



## SUSTAINOPRENEURSHIP: A BUSINESS WITH A CAUSE

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### ABSTRACT

We are living exciting times that are characterized by major power shifts: there is no need for large and complex infrastructures and organizations to transform an idea into a tangible solution. Today, an individual that is empowered with a good idea, determination, and some easily accessible tools can challenge entire industries. This has led to a new breed of individuals that use entrepreneurial values and approaches to solve major sustainability problems. We call such people sustainability entrepreneurs. Sustainability entrepreneurs apply imagination to challenging problems to conceive, prototype, and create solutions that deliver environmental, social and economic value.

### KEYWORDS

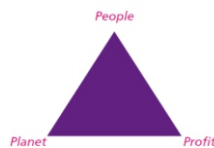
Economic, Entrepreneurship, Sustainability

### INTRODUCTION

Environmental and social issues have been on the agenda of companies, governments and NGOs for some years now. As a consequence, much has been done to reduce environmental impact and improve the quality of life of people. It has been only recently that entrepreneurship is emerging as a new forum within which sustainability issues are being addressed. Entrepreneurship has the potential to create value within each of the three dimensions of sustainability while boosting innovation through new products, services, and business models.

### SUSTAINABILITY

Sustainability is a broad and complex concept. For some it speaks to ecology and protection of natural resources. For others it refers to sustained economic progress or, conversely, for social issues and with a focus on development and support of the most disadvantaged. For still others, it is a combination of these. Few see the potential of value creation to contribute toward sustainability. However, sustainability is all this, and more. It all started in 1983 when the United Nations created the World Commission on Environment and Development (WCED). The WCED aimed to address the growing concern about the accelerating deterioration of the human environment and natural resources and the consequences of that deterioration for economic and social development.



*Sustainable Development is the balance between environmental, social, and economic development*

Sustainable development was defined as "development that meets the needs of the present generations without compromising the ability of future generations to meet their own needs." With this, the commission highlighted the ongoing requirement to fulfill social and economic needs while dealing with natural resource limitations.

Concerns about environmental and social issues existed before our common future. Still, the general belief is that environmental, social, and economic development where distinct concepts unconnected from each other. The first signs of significant environmental concern appeared in the 1960s with the advent of some major environmental disasters, including the mercury poisoning in Minamata (Japan). By the 1990s it was generally accepted that mismanagement of industrial facilities could lead to

major environmental catastrophes, and organizations like Greenpeace used this argument to organize high profile campaigns such as the international movement in opposition to the deep sea disposal of the Brent Spar oil platform. The response from business and academia to three decades of environmental crises was mainly in the form of the design of technical and engineering solutions, which led to concepts like industrial ecology. Since that time the environmental dimension has broadened in scope aiming to influence the impact created by consumers, as well as to reduce the adverse effects of production processes. In this regard, product designers see themselves as key actors with the capacity to determine manufacturing processes, material composition, and influence quality of life of the most disadvantaged. By the mid 1990s the concept of sustainable product design and base of the pyramid emerged.

Sustainability aims to do much more than address risky situations like the environmental crises mentioned above. Below are the main reasons why the development of sustainable models of consumption and production are so important:

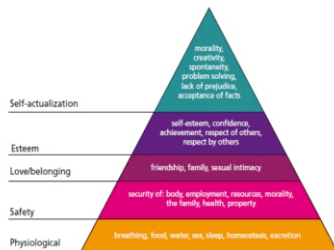
*Limited availability of natural resources:* The earth is a closed system providing that provides the necessary elements for life to develop in the form of plants, insects and animals (humans are animals too!). Life requires certain conditions to flourish, including access to energy, clean air, water, nutrients, and materials. In the case of humans, evolution is not only limited to biological subsistence but also to cultural and societal development. The amount and quality of natural resources available on earth for life to flourish and develop is either strictly limited or requires very long time frames to be naturally renewed. As result, resources and conditions of particular importance include:

- Energy: generation, storage, distribution, usage
- Air & Water: emission, pollution, scarcity
- Toxicity: human & environmental disruptions
- Materials: over-exploitation, scarcity

*Exponential human population growth:* Human populations have been growing exponentially, particularly since the industrial revolution. Reasons for this include an overall improvement in health services and an increase in food production and distribution. An exponentially growing population translates into an exponential consumption and extraction of resources. Such exponential consumption of resources is directly related to consumption power (i.e. GDP), which is constantly growing in (almost) all corners of the world.

*Current and future generations have the right to fulfill their needs:* Sustainable development aims to provide the right (and resources)

for current and future generations to fulfill their needs. The concept of intergenerational equity highlights a controversial concept within the sustainability movement: human needs. What are they (and what is the line between need and greed)? Needs are not uniform across individuals, consumer groups, regions, countries, or economies. Several classification schemes for human needs have been developed. The most recognized of these are basic needs and intermediary needs. In his 1943 work entitled *A Theory of Human Motivation*, Abraham Maslow developed a well-recognized and comprehensive set of human needs. Basic needs for people to develop prosper and with dignified life include access to clean water, shelter, food, energy, and healthcare. In many circumstances fulfillment of needs is linked to functionality that is embedded into products and services, and these products and services in turn have an effect on natural resources. The combination of the three elements (limited resources + growing population + right to fulfill needs of current and future generations) represents the challenge that sustainable development aims to address. Moreover, there is no "silver bullet" that can solve this challenge, and many complex issues need to be taken into consideration when aiming to provide solutions.



## SUSTAINABILITY CONSIDERATIONS

The process of designing, developing and implementing solutions to sustainability problems is challenging, but not an impossible task. However, one should take into account some considerations when approaching this challenge. The following are some of key points to keep in mind when developing solutions to sustainability challenges:

*Sustainable development is a process, not an end:* Sustainable development is measured relative to a defined starting point. For example, if we measure "sustainability" or how "green" a product or service might be, we look first to a point of reference. From here, we can compare other products and services in relation to this reference point. Strictly speaking, there is no such thing as a product or service that is without impact, since any activity or product, just by existing, represents an impact of some type. Calling a product "sustainable"

is to understand sustainability as an absolute concept. Instead, what we can say is that a certain product, service or business is more or less sustainable than another. In the latter case, we understand sustainability as a relative concept.

*We cannot always achieve everything; usually one has to sacrifice something:* It is very difficult to fix all problems at once. In fact, in the environmental dimension of sustainability it is necessary to establish priorities and understand that it is often necessary to choose one issue in place of another. For example, few years ago it was decided to reduce energy consumption and CO<sub>2</sub> emissions. One of the strategies to achieve this goal has been to promote energy saving light bulbs that dramatically reduce the energy needed to produce light. However, to achieve this functionality in the bulbs, there was a need to use substances such as mercury that cause new pollution externalities. Because of the necessity of such trade-offs, it is important that priorities be defined with clarity and to understand that there will sometimes be sacrifices in other dimensions.

*The "Holy Grail" of sustainability does not exist:* One can approach sustainability in two ways: trying to find the "Holy Grail" that solves all problems, or seek to develop smaller scale solutions that can be effective in the long run. The first strategy is to seek to

develop a "radical innovation". These normally require a large investment of resources (e.g. time and capital) and the outcome and applicability can be uncertain.

*Link individual consumer benefits to social and environmental benefits:* Most consumers have four goals in mind when shopping: functionality, price, comfort, and intangible value. In simpler terms consumers ask: what is the feature that a certain product or service offers me; what price do I have to pay; how will the product make my life easier, and what does the product say about me. Sustainability is only important for the consumer when it is linked to one of these four aspects. Only a minority of the market (less than 25%) has environmental aspects in mind when buying products or services. It is a mistake to believe that consumers can be educated easily to meaningfully change their priorities respecting environmental aspects of products. As in the development of radical innovations, this process requires the investment of substantial resources and the outcome is uncertain.

*Not all consumers are equal:* Of the four aspects mentioned above, some consumers are more sensitive to price (looking for basic functionality at the lowest price), others are more attracted to the intangible value (willing to pay a disproportionate amount for this aspect), and others might look for extra functionality. When developing sustainability solutions, remember that each group of consumers requires a strategy and product design adapted to their unique characteristics.

*Functionality equals impact:* At all times it is critical to remain aware that the offer of functionality – for example, lighting or mobility – involves the creation of certain social and environmental impacts. This is inevitable. What we actually seek is that this impact is positive or to minimize negative impacts as much as possible. This is the goal of sustainable entrepreneurship: creating environmental, social, and economic value.

## SUSTAINABLE BUSINESS SOLUTIONS

As an entrepreneur you are someone with the capacity to identify and exploit opportunities. That is what entrepreneur do; they have ideas and make them happen. It takes commitment and perseverance to achieve this. However, it can be very rewarding to contribute by delivering solutions that create environmental and social value and at the same time do this in a manner that is self-sustaining from an economic perspective. Sustainable entrepreneurship aims to solve social and environmental problems by applying business principles. This is accomplished through providing sustainable business solutions which could be as follows:

*Solutions for one specific social and/or environmental problem:* Such solutions address a problem that is clearly identified and acknowledged by society (see p.1.2 to obtain a list of the most common environmental and social issues). The impact of the solution can be quantified in relation to the environmental or social impact that the solution addresses. There are many metrics to measure the impact of a problem, however it is recommended to use simple units of measurement such as the number of people affected by the problem or the costs that are avoided through the solution. One should be able to provide an estimate of the contribution of the solution toward the alleviation of the identified problem. One specific example of an aspect to improve could be the level of energy consumption for public lighting in a city. In this case, it is important to know the actual impact of the electricity system in the form of kW/hr, monetary units, or CO<sub>2</sub> emissions. More complex impact measurement systems and indicators do exist, however it is recommended to use simple units that can be easily understood by a large majority of people.

*Clearly defined business models:* The business model is intended as a means to create and capture value. In the case of sustainable solutions, we talk about creating social and environmental value as well as economic value. In other words, sustainability refers to the question of how to introduce a solution to the market, how to offer value and transform the solution into financial returns while maintaining core sustainability objectives. The business model is

not only important for commercial organizations, but also for non-commercial organizations such as NGOs. Yet when the essence of an organization is other than profit alone, it is necessary to clearly define the necessary economic strategy to preserve the long-term existence of the organization.

*Scalable:* Scalability is crucial in a start-up that aims to create impact. The scalability of a solution refers to the ability to manage and implement growth in the workload and/or expansion into other territories. In the field of sustainability one should not only be interested in solutions that are scalable, capable of growth and able to self support this growth, but also that they are relevant to a variety of contexts and markets. The scalability of a solution is the most important aspect of creating impact and value.

*Inspire others to contribute or trigger action among others to develop their own solutions:* A good sustainable business solution inspires others to contribute to developing the idea and/or inspire others to develop their own version of the solution that adapts to other contexts. If a business solution is outstanding, one can expect that many people will be interested in joining the idea, or in developing similar solutions. There is a difference between a traditional business solution and one that aims to solve social and environmental problems. While traditional business solutions strive to protect business idea, and prevent counterfeiting and competition, sustainable entrepreneurship solutions welcome competition. In this sense, intellectual property models that promote the free use of intellectual property by competitors can play an important role in the contribution vs. traditional protectionist models. This is called as "open innovation".

## CONCLUSION

Sustainable Entrepreneurship stands for a business driven concept of sustainability which focuses on increasing both social as well as business value - so called Shared Value. Sustainable entrepreneurs formulate new ways to create and capture environmental, social, & financial value. Sustainable entrepreneurs have demonstrated that a look through the lens of sustainability reveals opportunities to improve our natural environment, people's quality of life, while at the same time creating economic value. Typically, sustainability entrepreneurs are on a personal mission to make the world a better place for people around them.

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