

CHALLENGES FACING SUSTAINABLE ENTREPRENEURSHIP

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Abstract. The concept of sustainable entrepreneurship is becoming an increasingly pivotal area of focus in the global effort to address a range of pressing challenges, including climate change, resource scarcity, and social inequality. Entrepreneurs who integrate economic, environmental, and social goals into their business models can serve as pivotal agents in achieving both profitability and societal well-being. Nevertheless, despite the growing interest in sustainable business models, entrepreneurs encounter considerable obstacles that impede the scalability and success of their ventures. This study focuses on the identification and analysis of the principal obstacles across five key dimensions: economic, regulatory, social, technological, and environmental. The *aim* of this research is to examine the difficulties encountered by those engaged in sustainable entrepreneurship and to suggest strategies for surmounting these challenges. *Methodologically*, the study employs a multi-dimensional approach, with each challenge examined through qualitative analysis. The economic challenges, including the high initial costs and difficulties in accessing funding, are identified as some of the most significant barriers. The presence of regulatory challenges, such as inconsistent environmental policies and the absence of governmental incentives, serves to further complicate the business landscape. Furthermore, social challenges, such as consumer reluctance to pay higher prices for sustainable products and resistance to adopting new, eco-friendly habits, also play a crucial role in hindering the success of sustainable ventures. Furthermore, the absence of access to sophisticated green technologies and the requisite expertise to deploy them constitutes a substantial technological impediment for entrepreneurs. The *results* of the study indicate the existence of several potential avenues for addressing these challenges. For example, the increasing consumer demand for environmentally friendly products and services, in conjunction with technological advancements, presents a substantial opportunity for sustainable entrepreneurship. The practical value of the research lies in its strategic recommendations, which encourage collaboration between policymakers, businesses, and investors. Such collaborative endeavours can facilitate the creation of an enabling environment for sustainable entrepreneurship, thereby reducing economic and regulatory burdens while simultaneously promoting technological advancements. In *conclusion*, the study emphasises the necessity of a coordinated approach in order to overcome the barriers faced by sustainable entrepreneurs. By capitalising on emerging opportunities and cultivating a supportive ecosystem, entrepreneurs can simultaneously achieve financial success and a positive impact on society and the environment.

Keywords: sustainable entrepreneurship, economic challenges, regulatory barriers, environmental sustainability, social responsibility, green technologies, business innovation.

JEL Classification: L26, O44

1. Introduction

Sustainable entrepreneurship has become a critical approach in today's business environment, addressing social, environmental and economic issues simultaneously. It integrates the principles of sustainable development into the core of business operations, emphasising the need for businesses to operate in a way that protects the environment, supports communities and promotes long-term economic growth.

As global challenges such as climate change, resource depletion and social inequality become more urgent, sustainable entrepreneurship is increasingly seen as a solution to achieving the United Nations Sustainable Development Goals (SDGs). Entrepreneurs who apply sustainable development models focus not only on making a profit, but also on having a positive impact on society and the environment. They often pioneer innovative solutions that challenge traditional



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business practices, leading to the development of environmentally friendly products, circular economy initiatives and socially responsible entrepreneurship.

However, despite the enormous potential of sustainable entrepreneurship, these companies face a unique set of challenges that often hinder their growth and long-term success. From economic and regulatory barriers to social and technological constraints, sustainability entrepreneurs must navigate a complex environment. This study aims to explore the key challenges that impede the development and expansion of sustainable businesses and offer insights on how these obstacles can be overcome.

2. Literature Review

Sustainable entrepreneurship is a growing field of study that focuses on the integration of environmental and social objectives into the business process. Researchers Cohen B. and Winn M. define sustainable entrepreneurship as the process of identifying and exploiting opportunities that create social and environmental value alongside economic profit. This approach recognises that businesses can play a vital role in addressing pressing global challenges such as climate change, poverty and inequality (Cohen, & Winn, 2007).

A fundamental concept in sustainable entrepreneurship is the Triple Bottom Line (TBL), introduced by Elkington J. TBL emphasises that businesses should be judged not only on their financial performance, but also on their social and environmental impact (Elkington, 1997). This perspective shifts the focus from short-term profits to long-term sustainability and encourages entrepreneurs to develop business models that consider their wider impact on society and the planet.

The importance of sustainable entrepreneurship is increasingly recognised in the academic literature. Economists Hall J.C., Daneke G.A., and Lenox M.J. argue that sustainable entrepreneurs drive innovation by creating new products, services and business models that address sustainability challenges. These innovations often lead to the development of green technologies and practices that can disrupt traditional industries by offering sustainable alternatives that appeal to environmentally conscious consumers (Hall, Daneke & Lenox, 2010).

In addition, sustainable entrepreneurship contributes to social change. In two studies, Mair J. and Marti I. emphasise that social entrepreneurship, a subset of sustainable entrepreneurship, focuses on creating social value and addressing societal needs. Sustainable entrepreneurs often engage with local communities, strengthening social cohesion and promoting inclusive economic growth. The role of culture and values in sustainable entrepreneurship is also crucial

(Mair, Marti, 2006). Hockerts and Wüstenhagen posit that the motivations of sustainable entrepreneurs frequently originate from personal values and ethical considerations, which can inform their business practices. This intrinsic motivation distinguishes sustainable entrepreneurs from their traditional counterparts, who may prioritise profit over purpose (Hockerts, Wüstenhagen, 2010).

3. Challenges Facing Sustainable Entrepreneurship

Entrepreneurs today are being asked to go beyond the bottom line and address issues such as climate change, resource scarcity and social injustice. Despite the growing interest and potential for impact, sustainable entrepreneurs face several challenges that complicate their journey. Some of the most pressing challenges facing sustainable entrepreneurship include balancing the triple bottom line, accessing financial resources, navigating complex regulatory landscapes, and overcoming cultural and consumer barriers. One of the fundamental tenets of sustainable entrepreneurship is the Triple Bottom Line (Elkington, 1997). The Triple Bottom Line (TBL) encourages businesses to measure their success not only in financial terms but also in terms of their social and environmental impacts. However, the very act of balancing these three objectives presents a number of challenges. According to Schaltegger and Wagner (2011), sustainable entrepreneurs often face trade-offs between environmental, social, and economic goals. For instance, the implementation of environmentally sustainable practices may initially result in elevated operational costs, which could impede the attainment of profitability in the near term. The challenge of reconciling the dual objectives of meeting shareholder expectations and maintaining long-term sustainability efforts is a persistent concern for entrepreneurs who are committed to the TBL framework. One of the key economic challenges facing sustainable businesses is the higher upfront costs associated with integrating green technologies and ethical practices. In terms of environmental challenges, while reducing environmental impact is important for sustainable business, the costs associated with environmentally friendly technologies such as renewable energy systems or sustainable materials are often prohibitive. In terms of social challenges, sustainable entrepreneurship often involves promoting social justice, which may include paying fair wages, ensuring diverse employment practices and contributing to the development of local communities. The challenges in the economic, environmental and social dimensions of sustainable entrepreneurship are interrelated and often mutually reinforcing. For example, the high costs of implementing environmentally sustainable

practices (the environmental dimension) can create economic challenges by limiting immediate profitability. Meanwhile, focusing on social objectives, such as ethical labour practices, can further strain economic resources, especially for small businesses that already face high costs. To address these challenges, sustainable entrepreneurs must adopt innovative business models that leverage collaboration, technology and alternative financing mechanisms. For example, integrating circular economy principles, which minimise waste by reusing resources, can help reduce costs and environmental impact at the same time. In addition, entrepreneurs can seek to align their social and environmental goals with consumer values, creating products that attract a growing segment of environmentally conscious buyers. These ideas are summarised in Table 1.

The table effectively demonstrates the inherent tension between the three dimensions of sustainability – economic, environmental, and social – and illustrates the specific challenges entrepreneurs face in this regard. The key takeaway is that while pursuing sustainability creates long-term value, it demands overcoming short-term challenges that often involve increased costs, regulatory uncertainty, and societal expectations.

Access to financial resources plays a key role in development, growth and long-term success. These resources not only determine whether a business can invest in sustainable practices, but also affect its ability to innovate, scale and respond to the challenges that are unique to sustainability-oriented businesses. Some of these impacts are summarised in Table 2.

Financial resources are at the heart of sustainable business success. It affects every aspect of a business, from the initial investment in green technology to the scaling and innovation required for long-term growth. However, sustainability entrepreneurs often face challenges in obtaining traditional financing, forcing them to seek alternative sources of funding that align with their sustainability goals. With the right financial backing, sustainable businesses can not only fulfil their environmental and social responsibilities, but also thrive economically in an increasingly environmentally conscious marketplace.

The regulatory environment is another key challenge. Sustainable entrepreneurship operates in an environment where environmental and social regulations can vary widely across regions and industries. Economist Berkhout F. emphasises that inconsistent environmental regulations create uncertainty for entrepreneurs, making it difficult for them to plan long-term strategies. In some cases, regulations may be insufficient to support sustainable ventures, while in others stringent regulations may increase operating costs and reduce competitiveness (Berkhout et al., 2004). For example, a lack of clear policies on incentives for renewable energy may discourage entrepreneurs from investing in green technologies because they cannot predict the future regulatory environment.

Meanwhile, innovation is a double-edged sword for sustainability entrepreneurs. On the one hand, they are often at the forefront of developing new technologies and business models that can transform industries. Nevertheless, as Hockerts

Table 1

Challenges in balancing the triple bottom line in sustainable business

Dimension	Objectives	Challenges
Economic	Achieving profitability and business growth	<ul style="list-style-type: none"> - High initial costs for sustainable technologies. - Longer payback periods for eco-investments. - Difficulty in accessing finance from traditional investors.
Environmental	Reducing environmental impact and resource consumption	<ul style="list-style-type: none"> - Costs associated with green technologies. - Lack of regulatory incentives for sustainable practices. - Difficulty in measuring long-term environmental benefits.
Social	Promoting social welfare and ethical labour practices	<ul style="list-style-type: none"> - Balancing fair pay with economic efficiency. - Ensuring diversity and inclusion in business operations. - Responding to complex societal expectations.

Source: author's elaboration

Table 2

Financial resources and their impact on sustainable business development

Factor	Description
Initial investment	Significant upfront costs for implementing green technologies and sustainable practices.
Access to capital	Higher costs for sustainable materials and ethical practices that affect profits.
Operating costs	Need for financial resources to expand operations and develop sustainable innovations
Scaling and innovation	Exposure to risks due to market volatility, regulatory changes and technological developments.
Building consumer trust	Investing in sustainability certification, marketing, and avoiding greenwashing to gain loyalty.

Source: author's elaboration

and Wüstenhagen (2010) observe, access to state-of-the-art technology is constrained for numerous small sustainable enterprises due to elevated costs. The implementation of sustainable practices frequently necessitates substantial investments in research and development, which can prove to be a significant financial burden for smaller firms. Furthermore, Gold S. et al. posit that integrating sustainability into global supply chains presents operational challenges, particularly when dealing with suppliers in regions with less stringent environmental or labour standards (Gold, Seuring, & Beske, 2010).

Taking into account all of the above about the regulatory landscape, it is possible to review the main points that affect the sustainable development of business.

For sustainable entrepreneurship to flourish, it is important that policymakers create a regulatory environment that balances the need for oversight with the promotion of innovation and sustainable practices.

Another important factor that influences sustainable business is cultural and consumer behaviour. This largely shapes the landscape of sustainable entrepreneurship. These challenges can both help and hinder the success of a business that puts sustainability first. The main elements that can be highlighted are as follows:

- Cultural values and attitudes towards sustainable development;
- consumer awareness and education;
- perception of quality and value;
- consumer behavior and habits;

- social influence and norms.

Cultural values are of pivotal importance in the formation of consumer attitudes towards sustainability. In cultures that place a premium on environmental stewardship and social responsibility, the prospects for sustainable entrepreneurship are more favourable. To illustrate, countries with robust traditions of environmentalism may observe a greater demand for eco-friendly products and services.

Consumer awareness and education about sustainability is crucial to driving demand for sustainable goods and services. When consumers understand the environmental and social impacts of their purchases, they are more likely to support sustainable businesses. However, a lack of awareness can lead to indifference to sustainability, limiting market potential for entrepreneurs.

Consumer perceptions of quality and value can have a significant impact on the perception of sustainable products. Some consumers may associate sustainable products with lower quality or higher price, which creates barriers to entry for sustainability entrepreneurs. This perception may be particularly pronounced in markets dominated by conventional products that offer lower prices or are better known.

Established buying habits can be difficult to change, especially when consumers are used to traditional products. Sustainable entrepreneurs need to target these ingrained habits and find ways to encourage consumers to switch to sustainable alternatives.

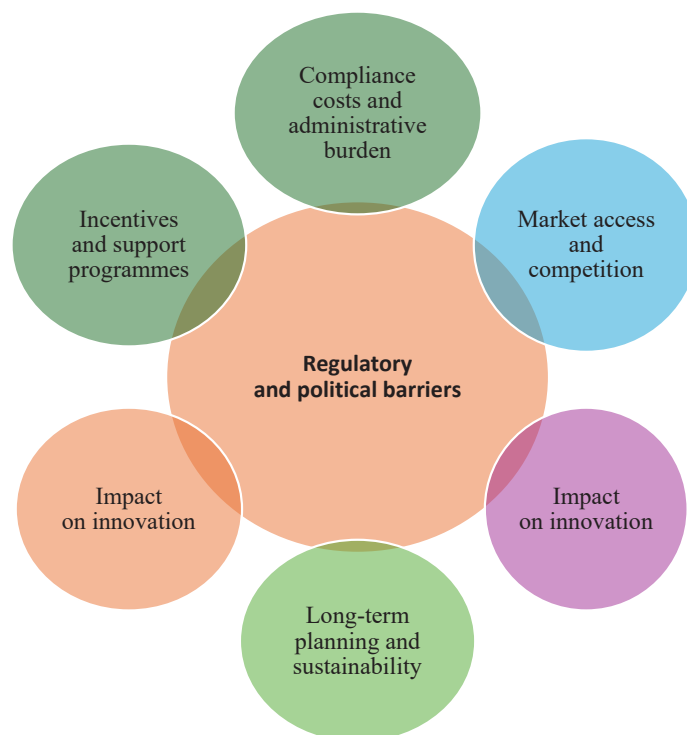


Figure 1. Regulatory and policy barriers to sustainable entrepreneurship

Consumers are often influenced by their peers, social networks and societal values. In communities that support sustainable development, sustainability entrepreneurs may find a more receptive market.

Technology is another important factor influencing the sustainable development of businesses. Technologies such as renewable energy systems, sustainable materials and efficient production processes are essential to minimise environmental impact. However, many entrepreneurs, especially in developing regions, face challenges in accessing these technologies due to high costs, lack of infrastructure or insufficient technical expertise. According to Mazzucato M., technological advances often require significant investment and research capabilities, which can be a barrier for small and medium-sized enterprises (SMEs) seeking to implement sustainable practices. Without access to advanced technologies, these enterprises may find it difficult to compete in a market that increasingly demands sustainable development (Mazzucato, 2013).

Technology-related challenges include high upfront costs of sustainable technologies, skills and training gaps in the workforce, complexity of supply chains, limited market information and research, and so forth (see Figure 2).

To promote sustainable entrepreneurship, it is important that policymakers, industry leaders and entrepreneurs work together to address these challenges and create an enabling environment for innovation and sustainable practices.

Environmental challenges have a significant impact on the trajectory of sustainable entrepreneurship, especially when businesses try to align their operations with environmental goals. Entrepreneurs committed to sustainability must address issues such as resource scarcity, climate change, waste management and energy efficiency, while trying to remain economically viable. Below, the main environmental challenges and

their impact on business will be discussed, supported by arguments and references:

1) The issue of resource scarcity and the associated costs of raw materials. As a consequence of overuse or environmental degradation, the cost of obtaining raw materials such as water, energy and rare minerals is increasing. This places significant pressure on businesses that rely on natural inputs, compelling them to identify alternative sources or more efficient methods of production. To illustrate, in sectors such as manufacturing, agriculture and construction, the scarcity of water and the escalating costs of energy can have a significantly detrimental impact on business sustainability. It is imperative that businesses adopt new technologies or optimise their supply chains in order to mitigate the effects of climate change, which requires significant upfront investments. Furthermore, entrepreneurs should pursue innovative solutions by identifying new materials or adopting circular economy models that facilitate recycling and reuse, thereby extending the lifespan of resources.

2) Climate change and regulatory pressure. Climate change poses both physical and regulatory challenges for businesses. Extreme weather events, such as droughts, floods and hurricanes, disrupt supply chains, damage infrastructure and force businesses to adapt their operations. As noted by renowned economists M. Porter and M. Kramer, climate change requires businesses to integrate more sustainable operating models, which can increase both costs and the complexity of risk management. Furthermore, as governments introduce stricter environmental regulations to combat climate change, such as carbon pricing or emission limits, businesses must comply or face penalties (Porter & Kramer, 2011).

3) Energy efficiency and the transition to renewable energy sources. The transition from fossil

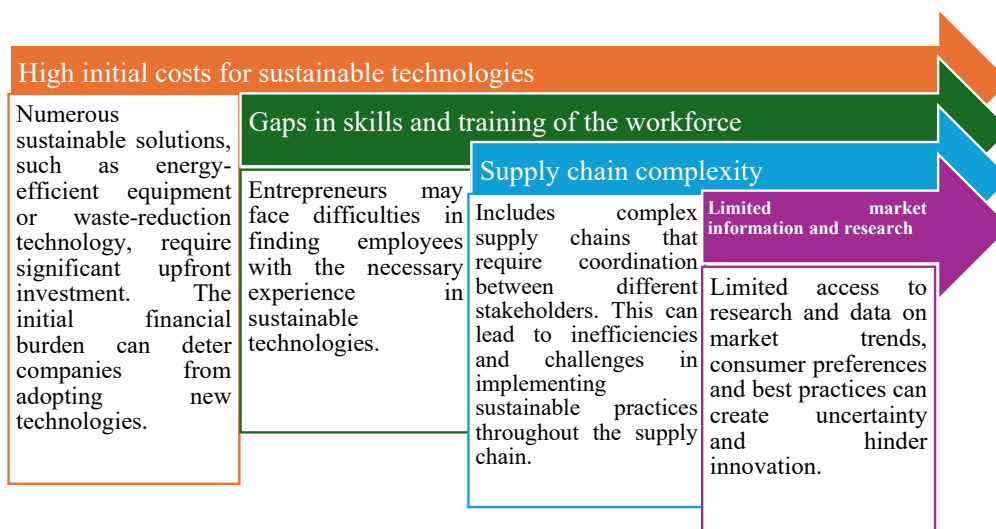


Figure 2. Problems related to the provision of technology

fuels to renewable energy is both a challenge and an opportunity for sustainable entrepreneurs. On the one hand, switching to renewable energy sources such as solar, wind and geothermal can reduce long-term operating costs and emissions, aligning businesses with sustainability goals. Conversely, as R. Nidumolu, C. K. Prahalad, and M. R. Rangaswami posit, the initial investment in renewable energy technologies is frequently exorbitant for startups or small businesses. The installation of solar panels or the adoption of energy-efficient machinery can take a considerable length of time to become financially viable, placing undue financial pressure on businesses in the short term (Nidumolu, Prahalad, & Rangaswami, 2009).

4) Waste management and the circular economy. Businesses are increasingly under pressure to minimise waste as part of their commitment to sustainable development. Waste management involves both reducing waste during production and ensuring that products are recycled or reused at the end of their life cycle. For example, businesses that produce physical goods are expected to adopt practices that minimise packaging waste, use biodegradable materials or implement take-back schemes. Nevertheless, as K. Hockerts and R. Wüstenhagen (2010) observe, incorporating these waste-reduction processes into business models can result in increased operational complexity and costs. In order to effectively manage waste, entrepreneurs must invest in new processes, technologies, and partnerships. Those that succeed in adopting circular economy practices, whereby waste is repurposed as an input for new production, may gain competitive advantages.

However, the transition is not without substantial investment and learning curves.

5) Public perception and the risks of greenwashing. Sustainable entrepreneurs must also contend with the growing public demand for environmental responsibility. Consumers are increasingly aware of the environmental impact of the products they buy and expect companies to take meaningful action towards sustainable development. However, this poses a challenge: companies that are perceived as "green" or falsely advertise their environmental efforts risk facing a significant backlash. Economists M. A. Delmas and V. C. Burbano (2011) emphasise that greenwashing undermines consumer confidence and can damage a company's reputation. Entrepreneurs are confronted with two significant challenges: the investment in authentic sustainability initiatives and the transparent communication of their efforts, without any exaggeration. This necessitates the formulation of a meticulous strategy, as the dissemination of deceptive environmental claims can result in regulatory sanctions or a diminution of consumer confidence.

Figure 3 illustrates the environmental challenges in business.

From the dearth of raw materials to the regulatory pressures associated with climate change, entrepreneurs must reconcile ecological responsibility with economic viability. Although these challenges initially impose financial burdens and operational complexity, they also present opportunities for innovation and market leadership. Those entrepreneurs who are able to successfully address environmental

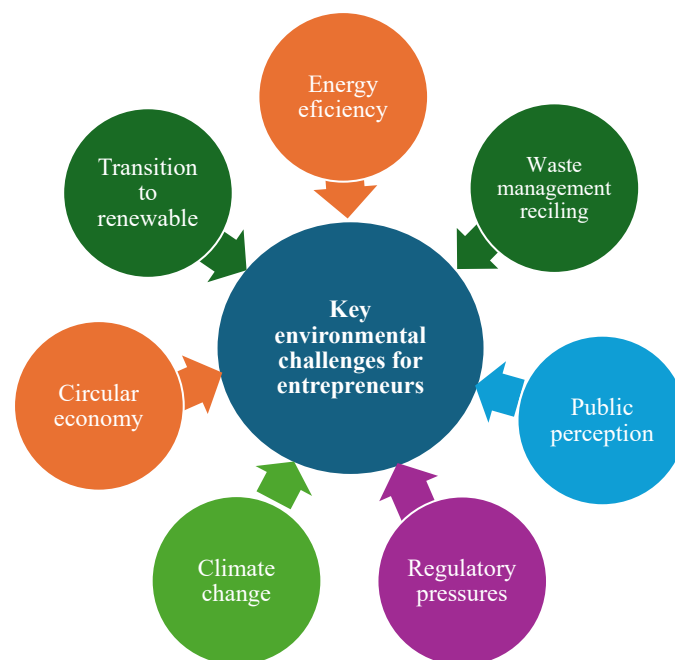


Figure 3. Key environmental challenges for entrepreneurs

challenges through the implementation of sustainable practices, efficient resource utilisation and transparent communication will be well-positioned to flourish in an increasingly eco-conscious global market.

Despite the many challenges faced by sustainable entrepreneurship, there are a number of opportunities that entrepreneurs can take advantage of to turn obstacles into opportunities.

4. Opportunities for Sustainable Entrepreneurship

Sustainable entrepreneurs may gain a competitive advantage by offering innovative products and services that meet the growing demand for environmentally friendly and socially responsible alternatives. There is a growing tendency among consumers, particularly younger generations, to give priority to sustainability in their purchasing decisions. This shift in consumer preferences presents opportunities for businesses that can innovate in the areas of green technologies, eco-friendly products, and ethical practices.

There is a growing corpus of financial resources allocated to sustainable business initiatives, encompassing green bonds, impact investing, and venture capital with a specific focus on sustainability. A variety of governmental, intergovernmental, and financial institutions are offering grants, loans, and tax incentives for sustainable projects. Those engaged in entrepreneurial activities who adopt environmentally responsible practices are able to access these sources of capital, thereby overcoming financial barriers and scaling their operations.

While regulatory frameworks can pose challenges, they also present opportunities. Many governments are implementing policies that support sustainable business development, such as renewable energy subsidies, recycling programmes and waste reduction initiatives. Entrepreneurs who align their business with these policies can gain a competitive advantage and benefit from regulatory incentives designed to promote sustainable development.

Collaboration with other companies, NGOs and government agencies can help sustainability entrepreneurs share resources, knowledge and technology. By forming strategic partnerships, entrepreneurs can reduce costs, increase supply chain transparency, and gain access to new markets. In addition, partnerships with educational institutions

or research centres can contribute to the development of new sustainable technologies.

The concept of sustainability is becoming an increasingly important consideration for many consumers, particularly in Western markets. Entrepreneurs who are transparent about their sustainability efforts can cultivate robust customer loyalty and foster more profound engagement with socially conscious consumers. Such brand loyalty can result in long-term competitive advantages, particularly as consumers tend to favour companies that align with their personal values.

5. Conclusions

Sustainable entrepreneurship faces numerous interconnected challenges, ranging from financial and technological constraints to cultural and regulatory constraints, all of which require a multifaceted approach to overcome.

The success of sustainable businesses is significantly shaped by consumer awareness, cultural values, and purchasing habits. This underscores the vital importance for entrepreneurs to invest in educational and engagement strategies to foster market acceptance.

In order to successfully implement sustainable practices, entrepreneurs require access to advanced, eco-friendly technologies. However, high costs and skill gaps often present significant operational barriers that can stifle innovation.

Managing sustainable supply chains and regulatory compliance add complexity to operations, requiring businesses to balance efficiency with compliance, often requiring strategic partnerships and transparency.

In order for sustainable entrepreneurship to flourish, it is essential that there is a greater level of institutional, governmental, and market support in place to alleviate the financial, technological, and operational burdens, thereby ensuring that sustainability becomes a viable and competitive advantage.

The evolution of policies favouring sustainability and the increasing consumer preference for ethical brands create additional advantages for sustainable entrepreneurs. By capitalising on these opportunities, entrepreneurs can build strong brand loyalty and customer engagement, which ultimately transforms challenges into competitive advantages. Entrepreneurs who adapt to this evolving landscape are well-positioned to thrive in the longer term, thereby contributing to both economic growth and environmental sustainability.

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