

Ecopreneurship: Is it a viable business model?

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Abstract

Ecopreneurship relates to carrying out activities that keep the environment clean as well as meeting the business objective. The paper discusses the opportunities and challenges in the ecopreneurship model of business to understand the viability of the business model. The opportunities include creation of environmental friendly products and developing a market for such products. The challenges include financial barriers such as costs and complex regulations and policies acting as a hindrance in growth opportunity. Successful case studies in the Indian context have been studied to understand the business prospects. The paper concludes that the eco business can sustain if it has support from all stakeholders such as government giving tax benefits to green entrepreneurs, suppliers focusing on supplying environmental friendly materials and customers buying green products. The existing organizations can promote ecopreneurship through CSR initiatives. The biggest challenge for ecopreneurs is customer value creation through innovative products and cost control. Along with this customer education on environment cleanliness is another task.

Key words: ecopreneurship, opportunities. Challenges, value creation

Introduction

According to Schaltegger (2002), the term 'ecopreneurship' is a combination of two words, 'ecological' ('eco') and 'entrepreneurship'. Ecopreneurship can thus be roughly defined as 'entrepreneurship through an environmental lens'. Ecopreneurship is characterised by some fundamental aspects of entrepreneurial activities that are oriented less towards management systems or technical procedures and focused more on the personal initiative and skills of the entrepreneurial person or team to realise market success with environmental innovations. This wide definition of ecopreneurship takes intrapreneurs (Pinchot, 1988), as an important subgroup of ecopreneurs, into account, as intrapreneurs represent actors inside an organisation who substantially change and shape the environmental and business growth development of an existing company.

Schaltegger (2002) further states that for a company to have a positive environmental influence it must make a real and substantial contribution to environmental progress. A real improvement can be created only if the production processes, products and services are environmentally superior. A substantial contribution requires that the company exert significant market influence by gaining a large market share or by influencing competitors and other market actors (such as suppliers) to adopt superior environmental solutions. Ecopreneurs run companies that fulfil both requirements. Ideally, ecopreneurship pulls the whole market towards more environmental progress.

Review of Literature

Schaltegger (2002) in his paper has discussed the framework of measuring ecopreneurship. He mentions that there are five dimensions on the basis of which ecopreneurship can be measured. These are environmental goals and policies, ecological range of products and services, market share, sales growth and reaction of competitors. The main advantage of this framework is providing self-assessment and opportunities for improvement.

Schaper (2002) in his research on "The Essence of Ecopreneurship" has touch on several aspects of environmental entrepreneurship. The researcher mentions that green entrepreneurship is a relatively new area but offers several opportunities for business

sustainability through innovation. However legislations, government regulations and industry support agencies have to play an important role in making this activity successful. The NGOs, venture capitalists and local communities can also play an important role to ensure the success of ecopreneurship.

Kainrath (2009) in his thesis has mentioned that ecopreneurship has emerged from finding solutions to environmental problems across the globe. Hence ecopreneurship relates to environmental friendly ways of doing business. Through several case studies, he has concluded that there are three important elements to achieve success in ecopreneurship:

1. Eco – innovation: This relates to providing innovative solutions to solve environmental problems.
2. Eco – commitment: This relates to creating and implementing policies that will help create a commitment towards focusing on green activities.
3. Eco – opportunity: This relates to identifying the opportunities for innovation that will help to solve environmental problems as well as achieve sustainability in business.

Holger (2006) mentions that ecopreneurship is about gaining a competitive advantage through entrepreneurial spirit and approach. The question is: what kind of competitive strategies do successful green entrepreneurs use and how are they able to combine environmental values with economic success? Isaak (2002) in this paper the author contrasts 'green businesses' with 'green-green businesses'. 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. Similarly, ecopreneurship is seen as an existential form of business behaviour committed to sustainability. Some 'ideal-type' illustrations of ecopreneurship are given, including recent examples, having in common an accidental evolution into ecopreneurship that then becomes transformative for self, society and economic sector. The author provides some practical suggestions for businesspeople who want to try an ecopreneurial strategy in the private sector, including: green brainstorming; cost reduction; the stimulation of innovation through green design and networking; and the attraction of interest of overwhelmed consumers in an emerging 'attention economy' through green marketing and through green start-ups ('green-green businesses'). He suggests that, to promote ecopreneurship, governments and public officials can: run competitions for the most imaginative green business plans; change tax regimes to promote resource conservation; build ecopreneurship into standards for public-sector managers to meet; and target the creation of high-technology development centres to build serial ecopreneurship and to attract 'blended value' venture capital.

Opportunities

Dixon and Clifford (2007) in their paper have mentioned that ecopreneurship can help to create an economically viable business as well as retain core environmental and social values. The findings of the paper suggest a strong link between entrepreneurialism and environmentalism. The entrepreneurial flair of the CEO enables the pursuit of environmental, social and economic goals. The success of the Green-Works business model stems from the business's symbiotic relationships: firstly with large corporate bodies, which are keen to quantify their CSR efforts; secondly, with the community and social partners, who provide employment and training for disadvantaged people and a route to relatively risk free growth; and thirdly, with government and social institutions, which provide special concessions and support. The strong economic foundations of the model provide sustainability for the environmental and social objectives of the organisation.

Hermann (2011) has taken a case study of shipping industry and identified ecopreneurial opportunities. Trade and maritime transportation growth attract a closer look into the

shipping industry environmental performance. The worldwide maritime sector adopts –green shipping practices. Green shipping has spurred the demand for pollution control technology, cleaner fuels, and best management practices. Other industry sectors adopt sustainability by the interrelation of technology push, regulation push, and market pull and business internal drivers. These drivers may create a demand for eco-innovations which will help the industry sector to fulfill its sustainability requirements. Yet, –green entrepreneurs' role is an attention subject about the technological eco-innovations market introduction. This case study uses qualitative data to explore how the drivers of green shipping are creating incentives to ecopreneurship. The case study focuses on Frederikshavn kommune and counts with two maritime clean tech entrepreneurs as units of analysis. Overall, the case study found that regulations will induce cleaner technology adoption in the maritime industry. Meanwhile, the demand for cleaner technology is likely to create a business opportunity for new entrants (e.g. ecopreneurs). Information intermediaries are important players to inform potential entrepreneurs about these opportunities. Yet, some requirements bound maritime clean tech ecopreneurship. The first requirement is a previous experience in the maritime business. The second is partnership with incumbent firms. These findings suggest that the maritime sector faces technological path dependence. However, a strong regulatory scenario can bridge opportunities for the introduction of ecoinnovations. These opportunities may be exploited by new entrants to some degree. The most important barrier being the high technology development costs, and the high risks associated to the clean tech introduction.

McEwen (2013) has identified ecopreneurship as a solution to environmental problems. Given the present environmental problems facing the world, it is clear that past strategies used to address these challenges have failed to prevent environmental degradation. It is therefore time to pay attention to the role that entrepreneurs can play in solving our environmental problems. Scholars agree that entrepreneurs can help preserve our ecosystems, counteract climate change, improve fresh water supply, maintain biodiversity, and reduce environmental degradation and deforestation. This paper focuses on how to harness the innovative potential of environmentally conscious entrepreneurs, called ecopreneurs, to encourage more startups that would create the environmental technologies needed to address our environmental problems. It also discussed the role of entrepreneurship education in promoting ecopreneurial behaviour and presented an outline for a possible ecopreneurship course that could be integrated into college-level entrepreneurship education.

Volery (2002) in his paper has identified two categories of ecopreneurs. The first category is called “environment-conscious entrepreneurs”, are essentially those who are well aware of environmental issues, but they are not in the environmental marketplace. Such entrepreneurs typically pursue business-centered opportunities which have an environmental dimension. In doing so, they strive for eco-efficiency – producing better goods and services while using fewer resources and generating less impact, thereby improving both their environmental performance and bottom line. We can find this type of entrepreneur in virtually all industries, although the most prominent are found in the cosmetics, chemical, car manufacturing, transportation, petroleum and mining industries. The opportunities available can lead environment-conscious entrepreneurs to independent start-ups (e. g. The Body Shop, Ben & Jerry's, Patagonia – see case 1) or to various forms of corporate venturing initiatives, such as new divisions, new subsidiaries, joint-ventures or spin-offs. For example, Cargill and Dow Chemical chose to set-up a joint-venture, Cargill Dow, to manufacture and market polymers for producing fibres and packing materials that are derived entirely from annually renewable resources). More broadly, we consider environment-conscious entrepreneurs to be the individuals who develop any kind of innovation (product, service, process) that either reduces resource use and impacts or improves cost efficiencies while moving towards a zero waste target.

The second categories of ecopreneurs, called “green entrepreneurs”, are those who are both aware of environmental issues and whose business venture is in the environmental marketplace. Such entrepreneurs pursue environmental-centered opportunities which show good profit prospects. Green entrepreneurs are found in the environmental industry which is traditionally divided into five categories: (1) recycling or disposal of solid waste, (2) remediation of polluted areas, (3) air pollution control, (4) water treatment, and (5) engineering and consulting services (Fischetti 1992). As more and more entrepreneurs consider first the environment rather profit, more categories can be added to the environmental industry. Consider farmers who engage in the production of products through the use of ecological principles (respecting the natural capacity of plants, animals and landscapes). Organic agriculture (also called biological or ecological farming) dramatically reduces external inputs by refraining from the use of chemical fertilizers, pesticides and drugs. This is a fast growing industry.

Challenges

Volery (2002) in his paper has highlighted the costs and scarcity of resources in ecopreneurship. A good example is of waste disposal. The cost of waste disposal forces companies to innovate in order to reduce the quantities of waste generated by their products. Product disposal costs have increased significantly in recent years as landfill and incineration capacity is being depleted. Purchasing programs favor products that are reusable or that have reused content. At the same time, some natural resources have become scarcer and more expensive.

Çakar and Alakavuklar (2011) have highlighted the ecopreneurship is an ethical challenge. Growing economies may not pursue ecopreneurship as due to lack of economic advantages. as easy ecological problems are solved, environmental challenges are becoming more complex and costly, regulations are destined to put more ecological costs and new ecological policies are offering new challenges. A reductionist approach of concentrating on the efficiency and effectiveness won't be appropriate. Another problem may arise from concentrating too much on the innovation factor of ecopreneurship can result in seeing the ecological issue as a challenge that can be met only with technological improvements. These kinds of popular approaches, undermines the unique nature of ecopreneurship and threatens it to turn into another management fad.

Linnanen (2002) has identified three barriers to ecopreneurship

(1)Market creation - Environmental management and sustainable development are still fairly discredited concepts in public discourse and it is therefore a natural inclination to require greater proof of these new and provocative ideas than for the view already believed to be true.

(2)Financial barrier - On the one hand, environmental entrepreneurs with drive and ideas often find it difficult to find investors who share their objectives and ideals. On the other hand, people interested in direct investment in environmental businesses experience difficulties in finding the enterprises they can believe in and support. Many environmental companies seem to know little about the investment community, and many investors believe that ecopreneurs lack knowledge about the realities of financial markets and fail to grasp the investor's interests. Whether these prejudices are justified or not, they create an obstacle to placing and obtaining capital.

(3)Ethics - Another issue is that sometimes this willingness to serve good purposes even exceeds the desire to make money. Eco-businesses are indeed measured by multi-dimensional success criteria, many of them being non-financial. The combination of fact-based and value-based issues linked with various impact levels—from the individual level up to a global level—leaves room for great diversity of performance indicators and makes it difficult to define success. Integration of the financial and the ecological perspectives has proved to be difficult,

if not impossible. The current lack of clarity of sustainability criteria leads use to the conclusion that 'good business' is continuously open to multiple interpretations.

Case studies from India

In 2007, five friends Abhijeet Makhijani, Gaurav Modi, Neeraj Quadras, Praveen Crasta and Rohit Bhandari got together and started a venture called HonECORE to reinstate and utilise the green cover in Bangalore. They developed and manufactured honeycomb paper made from a combination of plywood, steel, plastics, FRP and many other materials as its sandwich faces to form some of the strongest composite panels for its weight and dimensions. Their product made from recycled kraft paper and eco-friendly glue is 100 per cent bio-degradable, non-polluting and eco-friendly. By 2013, the company sold approximately 10 to 15 tonnes of paper honeycomb every week.

A Bangalore-based company called Daily Dump started by Poonam Bir Kasturi makes commercial compost pits that can be purchased online. The greatest challenge was to convince people of the usefulness of such waste management. Daily Dump keeps 7,000 kg of organic waste from Bangalore's landfills every day, and is a hit with residents.

Two Mumbai-based engineers design a low-smoke cooking system that saves up to 16 trees per annum for every unit put to regular use. After several visits to the rural areas of Karnataka and Kerala during early 2010, engineers Neha Juneja and Ankit Mathur realised that even with the introduction of gas stoves, several households continue to cook on traditional mud chulhas or indoor open fires that consume copious amounts of firewood, were laborious to use and polluted the indoor environment. In December 2010, they launched Greenway Grameen Infra (GGI) and the Greenway Smart Stove. The company has started exporting the product to Bangladesh and East Africa.

Conclusion

The success stories from India highlight the viability of ecopreneurship as a business model. However, this model has its own set of opportunities and challenges. The term viable has been used to find out sustainability of the business. The business can sustain if it has support from all stakeholders such as government giving tax benefits to green entrepreneurs, suppliers focusing on supplying environmental friendly materials and customers buying green products. The existing organizations can promote ecopreneurship through CSR initiatives. The biggest challenge for ecopreneurs is customer value creation through innovative products and cost control. Along with this customer education on environment cleanliness is another task.

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