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Entrepreneurship and Legislation: Pillars for Sustainable Development

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Abstract

This article analyzes entrepreneurship and legislation as fundamental pillars for achieving sustainable development, particularly in the Ecuadorian context. It examines the current challenges faced by entrepreneurs, including excessive bureaucracy, legal uncertainty, limited access to financing, lack of innovation incentives, and insufficient business education. Drawing on theoretical frameworks such as the Triple Bottom Line, the Theory of the Innovative Entrepreneur, and the Theory of Regulation, the study highlights how aligned public policies and legal frameworks can foster sustainable entrepreneurship. Using a qualitative and exploratory methodology based on semi-structured interviews with entrepreneurs, legislators, and experts, the research reveals both barriers and successful practices in promoting sustainable development. The results emphasize the need for coherent regulations, financial incentives, and collaborative strategies between the public and private sectors to create a more inclusive, resilient, and environmentally responsible economy.

Keywords: *Sustainable Development, Entrepreneurship, Legislation, Regulation, Business Innovation, Ecuador, Triple Bottom Line, Public Policy, Economic Growth, Environmental Responsibility.*

Introduction

In the constant search for sustainable development, the crucial importance of two fundamental elements is evident: entrepreneurship and adequate legislation. These pillars not only sustain a country's economic growth, but are also key to building more equitable, resilient and environmentally responsible societies, contributing to generating greater national and international competitiveness.

Entrepreneurship, understood as the ability to undertake, innovate and create value, is the engine that drives the economic activity of any nation. When an environment conducive to entrepreneurship is fostered, the door is opened to job creation, business growth, and the emergence of new ideas and solutions for current challenges, improving socioeconomic indicators, such as family income, employment, wages, consumption, among others.

On the other hand, legislation plays a fundamental role in the regulation and guidance of business activities. Clear, transparent legislation adapted to market realities is essential to ensure a level playing field for all companies, protect the rights of workers and consumers, and promote responsible business practices are the current challenges within the Ecuadorian economy.

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This article will explore the intersection between entrepreneurship and legislation as pillars for sustainable development, and discuss how these two forces can work together to boost the economy, protect the environment, and promote social well-being. In addition, examples of good practices and policies that have proven to be effective in different contexts will be examined.

By understanding the importance of entrepreneurship and legislation in sustainable development, a path to a more prosperous, just and sustainable future can be charted for generations to come.

The purpose of this article is: To analyze entrepreneurship and legislation as fundamental pillars to obtain sustainable development.

Problem:

In the search for sustainable development, Ecuador faces several challenges related to entrepreneurship and current legislation, among which the following stand out:

Regulation and bureaucracy: The excess of procedures and bureaucracy in which many national and foreign investors and entrepreneurs face is linked to a very complex regulatory framework, which makes it difficult to create and operate new companies. Entrepreneurs face numerous administrative procedures and associated costs that can discourage the formalization of companies or businesses, which hinders the creation of jobs and the injection of liquidity into the local and national economy.(Santillan, 2022)

Legal uncertainty: The lack of stability and predictability in business laws and regulations creates uncertainty for investors, both domestic and foreign. Frequent changes and frequent constitutional and doctrinal amendments generate an unfavorable and negative climate in the business environment. In addition, fiscal and labor policies that do not have a direct impact on society and at the business level, because they are focused on the restriction of capital due to the surplus of taxes, contributions and fees that have been stipulated for the creation of companies.(Orquera, 2023)

Limited access to credit and capital: Many small and medium-sized companies in Ecuador have difficulties in accessing adequate financing. High interest rates, strict requirements and the lack of collateral make it difficult to obtain the necessary credits to grow and expand with future projection and access to better technologies.(Escobar, 2018)

Lack of investment in innovation: The lack of financing mechanisms that promote innovation and technological development limits the ability of companies to compete in a global and sustainable market, because it is immersed in traditional processes, in which unnecessary time and resources are consumed, instead of optimizing them and obtaining a better result with employment and access to better technologies. clean and sustainable.(Padilla, Quispe, & Nogueira, 2018)

Deficit in business education: There is a significant gap in the education and training of entrepreneurs and businessmen in Ecuador. The lack of educational and training programs focused on business and management skills impedes the development of competencies necessary to run businesses efficiently and sustainably.(Coello, 2023)

Low entrepreneurial culture: The entrepreneurial culture is still developing, and entrepreneurs often lack the necessary support to develop innovative and sustainable ideas. In addition to the technical knowledge they must have, which generates entrepreneurial culture, the idea of starting a business and transforming it into a company is a current challenge for new generations, thinking about investing and expanding are concepts that are in the minds of entrepreneurs.(Orozco, 2021)

Implementing sustainable practices: Many Ecuadorian companies have yet to fully adopt sustainable practices due to a lack of incentives and clear regulations that promote environmental and social responsibility. Environmental laws are often not enforced effectively, allowing for business practices that can be harmful to the environment.(Muñoz, 2019)

Inadequate government support: Although there are government initiatives to support business development, many of them lack effective and coherent implementation. Lack of coordination between different levels of government and inefficiency in policy implementation negatively affect support for businesses. Tax incentives and benefits for sustainable companies are limited, which reduces the motivation to invest in clean technologies and eco-efficient processes.(Bautista, 2022)

The combination of complex regulation, difficulties in accessing financing, deficiencies in business education and training, lack of sustainable practices and insufficient government support constitutes the current problem to achieve sustainable development in Ecuador. Overcoming these obstacles requires comprehensive reform of policies and legislative frameworks, as well as greater collaboration between the public and private sectors to foster an entrepreneurial culture that promotes sustainability and social responsibility.

Development:

According to the 1987 Brundtland Report, sustainable development is defined as that which meets the needs of the present without compromising the ability of future generations to meet their own needs.

Theory of Sustainable Development:

Triple Bottom Line (TBL): Proposed by John Ellington in 1994, this theory suggests that companies should evaluate their performance and success not only in terms of economic benefits, but also in terms of their social and environmental impact. TBL focuses on three main pillars, known as the "three P's": People, Planet, Profit.(Gamboa, Salinas, & Salcedo, 2022)

People: Social impact assesses how the company's activities affect all stakeholders, including employees, customers, suppliers, local communities, and society at large. Likewise, corporate social responsibility through policies promotes employee well-being, fair working conditions, diversity and inclusion, community development and other social aspects. Indicators such as working conditions, fair wages, gender equality, contributions to the community and quality of life.

Planet: Environmental impact looks at how the company's operations affect the environment, including the use of natural resources, greenhouse gas emissions, waste generation, energy and water consumption, and other environmental aspects. Environmental sustainability, strategies to minimize environmental impact, such as the use of renewable energies, recycling, emission reduction, eco-design of products and sustainable resource management. The measurement of environmental impact, through indicators such as carbon footprint, water footprint, amount of waste generated and recycled, energy consumption and energy efficiency.

Profit: Economic performance refers to the financial benefits and economic performance of the company, including revenue, costs, profit margins and profitability, economic sustainability, the ability of the company to generate long-term sustainable income and profits, ensuring its economic viability and its ability to reinvest in its operations and community. The measurement of economic performance through financial indicators (revenues, net profits, return on investment and others).

In conclusion, the Triple Bottom Line (TBL) is a comprehensive theory that promotes a holistic view of business success, considering not only the economic benefits, but also the social and environmental impact. Although its implementation presents challenges, TBL offers a valuable framework for companies to contribute to sustainable development and manage their responsibilities in a balanced and responsible manner.

On the other hand, entrepreneurship is the ability and willingness to develop, organize and manage a business with the aim of obtaining profits, while assuming financial risks.

Theory of Entrepreneurship:

Theory of the Innovative Entrepreneur (Schumpeter): Joseph Schumpeter highlighted the role of the entrepreneur as an innovator who drives economic development through "creative destruction".(Querejazu, 2020)

It is one of the most influential contributions in the field of economics and entrepreneurship. This theory focuses on the role of the entrepreneur as the main agent of change and economic development through innovation. Schumpeter introduced the concept of "creative destruction," which describes the process by which innovations destroy old industries and create new ones, thus driving economic progress. This process is essential for economic growth and transformation.

Schumpeter's Theory of the Innovative Entrepreneur highlights the crucial role of entrepreneurs in driving economic development through innovation. "Creative destruction" is a fundamental process for the growth and transformation of economies. However, it is important to balance the benefits of innovation with the management of its social and environmental impacts in order to achieve sustainable and equitable development.

Theory of Creating Shared Value (Porter and Kramer): Holds that companies can generate economic value by simultaneously creating social value by addressing societal needs and challenges. The Creating Shared Value (CSV) Theory was developed by Michael Porter and Mark Kramer. This theory holds that companies can generate economic value and simultaneously create social value by addressing social and environmental challenges.(Cuevas & Royo, 2022)

Porter and Kramer's Theory of Creating Shared Value provides a framework for companies to integrate social and environmental concerns into their business strategy, generating economic and social benefits. By focusing on reinventing products and markets, redefining productivity in the value chain, and developing local clusters, companies can create shared value that benefits both society and their own long-term sustainability.(Quiliche, 2020)

Finally, legislation is the set of laws and regulations that govern business activity, including environmental, labor, and economic aspects. The role of government in establishing policies and regulations that promote sustainable development.

Theory of legislation:

Theory of Regulation: Examines how regulations can influence the behaviour of companies and the achievement of social and environmental objectives.(Musacchio, 2018)

Regulation Theory is a focus in economics and political science that studies how government rules and regulations influence the behavior of businesses and markets. It focuses on understanding why regulations are implemented, how they are designed, and what their impact is on the economy and society. Regulation theory examines how government interventions through laws and regulations affect business behavior, market efficiency, and social welfare. It focuses on the objectives, processes, and outcomes of these regulations.

Regulation Theory offers a framework for understanding how and why regulations are implemented, as well as their impacts on the economy and society. While regulations are essential to correct market failures and protect the public interest, they also present challenges and risks that need to be carefully managed. A balanced and well-designed approach can maximize the benefits of regulation while minimizing its costs and adverse effects.

Theory of the Common Good: Proposes that laws and policies should be oriented towards the general welfare of society. The Theory of the Common Good is a philosophical and economic framework that seeks to orient human and social activity towards the collective benefit and general well-being of the community. This theory is based on the idea that certain goods and resources should be managed in a way that benefits all members of society, rather than privileging individual or corporate interests.(Castaño, 2019)

The common good refers to the resources, conditions, and benefits that are shared by all members of a community and that contribute to the collective well-being. It includes both material goods (such as clean air and water) and immaterial goods (such as justice and social peace).

The Theory of the Common Good offers a framework for orienting economic, political, and social activities toward collective benefit and general well-being. By focusing on universality, equity, sustainability, and democratic participation, this theory provides a comprehensive and humanistic view of the development and management of resources and goods that are essential for life and social coexistence. The application of these principles in public policies, business practices and community actions can lead to more just, equitable and sustainable societies.

It is essential to integrate these theories and concepts to provide a solid basis from which to analyse how business and law can work together to promote sustainable development. This multidimensional approach will enable a holistic understanding and more effective practical application in the pursuit of a sustainable future.

Methodology

The focus of this research is qualitative because it deepens the understanding of perceptions and experiences. The study is descriptive and exploratory, because it seeks to understand how entrepreneurship and legislation are related to sustainable development. It also describes the characteristics of the problem, exploring the relationships between the key variables.(Sampieri, 2018)

Semi-structured interviews with experts in the field are used, collecting perceptions and experiences of entrepreneurs, legislators, experts in sustainable development and representatives of non-governmental organizations. They are questions about the impact of legislation on entrepreneurship, legislative barriers and enablers for sustainable development, and examples of good practice.(Ñaupas, Valdivia, Palacios, & Romero, 2018)

The sampling is intentional, key participants with relevant experience and knowledge on the subject were selected, including entrepreneurs from different sectors, legislators, academics and representatives of sustainable development organizations. The sample size is 15 interviews.

Results

According to the questions of interviews with entrepreneurs, legislators and academics on sustainable development, the following results were obtained:

How do you think current laws and regulations influence entrepreneurs' ability to develop sustainable businesses?

"Current laws and regulations have a significant impact on entrepreneurs' ability to develop sustainable businesses, both positively and negatively. On the one hand, there are legislative frameworks that promote business sustainability through tax incentives, subsidies and programs to support green innovation. These policies can facilitate the adoption of sustainable practices by reducing upfront costs and providing additional resources for research and development of clean technologies.

However, there are also challenges. Some regulations can be overly complex and costly to comply with, especially for small and medium-sized enterprises (SMEs). Environmental regulations, while crucial to protecting the environment, sometimes impose administrative and financial burdens that can discourage entrepreneurs from adopting sustainable practices. For example, environmental certification procedures or requirements for waste management can be prohibitive for startups with limited resources.

In addition, inconsistency and fragmentation of policies at the local, national, and international levels can create an uncertain regulatory environment. Entrepreneurs need clarity and stability in laws to plan for the long term, and a lack of harmonization between different jurisdictions can complicate the implementation of sustainable strategies.

To improve support for entrepreneurs in the transition to more sustainable business models, it would be beneficial to simplify administrative procedures, increase the availability of green financing and encourage greater cooperation between the public and private sectors. It is also critical that laws evolve to reflect technological advances and new market trends, ensuring that regulations not only protect the environment, but also drive innovation and sustainable growth."

What are the main legislative barriers that entrepreneurs face when trying to implement sustainable practices in their businesses?

The main legislative barriers entrepreneurs face when trying to implement sustainable practices in their businesses often include a combination of ambiguous or inconsistent regulations, high costs associated with complying with environmental and social regulations, and a lack of clear or sufficient incentives from the government to encourage sustainability. In addition, the lack of government support in terms of accessible financing for sustainable initiatives and excessive bureaucracy in obtaining permits and licenses can also represent significant obstacles. These legislative barriers can discourage entrepreneurs from adopting sustainable practices, unless policies are implemented that actively facilitate and promote business sustainability.

Could you mention some initiatives or public policies that have been successful in promoting sustainable entrepreneurship? What factors contributed to its success?

"There are several initiatives and public policies that have proven successful in promoting sustainable entrepreneurship in different parts of the world. For example, specific subsidy or tax incentive programs for companies that adopt sustainable practices, such as reducing emissions or using resources efficiently, have been effective. Not only do these incentives reduce the upfront costs of implementation, but they also encourage companies to consider sustainability as an integral part of their operations.

Another example is environmental standards and certifications that may be required or encouraged by government policies. These standards provide companies with clear guidelines on which practices are considered sustainable, making it easier to adopt and promote these practices in the marketplace.

In addition, collaboration between the public sector, the private sector and civil society is crucial. Initiatives that promote education and awareness of the importance of sustainability also play a fundamental role. Transparency and effective communication about the economic and environmental benefits of sustainable entrepreneurship are key factors contributing to the success of these policies.

In summary, effective public policies to promote sustainable entrepreneurship often combine financial incentives, clear standards, cross-sectoral collaboration, and education, creating an enabling environment for companies to adopt sustainable practices in an effective and sustained manner."

What is the role of companies in promoting sustainable development, and how can they align their business objectives with sustainability goals?

"The role of companies in promoting sustainable development is fundamental and encompasses several dimensions. First, companies can integrate sustainable practices into their daily operations, reducing their environmental footprint and optimizing the use of resources. This includes everything from energy efficiency and responsible water management to waste reduction and the adoption of ethical supply chains.

In addition, companies can positively influence their stakeholders, including employees, suppliers and customers, by educating them on the importance of sustainability and encouraging the adoption of responsible practices throughout the value chain.

In terms of aligning their business objectives with sustainability goals, companies can set clear and measurable targets related to reducing carbon emissions, using renewable energy, implementing corporate social responsibility (CSR) practices, and transparency in the disclosure of environmental and social impacts. In addition, collaboration with governmental and non-governmental organizations, as well as participation in global initiatives such as the UN Sustainable Development Goals, can help companies move towards sustainability effectively.

In short, companies not only have an ethical responsibility to contribute to sustainable development, but they can also benefit economically by improving their reputation, reducing operating costs and attracting new markets and sustainability-conscious customers."

How do you think legislation will evolve in the next five to ten years in relation to entrepreneurship and sustainable development?

"We expect legislation over the next five to ten years to continue to move towards a more robust and coherent framework that fosters sustainable entrepreneurship and development in general. This move will likely include the implementation of stricter regulations in terms of carbon emissions, waste management, and use of natural resources. In addition, we are likely to see an increase in tax and financial incentives for companies that adopt sustainable practices, as well as the creation of clear and mandatory standards in key areas such as transparency in the disclosure of environmental and social impacts.

In terms of sustainable development, it is possible that laws will be enacted that promote the circular economy, social inclusion and respect for human rights along global supply chains. There could also be a renewed focus on extended producer responsibility, forcing companies to take responsibility for products throughout their lifecycle, from manufacturing to final disposal.

However, the exact pace and direction of these legislative changes will depend largely on political, economic and social factors at the global and local levels. Pressure from civil society, consumer trends and international collaboration will also significantly influence the evolution of legislation related to entrepreneurship and sustainable development in the coming years."

Conclusions

There are significant challenges stemming from ambiguous regulations, high compliance costs, and a lack of clear incentives. However, effective public policies can facilitate the adoption of sustainable practices by offering financial incentives, setting clear standards, and reducing bureaucracy.

There are concrete examples of policies that have promoted sustainable entrepreneurship, such as subsidies, tax incentives, and environmental standards. These initiatives are successful when they combine financial incentives with education and cross-sector collaboration, creating an enabling environment for business sustainability.

Companies play a crucial role in integrating sustainable practices into their operations and aligning their business objectives with sustainability goals. This not only improves your reputation and reduces costs, but also positively influences your stakeholders and society in general.

It is anticipated that legislation will continue to evolve towards stricter and more coherent regulations that promote entrepreneurship and sustainable development. This will include stricter regulations on emissions, resource management and extended producer responsibility, driving companies towards the circular economy and social inclusion.

To achieve effective sustainable development, it is crucial that companies and governments work together, implementing policies that promote sustainable entrepreneurship and provide a clear and favorable legal framework. This collaboration is essential to address today's environmental and social challenges effectively and sustainably in the long term.

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