being relevant which are covered only in part or not at all by the other concepts. These stakeholders only exist in the future, such as the subsequent generations who are expected to claim an intact biosphere as well as suitable social and economic living conditions. In addition to the issue of relevance, it seems likely that all present stakeholders share this long-term future-oriented perspective at least in certain extent. Other than that they would not be ready to support a sustainability driven venture.

As a result, we assume that the distinct characteristic of this kind of entrepreneurs lies in the observance of a more comprehensive as well as a more future-oriented set of relevant stakeholders. In the next section we develop a methodical framework intended to ground this idea on empirical data.

ANALYZING STAKEHOLDER PERCEPTION OF SUSTAINABILITY DRIVEN ENTREPRENEURS

Stakeholder Identification and Salience Model

In their influential work on stakeholder identification and salience, Mitchell, Agle, and Wood (1997) have suggested that managers' perception of the importance of stakeholders is relative, can change over time, and is issue-based. In an open systems view, for a given enterprise during the process of its formation the number of potentially relevant stakeholders is virtually unlimited. As we have seen from the preceding discussion however, the question of delimiting a relevant set of stakeholders for a particular case is also at the center of entrepreneurship theory and practice. From an entrepreneurial viewpoint, criteria for determining stakeholder relevance are of practical significance, since entrepreneurs need to decide, either consciously or unknowingly, which are the groups they will have to deal with. Therefore, from a theoretical perspective it seems worthwhile analyzing as well as conceptualizing a framework that may be usefully applied to support this task.

Mitchell et al. (1997) have proposed a framework of three essential criteria to inform the managerial process of stakeholder identification. They are based upon the relationship attributes power, legitimacy, and urgency. Furthermore, in their proposal "salient" stakeholders are determined by cumulating the impacts of the three attributes on managerial perception. Empirical studies have suggested that these perceptions may also be influenced by the managers' value system (Agle, Mitchell, and Sonnenfeld, 1999). In particular, these findings are supported by empirical evidence from the environmental sector (Egri and Herman, 2000; Sharma, 2000). Similarly, a study from the Belgian industry sector has suggested that firms adopting active environmental strategies view a broader range of stakeholders as critical (Buysse and Verbeke, 2003). And finally, in their study of the social enterprise sector, for Jones and Keogh (2006) the great variety of organizational forms corresponds with an extended set of relevant stakeholders as compared with organizations from the profit driven sector. As a result, we posit that this will also and particularly be the case for sustainability driven ventures.

Furthermore, from the perspective of this paper, the entrepreneurial process is focussed on the perception of opportunities and involves the activities of opportunity identification, evaluation, and exploitation (Shane and Venkataraman, 2000). Along with the construct of perceived feasibility, perceived desirability has been proposed as a factor influencing the individual perception of opportunity (Forbes, 1999; Hindle, 2004, p. 589). The individual assessment of desirability (and of feasibility as well) in turn is viewed as depending on personal and situational factors (Krueger, 2003, p. 116). In accordance with the empirical findings mentioned above we propose *personal values* as an important factor influencing entrepreneurs when they separate preferred opportunities from the ones that may also be perceived as feasible.

Moreover, according to a widely accepted framework initially proposed by Moore (1986), important *situational factors* driving the entrepreneurial process, amongst others, are assigned to the stakeholder context of a new business venture. If entrepreneurial opportunities are viewed as situations that open up new ways for creatively equilibrating

stakeholder interests, then the perception of opportunities and the identification and prioritization of relevant stakeholders must be mutually dependent. In fact, we believe that the cognitive processes involved may be described as an iterative matching of two mental activities, namely stakeholder selection and opportunity identification. Furthermore, we assume these activities may be so closely related that each of them is not merely a factor influencing the other but a holistic reflection of the way entrepreneurs think. As a result, we propose that their perceptions of stakeholders provide a useful indicator for the process of entrepreneurial opportunity identification in general and for sustainability driven entrepreneurs in particular.

Stakeholder Attributes Revisited

Some authors view the Mitchell et al. (1997) framework as one that has proven its merits from theoretical as well as from practical points of view and even claim that the stakeholder identification problem in general is solved (Vos and Achtenkamp, 2003, p. 165). In this paper however, we doubt its usefulness for an adequate description of entrepreneurial stakeholder perception. Put in the words of the authors, we want to question whether “power, legitimacy, and urgency really [are] the correct and parsimonious set of variables in understanding stakeholder-manager relationships” (Mitchell et al., 1997, p. 881). From a general viewpoint, fundamental differences between managers and entrepreneurs evidently need to be recognized. Most importantly, managers typically act on behalf of existing organizations in advanced stages of their life cycles. Therefore, stakeholder relationships become an issue precisely because there are numerous groups they actually have to deal with so that a systematic assessment and prioritization becomes inevitable (Jawahar and McLaughlin, 2001).

Throughout a start-up venture however, stakeholder relationships typically are in the process of materializing. As a consequence, entrepreneurs, as compared with managers, have more potential stakeholder relationships they may choose to establish or not. And it may be assumed they will use their options in order to select the ones that promise to offer the best opportunities to turn their entrepreneurial intentions into action (Shane and Eckhardt, 2003, p. 174). Therefore we reason that the process of determining stakeholder relevance for entrepreneurs must be conceptualized by a distinct set of criteria. In particular, this should reflect the way sustainability driven entrepreneurs “enact” opportunities (Krueger, 2003, p. 132; Weick, 1979).

Whilst the Mitchell et al. (1997) set of criteria still has its merits for stakeholder perception in case of entrepreneurs that are mainly economically driven (Jawahar and McLaughlin, 2001, p. 407), we cast serious doubts regarding its appropriateness for the specific situation of sustainability driven entrepreneurs. Most obviously, in such cases the *urgency* attribute is of little help for discerning relevant stakeholders. In contrary, due to their future-oriented attitude, sustainability driven entrepreneurs may be expected to regard the interests of future generations as more important than the ones of stakeholders shouting out the loudest at present. Moreover, urgency in the Mitchell et al. (1997) framework has been criticized for its social and economic connotations which may drive managers to overlook slowly evolving environmental issues (Driscoll and Starik, 2004, p. 60). Originally, urgency was meant to reflect timeline dynamics in the analysis of stakeholder perception (Mitchell et al.,

1997, p. 867) which we still believe to be an important concern. Therefore, we share this critical view and propose an alternative approach to include the temporal perspective.

Furthermore, the *power* attribute has been criticized in general for being overly focused on the social aspects of imposing ones will in a given relationship. Myopia in stakeholder management theory for instance has been described as a reason for blinding out the fact that the natural environment has the power to interfere if not destroy activities of human-built organizations through natural catastrophes (Driscoll and Starik, 2004, p. 58). We suggest that power is no useful attribute to determine stakeholder relevance for a sustainability driven venture during its formation process. On the contrary, entrepreneurs of this kind may be associated with a high need for achievement as well as an internal locus of control (Shane and Eckhardt, 2003, p. 180) and therefore strive for greater degrees of independence. Given the possibility to choose from an extensive number of potential stakeholders during the process of opportunity creation (Ibid., p. 175), it is more likely that creative approaches to stakeholder selection and configuration will be applied to circumvent the issues involved with relationships characterized by power.

In contrast, the *legitimacy* attribute is likely to provide a useful criterion to guide the stakeholder selection process. According to the connotation used by Mitchell et al. (1997, p. 866), legitimacy represents an ethically-based backdrop which is attuned with the holistic intentions of sustainability driven entrepreneurs. We render support to the notion of legitimacy as “a desirable social good that is something larger and more shared than mere self-perception, and that it may be defined and negotiated differently at various levels of social organizations” (Ibid., p. 867). Critique holds that this construct is overly dependent on the anthropocentric aspects of socially constructed forms of legitimacy and overlooking the fact that stakeholders from the natural environment (such as animals) are incapable of raising their voices for themselves (Driscoll and Starik, 2004, p. 59). Although being an inherently fuzzy concept (Hybels, 1995), we still believe that legitimacy – just because of its vagueness – can be viewed as a useful attribute for analyzing stakeholder perceptions of entrepreneurs. The idea of sustainability in itself is entrenched in social norms, values and beliefs and it acknowledges the necessity to develop human potential at large grounded on the ethical infrastructure of society. Therefore, the legitimacy construct and its contents have been viewed as susceptible to further development (Driscoll and Starik, 2004, p. 62). As a consequence, in our framework we posit, firstly, that stakeholders are viewed as relevant by sustainability driven entrepreneurs if they comply with the established societal rules through which legitimacy is attained.

In addition to legitimacy, we propose two alternative attributes that promise to be useful for the analysis of stakeholder relationships of sustainability driven ventures. They are ‘*philosophy*’ and ‘*impact*’.

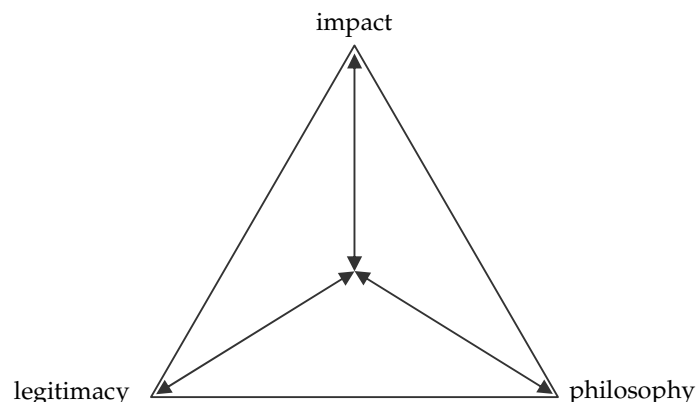
Regarding the first of them, *philosophy*, we refer to the entrepreneurs’ worldview, the system of personal values that is being expressed by the venture put in place. In their analysis of stakeholders participating in new ventures in emerging industries, Low and Abrahamson (1997) have stressed the importance of social motives and personal identification with the entrepreneurs. “These stakeholders identify with the entrepreneur [...], and internalize values congruent with a larger set of beliefs associated with the organizing attempt” (Ibid., p. 448). Moreover, as we have argued above, personal values are a key to understanding why

particular opportunities are regarded as desirable by entrepreneurs as compared with others that may be equally feasible. Therefore, we suggest that from the set of potential stakeholders the ones that are perceived as actually worth building relationships with are selected because they share – at least in parts – the same value system. In contrast to the legitimacy attribute where values are being established in a societal negotiation process and are thus typically defined on a higher level and from a more holistic point of view, the philosophy attribute is connected with values that are in effect on the levels of the individual entrepreneur or of the entrepreneurial team. As a result, in our framework we posit, secondly, that stakeholders are viewed as relevant by sustainability driven entrepreneurs if they are in accord with their system of personal values.

Finally, we suggest *impact* as an attribute to take the dynamics into account which are inherent in a sustainability driven venture. For social ventures impact has been described as “the full range of blended value outputs and outcomes, both intended and as externalities” (Nicholls, 2006). Likewise, by addressing major societal problems, sustainability driven entrepreneurs set out to change the world for the better. They are persistent in pursuing their visions and, as Baron (2004) has noted, “they will not give up until they have spread their ideas as far as they possibly can”. Moreover, the societal problems to be tackled are typically complex in nature and the positive effects to be reached by realizing the entrepreneurial vision will to a large extent accrue in the long-term future. Given this specific momentum and the future-oriented mindsets of sustainability driven entrepreneurs, we posit, thirdly, that stakeholders are selected according to whether and how they help enlarge the impact that is necessary to realize the particular entrepreneurial vision.

In sum, we propose that sustainability driven entrepreneurs build their relationships with stakeholders who comply with the established societal rules (legitimacy), share the entrepreneurs’ system of basic values (philosophy), and promise high potential to induce future change within the economic, social, and ecological layers of society (impact). For the purpose of illustration, figure 3 depicts the basic idea. Proposed as independent constructs, legitimacy, philosophy, and impact are scaled in terms of their relative presence or absence as perceived by entrepreneurs. For a particular given stakeholder the space covered within the triangle then indicates a rough summary of its perceived relevance.

Figure 3. Stakeholder attributes for sustainability driven entrepreneurship



There has been some technical debate about the Mitchell et al. (1997, p. 873) identification and salience model within the context of innovation projects, in particular regarding the issues of stakeholder classification and the cumulative nature of their attributes (Vos and Achtenkamp, 2003, p. 164). We recognize parallels between innovation projects on the one hand, and entrepreneurial start-up ventures we are discussing in this paper, on the other. However, in contrast to the Vos and Achtenkamp (2003) proposal of using a role model for stakeholder identification in innovation projects, we still believe that, for the purpose of this paper, a classification procedure in the tradition of Mitchell et al. (1997) is functional. In addition, whilst the Vos and Achtenkamp (2003) model is conceived as a tool for supporting the stakeholder identification process in on-going projects, our main objective here is to describe distinctive features and variances of stakeholder perception by sustainability driven entrepreneurs in a more general perspective.

Proposal for a Qualitative Research Design

Against the background of the preceding discussion, we presume that the way sustainability driven entrepreneurs perceive their stakeholders is unique. As a consequence, a prime objective for our research proposal is to reveal some of the distinct features of their stakeholder perception. This practical research objective is derived from the more general aspiration to better understand how sustainability driven entrepreneurs think. More precisely, we want to help draw a clearer picture of their intentionality and opportunity orientation, in particular as regards the perception of their business environments.

Therefore, our central research question is: "Do sustainability driven entrepreneurs have a more comprehensive set of stakeholders they hold as relevant and what are the key attributes of these stakeholders?" This covers two combined aspects to be defined as objects of study. First, the composition of stakeholder sets as a whole, and second, the behavioural patterns involved in stakeholder selection. In the pilot phase of our study, we have concentrated on the first aspect. However, depending on the availability of empirical data, the second aspect will be of particular interest as well.

Next, suitable methods for exploring the subject matter need to be defined. Within the field of entrepreneurial cognition research the perception of stakeholders unto present has been a somewhat under-researched subject. Therefore, since most of the pertinent findings have to be drawn from related fields, the available base of relevant knowledge is fragmentary and weakly structured. This initial position calls for an exploratory research strategy, where the field of interest is scanned to retrieve as much relevant empirical information as possible and to draw some preliminary conclusions about patterns and relationships between variables from it.

Moreover, due to the immature status of domain-specific research, an established canon of methodical conventions is lacking. In accordance with the exploratory orientation of our research we deem a qualitative approach for our study suitable. Based on an extensive collection of entrepreneurship literature reviews, Hindle (2004, p. 577) has concluded that there is a striking lack of qualitative work in the field which calls for urgent redress. In particular, Hindle develops a strong argument for the application of qualitative research methods in areas that promise novel insights due to new perspectives to be introduced and

subsequently to be combined with an established research canon (2004, p. 588). We therefore adhere to the guideline as to provide empirical evidence including direct reports from practice to ground further theoretical development (Huff, 1997) by applying a qualitative research strategy (Hindle, 2004, p. 588).

Our approach to the research question domain is mainly based on an interpretive process of inquiry that is grounded in social constructivism (Weick, 1979). As data collection technique we choose the case study method in combination with in-depth interviews. For reasons of necessary concentration imposed by space constraints we confine ourselves to hinting at a few over-riding methodical problems along the logical hurdles of qualitative entrepreneurial cognition research as discussed by Hindle (2004, p. 582). First, they concern the issue of introspection which in practical terms compels us to deal with sustainability driven ventures while their business formation phase is actually taking place. Whilst their number in total is yet quite limited, this constriction is apt to exclude a lot of potentially insightful cases from our field of study. Therefore, special care will be given to the development of an appropriate case study selection procedure and interview technique. Secondly, regarding the holism issue we are conscious of the fact that even though individual cognition as well as selected external influences are complementary core aspects of our research there may be other influencing factors implicitly treated as exogenous. At last, as a summary concern the issue of temporality will arguably be the greatest obstacle to build a sound research design. Since we are looking at the start-up phase this calls for a clear definition as regards its extent in an on-going process. We will have to look for stage models beyond the ones mentioned so far in order to give a clear circumscription of the start-up phase of a sustainability driven venture creation.

Next we will give a brief summary of a pilot case study that was carried out to illustrate the conceptual foundations of this study and to confront some of the methodical issues.

Case Study Illustration

The international initiative myclimate originated 2002 as a spin-off from the Swiss Polytechnic ETH in Switzerland. It was founded by a group of students and junior researchers following the desire to make a personal contribution to reducing their "ecological footprint" by offsetting carbon emissions caused by their air travel as individuals. As a climate protection partnership it is based on the idea of voluntary and innovative solutions for climate protection (www.myclimate.org). Today, myclimate is one of the leading providers of carbon offsetting measures worldwide. Clients include small and medium-sized enterprises as well as large firms, public authorities, non-profit organizations and event organizers. It offers business high-quality carbon offset certificates for climate neutral business travel, conferences, products, or for compliance regimes. Individuals can offset the environmental impact of transport emissions by purchasing a myclimate air ticket. Revenues are invested in certified projects to promote renewable energies and energy efficient technologies. In addition, myclimate encourages public dialogue on climate protection and campaigns for a reduction of greenhouse gases at the source. As a non-profit, the myclimate foundation is exempted from taxation. Besides Switzerland, myclimate has subsidiaries in Germany and in the United States.

In June 2007, a personal interview was conducted with the founding member and concurrent president of the myclimate association and vice-president of its appending foundation. In-depth questions covered the process of venture creation, preconditions on the individual and context levels, relevant stakeholders in the start-up phase and their respective attributes. Reference was made to the issue of temporality by eliciting a list of all stakeholders first and from that selecting the ones that were relevant only during the start-up phase.

The findings are briefly summarized as follows. A first subset of relevant stakeholders included incumbents, financiers, customers, and regulators. Incumbents were initiatives with similar objectives used as prototypes. Financiers were private and public foundations and personalities in support of the business idea. Initial customers were travel agencies. Regulators were governmental authorities on the cantonal level, whereas federal agencies were viewed as relevant though not ready to give support from the very beginning. A second subset comprised members of the association and private individuals in support of the basic initiative and the vision behind the venture. As benefactors they were in part sponsoring the initial funding or taking responsibility for patronage. A third subset consisted of a variety of other entities. They were cooperation partners such as the Swiss Polytechnic ETH and its initiative 'Alliance for Global Sustainability'. Moreover, partners from the science domain assisted in the certification procedures to be developed. An environmental education institution acted as distribution partner. Likewise, environmentalist NGOs assisted as partners in communicating and distributing the myclimate market offering. Communication in particular was driven via selected media. Finally, a number of consultants from the areas of business, marketing and multimedia communication were viewed as know-how suppliers in the start-up phase.

Personal contacts derived from individual networks served as starting points for building stakeholder relationships. Explicit stakeholder selection during business formation was carried out by implicitly applying a set of criteria. Their elicitation during the interview gave way to confronting the interviewee with the criteria developed from theory. As a result, the most important one was 'philosophy'. Potential stakeholders were considered according to their sharing of the same basic "ideology" which was to be expressed in realizing the business idea. This philosophy grounded on the conviction that reducing the individual ecological footprint is an option that is necessary as well as feasible to slow down climate change. A second criterion was 'impact' in the sense of an effective and efficient way to spread the word. Stakeholders were selected according to whether they were perceived as inclined to buy into the myclimate business model or its offerings. In this regard, the procedure initially applied was no different from a basic market-oriented approach of defining target groups with specific needs to be met. Finally, the third criterion was 'legitimacy'. Rather an unconscious selection mechanism, legitimacy was perceived as an indispensable pre-requisite before any potential relationship with a given entity was even to be considered.

For stakeholder perception in sustainability driven ventures, we have assumed that it is both more *comprehensive* and more *future-oriented*. As a result, regarding comprehensiveness the findings of this pilot case study appear largely in line with the propositions derived from theory. Our preliminary findings suggest it as a construct worth studying in more detail. Future orientation however, was not so clearly attributed with the stakeholder selection

process in the case. Rather, it may be viewed as an implicit assumption as regards the 'philosophy' criterion, in that stakeholders sharing the same worldview would stress the need to conserve resources for future generations. At the exploratory stage of our research however, relevance of these findings are restricted to the illustrative purpose of this case study.

CONCLUSION

In this paper, we have discussed the emergence of sustainability driven entrepreneurship against the background of three existing concepts, namely economically, socially, and ecologically driven entrepreneurship. Our analysis has approached this field of study from a cognition perspective, since entrepreneurs striving to create values that effectively foster sustainability may do so because they view the world with different eyes. Therefore, the first stage of our analysis has focussed on how opportunities to form a new business are viewed in the light of sustainability. As a result, we have found that sustainability driven entrepreneurship may be positioned at the intersection of the three other concepts. In the next stage of our analysis we have explored the specifics of their respective stakeholder frameworks and have reasoned that sustainability driven ventures may be characterized by an all-embracing perception which integrates and augments the other perspectives. In particular, we have suggested that their selection of stakeholders is more comprehensive and more future-oriented. In a third stage, we have discussed the stakeholder identification and salience model as proposed by Mitchell et al. (1997) and found that applying it to sustainability driven ventures raises issues that call for amendment. Therefore, by taking their specific preconditions into account we have proposed two alternative attributes for determining stakeholder relevance. Finally, we have developed a qualitative research design intended to test the theoretical argument.

For illustrative ends, a case study was used as a first test-bed for our theory. As a result, our findings suggest that stakeholder selection by sustainability driven entrepreneurs is more comprehensive though not particularly more future-oriented. As regards the proposed stakeholder attributes, besides the 'legitimacy' and 'impact' criteria, 'philosophy' was found to be of high importance. However, we are fully conscious of the fact that the results of this verification are based on interpretation. Therefore, as of now we do not claim they could be generalized in any direction.

Nevertheless could they be useful as a starting point for further research aiming at the development of a consistent theoretical concept for sustainability driven entrepreneurship. Hence, we propose two questions as worth studying in more detail as well as in broader scope. First, in a theoretical perspective: What can the analysis of stakeholder perception contribute to the conceptualization of sustainability driven entrepreneurship? And secondly, in a practical perspective: How does the stakeholder identification and selection process contribute to the success of sustainability driven ventures? In the meantime, stakeholder perception continues to be a salient topic for discourse among scholars and practitioners within the entrepreneurship field. This paper has advanced the conversation and our hope is that others will continue to develop it.

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