

Chapter 11

Green Entrepreneurship in Transitional Economies: Breaking Through the Constraints of Legitimacy

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ABSTRACT

With environmental pollution, climate change and resource scarcity being serious global issues, green entrepreneurship is increasingly seen as an approach to simultaneously address economic performance, environmental impact and social responsibility. As green entrepreneurship needs to consider both venture performance and social responsibility, it will be subject to legitimacy constraints at the institutional level. Especially for transition economies in different countries, institutional uncertainty is a key factor. Better green performance can be easily achieved if green startups have a higher level of legitimacy. However, against the background of transitional economies, the increase in institutional uncertainty will damage the promotion of political legitimacy and make the enterprises subject to political legitimacy constraints lose their green performance. Overall startups in different industries need to develop green actions under the pressure of institutional constraints, and governments also need to improve policies and regulations quickly.

DOI: 10.4018/978-1-5225-3537-9.ch011

INTRODUCTION

With the deterioration of global environment and the worsening energy contradiction, balancing the conflicts between economic development and environmental protection has caused great difficulties for governments, academia and industries all around the world. Multiple events, including the oil spill of British Petroleum in the Gulf of Mexico and serious PM2.5 in China, have made the governments and enterprises realize the inevitability and urgency of a green transformation. As the subject of production, enterprises play a significant role in the development of national economic and product market. However, when enterprises provide consumers with products and service bringing convenience for them, many production processes will destroy the sustainable development of ecological environment. Therefore, an important component of addressing sustainable development issues and environmental degradation will hinge on making up for and improving the lack of social responsibility of corporations (Rockström, J., Lannerstad, M., & Falkenmark, M., 2007; Lin, C.S., Chang, R.Y., & Dang, V.T., 2015). As the society's sensitivity to environmental problems, energy consumption and pollution continues to rise, these elements become the important factors threatening enterprise legitimacy. So, there is an increasing voice for corporations to develop green businesses that takes both ecological benefits and economic benefits into account, that is, GE. It is recognized by governments, ventures, customers and other stakeholders, as well as integrates business entrepreneurship and sustainable development, simultaneously considering the sustainable development of environment, economy and society (Allen & Malin, 2008; Isaak, 1997, pp.80-90). Therefore, whether enterprises with GPO can really obtain green performance and how legitimacy constraints influence the achievement of green performance in green companies have drawn the attention of business and academia.

GE refers to entrepreneurial behavior in an enterprise's green innovation of products, services and market development to generate profit while considering environmental protection (Cohen & Winn, 2007; Dean & McMullen, 2007). Green entrepreneurship theory gradually developed with the integration of entrepreneurship theory and social enterprise theory. Under the dual functions of eco-orientation and market-orientation, enterprises are not likely to be burdened by GE as it will provide vast resources for enterprise development (Hartman & Stafford, 1997; Soto-Acosta, P., Cismaru, D.M., Văţămănescu, E.M., & Ciochină, R.S., 2016). According to the definition of EO by Miller and Friesen (1983), this study believes that green entrepreneurial corporations need to own green entrepreneurial orientation (GEO), which contains green innovation, green risk taking and green proactiveness. As green entrepreneurial corporations need to undertake social responsibility, it is particularly vital for them to gain legitimacy. Suchman (1995) proposes that legitimacy refers to the overall evaluation of external stakeholders about appropriateness of corporate behavior. The content involves both social responsibility and other standards such as competitive advantage and enterprise scale. Breaking through legitimacy constraints and achieving green performance have been the main purposes of enterprises which launch green entrepreneurship activities.

Because proactive green-oriented businesses not only concern about business performance but also consider social responsibility, the relationship between GEO and green performance will be restricted by institutional environment. As an institutionally embedded binding mechanism, the study of enterprise legitimacy has attracted attention (Shirokova, G., Bogatyreva, K., Beliaeva, T., & Puffer, S., 2016). However, present research encompasses two views. The first takes strategic theory as a starting point and treats legitimacy as a strategic resource which ventures are prone to lose, as well as claims that the ultimate purpose of seeking legitimacy is to obtain mobilized resources and securing approval and

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