



SUSTAINABLE ENTREPRENEURSHIP

Models and best practices
from Norway and Romania



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Sustainable Entrepreneurship. Models and Best practices from. Norway and Romania

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INTRODUCTION

We are living exciting times that are characterized by major power shifts: there is no need for large and complex infrastructures and organisations 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. Typically, sustainability entrepreneurs are on a personal mission to make the world a better place for people around them.

There are plenty of examples of entrepreneurs that 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. Examples include Elon Musk of Tesla Motors, Igor Kluin of Qurrent, Matt Flannery of Kiva, or Stef van Dongen of Enviu.

In this book we collect some of the lessons that have been learned in the field of sustainable entrepreneurship with the aim of providing direction to those who aspire to turn ideas into solutions that succeed in the market. We start by reviewing the concept of sustainability and the relevance of sustainable entrepreneurship today, and describing both what sustainable business ideas are, and what they are not.

With the aim of illustrating the variety of areas in which sustainability is a source of business opportunity, chapter two presents a number of case studies of sustainability start-ups. From this point, the book outlines different elements of sustainable entrepreneurship and provides guidance on process. Chapter three starts by defining the importance of understanding the stakeholders and value-chains, followed by addressing the question of how to identify and assess sustainability-related opportunities and how to analyse assumptions, and understanding user needs.

Chapter four reviews the roles and responsibilities of both supporting partners and a core team with complementary skill sets and clearly delineated responsibilities and the importance of these factors to the success of your venture.

Financial support is required to launch even the smallest business venture. Chapter five reviews the different ways to access financial support from informal sources like friends and family, as well as formal sources like banks, venture capital investors, and public institutions.

Chapter six addresses the basic content and sections of business planning so you can elaborate a plan that helps you organize and clearly communicate your idea to others.

If you are reading this book, chances are that you have an entrepreneurial idea and intend to make the world a better place. Reality is that there is nothing stopping you from achieving your vision. We hope this book is a supportive companion on this journey.

SUSTAINABLE ENTREPRENEURSHIP MANIFESTO

1. Sustainability entrepreneurs formulate new ways to create and capture environmental, social, & financial value;
2. Sustainable Innovation develops unforeseen opportunities by delivering solutions to sustainability issues. Technological & social innovation is a frequent element in this process;
3. It is a journey, not a goal.
Your aim is to constantly improve over the past, your competition, or the the status-quo;
4. People are the greatest source of opportunity. Science sets the limits of what is possible;
5. Get to know the facts:
Opportunities come from an understanding of context;
6. Connectivity is productivity.
The world is flat, capitalize on this fact;
7. Create value for people around you;
8. Be a hub in your personal network, leverage others by giving a voice, connecting, empowering;
9. Information is power!... You can get it all, for free; use it, share it, filter it, mix it, reflect upon it
10. You can do anything you want, anything.
The tools are out there, the power of like-minded people too, and you've got the brains to do it.



@mrgt_rchd

1. SUSTAINABILITY AND ENTREPRENEURSHIP

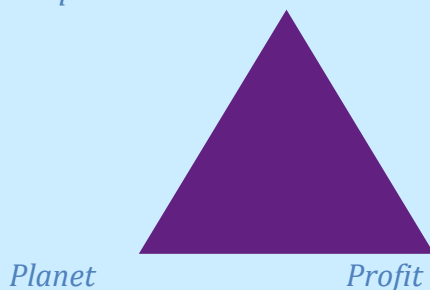
Environmental and social issues have been on the agenda of companies, governments and NGOs for some years now. As a consequence, much has been done to reduce environmental impact and improve the quality of life of people. It has been only recently that entrepreneurship is emerging as a new forum within 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.

Here we start by reviewing the concept of sustainability, sustainable business ideas, and the relevance of entrepreneurship to these concepts.

1.1 WHAT IS 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.

People



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

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“. The output of this commission was published by Oxford University Press in 1987 under the title *Our Common Future*, also known as the Brundtland Report, in reference to the chairperson of this group.

In Our Common Future speaks to the interrelationships between environmental, social, and economic progress and for first time used the term “sustainable development” to describe the concept. 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 fulfil 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 was that environmental, social, and economic development were 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).

Later in the 1980s other environmental crises followed, like the Seveso accident that caused major dioxin pollution or the disastrous contamination of air and water in Bhopal (India). By the 1990s it was generally accepted that mismanagement of industrial facilities could lead to major environmental catastrophes, and organisations 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.

By the late 1990s and early 2000s, environmental and social considerations came to be embedded at the strategic level of large companies and country governments. However, after picking the so called “low-hanging fruit” challenges became apparent to efforts to create business value while also creating environmental and social value.

The nature of sustainable development is a moving field that keeps broadening its scope of action over time. Most probably, new focus areas will be embraced in the coming decades.

Commonly, companies and governments refer to the three pillars of sustainability as a “triple-bottom line”, in reference to being accountable for environmental, social, and economic success. This is often represented by the figure of a triangle (see Figure 1).

Note: in this guide, the terms “sustainability” and “sustainable development” are used interchangeably. However, strictly speaking, the former refers to the science and social movement while the second refers to the process.

Today, it is clear that economic, social, and environmental development are interconnected concepts. However, why is so important to develop models of consumption and production that are sustainable?



@unsplash

1.2 WHY SUSTAINABILITY?

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

1. There is limited availability of natural resources;
2. Exponential human population growth, and;
3. Current and future generations have the right to fulfil their needs.

Below each of these reasons are described in greater detail

1. Limited availability of natural resources

The earth is a closed system providing 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

2. Exponential human population growth

Human populations have been growing exponentially, particularly since the industrial revolution (see Figure 2). 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.

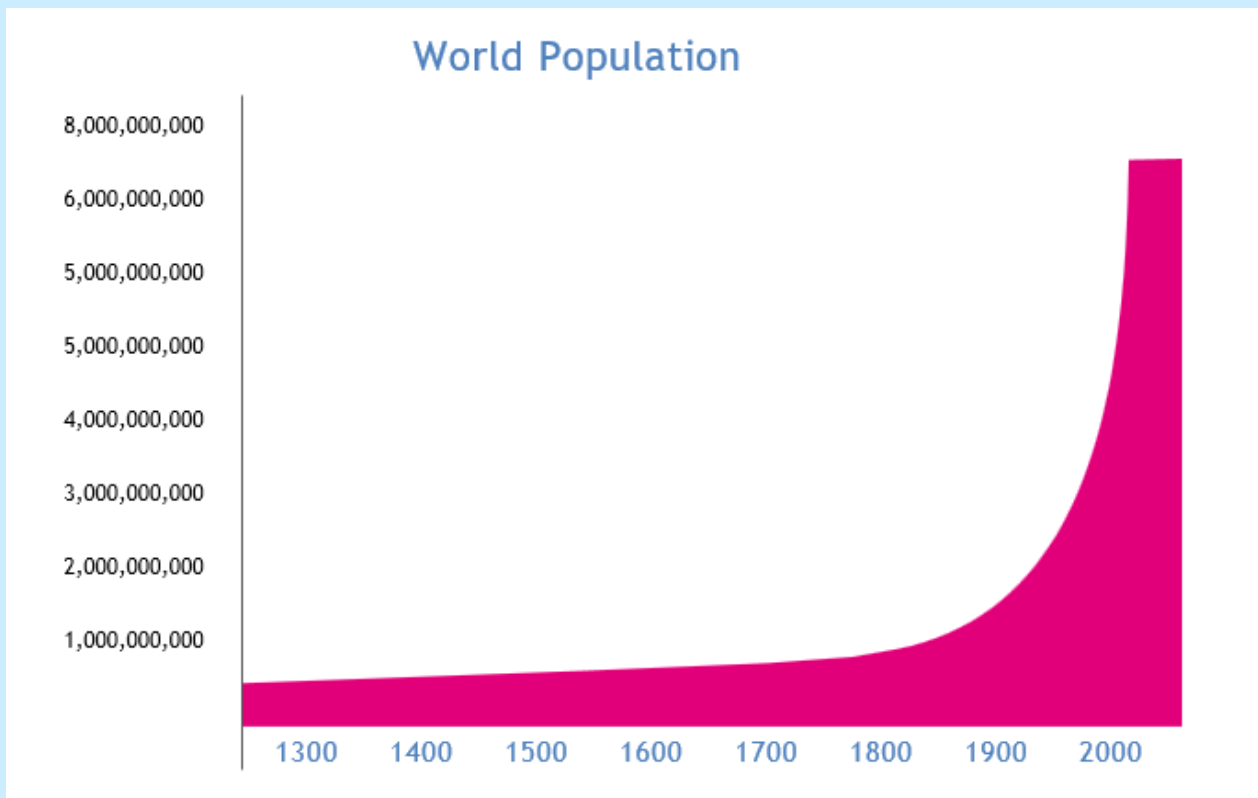


Figure 2: World population growth

3. The right of current and future generations to fulfil their needs Sustainable development aims to provide the right (and resources) for current and future generations to fulfil their needs. The basic intention of the Brundtland definition is to ensure that future generations will have the capability to enjoy a quality of life, at least as we know currently know it.

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 (see Figure 3).

Basic needs for people to develop prosper and with dignified life include access to clean water, shelter, food, energy (i.e. fire, electricity), and healthcare.

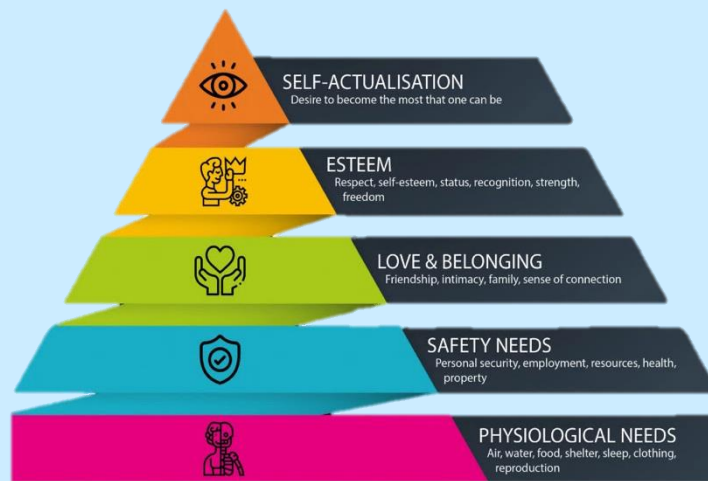


Figure 3: Maslow's Hierarchy of needs

In many circumstances fulfilment 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 fulfil 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.

1.3 CONSIDERATIONS ABOUT SUSTAINABILITY

The process of designing, developing and implementing solutions to sustainability problems is challenging, but not an impossible task. However, you 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, you 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;
- **Sustainability requires incremental and continuous improvement: there is always room for improvement.** The objective that we must take into consideration is to keep working and always improve over existing solutions. When each product continues to improve over previous versions or a company continually aims to do a better job we can be confident of being on the right track.
- **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, a few years ago it was decided to reduce energy consumption and CO2 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. Experience tells us that it is often more efficient to apply common sense and develop „incremental innovations“ that, when added together, create significant positive impact.
- **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

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 minimise negative impacts as much as possible. This is the goal of sustainable entrepreneurship: creating environmental, social, and economic value.

The above list should serve as a guide on how to develop solutions to sustainability issues while creating business value at the same time.

1.4 WHAT ARE SUSTAINABLE BUSINESS SOLUTIONS?

As an entrepreneur you are someone with the capacity to identify and exploit opportunities. That is what entrepreneurs 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 that are characterized as:

1. *Solutions for one specific social and/or environmental problem;*
2. *Clearly defined business models;*
3. *Scalable;*

4. Inspire others to contribute or trigger action among others to develop their own solutions.

1. Solutions for one specific social and/or environmental problem;

Such solutions address a problem that is clearly identified and acknowledged by society. 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/hour, monetary units, or CO₂ 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.

2. 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 organisations, but also for non-commercial organisations such as NGOs. Yet when the essence of an organisation is other than profit alone, it is necessary to clearly define the necessary economic strategy to preserve the long-term existence of the organisation.

3. 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 we are not only 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.

4. 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 your 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. We call this „open innovation“.

1.5 WHY SUSTAINABLE ENTREPRENEURSHIP?

It is only recently that we are aware of the relationship between certain human activities and the implications for the planet. The subject has reached such a level of maturity that it is only now that all the pieces of the puzzle are beginning to come together.

A new generation of individuals is on the rise that are driven to create an impact in society and leave a heritage of improved environmental and social conditions.

Traditionally, environmentalists have focused their attention on established corporations: “They have created all the problems, and they have to solve them”. The truth is that the ultimate drivers of the current environmental stress are consumers. It is also true that, until recently, little was known about the effects of industrialisation.

Today large companies are doing much to reduce their sustainability footprint. At the same time it is true that large organisations lack flexibility and often the necessary culture to develop innovative sustainable solutions.

That is why the future of sustainability is in the hands of passionate individuals driven to create environmental, social, and economic value. These are the individuals who will create the innovative technologies and business models of tomorrow.