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An Empirical Analysis of the Strategic Challenges in Social and Sustainable Entrepreneurship

Dr.R. Bhuvaneswaran[1], S.Pavithra[2], Dr.N. Santhanavadivu[3], Dr.B.Jagadeeswaran[4]

[1]Associate Professor& Research Supervisor, PG & Research Department of Commerce, Thiruthangal Nadar College, Selavayal, Chennai-51.
[2](Full-Time) Research Scholar, PG & Research Department of Commerce, Thiruthangal Nadar College, Selavayal, Chennai-51.
[3](Associate Professor & Research Supervisor, PG & Research Department of Commerce, Thiruthangal Nadar College, Selavayal, Chennai – 51.
[4]Associate Professor& Head, PG & Research Department of Commerce, Thiruthangal Nadar College, Selavayal, Chennai-51.

Abstract
Social and sustainable entrepreneurship has emerged as a critical driver of inclusive economic development, addressing pressing social and environmental challenges while pursuing economic viability. Unlike conventional enterprises, social and sustainable enterprises operate within a dual or triple bottom line framework, balancing financial performance with social impact and environmental responsibility. Despite their growing significance, these enterprises face a wide range of strategic challenges that hinder their growth, scalability, and long-term sustainability. This study aims to empirically analyse the key strategic challenges encountered by social and sustainable entrepreneurs, with particular emphasis on financial, operational, market, and regulatory dimensions. Using primary data collected through a structured questionnaire and analysed through appropriate statistical tools, the study examines how these challenges influence strategic decision-making and sustainability outcomes. The findings are expected to provide valuable insights for entrepreneurs, policymakers, investors, and support institutions in designing effective strategies and policy interventions to strengthen the social and sustainable entrepreneurship ecosystem.

Keywords: Social Entrepreneurship, Sustainable Entrepreneurship, Strategic Challenges, Financial Sustainability, Impact Measurement, Policy Environment

1. Introduction
In recent years, social and sustainable entrepreneurship has gained global recognition as an innovative approach to addressing complex social, economic, and environmental problems. These enterprises aim not only to generate profits but also to create positive social impact and promote environmental sustainability. In the context of increasing inequality, climate change, and resource constraints, social and sustainable

entrepreneurs play a vital role in advancing inclusive growth and sustainable development goals. Social entrepreneurship focuses on solving societal problems such as poverty, education, healthcare, and social exclusion through entrepreneurial solutions, while sustainable entrepreneurship emphasizes environmentally responsible business practices and long-term ecological balance. Although their objectives differ slightly, both forms of entrepreneurship share a commitment to creating value beyond financial returns. However,

integrating social and environmental missions with economic sustainability presents unique strategic challenges that distinguish these enterprises from traditional profit-oriented firms.One of the most critical challenges faced by social and sustainable entrepreneurs is achieving financial viability while maintaining mission integrity. Limited access to capital, dependence on grants or impact investors, and difficulty in generating consistent revenue often constrain strategic growth. Additionally, operational challenges such as shortage of skilled human resources, technological limitations, and difficulties in scaling operations further complicate strategic planning and execution. Market-related challenges, including low consumer awareness, price sensitivity, and competition from conventional enterprises, also affect the sustainability of social and sustainable ventures. Furthermore, regulatory and policy-related uncertainties, lack of clear legal frameworks, and complex compliance requirements pose additional barriers to growth and innovation. Measuring and communicating social and environmental impact remains another significant strategic concern, as standardized metrics and reporting frameworks are still evolving.

2. Review of Literature

Dees (1998) conceptualized social entrepreneurship as a mission-driven activity that applies market-based strategies to achieve social objectives. This foundational perspective highlights the inherent tension between social mission and financial sustainability, which continues to be a central strategic challenge for social enterprises. **Austin, Stevenson, and Wei-Skillern (2006)** emphasized that social entrepreneurs operate under resource constraints and face difficulties in accessing capital compared to traditional entrepreneurs. Their study highlighted that limited financial resources significantly affect strategic planning, scalability, and long-term sustainability. Similarly, **Zahra et al. (2009)** argued that the hybrid nature of social enterprises complicates strategic decision-making, as entrepreneurs must balance competing stakeholder expectations. **Schaltegger and Wagner (2011)** noted that sustainable entrepreneurs face challenges in aligning environmental innovation with market competitiveness. They found that high initial costs, uncertain demand for sustainable products, and regulatory pressures often restrict growth opportunities. **Hockerts and Wüstenhagen (2010)** further observed that sustainable ventures struggle to compete with incumbent firms due to resource limitations and lack of economies of scale. **According to Nicholls (2010)**, social enterprises often rely on grants, donations, or impact investments, which may limit strategic autonomy and long-term financial stability. Similarly, **Bocken (2015)** identified difficulties in developing viable revenue models while maintaining sustainability commitments as a major strategic concern. **Doherty, Haugh, and Lyon (2014)** highlighted that social enterprises face difficulties in attracting and retaining skilled employees due to limited financial incentives and mission-driven compensation structures. These constraints affect organizational capacity and strategic execution. In the context of sustainable entrepreneurship, **York and Venkataraman (2010)** pointed out that limited access to advanced technologies can hinder innovation and operational efficiency.

Market-related challenges further complicate sustainability. Studies by **Smith, Gonin, and Besharov (2013)** found that social enterprises often encounter low customer awareness and price sensitivity, which constrain market expansion. Consumers may value social and environmental benefits, but purchasing decisions are still heavily influenced by price and convenience. This creates strategic dilemmas for entrepreneurs attempting to scale impact without compromising affordability. **Mair and Marti (2009)** emphasized that unclear legal frameworks and inconsistent government support create uncertainty for social enterprises. Similarly**, Lumpkin et al. (2013)** argued that policy gaps and complex compliance requirements hinder innovation and strategic growth in sustainable ventures. The lack of standardized impact measurement and reporting frameworks further complicates stakeholder communication and accountability.

3. Objectives of the Study

1. To study the strategic challenges faced by social and sustainable entrepreneurs.
2. To analyse the impact of financial, and regulatory challenges on the strategies of social and sustainable enterprises.

Statement of the Problem

Social and sustainable entrepreneurship has emerged as a vital mechanism for addressing complex social and environmental challenges while contributing to economic development. Unlike traditional enterprises, social and sustainable ventures operate with dual or triple bottom line objectives, requiring them to balance financial viability with social impact and environmental responsibility. However, this unique orientation exposes such enterprises to a wide range of strategic challenges related to funding, operational capacity, market competitiveness, regulatory compliance, and impact measurement. Limited access to financial resources, difficulties in attracting impact investors, shortage of skilled human capital, and uncertainty in policy frameworks often constrain their growth and long-term sustainability. Moreover, enterprises of varying sizes experience these challenges differently, further complicating strategic decision-making and scalability. Despite the growing importance of social and sustainable entrepreneurship, there is a lack of sufficient empirical evidence examining how these strategic challenges affect sustainability and growth outcomes across different enterprise sizes. This study seeks to address this research gap by empirically analysing the strategic challenges faced by social and sustainable entrepreneurs and their impact on long-term sustainability and organizational growth.

Research Methodology

The present study adopts a descriptive and analytical research design to empirically examine the strategic challenges in social and sustainable entrepreneurship. Primary data were collected from 240 social and sustainable enterprises using a structured questionnaire based on a five-point Likert scale. The respondents included founders, owners, and senior managers directly involved in strategic decision-making. The questionnaire was designed to capture various dimensions of strategic challenges, including financial, operational, market, regulatory, and impact-related factors, as well as their influence on sustainability and growth. Secondary data were collected from academic journals, books, reports, and publications of international and national organizations to support the theoretical framework. The reliability of the instrument was tested using Cronbach's Alpha, and the validity was ensured through expert review and pilot testing. Statistical tools such as percentage analysis, mean score analysis, and Analysis of Variance

(ANOVA) were employed to analyse the data and test significant differences among enterprises of different sizes.

Analysis and Interpretations

The analysis and interpretation section presents a systematic examination of the primary data collected from social and sustainable enterprises. It interprets the statistical results to understand the nature of strategic challenges and their impact on sustainability and growth, thereby facilitating meaningful conclusions and practical implications.

Table 1 Frequency Distribution of Age Group

S. No	Age Group	Frequency	Per cent
1	Below 30 Years	20	8.3
2	31 to 40 Years	40	16.7
3	41 to 50 Years	60	25.0
4	Above 50 Years	120	50.0
Total		**240**	**100.0**

Table 1 presents the frequency distribution of respondents according to their age group in the study on "An Empirical Analysis of the Strategic Challenges in Social and Sustainable Entrepreneurship." The table reveals that the majority of the respondents belong to the above 50 years age group, accounting for 120 respondents (50.0 per cent). This indicates that social and sustainable entrepreneurship is largely driven by experienced individuals who possess substantial professional exposure, managerial expertise, and long-term vision.The 41 to 50 years age group constitutes 60 respondents (25.0 per cent), suggesting that a significant proportion of entrepreneurs are in their mature and growth-oriented phase, actively involved in strategic decision-making and organizational development. The 31 to 40 years age group represents 40 respondents (16.7 per cent), reflecting moderate participation of relatively younger entrepreneurs who may be more innovative and adaptable to emerging sustainability strategies.

The below 30 years age group accounts for only 20 respondents (8.3 per cent), indicating comparatively lower involvement of younger individuals in social and sustainable entrepreneurship. This may be attributed to factors such as limited access to capital, lack of experience, and higher risk perception associated with socially driven enterprises.

Table 2 Frequency Distribution of Nature of Enterprise

S. No	Nature of Enterprise	Frequency	Per cent
1	Social	160	66.7
2	Sustainable	43	17.9
3	Both	37	15.4
Total		**240**	**100.0**

Table 2 shows the frequency distribution of respondents based on the nature of enterprise in the study titled "An Empirical Analysis of the Strategic Challenges in Social and Sustainable Entrepreneurship." The table indicates that a substantial majority of the respondents, 160 enterprises (66.7 per cent), are primarily social enterprises. This highlights the growing emphasis on addressing social issues such as education, healthcare, livelihood generation, and community development through entrepreneurial initiatives. Enterprises classified as sustainable enterprises account for 43 respondents (17.9 per cent), reflecting a comparatively lower but significant focus on environmentally oriented business models that prioritize ecological balance, resource efficiency, and long-term environmental sustainability. The remaining 37 enterprises (15.4 per cent) fall under the category of both social and sustainable enterprises, indicating the presence of hybrid models that simultaneously pursue social impact and environmental sustainability alongside economic objectives. Although this segment is smaller, it represents an emerging trend toward integrated and holistic entrepreneurial approaches.

Table 3 Frequency Distribution of Size of Enterprise

S. No	Size of Enterprise	Frequency	Per cent
1	Micro	89	37.1
2	Small	60	25.0
3	Medium	40	16.7
4	Large	51	21.2
Total		**240**	**100.0**

Table 3 presents the frequency distribution of respondents based on the size of enterprise in the study titled "An Empirical Analysis of the Strategic Challenges in Social and Sustainable Entrepreneurship." The data reveal that a considerable proportion of the enterprises are micro enterprises, accounting for 89 respondents (37.1 per cent). This indicates that social and sustainable entrepreneurship in the study context is largely characterized by small-scale operations with limited resources, which may intensify strategic challenges related to finance, human resources, and scalability. Small enterprises constitute 60 respondents (25.0 per cent), suggesting that a significant number of enterprises have moved beyond the initial stage but still face constraints in terms of market access, technology adoption, and regulatory compliance. Medium-sized enterprises account for 40 respondents (16.7 per cent), reflecting comparatively fewer enterprises that have successfully achieved moderate scale and operational stability. Interestingly, large enterprises represent 51 respondents (21.2 per cent), indicating that a notable segment of social and sustainable enterprises has attained substantial growth and organizational capacity. These enterprises are likely to face more complex strategic challenges related to governance, impact measurement, and stakeholder management.

Hypothesis: There is no significant difference among Size of Enterprise with respect to Strategic Challenges in Social and Sustainable Entrepreneurship

Table 4 ANOVA for significant difference among Size of Enterprise with respect to Strategic Challenges in Social and Sustainable Entrepreneurship

Strategic Challenges in Social and Sustainable Entrepreneurship	Mean	F	P Value
Our enterprise faces difficulty in balancing social/environmental goals with financial sustainability.	47.129 (1.790)	26.335	<0.001**
Long-term strategic planning is challenging due to uncertain revenue streams.	8.183 (1.448)	5.652	<0.001**
Limited access to funding affects strategic decision-making.	68.864 (0.618)	111.463	<0.001**
Attracting impact investors is more difficult than attracting traditional investors.	25.739 (1.387)	18.552	<0.001**
Measuring and reporting social or environmental impact is strategically complex.	21.918 (1.600)	13.700	<0.001**
Scaling the enterprise without compromising its mission is a major challenge.	42.124 (1.031)	40.876	<0.001**
Lack of skilled human resources affects strategic implementation.	71.687 (0.787)	91.117	<0.001**
Innovation is constrained due to limited financial and technological resources.	44.832 (0.815)	54.980	<0.001**

Note: 1. The value within bracket refers to SD
2. ** denotes significant at 1% level.

Table 4 presents the results of ANOVA conducted to examine whether there is a significant difference among enterprises of different sizes (micro, small, medium, and large) with respect to various strategic challenges in social and sustainable entrepreneurship. The analysis reveals that all the selected strategic challenge variables show statistically significant differences at the 1 per cent level, as indicated by the p-values (< 0.001).

This confirms that the perception and intensity of strategic challenges vary significantly depending on the size of the enterprise. The challenge of balancing social or environmental goals with financial sustainability shows a high F value (26.335), indicating that enterprises of different sizes experience this challenge differently. Smaller enterprises, particularly micro and small enterprises, are likely to face greater difficulty due to limited financial buffers, whereas larger enterprises may have more structured financial strategies. Similarly, long-term strategic planning due to uncertain revenue streams exhibits a significant difference (F = 5.652), suggesting that revenue instability affects enterprises unevenly, with smaller enterprises experiencing higher uncertainty compared to medium and large enterprises. The challenge of limited access to funding affecting strategic decision-making records the highest F value (111.463), highlighting it as one of the most critical differentiating factors across enterprise sizes. This indicates that micro and small enterprises face severe funding constraints, which significantly influence their strategic choices and growth potential.

The difficulty in attracting impact investors (F = 18.552) also varies significantly among enterprise sizes, implying that smaller enterprises struggle more to gain investor confidence due to lack of scale, track record, and impact metrics. Further, measuring and reporting social or environmental impact (F = 13.700) emerges as a significant strategic challenge, particularly for smaller enterprises that lack standardized tools and expertise for impact assessment. The issue of scaling the enterprise without compromising mission shows a strong significant difference (F = 40.876), indicating that scaling remains a complex strategic challenge, especially for growing enterprises striving to preserve mission integrity while expanding operations. The challenge related to lack of skilled human resources records a very high F value (91.117), emphasizing that human capital constraints significantly differ by enterprise size. Micro and small enterprises are more affected due to their inability to offer competitive compensation and career growth opportunities. Lastly, constraints on innovation due to limited financial and technological resources (F = 54.980) indicate that enterprise size plays a crucial role in determining innovation capacity, with smaller enterprises facing more pronounced limitations.

Hypothesis: There is no significant difference among Size of Enterprise with respect to Impact of Strategic Challenges on Sustainability and Growth

Table 5 ANOVA for significant difference among Size of Enterprise with respect to Impact of Strategic Challenges on Sustainability and Growth

Impact of Strategic Challenges on Sustainability and Growth	**Mean**	**F**	**P Value**
Financial constraints limit the long-term growth of the enterprise.	41.713 (0.909)	45.906	<0.001**
Regulatory and compliance requirements increase operational burden.	34.920 (1.135)	30.762	<0.001**
Market competition from profit-oriented firms affects sustainability.	64.738 (1.543)	41.959	<0.001**
Customer awareness and acceptance of social/sustainable products are limited.	16.998 (1.428)	11.906	<0.001**
Policy uncertainty affects long-term strategic stability.	69.097 (0.857)	80.611	<0.001**
Operational challenges reduce the enterprise's ability to scale effectively.	17.667 (1.407)	12.558	<0.001**
Strategic challenges negatively influence overall organizational performance.	35.837 (1.133)	31.631	<0.001**
Overcoming these challenges is essential for achieving long-term sustainability.	35.275 (0.752)	46.881	<0.001**

Note : 1. The value within bracket refers to SD
2. ** denotes significant at 1% level.

Table 5 presents the results of ANOVA analysis conducted to examine whether there is a significant difference among enterprises of different sizes with respect to the impact of strategic challenges on sustainability and growth in social and sustainable entrepreneurship. The results indicate that all the variables show statistically significant differences at the 1 per cent level, as evidenced by the p-values (< 0.001). This confirms that the impact of strategic challenges on sustainability and growth varies significantly across micro, small, medium, and large enterprises. The statement "Financial constraints limit the long-term growth of the enterprise" shows a high F value (45.906), indicating that financial limitations affect enterprises differently depending on their size. Micro and small enterprises are likely to experience greater growth constraints due to restricted access to capital, while larger enterprises may have relatively better financial resilience. The impact of regulatory and compliance requirements on operational burden is also found to be significant (F = 30.762), suggesting that smaller enterprises may struggle more with compliance costs and procedural complexities compared to larger enterprises with dedicated administrative resources.

Market competition from profit-oriented firms significantly affects sustainability (F = 41.959), highlighting that social and sustainable enterprises, particularly smaller ones, face difficulty competing with conventional businesses that can operate with lower costs and fewer mission-related constraints.
The issue of limited customer awareness and acceptance of social and sustainable products shows a significant difference (F = 11.906), indicating that enterprise size influences market outreach and consumer education capabilities, with larger enterprises being relatively better positioned to address this

challenge. Policy uncertainty affecting long-term strategic stability records one of the highest F values (80.611), underscoring that uncertainty in policy frameworks has a differential impact across enterprise sizes. Smaller enterprises are more vulnerable to policy changes due to limited adaptive capacity. The statement "Operational challenges reduce the enterprise's ability to scale effectively" (F = 12.558) confirms that scaling difficulties vary by enterprise size, with micro and small enterprises facing greater constraints in expanding operations while maintaining impact. The finding that strategic challenges negatively influence overall organizational performance (F = 31.631) demonstrates that the cumulative effect of these challenges differs significantly among enterprises of varying sizes. Finally, the strong agreement with the statement "Overcoming these challenges is essential for achieving long-term sustainability" (F = 46.881) across enterprise sizes reflects a shared recognition of the importance of addressing strategic barriers, although the intensity of impact differs significantly.

Findings of the Study

- The empirical analysis reveals several important findings related to the strategic challenges faced by social and sustainable entrepreneurs.
- The majority of the enterprises are operated by experienced entrepreneurs, predominantly above 40 years of age, indicating that social and sustainable entrepreneurship is largely driven by individuals with substantial managerial exposure.
- Social enterprises constitute the dominant form of entrepreneurship in the study, while sustainable and hybrid enterprises are gradually emerging.
- Most of the enterprises operate at the micro and small levels, highlighting limited resource availability and greater vulnerability to strategic challenges.
- Financial constraints are identified as the most critical challenge, significantly affecting strategic decision-making, growth, and long-term sustainability, particularly among micro and small enterprises.
- Difficulties in attracting impact investors further compound funding challenges. The study finds that balancing social and environmental objectives with financial sustainability remains a major strategic concern across enterprises of all sizes.

4. Practical Implications

The findings of the study have important practical implications for stakeholders involved in social and sustainable entrepreneurship. Policymakers and regulatory bodies need to design supportive and stable policy frameworks, simplify compliance procedures, and expand targeted financial incentives to reduce the burden on micro and small enterprises. Financial institutions and impact investors should develop flexible funding models, blended finance mechanisms, and capacity-building support tailored to the needs of social and sustainable enterprises. Entrepreneurs must focus on strengthening strategic planning, impact measurement systems, and innovation capabilities to balance mission objectives with financial sustainability. Support organizations such as incubators and accelerators can play a critical role by providing mentoring, skill development, and market access**.**

5. Conclusion

The present study concludes that social and sustainable entrepreneurship plays a crucial role in addressing social and environmental challenges while contributing to inclusive economic growth. However, the empirical findings reveal that these enterprises face significant strategic challenges related to finance, operations, market competitiveness, regulatory compliance, and impact measurement. Financial constraints and difficulties in attracting impact investment emerge as the most critical barriers, particularly for micro and small enterprises. The study also highlights that enterprise size significantly influences both the nature of strategic challenges and their impact on sustainability and growth. Despite these challenges, social and sustainable entrepreneurs demonstrate strong commitment to mission-driven objectives. Addressing these strategic barriers through supportive policies, innovative financing mechanisms, capacity-building initiatives, and collaborative stakeholder engagement is essential for ensuring the long-term sustainability and scalability of social and sustainable enterprises.

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