Abstract: The government has integrated sustainability management into its agenda to rectify environmental degradation. A new study called “sustainability entrepreneurship”, which relates sustainability management with entrepreneurial endeavors has also been established. Sustainability management is crucial because it allows small and medium enterprises (SMEs) to develop competitive advantages by fulfilling customers’ demand for sustainable products. However, the participation of SMEs in sustainability management is low and many of them fail to disclose their environmental information. This phenomenon has caused problems in encouraging sustainability management commitment among SMEs and failure in achieving 17 Sustainable Development Goals (SDGs). Therefore, this paper aims to unravel the relationships of institutional elements on proclivity on sustainability entrepreneurship among SMEs. Based on a review of existing literature on Institutional factors, a proposed model was developed to assess proclivity towards sustainability entrepreneurship among SMEs. The result of this study would be useful to create the knowledge of institutional theory and the actual behavior of proclivity of sustainability entrepreneurship, to create new knowledge in the future. This research contributes to universities, policymakers and business practitioners. As for universities, it helps to develop a new model to enrich the literature in entrepreneurship studies. In terms of policymakers and business practitioners, it helps to identify important factors in developing true sustainability entrepreneurs among SMEs.

Keywords: Proclivity, Sustainability, Social Norms, Time-Orientatio,n Government Actions.

1. Introduction

Ecosystems are currently subjected to tremendous environmental, economic, and social pressures. Plans for sustainable development address economic crises, inequality of opportunity, unemployment, conflict, disease, climate change, and poverty. Research on sustainable entrepreneurship that incorporates the environmental, social, and economic triads, particularly among SMEs, is scarce (Binder and Belz, 2015). Recent articles on research conditions in the field of sustainable entrepreneurship (Sarango-Lalangui, Santos and Hormiga, 2018; Gast, Gundolf, and Cesinger, 2017) demonstrate that there are still numerous research gaps. As stated in the Eleventh Malaysia Plan (2016) from 2016 to 2020, the Malaysian government is committed to giving top priority to the welfare of its citizens in all development endeavors and carrying out initiatives for economic progress to improve the overall standard of living. In line with the 2030 Sustainable Development Agenda, the government is now conducting a mid-term assessment and incorporating the 17 Sustainable Development Goals (SDGs) into its six main initiatives, which are of utmost importance. In addition, the government has indicated the Shared Prosperity Vision 2030 (SPV 2030) to implement economic inequalities and guarantee a decent quality of life for every Malaysian citizen. As per SME Magazine Asia (2021), Malaysian businesses are under pressure from rivals, the government, and investors to embrace more sustainable practices. With sustainable measures, Malaysian organizations can attain three primary results: heightened operational efficiency, enhanced transparency and traceability, and augmented sales. Sengupta (2021) states that SDGs facilitate the alignment of company strategies with current societal needs. Nevertheless, a significant number of business owners and executives fail to embrace or fully recognize the imperative nature of sustainable development in their economic endeavors.

In this context, there is a focus on the requirements of future entrepreneurs through the creation of value for people, planets, and profits stated by Tilley and Young, (2009). According to the New Straits Times (2019, July 11), the National Entrepreneurship Policy (NEP) is intended to initiate a culture of entrepreneurship in the country and to establish a holistic and conducive entrepreneurial ecosystem to support a comprehensive, balanced, and sustainable socioeconomic agenda. According to Haigh and Hoffman (2014), entrepreneurs' motivations are influenced by sustainability concerns. Therefore, more effort is required from researchers to
progress away from the current context of entrepreneurship to include topics such as continuity stated by Zachary and Mishra (2011), which concentrate on major business contributors such as SMEs. Meanwhile, researchers have neglected the psychological or cognitive domain for decades (Casrud and Brannback, 2011). Motivation, inclinations, and tendencies have not been thoroughly investigated. As stated by Schwarz (2009), it is necessary to comprehend the factors that influence entrepreneurial tendencies. Consequently, investigating the determinants of entrepreneurial tendencies, particularly sustainability entrepreneurship, is a crucial stage in determining how to cultivate competitive sustainable entrepreneurs. It is widely accepted that the institutional environment is capable of influencing businesses of all sizes; however, studies on the effect of the institutional environment on small and medium-sized enterprises (SMEs) remain scarce. This has led to a dearth of comprehension of business practitioners’ propensity to continue entrepreneurial behavior. A lack of conceptual understanding can result in improper planning for sustainable entrepreneurial development, thereby discouraging business owners from participating. Thus, this study is necessary to enhance the productivity of SMEs in Malaysia by providing them with comprehensive insights and practical guidelines on sustainable entrepreneurship. By focusing on the principles of sustainability, the study objective is to equip SMEs with the knowledge and tools required to implement environmentally friendly, socially responsible, and economically viable business practices. This will help SMEs to improve their operational efficiency and market competitiveness and also contribute positively to Malaysia's overall sustainable development goals.

2. Literature Review

Sustainability Entrepreneurship
Entrepreneurship is the act of insightful individuals identifying a gap in the market or desire and taking benefit of the chance by transforming their ideas into a profitable reality (Schaper, 2002). Sustainable entrepreneurship is an issue of research and practice that focuses on the integration of sustainable development and entrepreneurship (Cohen and Winn, 2007). This concept aligns perfectly with the explanation presented by Dean and McMullen (2007), who define sustainable entrepreneurship as the systematic exploration, assessment, and exploitation of economic possibilities that result from market failures that affect sustainability, primarily issues related to the environment. Despite the definition of a sustainability entrepreneur has evolved, Schlange (2006) made the effort to describe it as "someone who emphasizes ecological views in their business vision rather than traditional entrepreneurial goals." Entrepreneurs are required to balance the goals of sustainable development and wealth growth considering the growing recognition of environmental and social issues (Tilley and Young, 2009). Sustainability entrepreneurship, defined by O’Neill et al. (2009), refers to the development of forming ventures that connect the actions of entrepreneurs to the formation of firms that strive to contribute to the sustainable development of the social-ecological system.

The sustainable entrepreneurship model developed by Tilley, F. et.al in 2003 proposes for integration of twelve factors, such as environmental stability, social responsibility, ecological equity, economic equality, sufficiency, futurity, socio-effectiveness, socio-efficiency, and others. This concept integrates both environmental and social entrepreneurship to establish future sources of wealth creation. Therefore, sustainable entrepreneurship has emerged as an essential zone of research on entrepreneurship. According to Graham (2010), sustainability management developed in the 1970s and has significantly influenced people's perspectives on environmental resource challenges. Sustainability refers to an organization's ability to sustain its business operations without causing harm to social or ecological systems. This can be achieved by voluntary actions or actions imposed by law (Smith and Sharicz, 2011). Gray et al. (2014) argue that sustainable entrepreneurship provides a sustainable result for social, economic, and ecological issues. Belz and Binder (2015) identified sustainable entrepreneurship as a beneficial interdisciplinary topic of research that brings together sustainable management and entrepreneurship. According to Dorado-Mayorga (2020) states that to achieve sustainable entrepreneurship, enterprises must not only provide economic viability but also make important contributions to social development and environmental sustainability.

Institutional Theory
Institutional theory is often regarded as a superficial and unsubstantial critique. This model lacks an emancipatory aim, and most institutional studies possess the ability to aggregate power over hegemony. When interacting with institutional 'great challenge', theorists often overlook the broader system of control in favor of smaller, more controllable problems (Munir, 2019). Currently, there is no singular and universally
acnowledged delineation of institutions. However, institutional theory refers to the underlying and enduring components of social organization (Scott, 2004). The author specified that the elements of social structure include cultural cognitive, normative, regulative, and so on. According to Björck (2004) developed that the social structure is established and maintained by individuals through the process of socialization or internalization. Put simply, institutions or social structures have the power to shape an entity's choices and determine whether they will exhibit a particular behavior or not. The literature demonstrates that institutional theory has been widely employed in exploring information systems and marketing. Many scholars have utilized institutional theory to study entrepreneurship, in response to the increasing interest in promoting entrepreneurial activities based on Zhai and Su (2019). This study specifically examines three components of institutional theory: governmental, social, and cultural. It analyses how these factors impact the inclination of small and medium-sized enterprises (SMEs) towards sustainability entrepreneurship.

**Cultural Dimension: Time Orientation**

Hofstede (1980) showed that culture exhibits a direct impact on behavior among people. The values and beliefs of an entrepreneur can either support or hinder their desire to be an entrepreneur (Hayton, et.al, 2002). Culture can be described as the level to which societies perceive entrepreneurship as exciting and beneficial stated by Zhao, Li, & Rauch (2012). Various institutional theories have been studied on this issue (Koe & Majid, 2014). Institutional theory features the impact of cultural forces on managerial decision-making, which subsequently shapes the operation of organizations, including the implementation of sustainable practices. Cultural level issues are rarely analyzed and discussed in the present literature. Majid & Koe (2012) argue that to attain sustainable development, culture must be recognized as a fourth fundamental element. O'Neill et al. (2009) argue that culture has a pervasive impact on every aspect of an organization, including management, leadership, decision-making, and the pursuit of sustainability entrepreneurship. It is necessary to specifically address the task of empirically examining the correlation between culture and sustainable development. The Cultural Dimension Hofstede's (1980) concept of time orientation consists of two components: short-term orientation and long-term orientation. The performance and decision-making of firms are affected by long-term orientation (Mosakowsky & Early, 2000). Prior scholars have examined the correlation between time orientation and entrepreneurial activity (Dantas, Moreira, & Valente, 2015).

Time orientation refers to an entity's connection with a fact temporal environment or point in time (Saji, 2004). (Hofstede, 1991) Nations with a long-term focus, such as South Korea, China, Hong Kong, Taiwan, and Japan, have experienced the most rapid economic expansion worldwide. Furthermore, individuals from cultures that emphasize long-term goals tend to engage in higher levels of entrepreneurial behavior compared to individuals from other cultures. More precisely, these individuals exhibit traits such as determination, thriftiness, consistent dedication to achieving long-term results, and an ability to prioritize their goals over personal desires (Dantas, Moreira, & Valente, 2015). Trompenaar (1993) further discusses how people possess an inclination to focus on the past, present, or future. Given that sustainable management is a task that spans over a long period, individuals with varied perspectives on time may respond in diverse ways to it. Nevertheless, this assumption has not been proven thus far. One other element of Trompenaars' (1993) Seven Dimensions of Culture is the human-nature interaction orientation, which efforts on the utilization of natural resources. According to his perspective, some people advocate for compromise and maintaining an understanding relationship with nature, but others argue that it is essential to control and manage nature. According to Yoon and Tello (2009) provide evidence that businesses that prioritize corporate social responsibility (CSR) are more committed to sustainable innovation compared to other enterprises. Trompenaars (1993) has not provided an in-depth analysis of how this attitude influences individuals' business conduct. Hence, it indicates that individuals' background in culture influences their company's operations. Schick et al. (2002) examine the impact of ecological orientation on the initiation of a sustainable business. Additionally, Kuckertz and Wagner (2010) also found a positive association between a focus on sustainability and the intention to engage in entrepreneurial activities.

**Social Dimension: Social Norms**

Ajzen & Fishbein (1975) and Ajzen (1991) confirmed the influence of social norms on individuals' behaviors. A social norm is "perceived social pressure to perform or refrain from performing a certain behavior" (Ajzen, 1991). It is social pressure that motivates individuals to alter their behavior and has a direct impact on the efficiency of social norms. Similarly, Lipset (2000) asserted that social norms exist at the group level, indicating
that a group holds a particular value in high regard. This is supported by Tankard and Paluck (2016), who states, "Humans are especially motivated to understand and follow the patterns of groups to which they belong and to which they feel a strong attachment". Influences from others should not be overlooked in the study of sustainability intentions. Researchers have demonstrated that social pressure, such as the views or perceptions of positioned persons, family, friends, colleagues, or business partners, is a significant influencer of sustainable behavioral intention and ecological behavioral intention (Vermeir & Verbeke, 2008).

Meek et al. (2010) explain that social norms play a significant role in influencing the environmental entrepreneurial behavior of individuals. Cialdini (2003) and Ostrom (2000) have demonstrated that the natural environment influences the effectiveness of social norms in altering the behavior of individuals. According to Yaacob (2010), entrepreneurs engaged in green enterprises were significantly influenced by their spouses and other close relatives. De Clercq and Voronov (2011) also explain that the beliefs and preferences of industry participants may influence entrepreneurs’ decisions regarding the balance between sustainability and profitability. This implies that changes in the behavior of entrepreneurs will enhance the environmental and social sustainability of businesses and their respective industries. Spence et al. (2010) argue that social variables should not be ignored when attempting to influence individuals toward sustainability.

Governmental Dimension: Governmental Actions

The committed engagement of political leaders and the intervention of the government are crucial in attaining the sustainability goals of a country and fostering the growth of sustainable entrepreneurship (Kuckertz and Wagner, 2010). When a government includes environmental preservation measures as part of its objectives, it will encourage entrepreneurs to integrate environmental principles into their businesses. According to Schlange (2006), a sustainability strategy or plan can serve as a framework for entrepreneurs to effectively balance their environmental and business goals. While many businesses may not view the legislation as the sole means of promoting environmental concerns, it is important to recognize the government’s role in enhancing environmental initiatives among businesses through the implementation of suitable rules and regulations (Rasi et al., 2010). Governmental rules and regulations might be seen as the primary incentive for firms to participate in environmental activities. However, small and medium-sized enterprises (SMEs) are typically exempted from these restrictions.

Jennings and Zandbergen (1995) have shown that rules and the enforcement of regulations are the primary factors that drive enterprises to adopt environmental management practices. Albrecht (2002) has also validated the notion that environmental entrepreneurship developed because of the implementation of environmental protection laws and regulations. As countries prioritize both economic development and environmental conservation, they aim to create a sustainable society (Zhang et al, 2019). The impact of governmental entities is the most prominent factor in the acceptance of environmental applications by enterprises (Delmas & Toffel 2004). These programs have dual objectives: to promote environmental benefits through sustainability entrepreneurship and to have a good economic impact on the sustainable economy. According to O’Neill and Gibbs (2014), a sustainable economy can be achieved through green entrepreneurship that integrates environmental, social, and economic goals. Kotabe et al. (2017) state that government policies, support, and regulation of industrial development are crucial for promoting entrepreneurial activity (Minniti, 2008). Undoubtedly, legislation and incentives are consistently effective in motivating individuals to adopt specific behaviors.

3. Conceptual Framework

Figure 1 depicts the conceptualizing framework that was developed for this study. The framework is constructed and founded on a thorough evaluation of the literature to examine the proclivity towards sustainability entrepreneurship. The framework incorporated the extended Institutional Theory comprised of time orientation, social norms and governmental actions.
4. Hypotheses of the Study

The research aims to identify the relationship between time orientation, social norms, governmental actions, and the proclivity of sustainability entrepreneurship among SMEs.

**H1:** There is a positive relationship between time orientation and proclivity sustainability entrepreneurship among SMEs.

**H2:** There is a positive relationship between social norms and the proclivity of sustainability entrepreneurship among SMEs.

**H3:** There is a positive relationship between governmental actions and proclivity sustainability entrepreneurship among SMEs.

The independent variables contribute to the proclivity towards sustainable entrepreneurship as an intervening variable, while actual use serves as the dependent variable. Hypotheses H1, H2, and H3 will be examined using these variables to ascertain if there is a positive correlation between time orientation, societal norms, governmental actions, and the proclivity towards sustainability entrepreneurship. The suggested model aims to assess the influence of institutional environments on the proclivity towards sustainability entrepreneurship.

5. Potential Outcome and Direction for the Future Research

Our future study will concentrate mainly on small and medium-sized firms (SMEs) in Malaysia. This analysis will use an exploratory sequential mixed-method research design, which entails integrating qualitative and quantitative data. This study concentrates on small and medium-sized firms (SMEs) operating in the manufacturing sector in Malaysia. The study will focus on the demographic breakdown of small and medium-sized manufacturing businesses (SMEs) registered in the directory of the Federation of Malaysian Manufacturers (FMM). Data will be gathered using a questionnaire that individuals will complete on their own. This study gathered data from owner-managers of small and medium-sized firms (SMEs) as the unit of analysis. The data was acquired once using a cross-sectional time frame. The data will be analyzed via the Partial Least Squares Structural Equation Modelling (PLS-SEM) methodology. The first stage of data analysis included purification of data and descriptive analysis. In the second phase, the emphasis is primarily on conducting statistical analyses, especially evaluating the measurement model and structural model, as well as conducting testing of hypotheses.
Conclusion
The study will utilize the proposed model to examine the relationship between time orientation, social norms governmental actions and proclivity of sustainability entrepreneurship. The hypotheses of this study are based on Institutional Theory to investigate the proclivity of sustainability entrepreneurship. Then, to prove these hypotheses, several measures have been proposed to support a model of factors influencing the proclivity of sustainability entrepreneurship among SMEs and to provide an overview of future research. Furthermore, this research also can help to identify whether SMEs that establish a large distribution of business behaviors in the country intend to engage in sustainability practices. This research will contribute to the cultivating body of knowledge on sustainability entrepreneurship by providing insights into practice in a developing country such as Malaysia. It will offer valuable lessons for policymakers, practitioners and researchers interested in harnessing sustainability entrepreneurship for future practices.

Acknowledgment: The authors express their sincere appreciation to the Ministry of Higher Education (MOHE) Malaysia for funding this research project through the Fundamentals Research Grant Scheme (FRGS) with the code [FRGS/1/2021/ss01/UiTM/03/7], as well as to Universiti Teknologi MARA (UiTM) [600-RMC/FRGS 5/3 (127/2021)].

References


Ministry of Economic Affairs, Shared Prosperity Vision 2030; Percetakan Nasional Malaysia Berhad: Kuala Lumpur; Malaysia, 2019.


