

Sustainability Practices in Startups: A Comparative Study Between Developed and Developing Economies

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Abstract: *This paper examines the adoption of sustainability practices in startups, comparing those in developed and developing economies. With a growing emphasis on sustainable development, startups play a crucial role in driving environmental and social change. The study analyzes the challenges and opportunities faced by startups in both contexts, focusing on resource management, green innovation, and social responsibility initiatives. The findings reveal distinct approaches between the two groups, with startups in developed economies leveraging more advanced technologies, while those in developing economies rely on cost-effective, local sustainability practices. Recommendations are provided for fostering sustainability in the startup ecosystem.*

Keywords: *Sustainability, startups, green innovation, social responsibility, developing economies*

1. INTRODUCTION

Sustainability has emerged as a pivotal concern in the contemporary business landscape, particularly for startups that are often seen as agile and innovative drivers of change. The United Nations Sustainable Development Goals (SDGs) emphasize the necessity of integrating sustainability into business practices to achieve long-term economic growth while safeguarding the environment (United Nations, 2015). Startups, by their nature, are positioned to adopt and implement sustainable practices that can significantly influence their operational models and societal impact. This paper aims to explore the sustainability practices of startups in both developed and developing economies, highlighting the differences in their approaches, challenges, and successes.

Research indicates that startups in developed economies tend to have greater access to resources, advanced technologies, and supportive regulatory frameworks, which facilitate the integration of sustainability into their business models (OECD, 2020). For instance, a report by the Global Entrepreneurship Monitor (GEM) revealed that 70% of startups in high-income countries incorporate sustainability into their core strategies, compared to only 40% in low-income countries (GEM, 2021). This disparity raises questions about the underlying factors that influence sustainability adoption in varying economic contexts.

In contrast, startups in developing economies often operate in resource-constrained environments where sustainability practices must be cost-effective and locally relevant. These startups frequently leverage indigenous knowledge and

community engagement to develop sustainable solutions that address local challenges. For example, a study by the World Bank (2022) highlighted that startups in Africa are increasingly utilizing waste materials to create products, thereby promoting a circular economy. This approach not only reduces waste but also fosters local entrepreneurship and job creation.

The objectives of this paper are to analyze the sustainability practices of startups in both developed and developing economies, identify the challenges they face, and propose recommendations for enhancing sustainability in the startup ecosystem. By examining case studies and statistical data, this study aims to contribute to the existing literature on sustainable entrepreneurship and provide insights for policymakers, investors, and entrepreneurs.

Ultimately, understanding the different sustainability practices across economic contexts is crucial for fostering a more sustainable future. As startups continue to play a vital role in the global economy, their ability to innovate and implement sustainable practices will significantly impact environmental and social outcomes.

2. SUSTAINABILITY PRACTICES IN DEVELOPED ECONOMIES

In developed economies, startups are increasingly adopting sustainability practices that align with advanced technological capabilities and consumer demands for environmentally friendly products. According to a survey conducted by McKinsey & Company (2021), 75% of startups in North America and Europe reported that sustainability is a core component of their business strategy. This trend is fueled by a combination of regulatory pressures, market expectations, and a growing awareness of environmental issues among consumers.

One notable example is the rise of clean technology startups in Silicon Valley, which focus on developing innovative solutions to combat climate change. Companies like Tesla and Beyond Meat have not only achieved commercial success but have also set benchmarks for sustainability in their respective industries. Tesla's commitment to electric vehicles and renewable energy storage has positioned it as a leader in the transition to a low-carbon economy (Tesla, 2022). Similarly, Beyond Meat's plant-based products address concerns related to meat production's environmental impact, appealing to a growing market of environmentally conscious consumers.

Moreover, startups in developed economies often benefit from access to venture capital that prioritizes sustainability. The Global Impact Investing Network (GIIN)

reported that impact investments reached \$715 billion in 2020, with a significant portion directed towards startups focusing on sustainability (GIIN, 2021). This influx of capital enables startups to invest in research and development, enhancing their capacity to innovate and scale sustainable solutions.

However, despite these advantages, startups in developed economies also face challenges in implementing sustainability practices. High competition and the pressure to achieve rapid growth can lead some startups to prioritize short-term profits over long-term sustainability goals. A study by Harvard Business Review (2020) found that while many startups express a commitment to sustainability, only a fraction successfully integrates these principles into their operations. This discrepancy highlights the need for a more structured approach to sustainability that balances growth with environmental responsibility.

In conclusion, startups in developed economies are at the forefront of adopting sustainability practices, leveraging advanced technologies and access to capital. However, they must navigate the challenges of competition and growth pressures to ensure that their sustainability commitments translate into meaningful impact. As the demand for sustainable solutions continues to rise, the success of these startups will depend on their ability to innovate while remaining true to their sustainability goals.

3. Sustainability Practices in Developing Economies

In contrast to their counterparts in developed economies, startups in developing economies often adopt sustainability practices that are shaped by local contexts and resource limitations. These startups frequently utilize innovative approaches to address pressing social and environmental challenges, leveraging local knowledge and community resources. A report by the International Finance Corporation (IFC, 2021) indicates that nearly 60% of startups in emerging markets prioritize sustainability as a key component of their business model, albeit in different ways compared to developed economies.

One illustrative case is the rise of social enterprises in India, which focus on addressing issues such as waste management, clean energy, and sustainable agriculture. For instance, the startup Goonj has implemented a unique model that repurposes urban waste into useful products while simultaneously addressing rural poverty (Goonj, 2022). By engaging local communities in the recycling process, Goonj not only promotes

sustainability but also creates livelihoods, showcasing how developing economy startups can integrate social responsibility into their operations.

Moreover, startups in developing economies often prioritize affordability and accessibility in their sustainability initiatives. For example, M-KOPA, a Kenyan startup, provides solar energy solutions to off-grid households through a pay-as-you-go model, enabling low-income families to access clean energy (M-KOPA, 2022). This model not only addresses energy poverty but also reduces reliance on fossil fuels, illustrating how startups can create sustainable solutions that resonate with local needs.

However, these startups face significant challenges, including limited access to financing, inadequate infrastructure, and regulatory barriers. A study by the World Economic Forum (2021) found that startups in developing economies often struggle to secure funding for sustainability initiatives due to perceived risks and lack of investor confidence. This financial constraint hampers their ability to scale and innovate, highlighting the need for targeted support from governments and international organizations.

In summary, startups in developing economies adopt sustainability practices that are deeply rooted in local contexts and community engagement. While they face unique challenges, their innovative approaches demonstrate the potential for creating impactful solutions that address both environmental and social issues. As these startups continue to evolve, fostering an ecosystem that supports their sustainability initiatives will be crucial for driving meaningful change.

4. Comparative Analysis of Sustainability Practices

The comparative analysis of sustainability practices in startups from developed and developing economies reveals significant differences in their approaches, challenges, and outcomes. Startups in developed economies tend to leverage advanced technologies and access to capital to implement sustainability practices, while those in developing economies often rely on local knowledge and community engagement. This divergence is shaped by various factors, including economic conditions, regulatory frameworks, and market demands.

In developed economies, the integration of sustainability into business practices is often driven by consumer preferences and regulatory requirements. The rise of conscious consumerism has prompted startups to adopt sustainable practices as a competitive advantage. For instance, a survey by Nielsen (2020) found that 73% of

millennials are willing to pay more for sustainable products. This trend encourages startups to innovate and differentiate themselves in the market, leading to the development of eco-friendly products and services.

Conversely, startups in developing economies face challenges related to resource constraints and limited access to financing. While they may not have the same level of technological advancement as their counterparts in developed economies, they often demonstrate resilience and creativity in finding sustainable solutions. The emphasis on cost-effectiveness and local relevance allows these startups to address pressing social issues while promoting environmental sustainability. For example, the startup EcoPost in Kenya uses recycled plastic waste to create durable fencing posts, addressing both waste management and deforestation (EcoPost, 2022).

Despite these differences, both groups of startups share common challenges, including the need for greater access to funding and supportive ecosystems. In developed economies, the pressure to achieve rapid growth can sometimes overshadow sustainability commitments, while in developing economies, inadequate infrastructure and regulatory barriers hinder the scalability of sustainable initiatives. Addressing these challenges requires collaboration among stakeholders, including governments, investors, and the private sector.

In conclusion, the comparative analysis highlights the distinct approaches to sustainability practices among startups in developed and developing economies. While developed economy startups leverage advanced technologies and consumer demand, developing economy startups rely on local knowledge and community engagement. Understanding these differences is crucial for fostering an inclusive and supportive environment for startups to thrive and contribute to sustainable development.

5. Recommendations for Fostering Sustainability in Startups

To enhance sustainability practices in startups across both developed and developing economies, several recommendations can be put forth. First, fostering collaboration between startups and established corporations can create synergies that enhance sustainability efforts. Corporations can provide mentorship, resources, and market access, while startups can offer innovative solutions and agility. For instance, initiatives like the Corporate Accelerator Program have successfully connected startups with corporate partners, resulting in mutually beneficial outcomes (Accenture, 2021).

Second, access to funding is critical for startups to implement and scale sustainability initiatives. Governments and financial institutions should develop targeted funding programs that prioritize sustainable entrepreneurship. For example, the European Investment Bank has established funding mechanisms specifically for green startups, providing them with the necessary capital to innovate and grow (EIB, 2020). Such initiatives can help bridge the financing gap that many startups face, particularly in developing economies.

Third, education and training programs focused on sustainability can empower entrepreneurs with the knowledge and skills needed to integrate sustainable practices into their business models. Universities and business incubators should incorporate sustainability into their curricula and support programs, equipping future entrepreneurs with the tools to drive sustainable innovation. A study by the Aspen Institute (2021) emphasized the importance of education in fostering a culture of sustainability among entrepreneurs.

Fourth, governments should create supportive regulatory frameworks that incentivize sustainability practices among startups. Policies such as tax incentives for sustainable businesses or simplified regulatory processes for green startups can encourage more entrepreneurs to adopt sustainable practices. For instance, the Green Business Program in California offers resources and incentives for startups to implement sustainable practices, demonstrating the potential impact of supportive policies (California Governor's Office of Business and Economic Development, 2022).

Finally, fostering a culture of collaboration and knowledge sharing among startups can enhance their sustainability efforts. Platforms that facilitate networking and knowledge exchange can help startups learn from each other's experiences and best practices. Initiatives like the Global Startup Ecosystem Report highlight the importance of collaboration in driving innovation and sustainability in the startup landscape (Startup Genome, 2021).

In conclusion, fostering sustainability in startups requires a multifaceted approach that includes collaboration, access to funding, education, supportive policies, and knowledge sharing. By implementing these recommendations, stakeholders can create an enabling environment for startups to thrive and contribute to a more sustainable future.

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