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COVID19- Crisis and Parameters for Sustainable Entrepreneurship



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REVIEW

COVID-19 Crisis and Parameters for Sustainable Entrepreneurship

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ABSTRACT

PURPOSE: Entrepreneurship and sustainability have been debated for the last decade, urging the deployment of an effective entrepreneurial eco-system. COVID-19 has posed a new challenge to emerging entrepreneurs in all sectors, and they have reduced their commitment to entrepreneurial sustainability and innovation. The commitment to sustainability is essential to keep the relationship between start-up growth and socio-economic capital.

DESIGN/METHODOLOGY/APPROACH: This commentary paper explores entrepreneurial sustainability through the lens of the COVID-19 crisis.

FINDINGS: This paper outlines the impact of the COVID-19 crisis on entrepreneurial activity and explores relationships between sustainability and socio-economic development.

ORIGINALITY/VALUE: The COVID-19 pandemic has brought an opportunity to review the entrepreneurial eco-system to reset the scope of entrepreneurship sustainability. It has signalled that sustainability should be determined by temporal construal theory concerning radical solutions.

KEYWORDS: *Entrepreneurship; start-ups; sustainability; COVID-19*

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INTRODUCTION

Entrepreneurs play a vital role in contributing to societal health and wealth. Entrepreneurship is a key driver for socio-economic growth with multi-level impacts at grassroots and national levels. It supports new opportunities, enhances productivity, job creation, and deals with society's challenges, such as the COVID-19 pandemic. A Global Entrepreneurship Monitor report diagnosed the significant negative impacts of COVID-19 on entrepreneurial sustainability (Ionescu-Somers and Tarnawa, 2020). A World Bank report on the Global Economic Outlook (2020) reported a substantial decline in economic growth during the COVID-19 pandemic. The pandemic posed a sustainability challenge to emerging entrepreneurs in all sectors. Uncertainty to sustain entrepreneurship and keep businesses on track has changed business patterns for entrepreneurs. The majority of entrepreneurs were unable to cope with the COVID-19 crisis due to a lack of risk mitigation plans. Entrepreneurial activity has adversely affected developing countries where weak economies are unable to deploy entrepreneur revival funds. This indicates the low stability of start-ups.

Since the phenomenon of sustainable entrepreneurship is time-driven, entrepreneurs are primarily responsible to be more innovative in their start-ups to achieve results of shared value. A global community of brand innovators advised that "when the world emerges out of this crisis, consumers will have a renewed interest in protecting humanity against existential risks such as climate change, and they will seek leadership in that fight from companies" (Sustainable Brands, 2020). This COVID-19 pandemic is a crucial time for entrepreneurs to anchor their start-up around societal benefit and create a market niche.

The study's objective is to highlight the implications of the COVID-19 pandemic on the sustainability aspects of entrepreneurial activity, especially when entrepreneurs do not focus on long-term business goals. This paper is based on exploratory research methods, and content analysis of scholarly published studies related to entrepreneurial sustainability was performed. This paper explores entrepreneurial sustainability through the lens of the COVID-19 crisis by outlining its impact on the entrepreneurial activity for exploring relationships with sustainability and socio-economic development. It was written in December 2020, when the second wave of COVID-19 started in the winter and a new COVID-19 variant appeared from the United Kingdom. It offers a snapshot for understanding sustainable measures for entrepreneurial activity amidst the post-COVID-19 pandemic period.

The COVID-19 Crisis

COVID-19, also known as Coronavirus, is an infectious disease caused by SARS-CoV-2 and can affect mammals, birds, and humans. Instant transmission of Coronavirus around the globe significantly disturbed routine matters in life. Coronavirus disease can spread from one person to another via small droplets from the nose or mouth when a COVID-19 affected person sneezes, exhales, or coughs. On 11 March 2020, the World Health Organization (WHO) declared the global outbreak of COVID-19 a pandemic. Globally, as of 4:11pm CET, 31 December 2020, 81,475,053

confirmed cases of COVID-19, including 1,798,050 deaths, had been reported to the WHO. Although countries' response to COVID-19 varied subject to their climate, resources, and engagement capacity, it has brought about a new normal, such as social distancing in routine life and business operations. Most countries prepared standard operating procedures to restrict people's mobility and business operations to prevent the spread of Coronavirus. Since COVID-19 had an adverse impact on sectoral economies, entrepreneurs were strongly affected due to temporary closures (Parnell *et al.*, 2020; Ratten, 2020). In April 2020, the United Nations Department of Economic and Social Affairs (2020) suggested:

“growing restrictions on the movement of people and lockdowns in Europe and North America are hitting the service sector hard, particularly industries that involve physical interactions such as retail trade, leisure, and hospitality, recreation, and transportation services”.

As a result, the global economy was downgraded, entrepreneurial growth threatened, the supply chain was disrupted, production was reduced, and imports and exports declined.

Sudden changes in business operations made it challenging for entrepreneurs to adapt to the pandemic and keep their businesses' products and services running smoothly. Although there have been impacts across the retail sectors' supply chains regarding customer behaviour, product demand, and store operations, such results have not been widely felt across the entire retail continuum. The retailers of apparel, furniture, and electronics have followed government directions for the temporary shutdown, and food retailers have allowed consumers to purchase food supplies with social distancing. Entrepreneurs feared their investments could be lost due to the COVID-19 pandemic. Previous research studies indicated the fear factor as a crucial indicator limiting entrepreneurial activity for entrepreneurs (Li, 2011; Morgan and Sisak, 2016). Entrepreneurs have suffered greatly from the social distancing laws and changed operating procedures when doing business. Since entrepreneurs can solve problems and implement innovations to support society, they often face critical conditions to maintain their business position (Liñán and Jaén, 2020). Due to the COVID-19 pandemic, the sustainability of entrepreneurial activity has become questionable.

Sustainable Entrepreneurship and the COVID-19 Pandemic

The COVID-19 pandemic has created a critical situation for economies, especially customers and entrepreneurs. The pandemic has pushed around 60 million people into extreme poverty, 1.2 billion students out of school, 55% of the world population lacked social insurance, 1.6 billion informal workers lost 60% of their income and 20% remittances reduction in developing countries. In addition, it has caused a 27% decline in global trade, pushed 265 million people into food insecurity, and risked about 120 million jobs due to the closure of tourism (UNDP, 2020).

In the Asia Pacific, 9 out of 10 entrepreneurial start-ups were adversely affected by the COVID-19 pandemic (Youth Co:Lab, 2020), and significant societal challenges appeared as the entrepreneurial eco-system was disturbed across the world. Therefore, entrepreneurship faced instability with disruption issues in the supply chain, fragile cash transactions, lack of equity funds to cover salaries and operational expenses, and frequent changes in working hours and days.

Research studies indicate that when entrepreneurs face a crisis such as the COVID-19 pandemic, it restricts entrepreneurial development and limits their resources to mitigate risks (Li, 2011; Morgan and Sisak, 2016). Although the COVID-19 crisis has achieved some environmental advances, it also triggered devastating socio-economic outcomes worldwide. As the pandemic has shattered the economy of entrepreneurs, it has negatively impacted entrepreneurship at multiple levels. Employees at start-ups lost their jobs, either permanently or temporarily. In developing economies, workers rarely have government support, which has further multiplied the extreme poverty.

According to the United Nations Department of Economic and Social Affairs (DESA) (2020), COVID-19 has severely affected the tourism industry and entrepreneurs associated with the tourism industry are in a critical situation to sustain their businesses. An argument is raised amidst COVID-19 to find entrepreneurial sustainability and its eco-system adjustments for sustainable entrepreneurship. The 17 sustainable development goals (SDGs) agreed by the United Nations (UN) in 2015 urged stakeholders for sustainable entrepreneurship to provide sustained support for entrepreneurs in the near and distant future (United Nations News, 2020).

Since the entrepreneurial eco-system was already fragile, the COVID-19 pandemic resulted in entrepreneurial business loss, challenges for changing business models, and financial loss. A new debate has been raised that either the COVID-19 crisis seems stronger, or the entrepreneurial eco-system contains loopholes regarding sustainability. As argued by Hickel (2019), there is a contradiction between “calls for humanity to achieve harmony with nature and to protect the planet from degradation, with specific targets laid out in SDG 6, 12, 13, 14, and 15” and “calls for continued global economic growth equivalent to 3% per year, as outlined in Goal 8, as a method for achieving human development objectives”. Hickel suggested, “the SDGs assume that efficiency improvements will suffice to reconcile the tension between growth and ecological sustainability”. An earlier study by Haldar (2019) highlighted the need to deploy an innovative sustainable framework to support entrepreneurs in specific conditions. Haldar recommended, “to refine and extend the existing models of sustainable entrepreneurship concerning motivations for sustainability innovations”.

In considering the COVID-19 crisis, there is a need to revise and extend the scope of sustainable entrepreneurship to cope with future pandemics: sustainability is an essential aspect of entrepreneurship. “Sustainable development and planning and analytical frameworks must be comprehensive for long-term sustainability” (Amekudzi-Kennedy *et al.*, 2020). Parrish (2010) explored five rules for sustainability-driven entrepreneurship: purpose, efficiency, trade-offs,

criteria, and inducements. Since entrepreneurs' behaviour is inclined towards profit-seeking, short-term goals will not help towards sustainability. The dilemma for sustainability is based on temporal construal theory in the near and distant future (Nasar *et al.*, 2018). This assumption guides researchers to investigate the sustainability aspect of entrepreneurship for socio-economic contribution. In recent years, the corporate sector opted for a shared value approach to get connected with the community. It was first introduced and designed by Harvard University to solve social issues profitably (Porter and Kramer, 2011). Shared value leverages private enterprises' resources and innovation to create a possible solution to society's pressing issues, and tracks sustainability during business operations. Since newly established start-ups are less aware of creating shared value, it is essential to highlight sustainable entrepreneurship's significance and devise a plan to empower entrepreneurs for pandemics such as COVID-19. Table 1 depicts the fundamental principle, benefits, and internal and external factors associated with sustainable entrepreneurship.

Table 1: Parameters for Sustainable Entrepreneurship

Fundamental stance	Create shared values that are beneficial for society and the environment through profitable businesses
Benefits	Social, economic, ecological gains in the near and distant future
Internal factors	Entrepreneurial motivation, expertise, creation, innovation, leadership, ethics of doing things, social standing, and technical knowledge
External factors	Opportunity to contribute to socio-economic and environmental challenges, use past experiences to the new modes of business, availability of resources, economic incentives, redefine structure, and policy reforms.

Sources: Hockerts and Wüstenhagen, 2010; Thompson *et al.*, 2011; Schaltegger and Wagner, 2011; Kardos, 2012; Haldar, 2019.

Sustainable entrepreneurship is an ambitious approach that deals with organisational benefits and added value for both society and the market (Schaltegger and Wagner, 2011). It is based on entrepreneurial motivation, determination, skills, and experiences to penetrate the market through achieving sustainable goals. Sustainable entrepreneurship can link innovation with potential in large-scale markets in order to deliver new incentives and opportunities for sustainable development through new entrants and incumbents (Thompson *et al.*, 2011). According to this study's premise, sustainable entrepreneurship plays a vital role in mitigating risks amidst pandemics such as COVID-19. Therefore, emerging entrepreneurs can take COVID-19 as an opportunity to fulfil the market demand to deliver on the scale of sustainably.

THEORETICAL UNDERPINNING

Amidst unexpected events such as the COVID-19 pandemic, entrepreneurs could be viewed through the lens of the temporal construal theory, which argues for pre-planning for future events (Liberman and Trope, 1998). The use of the temporal construal theory to better predict an

individual's perception of outcomes and expected actions within a time scale has been identified in behavioural economics and decision-making studies (Lovallo and Kahneman, 2000; Benzion *et al.*, 1989). Temporal construal has hardly been used in entrepreneurship research, but the time scale for intent to be an entrepreneur with self-efficacy indicators has demonstrated its validity and generalisability (Hallam *et al.*, 2016). This study suggests sustainable entrepreneurship is related to timescale. Therefore, temporal construal theory supported a way of coping with the COVID-19 crisis for entrepreneurs at two points of time, using near-time and distance-time sustainable entrepreneurial activity. The application of temporal construal theory could help entrepreneurs ensure their timely preparedness for unexpected events such as COVID-19 at both high and low construct levels. It could help entrepreneurs to think precisely and concretely for construct planning to ensure the sustainability of their businesses in the distant future. Nasar *et al.* (2019) supported the argument that temporal construal can be used to refine entrepreneurial intention models. Moreover, the creating shared value concept by Porter and Kramer (2011) could be supportive of moderating the relationships.

The integration of temporal construal theory with the theory of planned behaviour gives a new perspective to examine intention and behaviour using a time scale. The planned behaviour theory advocates for the importance of self-efficacy and intention to pursue one's goals (Ajzen, 1991). Entrepreneurs could improve their understanding of entrepreneurial activity through behavioural intention for a measured and planned attitude of becoming an entrepreneur (Nasar *et al.*, 2019). Since attitude has a positive relationship with entrepreneurial intention, it could influence entrepreneurs' intentions for the sustainability of their businesses amidst unexpected events such as COVID-19.

Implications

There are specific implications for institutions, scholars, and policy-makers to educate and promote sustainable entrepreneurship across different regions. The findings indicated that entrepreneurs have been in the transition phase while coping with the COVID-19 crisis; however, the entrepreneurial activity agenda needs urgent attention to be developed on the near-time and distant-time scale. For researchers, the entrepreneurship model needs to be revisited through the lens of the temporal construal theory to contribute knowledge for sustainable entrepreneurship post-COVID-19. For policy-makers, the COVID-19 pandemic has changed the business dynamic; therefore, the entrepreneurial eco-system needs to be reviewed and adjusted for the near and distant time. Education system operations during the COVID-19 pandemic were widely affected, and an online learning mechanism took place. Therefore, entrepreneurs should be involved in learning best practices from mentors on dealing with the COVID-19 crisis. For institutions, micro-, middle- and large-scale enterprises should be supported in zero mark-up loans, tax subsidies, and operations cost-sharing. While having this, nascent entrepreneurs can think of business sustainability instead of taking no action due to fear factors.

CONCLUSIONS

The COVID-19 crisis has revealed the relationships between entrepreneurial sustainability and socio-economic development. This pandemic has brought an opportunity to review the entrepreneurial eco-system to reset the scope of entrepreneurship sustainability. It has signalled that sustainability should be determined by temporal construal theory concerning radical solutions. Since the pandemic has posed unexpected risks to entrepreneurs, there is an urgent need for improved mitigation plans in the entrepreneurship eco-system. The field of entrepreneurship needs to adapt situations such as the COVID-19 pandemic in their business models to design and implement sustainability plans, even in the absence of pandemics. It will enable entrepreneurs to respond to pandemics and sustain their businesses amidst unexpected situations such as COVID-19. To bridge the evidence gap in future research, scholars need to expand their research focus for potential sustainability challenges to entrepreneurship amidst unexpected events such as the COVID-19 pandemic. The sustainable entrepreneurship domain of the research could guide entrepreneurs to incorporate the possibilities of unexpected future events in their businesses' sustainability plans.

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BIOGRAPHY



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