

CHAPTER 1

Introduction

This is an empirical study aiming to explore business orientations that significantly explain business sustainability and to examine their strengths of associations under different levels of environment uncertainty. It places a particular emphasis on small and medium enterprises in Thailand as a sample of the study. This chapter is to introduce the significance of the study. It firstly presents the rationale and the purposes for the study. Then, it describes the definition of important terms, and finally describes the contributions of the study.

1.1 Rationale for the Study

Sustainability is an emerging mega trend in business context (Earnst & Young 2012, Lubin & Esty 2010). Enterprises nowadays are pressured to conduct their business with social and environmental contributions (Benn & Dunphy 2007, Moore & Wen 2008). Regulation and legislation force enterprises to commit accordingly to several issues such as human right, labor standard and environmental preservation, etc. In addition, corporations are encouraged to disclose social and environmental impacts by publishing sustainability report or by including sustainability part in their annual report. In addition, stakeholders pay closer attention to social and environment matters. Consumers respond more negatively to poor sustainable companies than high sustainable ones (Choi & Ng 2011). They are more likely to spend more on fair trade products or organic environment friendly (Moore & Wen 2008). In addition, they do not respond favorably to low prices when they have information about the firm's poor environment sustainability (Choi & Ng 2011).

In business context, sustainability is the combination of values in three pillars: economic, social, and environmental pillars. For business sustainability, goals for profit and economic returns are insufficient. Achieving only own profit and wealth but neglecting social and environmental issues is too risky for a long term success. Profit

maximization therefore is inapplicable to meet the requirement. Enterprises need to seek for business conducts to create ideal economic, social and environmental values.

Since the majority of enterprises in most countries around the world are small and medium sizes (eg. Bosma et al. 2012, Eurostat 2007, Japan Small Business Research Institute 2007, OSMEP 2013), it is impossible for the enterprises to ignore this business necessity. Although the enterprises are critical for economic development, knowledge for sustainable development and sustainability in business enterprises are exclusively reserved for large industrial companies. With simple structure and limited resources, the enterprises preferably need a simple, pragmatic and effective format differently from large size organizations to achieve long term sustainable success (Dean et al. 1998). The study hence is mainly to contribute theoretical knowledge for business sustainability of small and medium enterprises.

Entrepreneurship theory, which is very much related to business success for small and medium enterprise, posits that entrepreneurial orientation is a driver for sustainable financial performance (Covin & Slevin 1991, Lumpkin & Dess 2001, Kreiser et al. 2002, Ireland et al. 2003, Covin et al. 2006, Rauch et al. 2009). However, there is a limitation to explain how the orientation can lead small and medium enterprises to sustainability achievement. The association of entrepreneurial orientation and non-financial performance is less straightforward (Rauch et al. 2009). In other words, the orientation drives only economic gains but fails to explain benefits in social and environmental issues. Hence, there is a need to explore additional knowledge for small and medium enterprises to strive for all economic, social, and environmental benefits.

To bridge the knowledge gap, the study introduces collaborative orientation, based on stakeholder theory, as the explainer for business sustainability. The orientation engages collaborating and networking with stakeholders and conducting business with ethics and responsibility. The study proposes that small and medium enterprises that embed entrepreneurial orientation and collaborative orientation into their business conducts will achieve business sustainability success.

In addition to studying the orientations for business sustainability, the study also examines contingency conditions explaining how environment uncertainty affects the relationships between the orientations and business sustainability. Since small and medium enterprises are resource based approach, they need to operate their business accordingly to environment situations. The associations between the two orientations and business sustainability may be varied by environment uncertainty.

Hence, it would be valuable for small and medium enterprises to understand this effect in business sustainability context and set their orientation appropriately to their external situations.

In response to this, the study is also to examine the effects of entrepreneurial orientation and collaborative orientations on business sustainability in the context of small and medium enterprises, as well as to examine the contingency effects of environment uncertainty on the relationships. Enterprises in Thailand will be a sample for the study. The result of the study will be helpful for small and medium enterprises to embed appropriate orientations for business sustainability, accordingly to environment uncertainty.

1.2 Objectives of the Study

The study aims to achieve the three following objectives:

- 1) To establish whether entrepreneurial orientation and collaborative orientation are drivers for business sustainability of small and medium enterprises.
- 2) To empirically study the strengths of the effect of the two orientations on business sustainability of small and medium enterprises.
- 3) To empirically study the moderating effects of environment uncertainty on the relationships between the orientations and business sustainability.

1.3 Definition of Terms

This study is based on the following definitions:

- 1) Small and medium enterprises are business enterprises with less than 200 employees or fixed assets less than 200 million Baht.
- 2) Business orientations are organization's principle for business conducts. The orientations for the study include entrepreneurial orientation and collaborative orientation.
- 3) Business sustainability is organization's outcomes as measured by economic, social and environmental aspect.

1.4 Contributions of the Study

This study provides the three following contributions:

1.4.1 Theoretical Contribution

- 1) This is the first study that empirically examines the simultaneous effect of the two orientations, entrepreneurial and collaborative orientation, on business sustainability.
- 2) This is the first study that empirically examines the moderating effect of environment uncertainty on the relationships between the two orientations and business sustainability.

1.4.2 Empirical Contribution

- 1) The study develops valid and reliable measures to assess collaborative orientation
- 2) The study develops valid and reliable measures to assess business sustainability as measured by economic, social and environmental outcomes.

1.4.3 Managerial Contribution

- 1) The result of the study provides recommendations for entrepreneurs, strategists and policy makers to embed appropriate orientations for business sustainability of small and medium enterprises.

- 2) The result of the study provides recommendations for entrepreneurs, strategists and policy makers to embed appropriate orientations under different levels of environment uncertainty for the success of business sustainability.

This chapter has introduced the rationale, objectives, definition of terms, and contributions of the study. The remainder of the study will be divided into four chapters. The second chapter will present literature and related studies pertinent to business sustainability, business orientations for small and medium enterprises, and environment uncertainty and their relationships. In addition, the chapter will propose a theoretical framework and statements of hypothesis for the study. The third chapter will present research methodology for the study. The fourth chapter will report the results of the study. Finally, the last chapter will furnish conclusion, discussion and recommendations.