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SUSTAINABLE ENTREPRENEURSHIP AND RESPONSIBLE INNOVATION: THE ROLE OF INVESTORS IN MANAGING SOCIO-ETHICAL ISSUES

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ABSTRACT

Sustainable entrepreneurs develop innovations that tackle grand challenges. Responsible innovation focuses on making innovation processes more ethically acceptable, sustainable, and societally desirable, and could provide sustainable entrepreneurs with a method for managing socio-ethical challenges. Responsible innovation potentially provides benefits to sustainable entrepreneurship, such as a systematic way for identifying and managing ethical and societal issues in the innovation process and reducing risk. However, its application to contexts that sustainable entrepreneurship occurs in may be problematic. For example, there may be difficulties in managing the goals, expectations and values of different stakeholders, questions over asymmetric information, as well as tensions between commercial interests and those of responsibility. Sustainable entrepreneurs are also likely to be constrained due to limited resources, and the need to generate profits and compete with traditional (non-ethical) businesses.

The management of tensions between economic and responsibility (sustainability) objectives does not just fall on the shoulders of sustainable entrepreneurs themselves. In many cases, sustainable entrepreneurs are likely to be the recipients of investment. Such investment could come from traditional sources, angel investors or institutional investors (such as incubators). How investors support or hinder the application and practice of responsible innovation in these contexts is unclear. From an investor perspective, responsibility could be seen as an unwanted side-effect and one that negatively impacts their return on investment (ROI). Investors will play a critical role in the transition to sustainability, so examining cases where they play a positive role in the generation of environmental and social value could provide valuable insights.

In this research, we seek to examine cases of both supportive and non-supportive investors. This will allow an understanding of the conditions and critical success factors needed for a supportive investment environment for responsible innovation within commercial contexts. The research takes place in the context of European clean tech start-ups within the agricultural, water and energy sectors. Data is collected via semi-structured interviews across 8 cases. Each case includes a sustainable entrepreneur with their corresponding investors – in this way, we can shed light on both sides of the relationship and understand key dynamics. The results will contribute to the literature on sustainable entrepreneurship, responsible innovation, and responsible investment by highlighting the role that investment and investors play in enhancing the responsibility outcomes of sustainable innovations.

KEYWORDS: Climate change; Supply chain GHG emissions; Supply chain leading organizations; GHG emission management; Business models for sustainability