

SUSTAINABLE ENTREPRENEURSHIP

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How Entrepreneurs Create
Value from Sustainable
Opportunities

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FOREWORD

During the last decades, entrepreneurs have become increasingly conscious that competitiveness and sustainability go hand in hand. In many sectors, companies are integrating sustainable choices into their business strategies. In this respect, entrepreneurial companies work constantly to reduce the potentially negative effects of their activity on the environment. At the same time, they should keep creating value for the venture, other stakeholders, and the society in general.

In this context, the work of Francesca Masciarelli and Simona Leonelli offers an overview of the more recent studies on the topic, combined with novel and interesting findings, and provides new perspectives that allow us to see what entrepreneurs should do in terms of sustainability. The book is rich with ideas and original empirical evidence that advance the field. An important contribution of this book is the several case studies that are presented and discussed in detail. All case studies belong to the fashion industry, a multidisciplinary context that is tightly related to the topic of sustainability.

Overall, this book sheds light on the role of sustainable entrepreneurship in the development of firms. The two authors discuss the characteristics and the role of the sustainable entrepreneurs, document the interplay between innovation and sustainable entrepreneurial opportunities, and analyze sustainable entrepreneurial ecosystems. In this sense, this book contributes significantly to opening new perspectives for future research on the role of sustainability, in particular,

with regard to the environment. Therefore, it should be in the reading list of anyone interested in sustainability.

Finally, I encourage readers not to just read the book, but also to implement the solutions that are described inside. Sustainable and inclusive business models are the future; these are the only way to keep our planet alive for a long time.

Prof Vangelis Souitaris – Full Professor of Entrepreneurship – Cass Business School (London) and Member of the editorial board of *Journal of Business Venturing*.

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INTRODUCTION AND OVERVIEW

This book explores whether – and if so, how and why – firms can generate value from sustainable entrepreneurial opportunities, that is, opportunities that can help solve the social and environmental problems arising from global socio-economic systems (Dean & McMullen, 2007; Johnsen, Miemczyk, & Howard, 2017). Despite the economic progress and the increase in the quality of life over the last decades, the world has suffered substantial negative effects on its natural environment, and these effects reduce the sustainability of our economic systems (Edenhofer, 2015; Skjærseth & Eikeland, 2016; Sunny & Shu, 2019). Surface water degradation, toxic waste in groundwater, problems related to air pollution, ozone depletion, climate change, and the destruction of ocean fisheries worldwide are among the adverse effects on the environment. The long-term economic consequences of these negative effects are extensive, since a large part of the world's economic output depends on the sustainability of natural systems (Costanza et al., 1997).

Entrepreneurship plays a key role in solving these environmental challenges through the creation of products, services, and manufacturing methods that are both environmentally friendly and competitive on the market (Dean & McMullen, 2007; Johnsen et al., 2017). Sustainable entrepreneurship borns from a desire to stop activities having a negative

impact on the environment, along with a motivation to create economic value (Dean & McMullen, 2007; Schaltegger & Wagner, 2011).

The present book adds to the existing literature on sustainable entrepreneurship by deeply investigating the nature of sustainable entrepreneurial opportunities through an analysis of the way firms capitalize on these opportunities. Research and analytical techniques from a wide variety of fields including the theory of the firm, entrepreneurship, regional studies, strategic management, and innovation studies have been employed. This book also provides a deep insight into a new paradigm of the role of sustainable entrepreneurship, supporting it with plenty of empirical evidence.

The book looks at and introduces several different perspectives on sustainable entrepreneurship showing that considering the main sources of entrepreneurial opportunities and examining the strategies and local conditions that allow firms to create value from these opportunities can be advantageous. It is therefore unique and represents a step forward in the development of a more comprehensive overview of sustainable entrepreneurship.

Readers will gain knowledge of the main literature on sustainable entrepreneurship and appreciate how firms create value from sustainable opportunities. From new empirical foundations, readers will acquire a global understanding of the market, digital and geographical sources of sustainable entrepreneurial opportunities. For this reason, this book provides original contributions that substantially develop this field of study with detailed qualitative analyses.

In-depth research has revealed that entrepreneurial opportunities represent the starting point in the entrepreneurial process: without an opportunity, there is no entrepreneurship (Short, Ketchen, Shook, & Ireland, 2010). Based on original empirical evidences, this work provides a novel and more

comprehensive framework for the meaning and sources of sustainable entrepreneurial opportunities by describing how firms can capitalize on these opportunities and benefits for themselves, society, and the environment. Published academic studies do not provide theoretical/analytical/empirical basis on how firms succeed in creating value from sustainable entrepreneurial opportunities. Economists, management scholars, and political scientists are showing a growing interest in this broader concept of sustainable entrepreneurship, due to the impact that sustainable entrepreneurial opportunities have on firm competitive advantage. From the perspective of leading consulting companies, entrepreneurs, and managers, there is a lack of knowledge and data regarding suitable ways to identify and manage sustainable entrepreneurial opportunities to make firms grow. Policy makers are also very interested in this issue, as they have to respond to the new conditions, they are able to influence to a certain extent. Therefore, while primarily belonging to an academic audience, this book will also address a wide additional market.

OUTLINE OF THE BOOK

Chapter 1: Understanding Sustainable Entrepreneurship

Chapter 1 introduces and discusses the importance of sustainable entrepreneurship for firms. Prior studies have described sustainable entrepreneurship as the ability of firms to see, identify, and create opportunities to counteract existing negative environmental impacts (e.g., natural resource exhaustion) and generate various environmental, social, and economic benefits (Cohen & Winn, 2007; Dean & McMullen, 2007). Based on these studies investigating the concept of

sustainability, a number of key questions for entrepreneurs will be analyzed. Referring to the work of [Lenox and York \(2012\)](#), three main questions have been: (1) Under what conditions do entrepreneurs reduce environmental degradation? (2) What are the main motivations and processes involved in sustainable entrepreneurship? (3) Why do some entrepreneurs strive to establish environmentally relevant firms while others do not?

Empirically, the case of Isabella Caposano Atelier, a young company named after its founder operating in the haute-couture sector in the fashion industry will be discussed.

Chapter 2: Suitability in the Fashion Industry

Chapter 2 deals with the importance of sustainability in the fashion industry. It investigates the changes that have occurred in the fashion apparel industry during the last few years and identifies the main characteristics of the industry. The two common branches of the fashion industry will then be analyzed: haute couture and fast fashion (low-cost fashion). This short literature review is intended to systemize and assess the existing work and to better understand the connections between the case studies included at the end of every chapter and the theories presented.

Chapter 3: Who are Sustainable Entrepreneurs?

Chapter 3 is focused on the figure of the sustainable entrepreneur who, through its personality and sustainable management practices, enable sustainable firm innovation and the creation of value ([Gast, Gundolf, & Cesinger, 2017](#)). Entrepreneurs are shown to be vital ([Kuckertz & Wagner, 2010](#)); they

are responsible for balancing economic health, social equity, and environmental resilience (DiVito & Bohnsack, 2017). As opposed to the common assumption of entrepreneurs being guided by self-interest and profit-seeking motivations (Parish, 2010), sustainable entrepreneurs overcome this merely economic perspective and place societal interest on a par with private self-interest (Freeman, Wicks, & Parmar, 2004; Porter & Kramer, 2011). Therefore, entrepreneur personality and attitude have a strong impact on their choice for sustainability, and their beliefs and motivations about sustainability are embodied by their firms and define their orientation toward sustainability in an enduring and persistent manner (Fauchart & Gruber, 2011; Schaltegger & Wagner, 2011). Among the main personality traits promoting the choice for sustainability, the main focus is on sustainability orientation that is the belief in the connection between environmental and societal issues in firm management (Hooi, Ahmad, Amran, & Rahman, 2016; Kuckertz & Wagner, 2010).

Empirically, the case study of Yvon Chouinard, the founder of Patagonia, will be presented, showing how his personality, values, behavior, and sustainability orientation define the management of Patagonia, one of the most sustainable firms in the world.

Chapter 4: Implementing Sustainable Entrepreneurial Opportunities Through Innovation

Chapter 4 provides an illustration of how information technology and digitalization offer new tools for firms to address sustainability changes and choices. Digitalization, intended as the implementation of digital technologies (Setia, Setia, Venkatesh, & Joglekar, 2013), has led to a profound transformation in the entrepreneurial processes changing the way

firms address customer needs and communicate with their audiences (Nambisan, 2017; Setia et al., 2013). Nambisan (2017) suggests that new kinds of digital infrastructures such as digital 3D printing systems have resulted in new manners of pursuing entrepreneurship (Aldrich, 2014). However, prior research argues that not only the level of digitalization, but also the extent to which firms strategically implement digitalization and seize opportunities in the marketplace is crucial to gain a competitive advantage (Niemand, Rigtering, Kallmünzer, Kraus, & Matijas, 2017). This chapter investigates how digitalization leads firms in their pursue of sustainable entrepreneurial opportunities.

On an empirical level, the case study of Lime Cotton (not its real name) will be presented, an innovative startup aimed at creating sustainable textiles from citrus juice byproducts. They came up with an original and inherently sustainable idea involving the reuse of waste products (such as orange, lemon, and grapefruit peels), their transformation into cellulose fibers, and the development of an innovative fabric to be subsequently used for the manufacture of clothes.

Chapter 5: Local Conditions for Sustainable Entrepreneurial Opportunities

This chapter explores local conditions fostering sustainable entrepreneurial opportunities. The concept of the entrepreneurial ecosystem, which can be referred to as a set of interdependent actors within a geographic area that affects the development and trends of the entire group of actors and the economy as a whole will be discussed (Cohen, 2006; Iansiti & Levien, 2004; Spilling, 1996). In this chapter, the positive role of network in defining the effectiveness of sustainability will be suggested, and entrepreneurial ecosystems will be analyzed

through the lenses of social capital. In this book, social capital is conceived as a collective good incorporated in the firm's environment (Coleman, 1988; Guiso, Sapienza, & Zingales, 2004; Knack & Keefer, 1997; Putnam, 1995; Putnam, Leonardi, & Nanetti, 1993). Coleman (1988, 1990) is considered a pioneer in the literature on social capital since he recognized it as a collective asset, thus introducing the idea of social capital being an attribute of a social community:

Social capital is defined by its function. It is not a single entity, but a variety of different entities, with two elements in common: they all consist in some aspect of social structures, and they facilitate certain actions of actors within the structure. (Coleman, 1990, p. 302)

Therefore, social capital is related to some aspects of social structure that “make possible the achievement of certain ends that would not be attainable in its absence” (Coleman, 1990, p. 302). According to Putnam (1995), the decline in civic engagement in the United States is indicative of a decline in the social connectedness of the American people. Putnam's (2000, p. 19) idea of social capital refers to “connections among individuals, social networks and norms of reciprocity and trustworthiness that arise from them.” In his approach, social capital is seen as a community asset that promotes coordination and cooperation, showing that regional associations and informal ties lay the foundations for knowledge sharing and complementarities, accelerate problem identification, facilitate access to resources, and ultimately help reduce the time that is necessary to monitor partners, thus paving the way for the economic development. These works inspired what is now a broad literature on social capital implications in the economic outcomes, including notable contributions that explore social capital at a national (Knack & Keefer, 1997), regional

(Hauser, Tappenier, & Walde, 2007) and provincial (Guiso et al., 2004) level.

On an empirical level, the case study of WUULS will be presented, a new venture operating in the fashion industry that creates sweaters with wool coming from the Gran Sasso National Park, an old and almost disused practice. The company chooses an organic raw material without synthetic fibers which is entirely treated with vegetables: this makes every sweater easily recyclable, although their timeless design makes them suitable for a long-term wear.

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