Chapter 1

Understanding the Green Entrepreneur

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Abstract

This introductory chapter provides an overview of the phenomenon of "environmental entrepreneurship." It begins by explaining the key characteristics of entrepreneurs and entrepreneurial firms, before examining the link with sustainability and environmental responsibility. Ecopreneurship is a relatively new field of academic enquiry and study, and although some work on the phenomena began in the 1970s, it was not until the late 1980s and 1990s that the topic began to receive much attention. Today there are still several areas in which more understanding of ecopreneurship and individual green entrepreneurs is needed. Current issues that require greater investigation include the development of an accurate and widely-acceptable definition of the concept; profiling and identifying "typical" characteristics of green entrepreneurs; identifying the factors that act as barriers and triggers to environmental entrepreneurship; the development of a body of research-based case studies and quantitative studies; and understanding policies which can be used to encourage a greater level of ecopreneurship. Difficulties in researching and understanding ecopreneurs include the problem of developing effective operational definitions of the concept, the choice between emphasising qualitative or quantitative research approaches, and the fact that most studies only examine business ventures already in action, thus omitting nascent green entrepreneurs as well as terminated ventures.

Introduction

What role do entrepreneurial individuals and firms have to play in the adoption of more sustainable business practices?

Traditionally, environmental business management has focussed its attention on how and why existing firms can become greener. It has spent a substantial amount of time and effort examining the tools that can be used to make firms more sustainable and environmentally-responsible; attempting to classify and categorise the responses of existing firms to the environmental and sustainability agendas; and in identifying the barriers and triggers that make firms "go green."

However, the field of green management has lately begun to broaden its research and teaching agenda. In recent years, there has been a growing recognition of the importance of such issues as the links between sustainability and innovation;
the role of small and medium-sized enterprises; the importance of sustainability in strategic business development; the emergent significance of consumer demands on firms; and green practices in particular industries.

What all of this suggests is that green perspectives can often provide the foundation for the creation and growth of viable, commercially successful business ventures. Individuals and organisations that take the time to understand sustainability issues, study the emergent trends and develop a feasible business idea can create successful niches for themselves. Indeed, this has often been a foundation stone of the business case for sustainable development: green businesses are successful ones.

Yet, curiously, until now much of this argument has overlooked one critical element—the entrepreneur. This person is the linchpin in the creation, development and growth of a successful business venture, and ultimately also serves as a role model from which new ideas are subsequently disseminated out into the wider business community. It is now time to pay more attention to the role that entrepreneurs can play in the move to a more sustainable economic and commercial system.

This introductory chapter provides an overview of the phenomenon of “environmental entrepreneurship.” It begins by explaining the key characteristics of entrepreneurs and entrepreneurial firms, before examining the link with sustainability and environmental responsibility. It then gives a brief history of research work in the field to date, before examining the current understanding of what really is meant by the term “ecopreneur” and its typical features. It then concludes by outlining some of the areas in which further knowledge about ecopreneurship is still required, and some of the problems involved in researching this topic.

What is an Entrepreneur?

As has sometimes been remarked, an entrepreneur is easy to recognise and hard to define. In general, entrepreneurs are individuals who conceive new business opportunities, and who take on the risks required to convert those ideas into reality. They are people who are able to identify new commercial ventures (which often involves a willingness to “look outside the box” and examine issues in fundamentally different ways to more conventional approaches), incubate ideas and champion their adoption, assemble the resources needed to bring the idea to commercial reality (such as money, people and technologies) and, finally, launch and grow the business venture.

Like a number of other management concepts, entrepreneurship is easy to conceptualise but hard to explain. Developing a precise form of words which clearly states what entrepreneurship is has led to numerous semantic and philosophical arguments, although in a practical sense most people know entrepreneurship when they see it in action, even if they cannot define such behaviour. For example, the person who takes a new business idea, pours their energy and enthusiasm into making that vision a reality, and then oversees the venture as it grows and develops, is clearly an entrepreneur; on the other hand, a manager who simply takes a firm and ensures that it is run efficiently and effectively, day in and day out, demonstrates no entrepreneurial disposition.

In other words, entrepreneurship arises when enterprising individuals identify an unsolved problem, or an unmet need or want, which they then proceed to satisfy. In the process, they transform the existing status quo into a future opportunity, and turn ideas into a commercial reality.

Entrepreneurs seek to bring about change and new opportunities, both for themselves and for the communities they belong to. They are often agents of what one of the early researchers in the field, Schumpeter (1934), labelled as “creative destruction”: old ways of doing things are transformed, or overtaken, when enterprising individuals wreak change in business systems. In this way, entrepreneurs often play an important role as the engine of change in a market-based economy, since they are responsible for introducing innovation, adaptation and new ideas. Economies—and societies, for that matter—do not change simply because of an inevitable set of circumstances or trends; they can only transmute when there are people who individually set new directions, suggest new ways of doing, and then successfully become role models.

Enterprising individuals can be found in all sectors of society, and today there are three broad types of entrepreneur which can be recognised. Traditionally, the concept of entrepreneurship has been closely aligned to that of small business management: the classic archetypal entrepreneur is often regarded as an individual who starts his or her own small business, which may eventually grow into a much larger and more successful corporation. But entrepreneurs can also be found within existing large corporations, where they help create new business divisions, products and changes to internal operations, and are known as corporate entrepreneurs or intrapreneurs (Pinchot 1985). Finally, there are also many social entrepreneurs working within non-profit organisations, who attempt to bring about innovations to resolve community problems (Ashoka Foundation 2003).

Whatever the milieu, successful entrepreneurship requires more than merely energy and money. It does not arise out of blind faith, enthusiasm or luck. These attributes are always welcome, but desire can only succeed when it is allied with organisational and business-building skills. For an idea to be successful, the entrepreneur must also undertake a cohesive process of planning, idea development, marshalling resources, sourcing finance, careful research, the adoption of creative and innovative techniques, and calculated risk taking.

Entrepreneurship is not confined to any one particular industry, country or group of persons. Enterprising behaviour can be found in all societies, and in all types of economic circumstances. Indeed, whilst the term usually refers just to an individual, it is also possible to find whole organisations that can also be classified as entrepreneurial in the way that they do business and seek to grow.
Sustainability, Greening and Entrepreneurship

The adoption of environmentally-responsible business practices can conceivably open up an additional range of opportunities for entrepreneurs. The move to a sustainable business framework provides numerous niches which enterprising individuals and firms can successfully identify and service. These include the development of new products and services; improving the efficiency of existing firms; new methods of marketing; reconfiguring existing business models and practices; and so forth.

But green entrepreneurship is not only important because it provides new opportunities for the nimble first-movers who identify and exploit such opportunities. Ecopreneurship matters because it also has the potential to be a major force in the overall transition to a more sustainable business paradigm. In a market-based economy, entrepreneurs play a critical role in the eventual adoption of green business practices by the wider business community, because of the lead role which they provide to other firms. In many market-based economies, entrepreneurs are often lauded as exemplars and heroes: their success helps give guidance and motivation to other practicing and aspiring businesspeople. By demonstrating the economic benefits which come from being greener, ecopreneurs act as a “pull” factor that entices other firms to proactively go green, as opposed to the “push” factors of government regulation, risk minimisation factors and stakeholder or lobby group pressure.

The Evolution of Environmental Entrepreneurship

As management disciplines, both entrepreneurship and environmental business management are comparatively new concepts. Although there is now a relatively large body of established research into the phenomenon of entrepreneurship, the field itself has only been widely recognised as a meaningful discipline since about the 1980s. Prior to this time, study of the topic was largely confined to a small number of institutions and researchers. Today, however, most business schools and most members of the business community are familiar with the concept, and accept the importance of fostering enterprising behaviour within a commercial context.

The greening of management is also a relatively new phenomenon. However, it is less well known, less researched, and less understood than entrepreneurship. To date, most written material in the field of greener management has dealt with the greening of existing business organisations. However, there have been a number of authors who have argued that greening and sustainability could also provide the basis for substantial new business opportunities. In the early 1970s, Harvard Business Review published a pioneering article arguing that the “ecology movement” could provide profitable new markets for business expansion, rather than simply being a drain on economic activity (Quinn 1971). By the late 1980s, this theme had begun to be more prominent.

Elkington and Burke (1989), for example, argued that innovative business solutions could only be used to improve the environment, but also to provide the basis for new business prospects overlooked by mainstream firms. In the early 1990s a more explicit examination of environmental entrepreneurship began to emerge, with authors such as Bennett (1991), Berle (1991), and Blue (1990), who began to employ the terms “environmental entrepreneur”, “green entrepreneur,” “eco-entrepreneur” and its derivation “ecopreneur”. After a hiatus during the mid-1990s, the concept has been examined more recently by Anderson & Leal (1997), Isak (1998), Andersen (1998), Keogh & Polonsky (1998), Hostager, Neil, Decker & Lorentz (1998), Adeoti (2000), Larson (2000) and Kyro (2001), amongst others. A more recent addition has been the work of Walley & Taylor (2002), Schaltegger (2002), Pastakia (2002), and others (for more details see Schaper 2002a).

As these papers – plus the current book – indicate, there is now a small but growing body of written literature on the topic of ecopreneurship. This interest has also begun to spillover into the broader entrepreneurship discipline (Schaper 2002b), with the role of environmental issues and sustainability now slowly starting to be incorporated into some conventional texts on entrepreneurship (for examples, see Kuratko & Hodgetts 2002; Kao, Kao & Kao 2002).

Apart from written publications, there have also been a number of recent initiatives designed to foster and promote ecopreneurship. Within academia, a number of tertiary institutions have now introduced units in environmental entrepreneurship, and at least one European university has endowed a chair in sustainable entrepreneurship. For practising entrepreneurs in business, a number of micro-finance and business funding schemes have been introduced to provide startup and growth capital for green enterprises. There are now also specialist business incubator centres for new firms with a sustainability orientation, schemes to make entrepreneur advisory services greener, and a new focus by many non-profit organisations on fostering entrepreneurial business ventures that meet key sustainability criteria.

Current Understandings About Ecopreneurship

The end result of this work is that today there is an emerging recognition that green entrepreneurs exist, that they have the potential to play a substantial role in the development of a more sustainable economic and commercial system, and that there are certain steps which can be taken to facilitate their work.

Different writers have also used differing terms to describe this phenomenon. Some of the more common phrases currently in paralogue include “ecopreneurship,” “eco-entrepreneurship,” “green entrepreneurship,” and “environmental entrepreneurship.” In this chapter, and throughout much of the rest of the book,

1 These papers, all published in a special edition of the journal Greener Management International (Number 38, Summer 2002), are amongst those included in the current book.
readers will note that the terms have been used interchangeably. Likewise, the concepts of “sustainable development” and “environmental responsibility,” although not strictly synonymous, have also been employed as substitutes for each other.

Clearly, there are some characteristics which all ecopreneurial activity has: first of all, it is entrepreneurial in some way, shape or form. All green entrepreneurs undertake business ventures which involve a measure of risk, whose outcomes are never predictable and for whom the possibility of failure is always present. And like other entrepreneurs, they must also identify a feasible business opportunity, research it, harness resources to turn the idea into reality, develop and execute a plan for business development, and oversee its growth.

A second feature common to all ecopreneurs is that their commercial activities have an overall positive effect on the natural environment and the move towards a more sustainable future. It may be that all of their business is structured and operated in such a way that every component has a neutral or positive impact on the environment; but just as plausibly, it might be that some aspects are green, whilst others are still “brown.” Indeed, since we live in an imperfect world, it is likely that few business ventures can remain 100% pure; there will almost always be some waste, pollutant or dirty resource use. On balance, however, the environmental entrepreneur creates and operates a project whose net environmental impact is positive.

A third factor that appears to be common to many environmental entrepreneurs is their intentionality. The personal belief system of ecopreneurs – their set of values and aspirations – usually sees protection of the natural environment, and a desire to move onto a more sustainable future pathway, as important goals in themselves. Yet as this book shows, this desire does not need to be paramount. Ecopreneurs vary dramatically in the significance they place on this goal. For some business venturers, such altruistic goals are more important than financial return or commercial viability; for others it assumes equal ranking with traditional measures of economic and commercial success; and for others still it is only a secondary factor after business feasibility. But by including an aspect of intentionality, we can separate green entrepreneurs from “accidental ecopreneurs” – business venturers whose firms operate in an environmentally-friendly manner, but do so more as an unanticipated byproduct of other business processes than because of a deliberate focus on this issue.

Beyond this, however, it becomes much harder to identify and define environmental entrepreneurship. Ecopreneurs do not fit a mould; they come in many different forms, engage in a wide variety of business activities, and thus far it has not been possible to identify a “typical” profile of green entrepreneurs. Only the behaviour of the entrepreneur – their goals, what they actually do in their business, and the outcomes that they produce – can safely be used to set them apart.

Like mainstream entrepreneurship, it is also clear that green entrepreneurship cannot simply be conjured up into existence by the whim of policymakers. To come into being, successful ecopreneurship requires the presence of numerous favourable circumstances: an enterprising individual or small group of lead individuals, who take charge of the business venture project; the existence of a suitable market niche; access to suitable human resources; sufficient capital to fund startup and venture growth; and access to appropriate business support and advice, either from the private sector or the public arena. Even this is not enough. The outcome of any entrepreneurial venture is never guaranteed. Business ventures do not automatically survive and flourish in the presence of a set mixture of ingredients. Circumstances, opportunities and the whim of the external market also play a role.

An Agenda for Future Development of This Area

With these comments in mind, it is clear that there is still much more that needs to be understood about ecopreneurship, both from a research and a practical perspective. Some of the important issues that remained to be examined can be broadly grouped into four categories:

What Constitutes a Green Entrepreneur?

It has been suggested above that, to this point, it has been difficult to establish a profile of the “green” or environmentally-responsible entrepreneur. However, this does not mean that the issue should not be investigated in more detail. How does one profile a “green entrepreneur” – are there characteristics that set them apart from other entrepreneurs? Are particular groups of people, or industries, more likely to generate ecopreneurial ventures than others? Are women, for example, more likely to start a green venture than men? Are particular age cohorts more ecopreneurally inclined than others? Certain cultures? And – as appears likely – do some industries (such as tourism) tend to incubate proportionately more new green ventures? Do the models put forward in this book by various authors, which attempt to describe, classify and categorise ecopreneurs, have any practical utility?

A secondary issue is to compare green entrepreneurs with their more conventional counterparts. Do ecopreneurs tend to create business ventures that are more (or less) profitable than mainstream or “dirty” ventures within the same industry? Are there differences in management styles, strategic orientation, growth patterns, survival and failure rates?

For that matter, what is the most appropriate way to measure the performance and success of ecopreneurs? Should the major criteria be sustainability-based ones (such as social and environmental indicators), conventional existing measures of firm performance (such as financial indicators, market share, and growth), or the “added value” (benefit) which they provide to the broader society?
What are the Barriers and Triggers to Environmental Entrepreneurship?

What factors serve as either a barrier or trigger to their activities? What are the forces and process that give rise to green entrepreneurship? How do individuals and firms identify opportunities, filter them, and ultimately select a project to embark upon? A better understanding of these steps in the entrepreneurial process will also help us to develop a better understanding of the practical measures that can be taken to foster eco-entrepreneurship in both nascent and existing firms.

Learning from Examples

Another rich source of knowledge which is yet to be comprehensively examined are the experiences, reflections and perspectives of those "already in the game." Ecopreneurs who have already started their own business have a body of experience which needs to be listened to. This store of knowledge is often overlooked, but it is firsthand and accumulated at the expense of much personal effort. What are the stories and experiences of past and present ecopreneurs (both successful and otherwise)? What lessons can be learnt from them, and how can this information be effectively disseminated to other current and would-be ecopreneurs?

Policies to Foster Ecopreneurship

Legislation, government regulation, and industry support agencies all have a role in shaping the way that business conducts its activities. Other stakeholders, such as lobby groups, NGOs, venture capitalists, industry associations and local communities can also influence the context in which ecopreneurs operate. How can the activities of these bodies be encouraged to foster environmental entrepreneurs? What policy frameworks can promote a greener perspective in both existing and nascent entrepreneurs? What strategies have already been shown to work, and what other prospective tools might also be helpful?

The Research Challenge in Ecopreneurship

Before embarking on these voyages of enquiry, it must be borne in mind that conducting research into this field is often problematic. The discipline of entrepreneurship has some features which can, on occasion, make it difficult to critically study and analyse.

As has been discussed, ecopreneurship is an extremely complicated phenomenon to define, which makes it difficult to identify and measure green entrepreneurship. And what is the correct unit of analysis – the individual entrepreneur, or the business venture that he/she operates? An extra complication is also introduced by the existence of social entrepreneurs – enterprising activities in the non-profit field. Many of these have an avowed green perspective; should they be evaluated in the same way as their private sector counterparts?

There is also a broader ontological issue that is often overlooked in entrepreneurship research. Is entrepreneurship a relatively universal phenomenon that lends itself to quantitative analysis, in the hope that such study can uncover relatively broad-ranging laws that govern the entrepreneurial process? Or, alternately, is each venture unique in its own way, driven by a person whose motivations, background, abilities and activities are different to the next person? If so, only qualitative research can shed light on what they do and how they do it, and it may be well nigh impossible to generalise such findings into the broader business community.

Finally, most entrepreneurship research tends to be focused on business ventures in action. They overlook the role of the entrepreneur prior to startup (so-called "nascent" entrepreneurs), because such individuals can be hard to identify and locate before the business is registered and trading. It is often not possible to evaluate nascent ecopreneurs during the critical formative period – the point at which their motivations for starting the business, identifying and evaluating green business opportunities, and developing a business model are usually cemented. At the other end of the entrepreneurial time frame, research also tends to suffer from "survivor bias" – it is easier to track and analyse firms that grow and succeed, rather than those that fail. This can lead to skewed results, in which the stories and accomplishments of the winners have greater significance than those of the losers – even though the latter may be more important in identifying barriers to successful business venture formation.

Conclusion

Like its mainstream cousin of entrepreneurship, ecopreneurship can be a complex issue to fully understand and manage. It takes many forms, flourishes under many different conditions, and can often emerge under the most unlikely and least predictable circumstances. It is also difficult to accurately measure and research.

Despite these limitations, it is an increasingly important area of business activity. Understanding this phenomenon, and utilising it to build a more sustainable future, is the common focus of the many various authors in this book, each of whom bring their own unique perspective to the study of this issue. It is to be hoped that this will provide a springboard from which others will also become motivated to work in this fascinating new field of business.

References

Chapter 2

The Making of the Ecopreneur

Robert Isaac

Abstract

This chapter contrasts “green businesses” (moving an existing firm towards environmental responsibility) with “green-green businesses” (a business designed in process and product to be green as a start-up). The ideal type of “ecopreneur” is defined as one who creates green-green businesses in order to radically transform the economic sector in which he or she operates. Ecopreneurship is an existential form of business behavior committed to sustainability. Ecopreneurs are counter-cultural or social entrepreneurs who want to make a social statement, not just money. They benefit not only from free advertising, given their advocacy of a public good, but from a strong sense of individual and team motivation since their objective taps into social and political as well as economic needs. The classic examples of Ben and Jerry’s, The Body Shop and The Honey-bee Network are deliberately selected here as perhaps the most “ideal typical” illustrations of ecopreneurship as a form of human behavior latent in all entrepreneurs who want to get the most widespread benefit from their natural “free-rider” instincts.

Practical suggestions for business people who want to try the ecopreneurial strategy in the private sector are suggested, including green brain-storming, reduction of costs, the stimulation of innovation through green design and networking, and attracting the interest of overwhelmed consumers through green marketing and the funding of the public sector in an emerging “attention economy.”

Concrete steps which governments and public officials can take to promote ecopreneurship include competitions for the most imaginative green business plans, changing tax regimes to promote resource conservation, building ecopreneurship into standards for public sector managers, and targeting the creation of high tech development centers to build serial ecopreneurship and to attract “blended value” venture capital.