



Doughty Centre for  
Corporate Responsibility

Occasional Paper

# How Sustainable Enterprises Develop



**Cranfield**  
School of  
Management

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# How Sustainable Enterprises Develop

## A Doughty Centre for Corporate Responsibility

### Occasional Paper

**The Doughty Centre aims to combine rigorous research and leading-edge practice. We focus on three things:**

Knowledge creation: rigorous and relevant research into how companies can embed responsible business into the way they do business;

Knowledge dissemination: introducing Corporate Responsibility more systemically into existing graduate and executive education (both in relevant open programmes and customised, in-company programmes); and

Knowledge application: working with alumni, corporate partners and others to implement our knowledge and learning.

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# Table of Contents

<b>Foreword .....</b>	<b>6</b>
Professor David Grayson CBE.....	6
Director of The Doughty Centre for Corporate Responsibility.....	6
<b>How Sustainable Enterprises Develop:.....</b>	<b>7</b>
<b>Executive Summary.....</b>	<b>7</b>
Why do we need to research ‘sustainable entrepreneurs’? .....	7
Our research .....	7
The Sustainable Entrepreneur’s Journey .....	8
What Distinguishes The Sustainable Entrepreneur’s Journey From That Of The Commercial Entrepreneur? .....	9
Are we witnessing a step change in the evolution of business? .....	10
How should sustainable entrepreneurs be supported? .....	11
<b>Acknowledgements.....</b>	<b>12</b>
<b>Portrait of a Sustainable Entrepreneur .....</b>	<b>13</b>
Dr Mohammad Al-Ubaydli, ‘Patients Know Best’ .....	13
<b>Introduction .....</b>	<b>15</b>
Why do we need to research ‘sustainable entrepreneurs’? .....	15
Where should we focus our research? .....	16
Individual attributes of sustainable entrepreneurs.....	16
Mind-sets.....	17
Behaviours.....	17
Skills .....	17
Comparing and contrasting high-performing sustainable entrepreneurs and commercial entrepreneurs .....	17
What we have learned from previous research.....	17
Entrepreneurs and factors influencing their development.....	17
The entrepreneurial process.....	18
Societal (social and environmental) performance.....	19
Stages of Maturity: .....	19
Innovation: .....	21
Competitive advantage: .....	21
The Theory of Planned Behaviour: <i>a model for Identifying antecedents of successful sustainable entrepreneurship</i> .....	21
Leader/manager characteristics that influence responsible business practice .....	22
Organisational enablers and disablers of SMEs’ responsible business practice.....	23
Systemic characteristics that can shape SMEs’ responsible behaviour .....	24
Clues from previous research on social intrapreneurism.....	25
Methodology .....	25
Interview research format .....	25
Recruitment of subjects.....	26
Sustainable Entrepreneurs Interviewed.....	27
<b>The Sustainable Entrepreneur’s Journey.....</b>	<b>28</b>
Overview.....	28
Key Features of the Sustainable Entrepreneur’s Journey .....	30
Triggers.....	30
Change in health status .....	30
Convergence of work experience and personal events .....	30
Disillusionment with industry behaviour.....	30
Financial crash changing attitudes toward wealth creators .....	30
Client Drivers.....	30
Mind-sets.....	31
Sense of social and commercial purpose integrated in the business .....	31



Curiosity, interest in learning, openness to experience .....	32
Sense of agency developed early in life.....	32
Desire for efficiency/hatred of waste .....	33
Desire for personal and business purpose .....	33
Resilience, passion, authenticity (qualities of “character”) .....	33
Importance of people and values in business .....	34
Value of support networks .....	34
Recognition of importance of mutual trust in building the enterprise network.....	35
Importance of improvisation.....	35
Desire to reproduce sustainable business model through teaching, consultancy, franchising, coalition-building .....	35
Legacy: a sustainable enterprise continuing into indefinite future beyond founder’s exit..	36
B Corporation as the future of business .....	37
<b>Behaviours .....</b>	<b>38</b>
Creating sustainable business models for new and existing organisations.....	38
Building Social Capital.....	38
Networking to create relational and cognitive capital .....	39
Management structures and processes build structural capital to create social impact.....	40
Building relational and cognitive social capital inside the firm .....	41
Building intellectual capital through knowledge management.....	43
Scientific behaviour: research, experimentation, measurement.....	43
Mindfulness, learning and problem-solving as cultivated habits.....	44
Collaborative experimentation: Working in partnership to develop business/products/services .....	44
Leveraging own financial capital to maintain enterprise independence.....	45
Leveraging own intellectual/cognitive social capital derived from previous entrepreneurial experience .....	46
Leveraging financial, social and intellectual capital to create sustainable social impact .....	47
Implementing sustainability strategy in response to client drivers.....	47
<b>Skills and Experience.....</b>	<b>48</b>
Capacity to craft business models promoting social/environmental, as well as economic, sustainability .....	48
Experiential learning from early/previous entrepreneurial activity .....	48
Sustainable entrepreneurs have prioritised, and benefited from, capacity to measure and articulate impacts/outcomes .....	49
<b>Impacts and Outcomes.....</b>	<b>50</b>
Creation of positive commercial, social and environmental impacts .....	50
Professionalisation of organisation management .....	50
Improved staff recruitment and engagement.....	50
New products and services that create positive social impact and gain recognition .....	50
Transforming management of charitable organisations supported by the entrepreneur .....	51
Measurable environmental performance outcomes .....	51
Achieving client-defined responsible business standards for suppliers.....	51
Measurable social performance outcomes .....	51
Raising awareness of sustainable business model through education, training, awards.....	51
Entrepreneurial restlessness once key milestones reached .....	52
Business and social benefits of the B-Corporation assessment process .....	52
<b>Enablers and Disablers Shaping the Sustainable Entrepreneur’s Journey .....</b>	<b>53</b>
Individual .....	53
Curiosity/interest in learning and connecting .....	53
Positive outlook.....	53
Clear vision and focus .....	53
Focus on measurement and impacts The ability to leverage financial support sources (enabler) or manage in spite of their absence (disabler) .....	53
Organisational.....	53
Business partners .....	54
Customer feedback and endorsement.....	54
Client support.....	55

Systemic.....	55
Business support organisations and networks .....	55
Support from family and friends.....	56
Costs of intellectual property protection .....	56
Social enterprise support infrastructure .....	56
Track record and experience from previous enterprise .....	56
Shared interest in sustainability .....	57
Sustainable enterprise-related skills and expertise.....	57
Societal culture .....	57
Regulatory environment.....	57
Market conditions.....	57
Advice to Others .....	58
Maintain a clear focus, vision and drive.....	58
Know your core values and purpose .....	58
Research, plan and pilot before and after starting the enterprise .....	58
Engage with passion and persistence; trust intuition .....	59
Remain authentic and open to ideas and experience.....	59
Value, and build on, social capital .....	59
Partners.....	59
Customers .....	59
Organisational colleagues .....	60
Support and peer networks .....	60
Retain control of your intellectual property .....	60
Ensure good financial planning and management .....	61
Write a business plan .....	61
Take personal responsibility for your enterprise.....	61
Be prepared to take risks.....	61
Have a clear exit strategy.....	61
Measure impacts and outcomes .....	61
Engage with charities .....	61
<b>What Distinguishes the Sustainable Entrepreneur's Journey from that of the</b>	
<b>Commercial Entrepreneur? .....</b>	<b>62</b>
Coherence of commercial and societal purpose.....	63
Authenticity of personal purpose.....	63
Relevance to all key stakeholders .....	63
Dynamism in building and leveraging social, intellectual and financial, capital .....	64
Sustainability of the enterprise over time .....	64
<b>Are we witnessing a step change in the Evolution of Business?.....</b>	<b>65</b>
<b>How should Sustainable Entrepreneurs be supported? .....</b>	<b>67</b>
<b>Appendix 1: Interview questions for Owners/Managers .....</b>	<b>68</b>
Overarching question: "How did you get to where you are now?" .....	68
1) Tell us about why and how you came to start your business. ....	68
2) Tell us what you think has helped or hindered the successful development of your	
business to date.....	68
Obstacles/challenges to consider.....	69
3) What are your long-term hopes and aspirations for your business? .....	69
<b>Appendix 2: Project Invitation .....</b>	<b>70</b>
Wanted: Entrepreneurs leading high-performing Sustainable Enterprises.....	70
Why we are doing this research.....	70
Methodology.....	70
Practical benefits from this research .....	70

# Foreword

## **Professor David Grayson CBE**

**Director of The Doughty Centre for Corporate Responsibility**



I have a career-long passion for enterprise promotion, business development and helping businesses with the aspiration and potential to grow, to do so sustainably. Over the years this involved me in co-founding Project North East in Newcastle (which has been running now for almost 40 years and worked in nearly 60 countries on enterprise promotion and support); championing the local enterprise agency movement when Business in the Community was the umbrella organisation for the agencies; and overseeing the creation and development of the Business Links: first as chairman of the National Panel to set them up and then serving two terms as chairman of the National Accreditation Board and separately as chairman of the Business Link Network Company. Later I was principal of the BLU - a corporate university modelled on Unipart U to develop the capacity of the business support sector.

I have long been interested in how smaller businesses embed responsibility and sustainability, leading the UK Small Business Consortium from 2000-2010. This brought together a range of business representative organisations such as British Chambers of Commerce, Federation of Small Business, IOD with Lloyds Bank, Accountability and Business in the Community. We produced a portal: the Small Business Journey and a range of on-line and hard copy resources for a Better Business Journey.

When I was chosen to lead the Doughty Centre for Corporate Responsibility in 2007, the scope of my work expanded to empowering current and future managers of businesses of all sizes with the knowledge, skills, and desire to lead responsible, sustainably managed organisations. Our Centre remit is part of the Cranfield School of Management ethos of applied research and teaching based on strong industry links and real-world focus over its 50-year history.

In the decade since our launch, we have conducted research into the mind-sets, behaviours and skills of individuals who promote sustainable business in large organisations; and, at organisational and systemic levels, examined the “enabling environment” for managing successful sustainable businesses.

With this sustainable enterprise project we are returning to focus on small and medium-sized businesses, thanks to an anonymous benefactor, a Cranfield School of Management alumnus who wished to support this work. By documenting our research in this Occasional Paper and other publications, we hope to bring the stories of these sustainable entrepreneurs, and the lessons we have learned from them, to a wider audience. We want to connect, and share our learning, with other practitioners and academics interested in supporting the growth of firms with explicit societal, as well as commercial, purpose. Most of all, we hope to inspire others.

# How Sustainable Enterprises Develop:

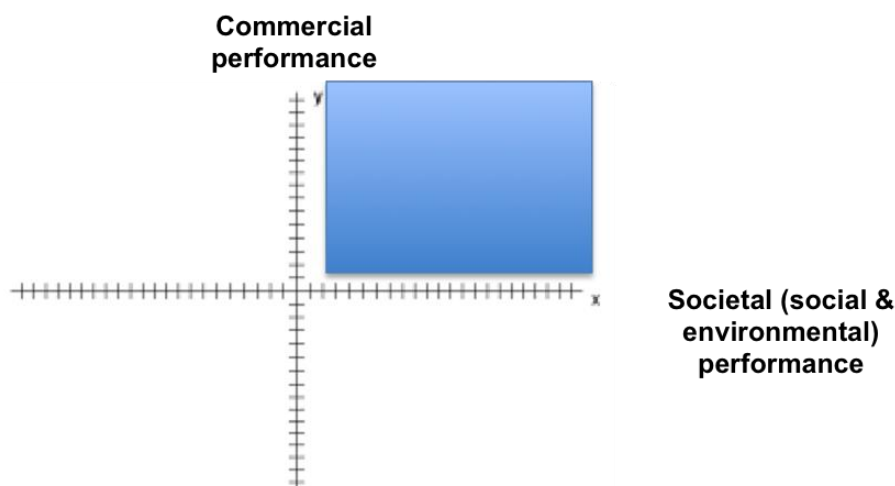
## Executive Summary

### Why do we need to research ‘sustainable entrepreneurs’?

Sustainable entrepreneurs are part of a growing movement of business founders and leaders who can be described as ‘men and women creating and running businesses which focus on creating both societal as well as business value - so called blended or shared value: integrating profit with purpose as a single organising idea’<sup>1</sup>. The importance of exploring how SMEs can be supported to create greater positive social and environmental, as well as economic, impacts is underscored by the sheer size of the contribution by SMEs to the UK economy. The combined annual turnover of SMEs, as of 2014, was £1.6 trillion, 47% of turnover in the private sector; 5.2 million SMEs accounted for 60% (15.2 million) of UK private sector employment<sup>2</sup>. But beyond creating economic value, we believe that they also have potential to create significantly greater societal value by addressing a wide range of social, economic and environmental challenges.

### Our research

Our research question was, ‘What enables SME owner/managers and their firms to become commercial and societal high-performers – i.e. “sustainable entrepreneurs” leading “sustainable enterprises”?’ Our group of interest was commercially and socially high-performing SMEs in the blue “upper right quadrant” of the commercial vs. social impact axes.



We used an exploratory interview format with open-ended questions which would allow our subjects to tell us about how they had gotten to where they were now. This included 1) Why and how they came to start their sustainable enterprise; 2) What has helped or hindered the successful development of the business to date; 3) Long-term hopes and aspirations for the business; 4) Advice to others wishing to emulate the sustainable entrepreneur's example.

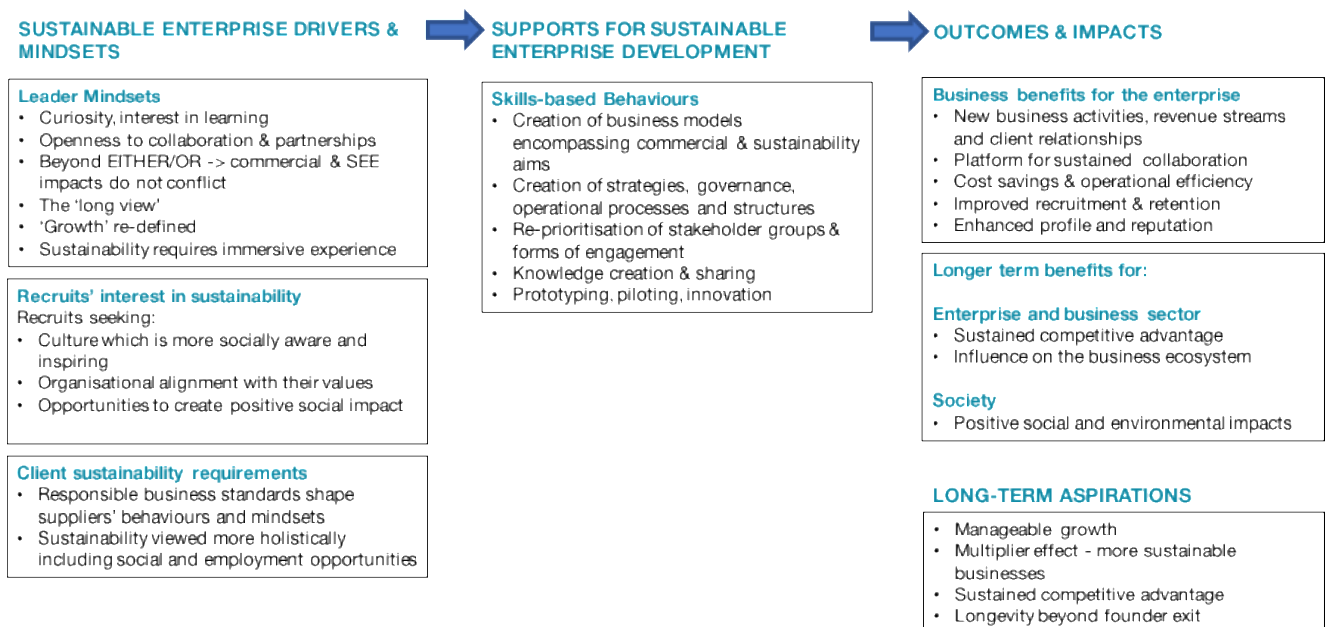
<sup>1</sup> From [Sustainable Entrepreneurship: Business Success through Sustainability](#). Editors: Weidinger, Christina, Fischler, Franz, Schmidpeter, René (Eds.) 2014.

<sup>2</sup> See Department for Business, Innovation & Skills statistics at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/377934/bpe\\_2014\\_statistica\\_l\\_release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377934/bpe_2014_statistica_l_release.pdf).

# The Sustainable Entrepreneur's Journey

A 'helicopter view' of the narratives in our sustainable entrepreneurs' interviews revealed a general pattern of drivers – either ongoing personal circumstances (such as working in a family business), or, in several cases, discrete trigger events (such as a change in employment, health status or a personal epiphany of some kind) which could start an individual on their journey as a sustainable entrepreneur. At an organisational level, large-scale drivers, such as a client's sustainability requirements, could start the firm on a journey toward greater sustainability.

## HOW SUSTAINABLE ENTERPRISES DEVELOP



In describing the “backstory” of their firms, our interviewees talked about their own mind-sets – their attitudes toward life and business generally, how they thought about sustainability issues as well as formative events and experiences in which they spotted business opportunities or acquired useful skills that helped them along their way.

The outcomes and impacts of the new sustainable enterprise could include bottom-line business benefits such as cost savings and operational efficiencies; improved recruitment and retention of people with passion about the enterprise and the measurable social benefits it creates. Longer-term benefits could include collaborative ventures with other like-minded businesses as well as with NGOs and other cross-sector partners; recognition through awards or certifications for achievements leading to enhanced reputation and greater influence on other businesses in the firm's sector or geographical area.

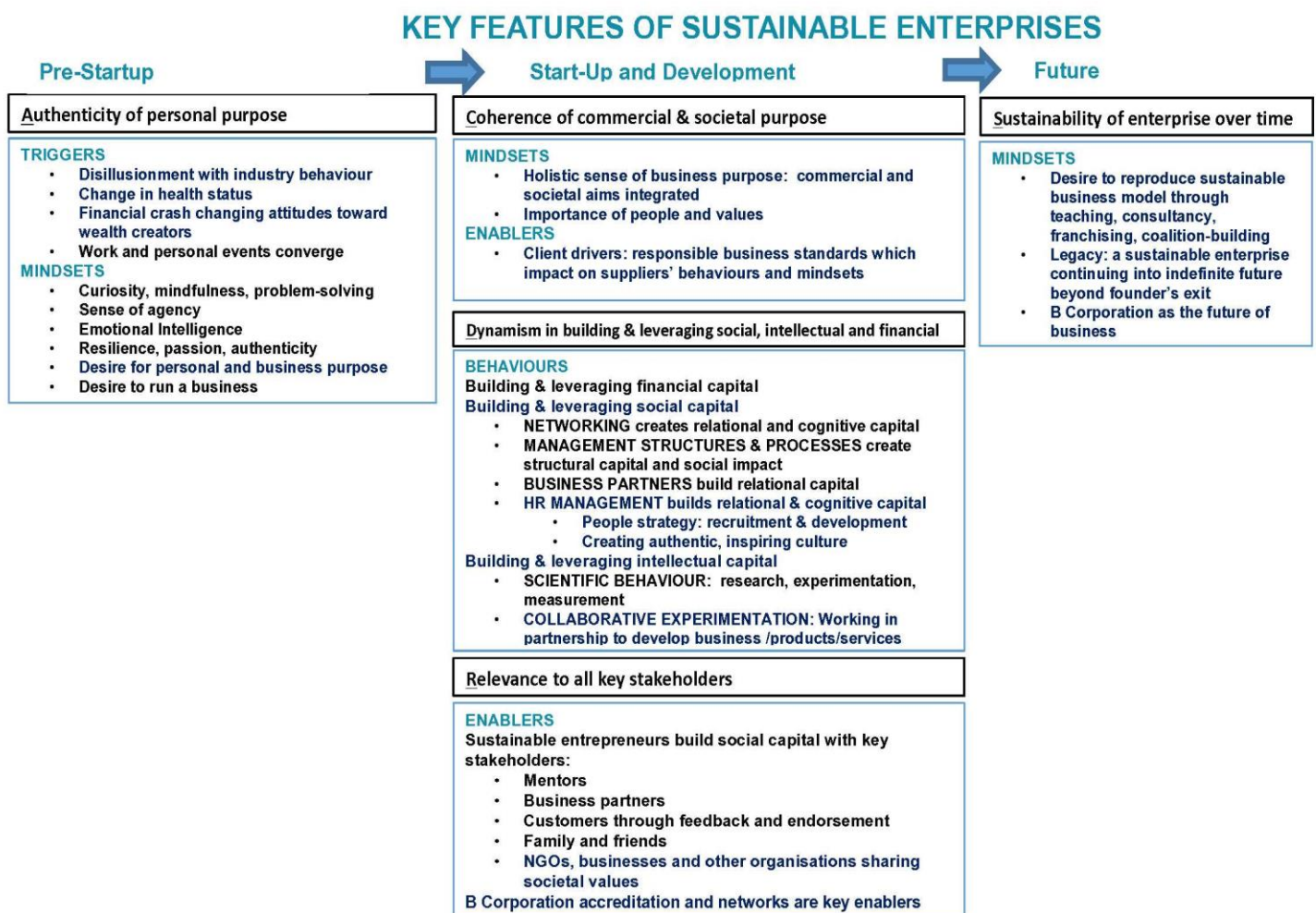
The aspirations expressed by sustainable entrepreneurs included exporting their business model through franchising, consultancy or education in order to multiply the social, as well as economic, impacts they create; continuing growth at a rate that would sustain the business over time (vs. maximising growth or selling); and exiting (or scaling down day-to-day involvement with) the business, handing it on to others to lead so as to take on other roles or projects.



The major features of the 'sustainable entrepreneur's journey' are set out in the diagram below.

## What Distinguishes The Sustainable Entrepreneur's Journey From That Of The Commercial Entrepreneur?

Our interviewees reported many attributes that were similar to those of commercial entrepreneurs – including curiosity and mindfulness, self-belief, resilience, passion, persistence and patience; the ability to create, and implement, business plans; the ability to build personal and professional networks as well as the capacity to build, and leverage, financial resources needed to start and develop their business. However, we identified additional characteristics which we believe are specific to the start-up and development of sustainable enterprises. These are highlighted in blue, alongside complementary attributes associated with commercial enterprises (shown in black), in the diagram below.



These attributes of sustainable enterprises fall into five categories, which we summarise in the mnemonic 'C.A.R.D.S.':

**Coherence of commercial and societal purpose.** Our interviewees spoke of a holistic business purpose, with their commercial and societal aims as having equal value or not being separate at all. At an organisational level, this encompasses coherent alignment between the aims of the business and a large client, e.g. Marks & Spencer.

**Authenticity of personal purpose.** This encompasses the multiple triggers and mind-sets which preceded the business start-up phase that led to founding the sustainable enterprise. Examples include a change in health status; disillusionment with an employer or an industry; or more generally, disillusionment with wealth creators following the 2008 financial crash. Other examples include a desire to find a personal and business purpose, leading to a quest for new options; a desire to reduce waste and increase efficiency, leading to creation of “green” businesses.

#### **Relevance to all key stakeholders**

This encompasses enablers and disablers which shape the start-up and development of an enterprise which takes all its key stakeholders into account, including mentors and role models; business partners; informal contacts and networks; and family and friends. Other enablers include the track record, skills and experiences brought from previous enterprises. Development of stakeholder relationships creates the ‘social capital’ needed to sustain the enterprise over the long term.

#### **Dynamism in building and leveraging social and intellectual, as well as financial, capital**

This iterative process of building and leveraging social and intellectual, as well as financial, capital is the ‘heart’ of the sustainable enterprise. Inside the firm, this encompasses business partner relationships and human resource management practices that build relational and cognitive capital; management structures and processes that create structural capital and social impact; networking which creates relational and cognitive capital; scientific behaviour such as research, experimentation and measurement as well as collaborative experimentation to co-create new products, processes and business models that achieve societal, as well as commercial, goals.

#### **Sustainability of the enterprise over time**

Taking the long-term view, our sustainable entrepreneurs worked to achieve both commercial viability and organisational longevity as well as sustained social/environmental impacts. Many hoped to reproduce their sustainable business model through teaching, consultancy, franchising and coalition-building. Some talked not only about sustaining the longevity of their own firms through ‘manageable’ growth but their hope that the sustainable business movement – as embodied in B Corporations - should grow and spread.

## **Are we witnessing a step change in the evolution of business?**

The question is, what do these interviews signify? Are we witnessing a step change in the evolution of business as a whole? Or are sustainable enterprises simply a niche group of responsible, commercially viable businesses founded and led by individuals with a strong sense of societal purpose who will remain outside the mainstream?

In the Conclusion of our book, *Social Intrapreneurism and All That Jazz*, we speculated that social intrapreneurism – the development of innovative products and services that produce both commercial and societal positive impacts – would “become not merely a new approach to corporate responsibility and sustainability practice but a gateway to an entirely different

way of doing business”.<sup>3</sup> This notion appeared to be supported by subsequent research which our Doughty Centre team conducted on behalf of Coca-Cola Enterprises (CCE) examining the purpose and responsibility of business, now and in the future. While future leaders perceived social purpose and commercial purpose to be inextricably intertwined, many current business leaders did not equate social purpose automatically with corporate responsibility or sustainability, while other business leaders linked social purpose and CSR activities more explicitly. And while current and future leaders believed businesses should have a social purpose, only 19% of future leaders thought businesses had a clear social purpose, compared to 86% of CEOs.<sup>4</sup>

The sustainable entrepreneurs we interviewed for this project may represent a vanguard of this shift change. The founders of B Corporations, in particular, are focused on creating measurable societal benefits as a consequence of enshrining a commitment to do so in their Articles of Association. Millennials are seen as a key group who are part of, and sometimes driving, a change in how business operates. If sustainable entrepreneurs do indeed represent an emerging fundamental change in why and how businesses are created and developed, it is worth considering how best to support their efforts.

## **How should sustainable entrepreneurs be supported?**

We believe that a ‘joined up’ approach is needed which engages Governments as well as other actors in the for-profit sector, the current public sector (business support networks) and the not-for-profit sector including B Lab UK, Business in the Community and others working in this space. Sustainable entrepreneurs have said peer to peer networking events with other sustainable entrepreneurs, access to more affordable courses, support for identifying and connecting with potential recruits, access to mentors and non-exec directors and networking events with potential sustainable investors would help them develop their businesses.

For full report: [www.doughtycentre.info](http://www.doughtycentre.info)

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<sup>3</sup> Grayson, McLaren and Spitzbeck (2014), *op cit.*, p. 211.

<sup>4</sup> Combining Profit and Purpose: A new dialogue on the role of business in society (2014). A report for Coca-Cola Enterprises by the Doughty Centre for Corporate Responsibility, Cranfield School of Management.

# Acknowledgements

Our Cranfield School of Management project team – Professor David Grayson, Professor Muhammad Roomi and Associate Melody McLaren – would like to thank all those organisations and individuals who have contributed to the success of this project.

## These include:

- Our anonymous benefactor, a Cranfield School of Management alumnus, who funded our research;
- Caroline Cook, Development Director, Enterprise, Business in the Community, whose team helped us recruit our initial group of interviewees for this project and provided valuable feedback on our interview protocol;
- Katie Hill, Executive Director, B Lab UK, who helped us recruit B Corporation leaders to participate in the project as interviewees;
- And, of course, the sustainable entrepreneurs themselves who generously gave their time to share their experiences and learning for the benefit of those who wish to follow their example and others wishing to support their work.

FOUNDER/LEADER	COMPANY
Peter Bennett	Bates Wells Braithwate
Karen Lynch	Belu Water
Ed Perry	Cook Trading
Lyndsey Gaja	Dawn Fresh
David O'Flynn	Dawn Meats
Stefan Allesch-Taylor	Dept of Coffee & Social Affairs
Lauren Milton	Elan Hair Design
Paul Lindley	Ella's Kitchen
Sharon Jackson	European Sustainability Academy
Christian McBride	Genuine Solutions UK (GSUK)
Harriet Kelsall	HK Bespoke Jewellery
Susan Aktemel	Homes for Good
Matt Jewers	Jewers Grain
Tom Storey	K-10
Matt Hocking	Leap
Alastair MacPhie	Macphie of Glenbervie
Charlie Bradshaw	Matrix APA
Mohammad Al-Udaybli	Patients Know Best
Matt Stevenson-Dodd	Street League
Jonathan Wagstaffe	Struto
James Ashwell	Unforgettable
Jon Witte	Wiggly-Amps Ltd
Susi Lennox	Yes Yes Company Ltd
Robin Tombs	Yoti



# Portrait of a Sustainable Entrepreneur

## Dr Mohammad Al-Ubaydli, 'Patients Know Best'

Mohammad Al-Ubaydli was born in 1976 into an extended family of successful Bahraini entrepreneurs. However, because his parents were pro-democracy activists, he spent his early years with them as exiles in places such as Yemen, Lebanon, Syria and Oman until coming to Cambridge, aged ten. "At the dinner table, I'd hear stories from my parents around stuff you do for society," Mohammad observed. "If you have a complaint, what are you going to do about it?" I'd hear stories...my parents were extremely 'subversive'." But through their actions – building schools and teaching for the long term to O-level standard when everyone else only thought of the immediate civil war - they instilled in him both a long-term perspective and an appreciation of the importance of building capacity in society. The children they taught during the war were some of the few with qualifications for university education and then became civil servants for their country's development after the war. "So that's how I grew up," he concluded, "Thinking about business and subversive ways to make good things happen."

At the same time, Mohammad acquired a unique perspective on health and the tools needed to maintain it. Having been diagnosed with a genetic immune deficiency in early adolescence, he came to realise that, because he attended all his own medical appointments - unlike the different clinicians he encountered who had only partial information about his medical history – it was imperative that patients should be empowered to access as much information about their condition as possible. "As a patient, I'm the only one who goes to all the appointments – I end up being the keeper of the information...Give me the tools."

Mohammad's illness also resulted in long periods of absence from school as well as a hearing impairment that prevented him from picking up what teachers were saying in class. He serendipitously discovered that the computer his father had acquired to do PhD work was an "equalizer" that "let me catch up".

These experiences sparked an interest in programming as well as an ambition to go to medical school and write medical software. He recognised that "healthcare was full of problems that could be solved by computers."

In Cambridge, Mohammad recognised he was in "a hub of entrepreneurship in Europe". He committed to "learn everything I can by learning programming and working for people because when you are in the working environment, some ideas will hit me". He "saved every penny I had" so that he could one day self-finance a viable, compelling entrepreneurial project which he could develop into a business.

Following years of research in the US – which he discovered had "particularly dysfunctional financial incentives around healthcare", Mohammad returned to the UK and founded Patients Know Best (<https://www.patientsknowbest.com>), which created the world's first patient-controlled medical records system. He emphasises that Patients Know Best is "not a declarative statement but a mission statement...this is a Lutheran reformation, about the medical record not being in Latin but in a language the patient can understand. It's about transfer of personal power...a revolution for healthcare."

Mohammad highlights the central role of people in the firm's success. "It's absolutely about the people. We couldn't have survived beyond the first year without the people we hired, the

people who bought from us. Every one of our customers is a change-maker. Every employee...everybody in that team is in a movement.”

Mohammad has now founded several companies in his career and observes that “If you like science, you must like entrepreneurship. It’s experimentation on steroids. Starting companies is an extension of what my parents taught me.”

Becoming a B-Corporation in 2015 has been vital to Patients Know Best because, Mohammad observes, being a “non-profit isn’t sustainable or scalable for technology. [B-Corps] Certification was the right combination of mission and business...for investors who want a social, sustainable organisation, it’s a virtuous cycle.”

# Introduction

## Why do we need to research ‘sustainable entrepreneurs’?

Mohammad Al-Ubaydli– whose story we’ve summarised at the beginning of this Occasional Paper - is a “sustainable entrepreneur”. He is part of a growing movement of business founders and leaders who can be described as:

*men and women creating and running businesses which focus on creating both societal as well as business value - so called blended or shared Value: integrating profit with purpose as a single organising idea*<sup>5</sup>

Our interest in sustainable entrepreneurs builds on previous Doughty Centre research into social intrapreneurism – entrepreneurial activity which creates positive social and environmental, as well as economic, impacts in large companies. This work is described in our Occasional Papers on individual social intrapreneurs<sup>6</sup> and enablers of social intrapreneurism<sup>7</sup> as well as in our book<sup>8</sup> and summarised on our website. We have also conducted related research with larger companies on corporate responsibility and sustainability stages of maturity<sup>9</sup>.

The importance of exploring how small-to-medium-sized businesses can be supported to create greater positive social and environmental, as well as economic, impacts is underscored by the sheer size of the contribution by SMEs to the UK economy. The combined annual turnover of SMEs, as of 2014, was £1.6 trillion, 47% of turnover in the private sector; 5.2 million SMEs accounted for 60% (15.2 million) of UK private sector employment.<sup>10</sup> But in addition to SMEs creating significant amounts of economic value – which benefits the SMEs and their stakeholders directly – we believe that they also have potential to create significantly greater societal value by addressing a wide range of social, economic and environmental challenges. If there is potential for cultivating SMEs’ potential to generate both economic and societal value, it is worthwhile to explore how best to do this – at individual, organisational and systemic levels.

At the **Bettany Centre for Entrepreneurship**, Prof. Muhammad Roomi has conducted research on development of women-owned small and medium enterprises in the UK and Pakistan, as well as on entrepreneurial leadership<sup>11</sup>. His innovative research and capacity building pedagogies in the field of entrepreneurship have been recognised, acknowledged and appreciated globally.

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<sup>5</sup>From [Sustainable Entrepreneurship: Business Success through Sustainability. Editors: Weidinger, Christina, Fischler, Franz, Schmidpeter, René \(Eds.\) 2014.](#)

<sup>6</sup>Grayson, D., McLaren, M. and Spitzack, H. (2011), *Social Intrapreneurs: An Extra Force for Sustainability* (Cranfield University, Cranfield).

<sup>7</sup>Grayson, D., Spitzack, H., Alt, E. and McLaren, M. (2013). *Creating sustainable businesses through social intrapreneurism* (Cranfield University, Cranfield).

<sup>8</sup>Grayson, D., McLaren, M. and Spitzack, H. (2014). *Social Intrapreneurism and All That Jazz: How innovators are helping to build a more sustainable world* (Sheffield: Greenleaf Publishing).

<sup>9</sup>Ainsbury, R. and Grayson, D. (2014) *Business Critical: Understanding a Company's Current and Desired Stages of Corporate Responsibility Maturity* (Cranfield University, Cranfield).

<sup>10</sup>See Department for Business, Innovation & Skills statistics at [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/377934/bpe\\_2014\\_statistical\\_release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377934/bpe_2014_statistical_release.pdf).

<sup>11</sup>See <https://www.cranfield.ac.uk/som/people/dr-muhammad-roomi-699615> for Professor Roomi’s publications list.

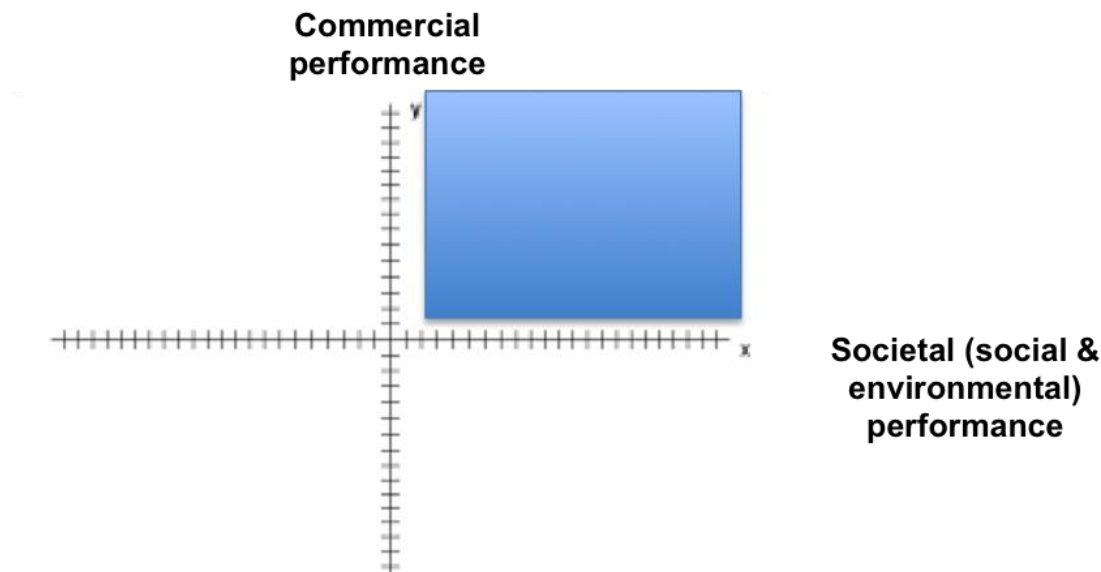
Building on our shared interests, in 2015 the Doughty Centre and the Bettany Centre launched a collaborative research project examining the attributes of high-performing “sustainable enterprises” - small and medium-sized businesses that excel at producing both commercial and societal value.

## Where should we focus our research?

Our research question was:

*What enables SME owner/managers and their firms to become commercial and societal high-performers – i.e. “sustainable entrepreneurs” leading “sustainable enterprises”?*

Our group of interest was commercially and socially high-performing SMEs (and their owner/managers) in the blue “upper right quadrant” of the commercial vs. social impact axes.



This question poses an immediate definitional challenge: how should we identify SMEs that are both commercial and societal “high performers”? How do we find SMEs – and their founders/leaders - that belong in the “blue quadrant”? And which organisational and individual attributes should we examine that might distinguish them from other businesses and founders/leaders?

## Individual attributes of sustainable entrepreneurs

In previous research we have conducted on “social intrapreneurism” – entrepreneurial activity initiated by individuals in large organisations which produces both commercial benefits and positive social and/or environmental impacts. We have examined the shared attributes of individual social intrapreneurs – specifically, mind-sets, behaviours and skills<sup>12</sup>.

<sup>12</sup>Grayson, McLaren and Spitzack (2011), *op cit.*, p. 23.



**Mind-sets** are defined by the principles and values that shape individual decision-making. The principles and values of the majority of social intrapreneurs we interviewed centre around societal value creation such as preserving nature and serving others.

**Behaviours** are the acts that social intrapreneurs would undertake in the process of becoming aware of societal challenges and in their approach to resolving them. Three behaviours were most common: persistency and self-belief, learning, and outreach.

**Skills** are learned capacities to perform a task with a minimum outlay of time and energy. The common skills we recognised among social intrapreneurs were entrepreneurship and communications – both together created the necessary trust that social intrapreneurs need to earn to pursue their ideas within the organisation.

## Comparing and contrasting high-performing sustainable entrepreneurs and commercial entrepreneurs

In our research with sustainable entrepreneurs, we wanted to determine whether these individuals' exhibit mind-sets, behaviours and skills that resemble those of social intrapreneurs in large organisations or if, as founders/leaders of SMEs, their mind-sets, behaviours and skills are distinctly different and conform more closely with those of commercial entrepreneurs.

While this may seem like a fairly homogenous group, there is a literature which suggests that entrepreneurs leading high-performance firms (regardless of size) may be qualitatively different from other owner-managers in a number of ways including antecedent factors which shape their careers, their collaborations with venture capitalist and other investors and the networks which facilitate their firms' growth.

## What we have learned from previous research

The literature on the characteristics of entrepreneurs in high-growth commercial firms – particularly those in Silicon Valley – provides an even more nuanced perspective on the development of individual entrepreneurs; the firms they found, lead and manage; and the enabling roles of venture capitalists and other investors as well as other environmental factors.

## Entrepreneurs and factors influencing their development

Bowen and Hisrich (1986) have developed a career development model of female entrepreneurs, based on Sonnenfeld and Kotter (1982). The model highlights a range of developmental factors which could conceivably also shape the development of SME owner-managers of high-growth firms, encompassing genetic factors, personality factors, educational and family environment; key events in life history; current work and non-work situation and the individual's own perspective.

**Mentoring** plays a critical role in the development of both commercial and social entrepreneurs. It is particularly important for novice entrepreneurs, with mentors providing career-related, psychological and role model functions (St Jean, 2011). Santa Clara University in Silicon Valley operates GSBI® Accelerator, a 10-month training and mentoring program for seasoned social entrepreneurs who are seeking help to overcome obstacles and reach exponentially greater numbers of customers and beneficiaries<sup>13</sup>.

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<sup>13</sup> Santa Clara, U. (2008, April). Entrepreneurs Battling Global Poverty Come to Silicon Valley Aug. 14 to 22. Business Wire (English).

There are a number of studies of different types of entrepreneurs, including **novice** (first-time), **serial** (successive enterprises, developed one at a time) and **portfolio** entrepreneurs (several enterprises developed simultaneously). Researchers have examined differences in their individual characteristics, including the factors illustrated above (Schaper et al., 2007), circumstances which determine their emergence (Parker, 2014; Plehn-Dujowich, 2010); and their different types of behaviours and contributions (Westhead et al., 2005).

**Venture capitalists and other investors** have been shown to play a key role in shaping the emergence of serial entrepreneurs, selecting for funding those who demonstrate commercial awareness, sectoral experience and personal ambition (Wright and Robbie, 1997). Wright, Robbie and Ennew (1997) distinguish “venture repeaters”, “organic serials” and “serial dealmakers” on the basis of their motivations and the methods used to develop their ventures. “High-intensity entrepreneurs” – largely serial entrepreneurs – make significant contributions to economic growth in emerging markets (Habiby and Coyle, 2010). This typology is relevant to our research because investors wishing to support entrepreneurial projects that create social, as well as commercial, impacts should develop selection criteria and mechanisms which take into account the potential for social, as well as commercial, value creation. It would be useful to ascertain how investor behaviour has influenced the development of “blue quadrant” firms.

Entrepreneurs cannot succeed in isolation and **networks** of different types provide critical flows of information and resources. Both formal and informal networks have proliferated in Silicon Valley to support the activities of entrepreneurs<sup>14</sup>. The success of Asian immigrants as both entrepreneurs and investors in Silicon Valley has depended on facilitation of trade and investment in their countries of origin (Saxenian, 2002). Vani Kola, managing director of Kalaari Capital, progressed from being a Silicon Valley entrepreneur to an Indian venture capitalist.<sup>15</sup> Women entrepreneurs have also established their own networks in Silicon Valley to assist each other professionally by providing investment advice, by writing job references or by supplying introductions to other executives<sup>16</sup>. Silicon Valley “clones” are now emerging in countries seeking to replicate the California region’s success. However, in Costa Rica, the weakness of social ties between “socially disembedded” MNC directors and local entrepreneurs is limiting the benefits of foreign direct investment in ICT cluster development there (Ciravegna, 2011). Entrepreneurs may also use networks as organizational forms, creating distributed web-based enterprises by “strategically identifying, capturing and building mutually rewarding relationships between individuals and organizations” (Bangert et al., 2005). We expect that “blue quadrant” companies will have tapped into networks that support, not only their commercial growth, but also help to maximise their social impact.

The wider **socio-political environment** has a significant impact on the development of entrepreneurs. Engel (2015) has highlighted the role that institutions - including government, universities, major corporations and NGOs – have played in shaping the innovation potential of regions such as Silicon Valley and suggests how entrepreneurs and investors can best leverage the benefits of “clusters of innovation” where they are located. Karlsen (2011) highlighted how parent firms in selected Norwegian municipalities acted as incubators for entrepreneurial spin-offs and serial entrepreneurs created growth in specialized agglomerations.

## The entrepreneurial process

Baucus and Human (1994) set out a composite model of the entrepreneurial process to describe the behaviour of retirees from a Fortune 100 corporation who started second-career businesses.

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<sup>14</sup>Business and Networking Groups. (2011). USA: San Francisco Career Guide, 37-45.

<sup>15</sup>Home advantage.(2015). Asian Venture Capital Journal, 28(14), 15.

<sup>16</sup>Roberts, J. (2007). The New Girls Network. Forbes, 179(10), 116-118.

Stage 0 - building comfort zone (seeking approval/validation for starting a business)  
Stage 1 - search: generating business ideas  
Stage 2 - select business opportunity  
Stage 3 - search: gathering information  
Stage 4 - formal specification  
Stage 5 - garner support/arrange logistics

This stage model may be of interest to those who seek to support SME owner-managers with resources that are appropriate to their needs as they work to establish and grow firms that create social and commercial impact over time. Dover and Dierk (2012) note that different capabilities – managerial, entrepreneurial and leadership - are required at individual and institutional levels for different growth scenarios. These requirements have implications for recruitment, training and remuneration to ensure the organisation can adapt to different market dynamics. Nicholls-Nixon (2005) observe that because periods of rapid growth in a firm are short-lived, management practices need to be geared toward the principle of becoming “self-organizing” to enable firms to “cope with the continuous and unpredictable change that characterizes daily life in a fast-growing enterprise”.

### **Societal (social and environmental) performance**

Assessing the societal performance of SMEs is even less straightforward. The first challenge is defining what we mean by “societal performance”. Ainsbury and Grayson (2014) distinguish between several terms which are often used interchangeably.

#### **Stages of Maturity:**

Whilst recognising that many people and many companies use terms such as “Corporate (Social) Responsibility,” “C(S)R,” “Corporate Citizenship” and “Corporate Sustainability” interchangeably, we wish they would not do so. It causes confusion and can slow progress. We are increasingly of the view that Corporate Sustainability – defined as “a business commitment to sustainable development, and an approach that creates long-term shareholder and societal value by embracing the opportunities and managing the risks associated with social, environmental and economic developments” is a higher stage of Corporate Responsibility. Corporate Responsibility (the responsibility a business takes for social, economic, and environmental impacts).

Ainsbury & Grayson (2014) also developed a “Stages of Maturity” model for Corporate Responsibility and Sustainability (CR&S) as follows:

**Stage 1 Denier** - not recognising any responsibility for a company’s Social, Environmental and Economic (SEE) impacts;

**Stage 2 Complier**– following laws and common business practices in dealing with SEE impacts;

**Stage 3 Risk Mitigator** - identifying material SEE impacts and reducing negative impacts to mitigate reputational, financial, regulatory, social “licence to operate” risks;

**Stage 4 Opportunity Maximiser** – reducing negative SEE impacts but also now systematically seeking business opportunities from optimising positive impacts the business has;

**Stage 5 Champion** – both embracing sustainability in its own value-chain, but also collaborating with others and advocating public policy changes to create sustainable development.

While these Stages of Maturity have been described for large companies, could SMEs be similarly assessed? A DTI (2000) report to which we contributed identified different SME groups whose experiences with, and motivations for undertaking, “CSR”/responsible business practices varied widely:

- **‘Ben & Anitas’ (referencing socially innovative entrepreneurs Ben Cohen and Anita Roddick):** SMEs that have been started as ‘social enterprises’, in which the owner/ managers are motivated heavily by a desire to create positive community or social impact.
- **Arthur Daleys:** These are motivated purely by financial gain, seeing no relevance for social engagement, and unlikely to be an active members of business networks.
- **One-offs:** These are individuals who have had relatively minimal experience of engagement with the social responsibility agenda.
- **DIY’ers:** These fiercely independent individuals work in isolation from others and eschew the visibility associated with business networking or engagement with government and its associated bureaucracy.
- **Smart pragmatists:** These individuals recognise the business benefits of acting responsibly. By contrast, **enlightened pragmatists** are motivated by broader, long-term societal goals as well as understanding the basic business case.

Perhaps, for example, the types of SMEs described in the DTI (2002) research might be mapped roughly onto Stages of Maturity as follows:

Types of SME (DTI, 2002)	Stage of Maturity (Ainsbury & Grayson, 2014)
Arthur Daleys	Stage 1 Denier
One-offs	Stage 2 Complier
DIY’ers	Stage 3 Risk Mitigator
Smart pragmatists	Stage 4 Opportunity Maximiser
Ben &Anitas	Stage 5 Champion

However, it is possible that **corporate responsibility and sustainability “maturity” is not a unitary phenomenon for high-performing SMEs**. For example, Tomczyk et al. (2013) have highlighted in their study of top-performing commercial entrepreneurs that “other-caring terminal values” - values reflecting the idealized end goals of an individual, such as “world at peace”, “equality” and “freedom” – are *negatively* correlated with firm commercial performance (defined as sales and employee growth). The authors concluded that “an entrepreneur who values the welfare of others as an ideal end state actually harms the business in terms of firm performance over those focusing more on their personal welfare”. By contrast, “other-caring instrumental values” – values reflecting the methods by which a person achieves their end goals, such as “forgiving”, “helpful”, “loving” and “polite” - correlated positively with sales growth. And a generational effect emerged, with younger American entrepreneurs offering more benefits to employers than older entrepreneurs. The authors speculated that this result may reflect the younger generation of entrepreneurs ‘growing focus on work-life balance, resulting in their granting greater number of benefits to compensate for the time lost from leisure activities and family”.



We may find, therefore, that the relationship between “commercial high-performance” and “CR&S high-performance” may be highly nuanced, with a number of mediating factors.

An initial review of the literature suggests the potential complexities in this relationship for “blue quadrant” firms.

#### **Innovation:**

- Types of social innovation can include corporate social innovation; Bottom of the Pyramid innovation; eco-innovation; social entrepreneurship (Vilké, 2014)
- SMEs can introduce radical innovation based on their CSR involvement (Bocquet & Mothe, 2011)
- SMEs can create responsible innovations with very different resource combinations (Halme & Korpela, 2014)
- SMEs can use “corporate social opportunities” (Grayson & Hodges, 2004) to develop innovative products & services and exploit niche markets (Jenkins, 2009)
- Environmental orientation in development of innovations increases performance (Sáez-Martínez et al., 2014)

#### **Competitive advantage:**

- CSR may be used as a **pathway to professionalize the SME** (MacGregor & Fontrodona, 2011)
- Embedding CR encompasses processes of **organisational learning & knowledge creation** (Holvik, 2011)
- SME CSR behaviour creates competitive advantage (**Labour productivity; Degree of solvency; Company reputation; Customer satisfaction; Employees satisfaction; Return on investment**) (Grigore & Grigore, 2011)

### **The Theory of Planned Behaviour: a model for Identifying antecedents of successful sustainable entrepreneurship**

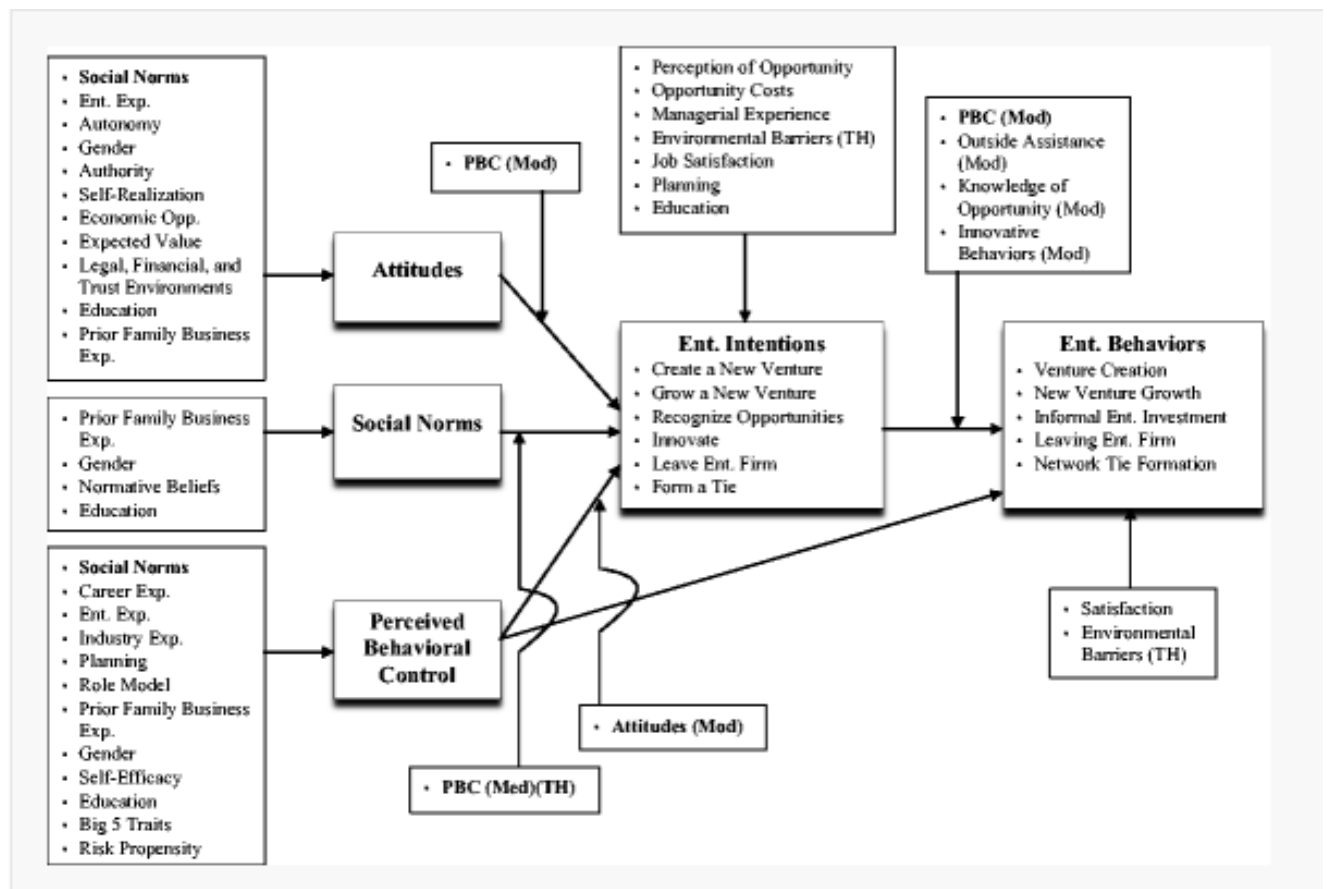
**One route to identifying individual/organisational/systemic** attributes that might support high-performance in both commercial and societal axes (i.e. the blue quadrant) is to consider a model which is known to explain commercial entrepreneurship behaviour. A useful candidate is the **Theory of Planned Behaviour (TPB)**, which links beliefs and behaviour (Ajzen, 1991, 2002) and which can be summarized as follows:

Human behaviour is guided by three kinds of considerations: beliefs about the likely consequences or other attributes of the behaviour (behavioural beliefs), beliefs about the normative expectations of other people (normative beliefs), and beliefs about the presence of factors that may further or hinder performance of the behaviour (control beliefs). In their respective aggregates, behavioural beliefs produce a favourable or unfavourable attitude toward the behaviour; normative beliefs result in perceived social pressure or subjective norm; and control beliefs give rise to perceived behavioural control, the perceived ease or difficulty of performing the behaviour. In combination, attitude toward the behaviour, subjective norm, and perception of behavioural control lead to the formation of a behavioural intention. Finally, given a sufficient degree of actual control over the behaviour, people are expected to carry out their intentions when the opportunity arises. (Ajzen, 2002)

Kautonen et al. (2013) and Lortie and Castogiovanni (2015) have explored the application of the Theory of Planned Behaviour to entrepreneurship. TPB posits that, “attitude, perceived behavioural control and subjective norms are significant predictors of entrepreneurial

intention; and intention and perceived behavioural control are significant predictors of subsequent behaviour”<sup>17</sup>.

Lortie and Castogiovanni (2015) identified a number of antecedents of entrepreneurial intentions and behaviours in a review of the literature on TPB and entrepreneurship (see below).



Lortie and Castogiovanni (2015)

Although, to the best of our knowledge, the Theory of Planned Behaviour has not been applied to examine responsible business practice among SMEs, current literature on SMEs and corporate responsibility suggests a number of antecedents of responsible business practice at individual, organisational and systemic levels that might, in theory, be matched to attributes in the TPB model.

## Leader/manager characteristics that influence responsible business practice

These include the studies below (independent variables shown in bold).

- **Manager values, morality, support** and **organisational culture** (Hsu & Cheng, 2011)
- **SME executives' personal feelings, financial conditions, friends and family**, and **religion**(Dincer&Dincer, 2013)
- **Stages of post-conventional consciousness development of top SME managers** (Boiral et al., 2014)

<sup>17</sup>Kautonen et al. (2013), p. 697

- **Ethical leadership** (affects CSR positively); **social responsibility** (affects corporate ethical values and behaviours positively) (Aslan & Şendoğdu, 2012)
- **Motivational drivers** (identified as "Customer Propositions," "Stakeholder Value," "Founder Characteristics and business values," and "Business Motives") (Roy et al., 2013)
- **CSR cognition** as a culturally determined variable:
- SME owner–managers' mental models of CSR vary across Europe (Belgium, Italy, Norway, France, UK, Spain - Fassin et al., 2014);
- SMEs' perceptions of CSR as a concept of expensive additional activities, while they themselves are often short on resources, is a major obstacle to action (compares Lithuania, Latvia, Poland, Bulgaria, Portugal, Spain & Cyprus) (Krauss et al., 2010); in Romania, most SME managers do not understand CR or its potential economic benefits (Bakos, 2014); Investigates business benefit vs. social benefit (building a "good society") as a CSR driver in Romanian large firms & SMEs (Daniel & Nicolae, 2013); Balance of business benefit vs. social benefit (building a "good society") as a CSR driver in Romanian (large firms and) SMEs may need to be re-tuned to produce effective social impact (Daniel & Nicolae, 2013)
- Implicit conceptions of business ethics and social responsibility of SME owner-managers explored in Cameroon/Sub-Saharan Africa (Demuijnck & Ngnodjom, 2013)

## Organisational enablers and disablers of SMEs' responsible business practice

A literature review highlighted a number of organisational attributes that could enable (support) or disable (challenge) responsible business practices in SMEs:

- **Innovation** can lead to CSR in companies focused on value creation (Perrine, 2013)
- **Orientation to, commitments to, and dynamic flexibility in, the firm's CSR and green policies** are significant factors in a firm's CSR- and green-based competitive advantages (Arend, 2014)
- **Proactive CSR/Green culture** drives green innovation (Chang, 2015)
- **Tangibility of sector, firm size, innovative orientation, family influence and perceived financial benefits** predict level of engagement in environmental management practices (Uhlaner, 2012)
- **SMEs-specific organisational characteristics – commitment** reflected in the attitude of the owner-manager to be socially connected; **internal structures & procedures** reflected in implicit organizational culture and daily practices and processes that tend to be informally organized; **external collaboration** reflected in collective involvement with other SMEs or suppliers to jointly address issues related to CSR, as well as involvement of SMEs in CSR-related networks (Baumann-Pauly et al., 2013)
- **Learning and organisational values development** underpinning CSR and improved business performance (Stewart & Gapp, 2014)
- Links between three capabilities (**shared vision, stakeholder management and strategic proactivity**), proactive CSR and financial performance in SMEs are examined (Torugsa et al., 2012; Torugsa et al., 2013)
- **Ethics and value systems** play a significant role in devising **sustainable corporate strategy** (Ciasullo & Troisi, 2013)

- **Aging Workforce Management (AWM)** as a component of CSR provides insights into the role of the owner, company size and nature of CSR in Romania (Grigore & Grigore, 2011)
- The **ISO 26000 quality standard** is a potential support strategic management of corporate sustainability & social responsibility (CSSR) (Hahn, 2013); A comparative analysis on the importance of integrating CSR with management systems in Romanian SMEs compared with Italian SMEs reveals different impacts on enterprise performance (Pirnea et al., 2012)
- SME characteristics that could shape an CSR approach include the **need for stakeholder dialogue in CSR/strategy; centrality of entrepreneur's ethos; interaction of instrumental vs. ethical CSR policies; and links between CSR initiatives & growth objectives** (Italy)(Lamberti&Noci, 2012)
- **CSR strategy** can be valuable for SMEs (Case study of Waste King)(Little, 2012)

## Systemic characteristics that can shape SMEs' responsible behaviour

SMEs are subject to a wide variety of external pressures from their client relationships, national institutions and regional and global networks. The spectrum of international differences in those pressures has led to a variety of individual and collective actions by SMEs to create positive impact in social and environmental debates.

Studies of systemic characteristics include the following (independent variables shown in bold):

- **CSR requirements received by SMEs from large companies** are passed on to their own suppliers through the supply chain (Ayuso, Roca & Colomé, 2013); a study of European Union SMEs finds outsourcing by transnational corporations has led SMEs to take over responsibility for social programmes (Matel&Voica, 2013)
- **Globalisation of the supply chain** combined with **incompetence in standardized CSR practices** causes SMEs in Bangladesh to either lose access to global market directly or access as subcontractors to large enterprises (Rahim & Witussiak, 2013)
- **National institutions** shape CSR practices in food-processing industries of France vs Morocco (Baz et al., 2014);
- **Social and cultural expectations** led SME managers & workers in Vietnam textile, garment, footwear industries to develop socially responsible practices and expectations before arrival of CSR as a Western concept (Tran & Jeppesen, 2015)
- A **network model (cluster approach) to CSR** will motivate the uptake of CSR among SMEs in Southwest China (Weltzien & Shankar, 2011); assessment of SME cluster practice (Rayman-Bacchus & He, 2014)
- **Civil society and industry organizations** are key to installing a holistic awareness of CSR and helping firms to improve on those aspects of CSR that are relatively underdeveloped in emerging economies (Chilean fruit exporters)(Klerkx et al., 2012)
- **CSR Disablers** (Singapore): (a) **moderate awareness but low comprehension of CSR**; (b) engagement **relevance to immediate stakeholders**; (c) **individual values, stakeholder relationships, and governmental influences as main drivers**; and (d) **lack of various resources** as key barriers (Lee, Mak & Pang, 2012)
- An **observed gap between normative CSR proposals and CSR in practice among SMEs** (Australia) may justify partnership building between regional SMEs and large corporations which have already demonstrated leadership in CSR in the same region (Moyeen&Courvisanos, 2012).



- **Weak institutional “enabling” support** can lead SMEs to adapt and engage in “institutional works” in different spaces (i.e. the workplace, marketplace, local community and ecological environment) (Amaeshi et al., 2015).

## Clues from previous research on social intrapreneurism

Given the list of antecedents to entrepreneurial behaviour in the Theory of Planned Behaviour and the list of enablers (individual, organisational and systemic) for responsible business behaviour (CR&S), we need to see whether any of these elements are shared. While we were not able to predict any matches in advance of actual empirical research, there were potential clues to what we might find in the narratives of two SME founders who were interviewed in our previous research with social intrapreneurs. These Israeli entrepreneurs were recommended to us for interview by Maala, Israel’s leading CSR organisation, as they had both created and developed large businesses which had been commercially successful but had also produced positive social impacts. Their interview narratives about the early development of their businesses suggest that they shared the attributes of other commercial entrepreneurs. However, the positive social impacts created by their businesses were clearly interwoven with the “DNA” of the business – i.e. the commercial and social purposes were intertwined early on – although they did not use current CSR jargon to describe their activities. This intertwining of commercial and social purpose suggests areas we might explore with SME owner/managers of sustainable enterprises.

## Methodology

### Interview research format

Because this was an exploratory study, we decided to use an interview format with open-ended questions), based on our desk research and our previous interview research with social intrapreneurs, which would allow our subjects to tell us about how they had gotten to where they were now. This included

1) **Why and how they came to start their sustainable enterprise.** We were looking for:

- Previous mind-sets or experiences with business/enterprise (working in a small or large business) or sustainability (e.g. valuing social and environmental care and preservation, circular economy, concern about a particular social or environmental issue or need);
- Triggers - either continuing long-term conditions or sudden events which had an important effect;
- How they got their business started (sources of finance, business plan, mentors/sponsors/other guidance or support).

2) **What has helped or hindered the successful development of the business to date.** These “enablers” and “disablers” could include:

- **Individual characteristics**, such as personality attributes (e.g. openness to experience, curiosity, persistence), behaviours and skills;
- **Organisational characteristics** such as business model, ownership structure, management processes, employee relationships, external partnerships, supply chain management, dynamic capabilities (e.g. capacity to adapt to change);
- **External environmental characteristics** such economic climate, abundance/paucity of resources (financial, in-kind), events, access to capital, cheap premises, business support.

3) **Long-term hopes and aspirations for the business.** This could include:

- References to either business development and/or sustainability (social and environmental) goals;

- Sources of support or barriers which could help/hinder achievement of the goal.
- 4) **Advice to others** who might wish to emulate the sustainable entrepreneur's example. (This was added to the original protocol as the result of an early interviewee spontaneously offering practical advice based on their experiences, which the team decided could be useful for other sustainable entrepreneurs.)

The interview protocol is in Appendix 1.

## Recruitment of subjects

Bearing in mind that we wanted sustainable entrepreneurs whose businesses excelled (or were working to excel) at both commercial and social/economic performance, we recruited our interviewees from the following groups:

- Firms that had been recognised formally as “Examples of Excellence” or “Highly Commended” in the Business the Community Responsible Small Business of the Year Awards scheme;
- Additional firms which the Business in the Community Enterprise Team had identified as sustainable enterprises meriting inclusion in our study and provided introductions;
- Other firms nominated by interviewees as meriting inclusion in the study, based on our criteria;
- Members of the Cranfield School of Management Business Growth Programme whose owner-managers self-identified as high-performing sustainable enterprises in response to our project invitation;
- B Corporations which we identified on the B Corporation website (<https://www.bcorporation.net/>) and approached directly or with introductions from the B Lab UK team. B Corporations- defined as ‘for-profit companies certified by the non-profit B Lab to meet rigorous standards of social and environmental performance, accountability, and transparency’<sup>18</sup> – were deemed by the research team to be ideal candidates for inclusion in our research as they would be required to meet both commercial and societal performance criteria.

Each participant was emailed a project invitation (see Appendix 2) and the interview questions (see Appendix 1, which also includes notes about specific points of interest in responses) to give them time to think about their answers before the interview.

Each one-hour (maximum) interview was conducted via Skype and recorded with the agreement of the participant. (One interview had to be conducted via email due to a family emergency on the interview date.) All interviewees were advised that details would be kept confidential and their consent would be obtained before using any quoted excerpts in published reports. The interviewer typed notes as the interview proceeded which were then circulated, along with the audio file, to the rest of the research team for review.

The individuals who agreed to participate in our research represented a broad spectrum of sustainable enterprises. About a third of the interviewees were manufacturers of food and beverage products. This was partly by design because we felt that the sustainability challenges for manufacturers (vs. service providers) would be particularly challenging and we were interested to discover how these were addressed.

In terms of their legal structures, some firms were constituted as social enterprises, others as commercial enterprises. Eight of the firms were certified as B Corporations.

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<sup>18</sup><https://www.bcorporation.net/what-are-b-corps>

## Sustainable Entrepreneurs Interviewed

INTERVIEWEE	COMPANY	TYPE OF COMPANY
Paul Bennett	Bates Wells Braithwaite	Law firm
Karen Lynch	Belu Water	Food and beverages
Ed Perry	Cook Trading	Food production
Lyndsey Gaja	Dawn Fresh	Food production
David O'Flynn	Dawn Meats	Food production
Stefan Allesch-Taylor	Dept of Coffee & Social Affairs	Food and beverages
Lauren Milton	Elan Hair Design	Hairdressing and other beauty treatment
Paul Lindley	Ella's Kitchen	Food and beverages
Sharon Jackson	European Sustainability Academy	Professional training and coaching
Christian McBride	Genuine Solutions UK (GSUK)	Environmental recycling
Harriet Kelsall	HK Bespoke Jewellery	Jewellery
Susan Aktemel	Homes for Good	Property - Letting and operating
Matt Jewers	Jewers Grain	Wholesale of grain, seeds and animal feeds
Tom Storey	K-10	Property and construction
Matt Hocking	Leap	Branding and design
Alastair MacPhie	Macphie of Glenbervie	Food ingredients supply baker, caterers and food processors
Charlie Bradshaw	Matrix APA	Procurement consultancy
Mohammad Al-Udaybli	Patients Know Best	Software development (healthcare)
Matt Stevenson-Dodd	Street League	Not-for-profit organization management
Jonathan Wagstaffe	Struto	Marketing and advertising
James Ashwell	Unforgettable.org	Dementia products and services
Jon Witte	Wiggly-Amps Ltd	Computer software (healthcare)
Susi Lennox	Yes Yes Company Ltd	Medical supplies
Robin Tombs	Yoti	Digital identity checking

# The Sustainable Entrepreneur's Journey

## Overview

When we took a 'helicopter view' of the narratives in our sustainable entrepreneurs' interviews, we saw a general pattern of **drivers** – either ongoing personal circumstances (such as working in a family business), or, in several cases, discrete **trigger** events (such as a change in employment, health status or a personal epiphany of some kind) which could start an individual on their journey as a sustainable entrepreneur. At an organisational level, there could be specific large-scale drivers, such as a client's sustainability requirements, which could start an entire firm on a journey toward becoming a more sustainable enterprise.

When asked about the "backstory" of their firms, our interviewees talked about their own **mind-sets** – their attitudes toward life and business generally, how they thought about sustainability issues (either broadly or specifically) as well as formative events and experiences in which they spotted business opportunities or acquired useful **skills** that helped them along their way.

One of the most striking mind-sets that emerged repeatedly from our interviews was a holistic perspective on 'sustainability' that encompassed both commercial viability and longevity as well as social and environmental sustainability. This mind-set contrasts starkly with a more conventional view of business in which maximisation of commercial success and sustainability performance would be seen as antagonistic aims.

The combination of mind-sets, skills and experiences would result in certain **behaviours** such as creating or modifying business models and frameworks to enhance social and commercial impacts; connecting with, or forming, networks through which knowledge and resources could be usefully created and exchanged; prototyping and piloting new products and services and researching markets before formally launching the new sustainable enterprise.

The **outcomes and impacts** of the new sustainable enterprise could include bottom-line business benefits such as cost savings and operational efficiencies; improved recruitment and retention of people with passion about the enterprise and the measurable social benefits it creates. Longer-term benefits could include collaborative ventures with other like-minded businesses as well as with NGOs and other cross-sector partners; recognition in the form of awards or certifications for achievements leading to enhanced reputation and greater influence on other businesses in the firm's sector or geographical area.

The **aspirations** expressed by sustainable entrepreneurs included exporting their business model through franchising, consultancy or education in order to multiply the social, as well as economic, impacts they create; continue to grow at a rate that would sustain the business over time (vs. maximising growth as an end in itself or selling as quickly as possible); and, finally, to exit (or scale down day-to-day involvement with) the business, handing it on to others to lead (for some, continuing a family business which had endured over many generations) so as to take on other roles or projects.

While not descriptive of every one of our interviewees' experiences, the major features of the 'sustainable entrepreneur's journey' are set out in the diagram on page 23.

## HOW SUSTAINABLE ENTERPRISES DEVELOP

### SUSTAINABLE ENTERPRISE DRIVERS & MINDSETS

**Leader Mindsets**

- Curiosity, interest in learning
- Openness to collaboration & partnerships
- Beyond EITHER/OR -> commercial & SEE impacts do not conflict
- The 'long view'
- 'Growth' re-defined
- Sustainability requires immersive experience

**Recruits' interest in sustainability**

Recruits seeking:

- Culture which is more socially aware and inspiring
- Organisational alignment with their values
- Opportunities to create positive social impact

**Client sustainability requirements**

- Responsible business standards shape suppliers' behaviours and mindsets
- Sustainability viewed more holistically including social and employment opportunities

### SUPPORTS FOR SUSTAINABLE ENTERPRISE DEVELOPMENT

**Skills-based Behaviours**

- Creation of business models encompassing commercial & sustainability aims
- Creation of strategies, governance, operational processes and structures
- Re-prioritisation of stakeholder groups & forms of engagement
- Knowledge creation & sharing
- Prototyping, piloting, innovation

### OUTCOMES & IMPACTS

**Business benefits for the enterprise**

- New business activities, revenue streams and client relationships
- Platform for sustained collaboration
- Cost savings & operational efficiency
- Improved recruitment & retention
- Enhanced profile and reputation

#### Longer term benefits for:

#### Enterprise and business sector

- Sustained competitive advantage
- Influence on the business ecosystem

#### Society

- Positive social and environmental impacts

### LONG-TERM ASPIRATIONS

- Manageable growth
- Multiplier effect - more sustainable businesses
- Sustained competitive advantage
- Longevity beyond founder exit



## Key Features of the Sustainable Entrepreneur's Journey

We now examine features of the sustainable entrepreneur's journey in more detail.

### Triggers

For many of our sustainable entrepreneurs, trigger events led either to the actual founding of their enterprise or to a significant change in career direction which led to the founding of the enterprise. They can be focused on an individual, an organisation or society at large. It is the individual's sense-making of those events – often perceiving a business opportunity – that can trigger a new journey to create a sustainable enterprise. Here are some examples (interviewee quotes are anonymised):

**Change in health status.** 'As with many people who have big career/life changes[there was] a medical emergency, organ failure... in the weeks between being ill and going back to work, [I decided I] wanted to do something fulfilling. I didn't know what I wanted to do. The shortlist included midwife, vicar, organic farmer, easy option charities. I decided to leave [the bank].'

**Convergence of work experience and personal events.** '[From work at [the children's cable channel], I had gained] understanding of social problems [such as the] obesity crisis...round about that time our first child...was going through weaning. We used silliness and games to relax (her and her parents). There was an overlap between personal and professional life – making food fun in a commercial setting, saw an opportunity for a business.'

**Disillusionment with industry behaviour.** 'In 2000, I got unhappy with that [electronics] industry in terms of how it was treating the environment and the community. I was one of the only women at my level in the 1990s. I became more uncomfortable getting tantalum and other conflict minerals. I was taking my concerns to the Board...We were making people work really hard, getting conflict minerals out of the ground. Some people died of exhaustion. I was in our Chicago headquarters and made my complaints in 1999. I was told, don't say anything. That's why I resigned.'

**Financial crash changing attitudes toward wealth creators.** 'As the recession bit in 2008-10...there was a seismic in public attitude to wealth creation. I owned an investment bank, commercial bank, hedge bank, felt people were no longer respecting entrepreneurs and wealth creators. People were starting to despise them... My motivation was to say, the [firm] will employ people finding it hard to get jobs in the 22-28 age group, struggling to get jobs, even with degrees. If we engage in this business, that will be a beneficial social impact.'

**Client Drivers.** Triggers can also impact on organisations as well as individuals. Marks & Spencer, for example, instituted **responsible business standards which create impacts on suppliers' behaviours and mind-sets.**

'All M&S suppliers need to be Silver accredited by 2020. We are aware of this priority for M&S and have achieved silver accreditation at both of our factories that supply M&S.'

'There are a number of drivers behind our approach to sustainability; definitely our relationship with our customers is of huge importance and we do have a number of, what I would call 'meaty' customers of which M&S is one, which seek a high standard and also purely from a business perspective we kind of see sustainability as the way business should be done.'

## Mind-sets

The working definition of 'mind-set' is the one we used in our 2011 Occasional Paper on social intrapreneurs: 'A mind-set is defined by the principles and values that shape individual decision-making.'

### Sense of social and commercial purpose integrated in the business

What was striking was that many of our interviewees had a fully integrated sense of both commercial viability and social responsibility ingrained in their minds. Social and environmental responsibility was not separate from the business itself; it was all "just good business".

- 'I set [the business] up – it was going to be me freelancing but I put in graphic design with the environment in mind. A lot of it was based on the Gandhi quote, "Be the change you want to see in the world". There might be a small difference I could make – I interacted with clients and suppliers, connecting the green dots, whether it was tourism or renewables or people – the triple bottom line. I was fully invested in it.'
- 'I don't look at it in terms of, how much does this cost? There is a bigger purpose, beyond maximisation of profit...it's just good business.'
- 'Set of values – come from founder and protected and lived, not through founder but integration with culture and systems of company. That points to a mission, that mission being more than money – have a higher purpose.'
- 'Two parts – sustainability – can a business sustain itself over the long term and also how we make it clean and self-fulfilling as possible.'
- 'We met four times a year for three years to look at creating a family constitution with a facilitator. Meeting number one was one of the most interesting because the whole purpose of the whole day was to ask, "What is the purpose of all this?" We ended up with a mission statement – for the longevity of ...supporting communities in which we work and financial family security.'
- 'So, my idea was that you would get all the best bits of companies and capitalism and you apply a kind of structure to it. I hated the concept of charities 'shaking tins' when they were doing amazing work and then big companies rolling in cash when they were doing terrible things so I thought well surely you can do all the really good things sustainably...'

One of the additional nuances we observed was the sense of a positive aesthetic associated with a purposeful business:

- 'We want to make safe, beautifully tolerated products that would not compromise intimate health.'
- 'I really think of [the business] as beautiful, I think it is a really beautiful business; the intricacies of the way we have built it; the business models and governing documents; the Golden Share equality rights; the way we treat our staff and the supply chain; the way we are able to be really close to charities yet at the same time be really close to business partners'

Complementing the desire for business purpose was the imperative for financial viability:

- 'I want to make something good happen out of legacy debt – get business to payback.'
- 'If it makes no money, I can't do it. Being very structured, I am clear is, the purpose for doing it must be understood up front. I am not a charity.'
- 'There is a commercial sustainability question, but also operational sustainability – not just eco-sustainability but other sustainabilities...We say, scalability and sustainability.'

### **Curiosity, interest in learning, openness to experience**

We found that virtually all our sustainable entrepreneurs had a strong sense of curiosity and an interest in learning, although some had eschewed, or reported negative experiences in, formal education environments.

- 'Curiosity was very important; I was always asking questions on all topics. I love exploring and discovering new things. Best time is not being in the office but out meeting people...seeing how I can help people. I love connecting people. Helping them connect so they can both profit from the relationship. People ask, how much do you want for an introduction? Do you want a percentage? Absolutely not – it's purely out of pleasure that I've done it. [What did your other two brothers do?] None of them went to university. All followed my footsteps. We're proud of the fact that we didn't go to university. We have quietened the critics.'
- 'I didn't go to university; the irony isn't lost on me...now I get asked to speak at University.'
- 'The MBA has been really helpful in applying it – that application is really important. I have taken the best of the learning from my peer group and applied it into making it work in the charity sector. I got a scholarship to Harvard in 2012 – a one-week course on non-profit management – a supercharge – I came back buzzing. The academic side – that really helped.'

### **Sense of agency developed early in life**

Quite a few of our sustainable entrepreneurs developed a sense of agency fairly early in their lives, with some working in family enterprises.

- 'I come from an entrepreneurial family – both sides – fathers, great grandfathers, parents. My father owned a chain of Mercedes Benz dealerships. I sold my first car when I was eight. I was always fascinated by it.'
- 'Starting the business had nothing to do with CSR. My parents had run a bakery and a couple of coffee shops – they were committed Christians. My mother's best friend also, started the bakery. She worked at a drug rehab centre – set up bakery in 1988, so she would be able to employ people coming out of rehab centre. I worked with them [parents] from leaving school 3-4 years. I set up a small factory shop in Maidenhead – it was just cakes and puddings, I ran it for them. We built it to reasonable turnover – I was 21.'
- 'My father (retired) is a GP but also a talented hobby jeweller. He would work long hours, come home late and sit down at his bench and make jewellery. I also grew up in an environment where people put others' needs first...we were taught to answer the phone and speak to patients...when to call an ambulance.'

Allied to this sense of agency was a desire to run a business:

- 'I probably always did want to have my own business. My brother's 10 years older – he started in business when he was 19, a sibling role model/rival.'
- 'Ever since I was about 12 years old, I knew all I wanted to do was run my own business.'

### **Desire for efficiency/hatred of waste**

A generalised desire for efficiency, or an aversion to waste, could lead to a perception of business opportunity.

- 'We wanted to create alternative solutions for the market place, there was only New Original or after-market brands available with huge volumes of products going to waste. We saw the opportunity to develop a business that recovered these products and injected them back into the supply chain.'
- 'As a kid I bought old leather coats from Oxfam. I hate waste – this was identified at [the bank] – time, money, resources, dislike of waste was formally identified.'

### **Desire for personal and business purpose**

A desire for meaningful purpose in life and work – which might be a long-term desire or the result of a discrete “trigger” event - could be a powerful catalyst for a search to find alternative work roles leading to the founding of a new business or a transformation of an existing one.

- 'I needed to do something with purpose. [I'd had] loads of learning about what not to do. Got hooked on this idea of responsibility of making something good out of the £1.9m investment while bottled water market was grown. I liked proving the model, also while being environmental.'
- [We were looking to re-focus the family's energy] - 'I was a teenager – the business wasn't going so great then. Everyone had become a bit complacent – everything had become routine, no focus or drive...close to shutting. Parents had gone on a business course – looking at it as a business again – not a routine day in and day out...that helps us – we're focused on something to focus on within the business. All have different roles and passions. When you lose that focus, you become complacent.'
- '[I embarked on] a journey to find business and personal purpose. I went walking in the Himalayas. Designed leadership programme in Tasmania. I wanted to work out why people like me with a 15-year career in electronics industry could do. Want to make a difference. Did MENCAP Challenge Programme in the Himalayas. Being in wilderness gave me clarity.'

### **Resilience, passion, authenticity (qualities of “character”)**

Our interviewees spoke about and/or demonstrated through their actions a number of personal qualities which served them in starting up and developing their businesses. These including resilience in the face of adversity; a passion for their business and its social purpose in particular; and a desire for authenticity, not just in themselves and their business but in others with whom they worked closely—colleagues, investors, clients, suppliers and others in their stakeholder network.

- 'I got my local architects...had battles all around integrity; resilience, saying, this is what we're building. Three pieces – earthquake gap – one of our meetings, they said we need another 2000 euros to fill the earthquake gap – toxic – I said at one point...you can't use that toxic product...so the building is now full of straw bales, Hessian straw, filled it free with what we had. Builder is now telling people he has

built an eco-building. They hated me initially. I got very exhausted...sometimes I wanted to say, off you go. Resilience meant saying 'no' every day for a year. They said to me, "nobody will know"... I have stood my ground, those people didn't like me and left.'

There were several specific references to 'passion':

- 'Passion to connect people';
- 'I'm seen as passionate';
- 'Our passion [for the business] grew'.

### **Importance of people and values in business**

There were numerous references by our interviewees to the importance to the success of the business of people – particularly if they were colleagues working with or for them in the enterprise, customers, investors and suppliers – who shared their values and their vision of what the purpose and culture of the business should be and how it should be achieved.

- 'Paying people well...signed up to Living Wage; things like, we got rid of appraisals. We believe that people take responsibility for their own development... we buy into, what motivates people are mastery and purpose...money complicates things. You need to treat people fairly and reward generously, different from financial incentives – changed two years ago, business trades better since. As long as you're generous and fair, people will not work harder or better with a financial carrot. That stupidity led to financial crisis.'
- '[For employees] The idea that they might collaborate is a change. Needs a period of time behaving in that way.'
- 'One thing about [the business]...the CEO and COO have created a culture where people enjoy their job, share their values.'
- 'I get the feeling now that lots of people actually want to work in start-ups to make a difference; I do feel there is a move in Millennials toward that kind of thing.'

### **Value of support networks**

Our interviewees talked about the value of both formal and informal support networks in accessing information, contacts, funding and other resources needed to get their businesses started.

- '[Importance of a support network of diverse people.] Deloitte Pioneers programme – a group of us talked about this (social enterprise founders). The notion of a pioneer is interesting, what's around the corner will be better. But there's a huge amount of risk – crocodiles...but you have instinctive optimism things will be better. Bringing people with you – using lots of different people with different skillsets and personality -> some personalities give others more confidence. A roomful of Me's – nothing would get done. That's where I think – it's about getting that balance.'
- 'The relationships. They are key. Because people want to do things for you. Did BGP [Business Growth Programme] at Cranfield 8 years ago. It was a big influence on my life.'
- 'BGP and similar 'clubs'. I didn't have a mirror – I'd never run a business – just winging it. Over the years, I've been encouraged – one of my best – Tim O'Shea, aBGP'er – bantering about BGP – [went on the course] once I got things cash-positive. I learned what I was doing wrong, could do better. Following on from that – clubs are important – even now.'



- ‘Collaboration and co-creation is what I’m looking for. ReLoad Greece in London Business School – bringing Greek diaspora here. But having a good support network for when someone feels alone – that is sometimes what I feel I need.’

### **Recognition of importance of mutual trust in building the enterprise network**

There were also specific references to the importance of establishing, and nurturing, mutual trust to ensure the viability of the sustainable enterprise.

- ‘Relationships are everything. With a customer buying a car or CD, you can build a great relationship. People then trust you...more than just work.’
- ‘Once you’ve got a service people want, that grows because of people, the ones who work and buy from you believe in the authenticity – trust underpins all of that – difficult for academic to write about – you know when you’ve got it.’
- ‘Talk can be cheap – we want to work with businesses who are trustworthy but also prove that we care about the platform being used responsibly. Whether it’s business, charities, governments, regulators, being a B Corp will [inspire trust].’

### **Importance of improvisation**

Having found that improvisational skills were important for social intrapreneurs in our previous research on large companies, we had just one interviewee among our sustainable entrepreneurs raise this idea explicitly, although it was clear from their reported behaviours that many were engaged in what we would label as improvisation – developing creative solutions to problems with tools and materials immediately at hand.

- ‘[I am a] great believer in improvising. Don’t prepare for anything. I recently read a wonderful book – Improv Wisdom by Patricia Ryan Madsen – head of improv at Stanford. Improv is an incredibly skilful thing. This positivity, relationship skills, ability to be naïve – all things that define me and I was born with them...people see you as a game-changer when you can improvise.’

### **Desire to reproduce sustainable business model through teaching, consultancy, franchising, coalition-building**

In contrast to many conventional entrepreneurs’ vision of quick profit and early exit, our sustainable entrepreneurs spoke at length about the different ways in which they wished to reproduce their sustainable business model.

- ‘The college we have – added first eco salon in an educational environment – am passionate about this – want people to see this project and be inspired by it...Would like to franchise the idea, that way what I hope to do is put pressure in industry to become more sustainable. That would be my vision of how that would evolve.’
- ‘We will work for companies outside of construction – got some really big companies, can say how we can help them. Take ideas you’ve learned in construction – take it nationwide, cross-sector. [This is the] longer term direction. Provide the consultancy about what’s needed, deliver support and then deliver the training. [Interviewer: Will you work with training providers in these other sectors?] ...increasingly having a different model – co-design and co-delivery of training. Work with Sector Skills – met with Trade Association at lunch time – quite keen to help them.’
- ‘Would like to franchise the idea [healthcare ‘toolsets’], that way what I hope to do is put pressure in industry to become more sustainable. That would be my vision of how that would evolve. There’s a few...really we need to plan and structure that.... It would be a good thing to do a consultancy based company as well. We’re

passionate about that. Unsure how we could package that because we give so much away...having a franchise would be a better platform.'

- 'When I built my business in 2011, the business was already running in Australia and UK, always part of an expansion. My plan was to pretty much continue doing...in February I was invited to India to get an award, a philanthropist in solar panels – we are creating under [business name] franchise, in India. Kenya in August – setting up social enterprise...[and in] other countries...I have captured the interest of others – it's immersion in the sustainability experience....Spread the global model of that immersive model.'

*[Expansion from football to 'sport for employment' through coalition-building]* - 'Very inspirational – becoming the UK's sport for employment charity. Went through a re-brand this year – most transparent annual report ever in September under new brand – raise bar for charity sector. My feeling from talking to corporates, funders, governments – they welcome this. Hoping that everybody raises their game – really good quality measurement – not just telling great stories. In the future – may do some mergers and acquisitions as well – climate for charities will get more difficult – working with some other sport for development charities to group together – loose grouping to share back office functions – too many charities out there.'

### **Legacy: a sustainable enterprise continuing into indefinite future beyond founder's exit**

In addition to reproducing the business model, interviewees talked about a desire to have their enterprise continue into the indefinite future after they exited from, or took a greatly reduced role in, the business.

- 'I want this business to grow and be sustainable. There is none of this entrepreneur, building it up and getting out.'
- 'To me, 'sustainable' is making sure a business like this can pass from generation to generation in a community-friendly way...– I would look at having more businesses of a certain smaller scale. And each one has a lot more autonomy than in a big company. The staff's involvement in running the business – it's not one great big business, it's lots of little businesses with their speciality doing their own thing within a framework. Our job is to create that framework and make that sustainable.'
- '[Enterprise name] is no longer a start-up, [it's] a proper grown up organisation. Did it faster...am grooming successor, two young women. Two reasons: 1) want to leave [the enterprise] by Year 10; 2) I want to scale it... will have a life beyond me – systems, young team tied in out of choice. Financially sustainable – you get some money...it will be financially sustainable.'
- 'Long term I want to see the business grow but in conjunction with me and not necessarily because it's me who's there. Would like to see profitability grow, people within it grow...financially, I suppose but also people within it grow within their roles. I'd like to see the reputation maintained and enhanced. But for me personally, I would like to feel I'm integral to strategy, not the detail of what happens every day. So I'm not going to stop working...would like take 3-4 weeks off in the middle of a busy time and business continues to grow without me.'

## **B Corporation as the future of business**

Several of the interviewees whose businesses had achieved B Corporation status said they believed that the B Corps network represented the wave of the future for business.

- 'I really do believe the future to generating long term shareholder investment is to be a company like a B Corps because you have to think about your wider stakeholders'
- 'This [B-Corporation movement] is going to be massive, big big. My take is, over 50-80 years - pace of growth, don't know but it will be big.'
- 'First, I highly recommend going on B Corporation [assessment process]. I loved it for several reasons. Investors saw it was certification – several customers buying because we were a social enterprise. But certification would help. Non-profit isn't sustainable, scalable. Certification was the right combination of mission and business. People understand it was worth doing.'
- 'The thing I liked – it was asking for certain things, Board said you are too small – don't have time. But I said, that is how high quality business operates. Putting in new processes is worth it. So even if we fail, process of trying makes us a better company.'
- 'Then there's the community of B-Corps. As I was trying to learn the processes, so many other B-Corps said, here is our template. So you have to spend effort doing it and not delegate it to someone else. All of senior management has to understand it and spend time doing it.'
- 'I had a couple of complaints [with the B-Corps criteria] – you get points for recycling or commuting scheme (bikes) but our whole company, everyone works from home, nothing to recycle but we lost points. So we went back and said, we have nothing to recycle and there is no commuting. They listened. Gave it back to the US team...you see that in every way, everything they do and work, a really nice community to be part of.'

## Behaviours

Over and above the behaviours associated with successful conventional entrepreneurs, our sustainable entrepreneurs exhibited behaviours that were relevant to founding enterprises with societal, as well as commercial, purposes.

### Creating sustainable business models for new and existing organisations

Our sustainable entrepreneurs built on their holistic mind-sets about the nature and purpose of business by creating sustainable business models and plans for their organisations.

- 'Our business plan wound up [the charity] but restarted it as an ethics business. Negative engagement...how do you engage positively to get process?[The company] was a proper water business, here is what you need to do differently...You need to prove this is sustainable.'
- 'I went to Flat White – had a coffee – an artisan cup of coffee created by a barista. I got it. I said, what do you need? Looking for about £100K, want to start a coffee shop – 20 investors £5K each, we can tell everybody...I said, that's a schoolboy error – what stake are you getting? 20 people think they're the owners. God-awful idea. I will lend you all the money you need. We will be 50/50 on the company. You pay back the £100K, we're 50/50 on the shares.'

### Building Social Capital

Many of the behaviours we observed among our sustainable entrepreneurs can be described as building 'social capital'. Roomi (2009) has defined 'social capital' as 'an umbrella concept towards understanding certain dynamics regarding the access to networks and groups, and the process of building trust-based relationships linked to business activities'.<sup>19</sup>

Social capital can also be divided into three sub-types: relational, structural and cognitive (Nahapiet and Ghoshal, 1998<sup>20</sup>) where:

- **structural social capital** facilitates mutually beneficial collective action through established roles and social networks supplemented by rules, procedures, and precedents;
- **cognitive social capital**, which includes shared norms, values, attitudes, and beliefs, predisposes people towards mutually beneficial collective action;
- **relational social capital** dimensions provide a context in which trust, rules, and norms can be applied.

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<sup>19</sup>Roomi, M. A. Impact of social capital development and use in the growth process of women-owned firms. J. Enterprising Culture, 17, 473 (2009).

<sup>20</sup>Nahapiet, J., & Ghoshal, S. (1998). Social capital, intellectual capital, and the organizational advantage. Academy Of Management Review, 23(2), 242-266.

Here are examples of some of the social capital-building behaviours our interviewees' described.:

### **Networking to create relational and cognitive capital**

We found that our interviewees 'radically engage'<sup>21</sup> with any and all individuals and organisations who can support the enterprise in achieving its commercial and societal purpose – including those in other industries and organisational sectors (NGO, public)).

#### ***Informal networking with peers***

- 'I tend to talk to other SMEs – return on funding, vs sourcing – talk about businesses that confused cheques and donations – don't talk to financial sector.'
- 'Informal networking provides useful business development advice when formal courses are not affordable. I got in touch with...a customer of ours who turned out to be a business development specialist – customer from the beginning – she retired. She said, I'm really bored – want to come and help your business – saw her CV – she came along without charging me... – came every couple of months to have a chat about business development. When you're an entrepreneur who starts a creative business, you don't know corporate governance and management... If you [Cranfield] could do a few scholarships every years – businesses like ours – I think you could help people get to the next level – IoD should link people who want to be NEDs but don't have an appointment – they should link them into SMEs as non-exec advisors – you've got the perfect environment to do that... the reason people want to talk to me is the sustainability element – they feel that it is important beyond helping another business or woman. They want to help me help others. They're amazing ladies.'
- 'Baby Organics founder – a friend – in an informal way had observed what had worked for her – in a different [product] category.'
- [Interviewer: Noting that other interviewees have mentioned help of informal connections with other female entrepreneurs] 'A lot of honesty, too – friend said: a business partnership is more testing than a marriage, so get yourself sorted out, be prepared for challenges and testing times.'

#### ***Networking to engage investors and build trust***

- 'I met Prince Maximilian of the Liechtenstein royal family at a ski resort and became friends with him and then his colleague who runs the Impact Ventures Fund. And then we started swimming together on Hampstead Ponds and then one day I told him that there's this amazing idea I'm doing and did he want to invest, there were lots of other people who were investing, and within 3 weeks he had given us the money and that really came from a friendship I guess... I would like to say that it was all amazing strategy but it was half strategy and half luck but we both know that from within an organisation it is easy to get to know everybody and slowly tell them all about what you are doing and that it is a no brainer and they all start getting brought in and that is basically what happened to me, I got within an organisation to the tipping point where they could no longer say no because they had invested time and energy and I was there and everyone knew me and everyone knew this is what we were doing, so they couldn't really say no.'

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<sup>21</sup> A term used to describe companies that transcend 'corporate-social-responsibility initiatives to truly engage with consumers and communities'. See John Browne, Robin Nuttall, Tommy Stadlen. Connect: How Companies Succeed by Engaging Radically with Society (Public Affairs, March 2016).



### ***Crowd-sourcing ideas***

- we approached branding agents and we got help free; I couldn't think of the name for the business so I went online and asked the community on crowd funding and [the name] came through from a carer (we had 400,000 people sending in ideas for names and obviously it is an absolutely brilliant name that really helped us get out there.

### ***Engaging stakeholders with the 'higher purpose'***

- 'if you're like "oh you know I could do with you giving me £100k of legal fees" you won't get it but if you go to them with "look, I'm changing the world, do you want to be part of it" – now a lot of people will say actually I'd quite like to because perhaps they don't feel they are doing that with what they are currently doing and are quite excited to be part of something that makes a difference...'

### **Management structures and processes build structural capital to create social impact**

Sustainable entrepreneurs recognised that management and corporate governance often needed to be structured creatively in order to enable their enterprises to achieve societal, as well as commercial, aims.

- 'Effectively our aim is for [the sustainable enterprise] to only be for the benefit of improving the lives of people with dementia and their carers forever and in order to do that we have the Golden Share – so the Golden Share is held by the Foundation which is an independent charity completely separate to [the sustainable enterprise]...[the chairman] has a real interest in sustainability and the tensions between business and impact and the charity has a 'Golden Share' which has control rights so it has a veto over any sale of [the sustainable enterprise].
- 'There we were, spending £5.5 million, not knowing what to do with the business. I have spent 2005-2010 looking at what we could do to set up what is a family council... We ended up with a mission statement – for the longevity of ...supporting communities in which we work and financial family security. ...Appointed non-exec to chair family council, so they're independent. So then we said, let's bring the next generation (21 up to 34) - did this five years ago – youngest daughter was 14-15. We took them through a lengthy 2-3 days of explaining why we were doing it – if they were happy, they had to sign a legal agreement. So we operate as one – we can fight and scrabble. But when we go out with the family, we are as one... The third part of family constitution is family financial security. That is not wealth – it doesn't enable you to go buy a Porsche but if someone has medical costs, we can get that. If someone wants to start a business, there is fund for that.

One of our interviewees demonstrated his appreciation of how to structure a business to achieve social and commercial aims simultaneously at a young age:

- 'At school...I ran a successful Young Enterprise business. I didn't follow the rules...A lot of the businesses go to the community, make a calendar and sell it. You're never going to make money doing that. I set up a CD shop at school in the late 80s/early 90s – everyone had CD players. I set up a wholesale account – from boarding school in Oxford. Our Price CDs were £10-£12 – I bought them wholesale for £5 – selling at £6-£7 – that saved kids lots of money. The [enterprise] premise was, I am saving my friends lots of money.'

He also appreciated the nuances of managing cash-flow:

- '[The business] became popular very quickly. In Young Enterprise you have to sell shares in your business. I needed a lot of cash – we were inundated with orders. I realised that the time it takes to cash a cheque (5 days) – 4-day turnaround but didn't have cleared funds, had a cash flow problem. I raised £1000 by selling shares – the headmaster was one of the biggest shareholders. He put in £100. I said to him – I need your help – we were far bigger than we were meant to be – 800 children. [I could solve the cash flow problem] if I convinced him to put the cost of CDs on the school bill – issued at half term – he said, only if parents agree...I created this credit line – [I was] realising at a young age, cash flow is king. I figured this out when I was 15.'

#### Building relational and cognitive social capital inside the firm

##### ***Building business partnerships to create relational capital***

Our interviewees' accounts of their relationships with their business partners highlighted how they can shape the destiny of a business.

- 'It was a shared journey with [my business partner] – I have worked as a management consultant in a number of large organisations and we have been friends and colleagues in a range of these activities. We felt like doing something for ourselves, applying the skills and insights we gained.'
- 'Entrepreneurism is not a straightforward path. I parted company with my business partner [due to] different things – I was tech director, he was MD. I wanted to sell more, he said, "I do that"...he's got ten years on me. I had a young family, he had an older family. It didn't end well – I ended up buying him out.'

##### ***Human resource management: People strategy, recruitment and development***

For our sustainable entrepreneurs, recruitment and development of people who were aligned with the aims of the enterprise and able to contribute to achieving them was a major challenge.

*MM: Do you have to work at recruitment or do good people just turn up?*

- 'Both – we're recruiting and they turn up. I'm excited about self-starters. Some people say they're 'social media experts' – we want to hear you're a problem solver...2-3 times this year, people completely changed direction. We hired a copywriter now working in the analytics team – much more fun than writing blog posts. We have the ability to give people room to manoeuvre. In a number of places, they may be working in a big corporation in marketing – [then] they come to us. That reflects where they were in previous businesses – certain IT engineers were in a box – [but then] they really flew for us.'

##### ***Human resource management: Creating authentic, inspiring culture***

Culture – the way people do things in an organisation – was a central concern for sustainable entrepreneurs.

- 'Understanding that from our own staff – made us think, the [enterprise] has an opportunity to define its culture as more socially aware and less gimmicky...Pret a Manger will give sandwiches to homeless people. But mental health is the battlefield.'
- '[We are] trying to get the organisation to where people do not feel "I have to go to work" but "I want to go to work".'

- 'I had to sort out culture. We were so unfocused, on different things – mental health, homeless, refugees and asylum seekers, old and young people – [it had been a] classic charity start-up where we chased the money. What it had left was a legacy of an unfocused organisation.'
- '[We reinforce] culture in the workplace [by] coming together. We are the only retail business who do this – shut one day and get all staff in London, celebrating the past, looking forward, eating and drinking together and having fun. We shut our kitchens three times a year, shut the factory, go off site – we do exactly the same thing with them. If you're serious about building culture, you have to invest in it. It's part of the fabric of how we do things.'

## Building intellectual capital through knowledge management

One of the striking recurring aspects of our sustainable entrepreneurs' behaviour is that they behave like scientists: their curiosity leads them to research and experiment with their ideas, often long before they begin their enterprises. Many report being voracious readers of a wide variety of information sources from an early age. And they continue this experimentation as they develop their businesses - often collaborating with other individuals and organisations to co-create knowledge that helps them achieve their societal and commercial aims. This echoes findings from our 2011 research on how large companies successfully embed corporate responsibility and sustainability in their organisations through effective knowledge management. Specifically:

*Companies that are successful at embedding corporate sustainability and responsibility are learning organisations. They work out how to do things better, faster, cheaper. They make that knowledge widely available; and they make sure that everyone who needs that knowledge knows it is there and how to get hold of it – and is trained to make effective use of it.<sup>22</sup>*

Here are some of the behaviours our sustainable entrepreneurs described.

### Scientific behaviour: research, experimentation, measurement

'We worked closely with the oncology world – no products were offered to women post-cancer that were completely safe that were not hormonal...We started to experiment with different formulations – ingredients that were kind to mucosa, obtained organically and did the job – offered enough moisturising to work as lubricants and moisturisers. We sold our houses...we were excited but others didn't see the opportunity. We didn't consider doing otherwise... Being self-funded and highly curious, we did a great deal of research and development. At the end of 3-1/2 years we had created our first product – very pioneering – patented it – a big breakthrough – recognition of the innovation.'

'We started business two years prior to launching it, by undertaking comprehensive research.'

'We would approach customers and ask, where are your problems, bottlenecks...what can we do?...We want our barley delivered at this percentage moisture and this quality and will pay for it. We will buy barley, process it and store it and deliver over a certain period. Linking all the bits of the chain and taking a margin on all of those bits. That's the strategy we've taken – solve people's problems by using our expertise and investing in processing machines and technology.'

At the same time, bits we took out – this is the sustainability bit – this had value as animal feed, so we developed a market, finding people using sub-standard grains and then combine with other bits and pieces to create animal feed – keeping chain going, little waste.'

'One reason I left USA – I did research there but left – it had particularly dysfunctional financials around healthcare. The UK was less dysfunctional.'

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<sup>22</sup>McLaren, M. & Spender J (2011) Supporting Corporate Responsibility Performance Through Effective Knowledge Management (Doughty Centre How-to Guide; Bedford, UK: Cranfield School of Management).

## **Mindfulness, learning and problem-solving as cultivated habits**

'I've observed people in the past who interested or inspired me...I'm constantly reading books all the time...[I have a] thirst for knowledge and self-improvement...Just following an interest – so things like TED Talks – those sorts of things I would watch people on TV or hear a speech and it would ignite something of interest; I would go and research that individual.'

'My heroes are not business people but – Robert Kennedy...I was interested in history and politics – John Kennedy and American Presidents...I read a lot about what he tried to do – his politics are my politics – the idea that someone can step out of their comfort zone when he didn't need to...he inspired through authenticity, the generation of the Vietnam War.'

'Gran didn't do hairdressing but she did the research. She had not been in business before.'

'What I say is, if you like science, you must like entrepreneurship. It's experimentation on steroids. Starting companies is an extension of what my parents taught me.'

## **Collaborative experimentation: Working in partnership to develop business/products/services**

Our sustainable entrepreneurs were natural "boundary crossers", prepared to collaborate with other individuals and organisations – some working in completely different sectors – to achieve their commercial and societal goals and share their learning with others.

'We worked with Synergie and The Carbon Trust – they did an energy audit at the start, made some suggestions. Resource Efficient Scotland helped as well...[later, to share their learning] Resource Efficient Scotland have Open Days – people came into the salon to see how our technologies work.'

To validate their experiments, sustainable entrepreneurs would also seek accreditation to certify product/service/social impact quality.

'The other big thing we did – to validate our claim of purity – was to have them [products] certified as organic via the Soil Association, [who certify] products made with plants or extracts. The personal care aspect of organic products – their growth rate exceeds that of vegetables and food by a large margin.'

'We spent a lot of time and effort on process. Lots of ISO certifications we have...[we] had a jaded view of ISO...but having something to hang your hat on...takes uncertainty out. [We] started looking at frameworks – we sold to doctor's surgeries – a national framework for patient-facing services.'



## **Leveraging own financial capital to maintain enterprise independence**

Being able to self-finance the start-up, or further development, of a sustainable enterprise enabled our entrepreneurs to maintain control over their business and avoid the pressures of having to produce short-term commercial returns for bankers or other investors.

- 'We are fortunate to have made several hundred million from [our previous commercial enterprise] – so we funded the first 6-12 months [of our sustainable enterprise] ourselves, so we could remove the technical risks – then go talk to VCs on West Coast.'
- 'We didn't spend other people's money! The aim was to grow our cash flow. We continued to do that until very recently.'
- 'We had saved a considerable amount between the key stake holders which gave us the freedom from being tied down to banks, and leveraged the support of our previous customers and suppliers, many of whom championed us.'
- 'We could have gone for private equity...thanks to my brother, he knows how capital works...we fought to not sell a chunk of the business. We scraped through after 2-3 year battle. Now we are completely independent...able to act in long term business interests.'

## Leveraging own intellectual/cognitive social capital derived from previous entrepreneurial experience

In addition to financial capital, our sustainable entrepreneurs were also able to draw on their knowledge and social capital they had gained from previous entrepreneurial activity.

- 'In 2000, we started off on all sorts of things – every shiny butterfly, we were chasing – Polish factory control...we started an ISP. We did various other things – an embedded micro controller...[and then] we fell into healthcare. A friend was a GP...we came up with our first healthcare product, web based – in surgery.'
- '[In our previous] online gambling business [we] spent a year developing initial software and launched in the market. Partly through luck and clever insight – we produced extremely successful brands, [with] 2m people have accounts in our brands, [we employed] 1000 staff, [generated] £300m revenue. It was highly successful and we built a large technical team with about 400 technical staff in London and about 7 offices around the world. We learned a lot building a small into a large business...'
- 'Through our earlier business, we learned that if we go too early to VCs, we will under-deliver and the terms they attach to risk would make it awkward for us... That's difficult in your first start-up – we were under-capitalised in our first business – we would have taken VC money but gotten poor terms; effectively we would be working for VCs. If you can fund something in the first year or two, you're in a better position for better quality VCs and better negotiation.'
- 'One thing in [my previous social enterprise] I did wrong and created the stress for me was that I didn't have an exit. One problem with social enterprises, they think the world revolves around them. A dominant CEO – quite often businesses cannot survive without them – founder and stakeholders all believe that...Now [my current social enterprise] will have a life beyond me – systems, a young team tied in out of choice...it will be financially sustainable.'
- 'If other family members have been entrepreneurs, the sustainable entrepreneur can leverage their knowledge to start up and develop their own business more successfully.'
- '[Our family business was] selling cakes – but I kept that thing in the back of my head about making savoury food. When I was 25, they [my parents] knew I wanted to do this. I thought I would start up as part of the family business but they said we've been doing this 15 years but [if you want to produce] savoury food, you need to go and do this yourself. I borrowed from the bank and my parents, didn't keep accounts, just stayed in the business and flogged ready meals. In terms of business development, it's always about people. I started my idea – I recruited [my partner]...three years later, we had two shops, merged it back with my parents' bakery and two coffee shops – engineered by my younger brother.'

## **Leveraging financial, social and intellectual capital to create sustainable social impact**

While social impact is created from within the heart of a sustainable enterprise, it can also be created outside the business by leveraging the assets of the enterprise:

- 'I chair Pump Aid [and the] Deputy Chair is part of Pump Aid. Our Afri-CAN Charity is a series of social ventures...come to South Africa, work in the townships. So the authenticity is real, all of that is based on our approach to our London business. At the Department of Coffee, we don't write cheques, we take the skillsets and deploy those in charities in which we are involved.'

## **Implementing sustainability strategy in response to client drivers**

Two of our interviewees worked in companies that, as suppliers to Marks & Spencer, were required to meet sustainability standards as part of their contractual obligations.

- 'Like a lot of companies, we started to look at the initial easy drivers – 'low flying fruit' if you like to drive efficiencies such as efficiencies in our use of energy and water. But we have recently looked at taking a much broader perspective and again this is very much keeping in harmony with the requirements of our customers. Sustainability can be defined in many different ways but for us now we are redefining it and offering a sustainability strategy of which we have five main pillars. These five pillars would be: resource management aimed at resourcing; animal welfare; ecological issues; innovation and nutrition – so our focus will be spread across each of these five key areas and our journey will be at different stages of maturity in each of those areas.'
- 'As an organisation, we take a joined-up approach to sustainability. It is a whole business approach and not just about sustainability and the environment but also about lean manufacturing, looking at sustainability in a holistic way including social and employment opportunities.'

## Skills and Experience

### Capacity to craft business models promoting social/environmental, as well as economic, sustainability

Skills and experience acquired in large businesses can be of benefit in creating business models for sustainable enterprises, particularly if entrepreneurs have prior experience in the areas of finance, sales/marketing, communications and operational management.

- 'I had a typical private sector career. Worked 13 years in media, P&R responsible...EMAP, then moved into – head of propositions for Barclays, working in retail, customer engagement, responsible for communications for retail customers and staff... What has made [our sustainable enterprise] successful is a lean model. Tight operational functionality. We buy the right volume, with no waste. It's a really flexible model with part time staff and specialists.'
- 'I ran this project as a fresh Accenture consultant to look at how to get money from other areas...we called it Angola Context – and it was a fantastic project and having kept in touch with it, I know it has had significant influence.'
- 'My real background is in international commerce in the electronics industry. I've come from a business background. I was Sales and Marketing Director at the age of 28. What helps me now in my teaching – I have served on the Boards and I have served on the hard-nosed business end of that industry.'
- 'I also understand how to run a business...make sure finance and marketing are right...lots of efficiencies are possible...my ability to communicate... I can take complexity and jargon and turn that into something for a BGP delegate. Here's the 3-4 things you need to think about...that's the conversation...that's the bit that I bring... my natural fit is marketing and sales...evangelizing.'
- 'I was previously an operations director at [large construction company]... My role was in sustainability – carbon mgmt., waste mgmt. sustainable design and material use...interested in apprenticeships, community investment. London Olympics was creating local opportunities for people through Apprenticeship. I was tasked with looking at what [our company] could do – supporting local people into Apprenticeships... I knew about KPIs from working in a bigger company – if you only started companies up, you wouldn't be able to give business disciplines...processes and structures.'

### Experiential learning from early/previous entrepreneurial activity

Both explicit and tacit knowledge gained in commercial enterprises can be important assets in starting a sustainable enterprise with social and/or environmental purposes.

- 'I left a minor public school in 1987, became youngest stockbroker in UK in 1988 – finished training after Black Monday. I started my first company at 19 – a specialist ad agency – we won one of the largest contracts – Harry Enfield Dime Bar adverts – I put those together with three people, we beat Saatchi & Saatchi. I did that in 1989. I learned from failure, not from success.'
- 'My first job was setting up a coffee bar for young people. I did it primarily to get out of the Youth Service. I loved it so much I stayed for eight years in Unique. Working with young people, someplace for them to go...I took it as a secondment (4-year from Council) – got job security. Pre-2008, big crash – a safe catalyst to be a social entrepreneur.'

## **Sustainable entrepreneurs have prioritised, and benefited from, capacity to measure and articulate impacts/outcomes**

A specific skill that is particularly valuable is the capacity to measure and articulate impacts and outcomes – both societal (Triple Bottom Line and Social/Environmental/Economic) and commercial – for the benefit of investors, customers, employees and other stakeholders.

- ‘The move from outcomes to impacts helped - being able to clearly articulate what we can do to funders and impacts. We talk about £100K = x number of outcomes. We talk the same language as funders. First-class measurement – being able to properly measure and articulate that – was a huge investment for us. A financial investment and time – getting staff to fill in the database – two years ago, we brought in the balanced scorecard – it could be updated every month – that completed the circle. We made that visible for all staff – they could see you can change a square from red to green. Data integrity went up.’
- ‘Coffee shops belong to the local people – every shop looks different, so it makes sense that shops locally are doing something in the humanitarian area locally as well. We’re big on 1) authenticity and bigger on 2) impact. We have to measure impact.’
- ‘The final lesson: measure – products and day to day ops, everything. You need evidence – when you’re changing things inside.’
- ‘The Eco Plan - we did that after we’d done the refurb. We used that more as a method to know how much we’d saved. We found that we’d done things backwards. We had everything in place – we wanted an exact figure to that. We did that in respect of the refurbishment. Carbon management plan through the Carbon Trust – it was easy for us to give ideas to others who were there.’



## Impacts and Outcomes

The capacity to measure and articulate social and environmental, as well as commercial, impacts, produces significant benefits for sustainable enterprises seeking to maintain engagement with investors, customers, employees, suppliers and other stakeholders.

### Creation of positive commercial, social and environmental impacts

- 'My job was to take this £15m group of businesses to what it is – last year just shy of £50m. Over the last 4-5 years, we've seen a massive growth in Corporate Social Responsibility but I started to look at it from cost saving and then environment point of view and now it does something else as well. Saved the business 10-15% of costs and it's good for the planet and the business. That's a bit of a no-brainer.'
- 'From day one, we were environmentally best, invest profits in social improvement... We haven't been biggest, may have struggled on economies of scale. At capacity – restriction is capability – 47% up on last year... We went from 3-5-8-11 – last year, 10-man £5.3m turnover. We punch over our weight. We were six months too late...experienced some exhaustion. We are now 11 people, 5 people in last year.'

Fast forward 10 years – business doubled turnover from 6-7 years, double digit growth – 40 countries around the world, €100 million plus – 70-odd people. 2013 – we sold to [a plc] – but remained involved, good succession plan – still involved as ambassador. The reason I started – to use business as a sustainable driver for social change – not just money but credibility – to improve children's health by developing healthier foods for them.'

### Professionalisation of organisation management

- 'As we have grown from a small team / partnership into a larger more structured organisation, we have struggled with some of the elements we have introduced to create a more professional and corporate environment. Where we have benefited the most from is the difference in personalities and the ability to leverage different [types of] Emotional intelligence to match different scenarios.'

### Improved staff recruitment and engagement

- 'We've gone through a phase – a number of those people have left in last year as business has become more structured, process driven. Now we're attracting a higher calibre, [pay] higher salaries to get bigger fish. Just a natural stage it goes through. We're getting a better reputation, people coming in the last six months.'
- 'One thing about [our enterprise], this is [that] the CEO and COO have created a culture where people enjoy their job, share their values. Interesting for us...they say, we'd rather work for [our firm] than Starbucks, who pay 25% more... We serve 1m people a year with 10 shops. Serve 1.1m coffees a year. We have a good footprint.'

### New products and services that create positive social impact and gain recognition

- 'We are launching on the high street the first dementia products anywhere in the world in March. We will have a very big PR launch and I think we will probably get some quite big national press for that and we are rolling out 20 products in Lloyds Pharmacy – so that would have been what my aspiration was if you had asked me 6 months ago.'

- 'We had many firsts. We were the first certified organic – major difference certified organic vs. organic ingredients – addition of organic ingredients doesn't mean certifiable standards. We claim that territory. Customer's guarantee of purity. This gives traceability for each ingredient back to the field.'
- Later on in 2014 – a major first – our water-based product was approved by NHS for prescription. As far as we can ascertain – first certified organic also available on prescription in recognition of medical benefits. We started winning awards and growing recognition – success builds success.'
- 'Now we have contracts [e.g. with Apprenticeship Training Agency] – going six years – we needed to take the key things – take what people have seen as a need and turn it into range of products and services – codify that in contracts and services. [There are] KPIs in what we deliver.'

### **Transforming management of charitable organisations supported by the entrepreneur**

- 'We have gone into (charitable) organisations and flipped them upside down. We went into Pump Aid, replaced them with directors who have respect for money and accountability.'

### **Measurable environmental performance outcomes**

- 'Backwash system reduced 64% water consumption...We don't have a laundry service – no washing machines and dryers – lowered energy consumption.'

### **Achieving client-defined responsible business standards for suppliers**

- 'The supply chain itself indicator is that 80-85% of our footprint is at supply chain level and represents a complex and challenging issue and a fundamental part of the industry challenge....(18.07) 85% of our environmental footprint is at the farm level...the fact we came out first overall and across the business which is where the environmental areas are was fantastic and we actually were presented with an award at one of our supplier conferences which we were not expecting; and I suppose it shows real committed leadership on our side in Dawn Meats and really helped to cement it into our business.'
- 'All M&S suppliers need to be Silver accredited by 2020. We are aware of this priority for M&S and have achieved silver accreditation at both of our factories that supply M&S.... It not easy to do but had real business benefits for us and accorded with our own priorities looking at sustainability in a holistic approach. M&S created a Framework for us to work on and implement.'

### **Measurable social performance outcomes**

- 'We said, we will measure education, employment and training outcomes. Took three years to implement – new system to collect results... we said, we need to know if it's more than just a job outcome. Are we working with most disadvantaged, do they stay on six months in a job. Focus on employment, all that helped us to grow...Grown 30-40% a year, massively outperforming the charity sector.'

### **Raising awareness of sustainable business model through education, training, awards**

- 'The college we have – added first eco salon in an educational environment – am passionate about this – want people to see this project and be inspired by it.'

Becoming quite sustainable. That's one reason we do awards – gets our story out there, can inspire others.'

- 'Went walking in the Himalayas. Designed leadership programme in Tasmania. I wanted to work out why people like me with a 15-year career in electronics industry could do. Want to make a difference. MENCAP Challenge Programme in the Himalayas. Being in wilderness gave me clarity. What helps me now in my teaching – I have served on the Boards and I have served on the hard-nosed business end of that industry. A lot of those companies have become my clients... Most interesting thing is, people talk about how they feel better (not about what they learned).'

### **Entrepreneurial restlessness once key milestones reached**

- 'Had really itchy feet, didn't want to do Impact Arts anymore. Proud of it, £500k a year turnover – no more ideas...totally bored... didn't have founders syndrome, had the opposite - wanted safe hands but it wasn't a positive job to be CEO all the time.'

### **Business and social benefits of the B-Corporation assessment process**

- 'It's working in beneficial ways: 1) Our staff like we are investing time and effort not in commercial exploitation but also clearly being developed to help charitable organisations and social enterprises; 2) We know charities and social enterprises want to issue temporary identities to people in disaster areas – want to be sure we don't hand out to the same people lots of times. 3) We want to be sure those charities can use them [identities]. Want to be able to do that at same time we develop commercially useful stuff. Useful service to businesses at lower cost as well as individuals...make sure their software is useful.'

# Enablers and Disablers Shaping the Sustainable Entrepreneur's Journey

Many of the “enablers” (which aided business development) and “disablers” (which challenged business development) mentioned by our interviewees include triggers, mind-sets, behaviours and skills – which can operate at individual, organisational and systemic levels – that have already been identified.

## Individual

At an individual level, enablers and disablers include personal mind-sets and behaviours already described, including:

**Curiosity/interest in learning and connecting** with others (enabler)

**Positive outlook** (enabler/disabler)

**Clear vision and focus** (enabler)

**Focus on measurement and impacts** The ability to leverage financial support sources (**enabler**) or manage in spite of their absence (disabler)

## Organisational

At an organisational level, the main enablers/disablers were activities related to “people” inside the organisation - **HR strategy, recruitment, retention and development**. This broad category encompasses a significant number of interviewees' comments, which emerged in different contexts.

‘The biggest challenge has been people...it's really clear what's right, wrong, grey areas. I never want to hold back progress...I underestimated how quickly and easily I see that. As we have grown, hard for people to trust themselves to make those decisions. There can be more than right decision.’

‘As a business we very lucky to launch with a core team of 5, all of whom had very different skill sets, this enables us to concentrate on the areas that we had skills within, over the years we have faced a number of skill gaps amongst us as a team and have plugged these by introducing the right member to the team, challenges with Ego and insecurities have also played their part over the years but we have managed to confront these and overcome them.’

‘One of the biggest things is recruitment – I find it hard, we are in a rural area, we struggle to find quality people. Recruitment is really expensive, the quality of people we find is not that high. It's really hard to recruit somebody new.’

‘I think that's why we have got such an amazing team because I really do very much love the people that I work for, they are incredible and the reason we are lucky enough to get such talent at what are not the best salaries is because they really believe in what they are doing...’

‘Having a good 'core' of people. Recruitment is a challenge – it's hard to find good people. In middle of nowhere – half an hour to drive to Norwich. However, when we do find people – they have done their time in Cambridge, got a family, And they're very 'sticky'. They stay with us for years. If we were in a business where I was constrained by recruiting people – might need to look on Internet. But because we have a good core, with good skill sets, it's not the problem it could have been.’

‘We were lucky to be able to take talent from [previous enterprise] who had been loyal to that company – to a few of them we said, if you want to do something interesting, why don't you do some blue sky research for this idea for a company to do a digital

identity – we are lucky that talent said yes, social and commercial benefit is a huge benefit.’

‘We’re in an interesting time in this space. The biggest hindrance in every business I’ve grown – access to talent, that is the number one thing...finding, attracting really good people. I’m a great believer in leadership – you have to set a direction, get the right people, get out of the way. Access to talent...everything else you can make work...sales and finance operations – if sales are good, reliable finance person – key slots around you – good finance guy, once you’ve got those and the idea is good, you can talk with passion, deliver on promises.’

‘People in business – some are energy sappers or – people in past were good on paper but no energy or drive or positive things happening...That’s the thing in businesses – need to get that balance between confidence and humility.’

‘I think the greatest thing that we’ve got right is to work out the business isn’t about money, it’s about people. That’s been my instinct from the beginning – small mistakes at the beginning – medium sized business now – the money follows the people – you’ve got to have margins, but once you’ve got a service people want, that grows because of people, the ones who work and buy from you believe in the authenticity – trust underpins all of that – difficult for academic to write about – you know when you’ve got it – difficult to create, seconds to break...To go further than most businesses – most important thing is your team – get them motivated, understanding the “why” question – they deliver to consumers – motivated and directed by a leader who knows where they are going.’

‘My younger brother James, he started the B-Corporation movement in UK – he came in and ran it [our business] from 2000 to 2007. That was absolutely key from a commercial point of view and social point of view...[he was] extremely forward looking about the business itself, what business is and should be.’

**Business partners** could be either enablers or disablers, depending on the nature of the relationship and the context.

‘A friend said: a business partnership is more testing than a marriage, so get yourself sorted out, be prepared for challenges and testing times. Also, something we did before – we went to Bali – sounds indulgent but it gave us the time to look at future scenarios – look at shared and disparate histories, what can we flag up and prepare for. Trust and commitment... Best business plan can founder if relationship not right. Much more about emotional, psychological strength between us, after which we did the conventional things.’

‘I parted company with my business partner. The company owed me a lot of money, had no clear path, something had to change. I don’t think my ex business partner was the man to take that forward. One problem is that two jet pilots – we’re arrogant bastards...We did the split, got things under control, killed a lot of puppies...one thing I missed was having a mirror of your decisions...very open reporting in Air Force – I was running on my own, had no mirror.’

**Customer feedback and endorsements** were also important enablers.

‘Customer feedback very helpful – one of the aims was to change the world from the inside. Evidence overwhelmingly from women who had suffered. You have given me my life back. Nothing else worked...don’t ever stop making this product!... Yestimonials: little narrative which are so charged with feeling...getting appreciation and gratitude...it’s nectar. We all feel immense glow you get – you’re not just creating something - it’s so moving.’



'The thing that made it easier to do was that I had an understanding first customer in Hackney...my manager is passion and patience to give it time it needs. Said it could take some time...big strategic things to sort out.'

**Client support** received by suppliers of M&S to achieve sustainability standards was particularly valued.

'We get a huge amount of support with M&S around sustainability and benchmarking where we do case studies and try and work with farming groups to improve efficiency and try and help them to address the sustainability agenda but it is still very much limited to those farmers that are interested... these farmers have a lot of input there and we try to show that by doing a number of things and sharing input as well there can be an improvement in output and we are trying to reach all those farmers.'

## Systemic

At a systemic level, a number of enablers and disablers were mentioned.

**Business support organisations and networks** could be enablers or disablers but, as these quotes demonstrate, the nature of the benefits could be completely different from those that were intended or anticipated.

'I went to Business Link in Stevenage – they were completely useless except for a lovely man – he told me there was no future in bridal industry for jewellery – wouldn't work – I didn't agree with him but he suggested I enter the North Herts New Business of the Year award. I entered and won it, it was fantastic – they gave me a big picture in the Comet newspaper – I got my commissions, then more commissions. I also contacted Prince's Trust – I was 28 at the time – I didn't need any money – but I did need some advice. They said, we don't do that. Met with [a recommended contact] 2-3 times – not so useful – she wasn't so au fait with the internet but she was lovely, put a couple of friends my way. I was trying to find advice but not finding any. I was a little more technically aware than others – I had confidence in the internet.'

'I really would say that Business Link, UKTI [UK Trade & Investment] were tremendously helpful to us – we've been on trade missions.'

'Over the years, I've been encouraged...aBGPer – bantering about BGP [Business Growth Programme] – [went on the course] once I got things cash-positive. I learned what I was doing wrong, could do better. Following on from that – clubs are important – even now.'

Complementing formal business support networks were ***connections forged with informal contacts and networks outside the organisation***, which the interviewees actively cultivated.

'I got in touch with...a customer of ours who turned out to be a business development specialist – a customer from the beginning – she retired. She said, I'm really bored – I want to come and help your business. I saw her CV – she came along without charging me... I won a 2011 Everywoman Award – went back next year to give a speech – talked about how we at top of businesses are responsible – she asked me for a coffee.'

'The Baby Organics founder – a friend – in an informal way had observed what had worked for her – in a different [product] category.'

'The person who really helped me was, as I mentioned earlier...I met him through a friend and we spoke over a glass of wine when I was first at [previous business] and I told him what I wanted to do and he's like totally crazy and said "brilliant, do it". He introduced me to Jeremy Hughes [Chief Executive of the Alzheimer's Society], he

introduced me to others and opened the doors for me to everybody that I needed to speak to and gave me the confidence that I could do it.'

'I had great people around me. I always believed in mentors – people from other industries – I don't want you to be my best friend, tell me things no one else would tell me. Alex Manson – director at Deutsche Bank; current mentor Varda Shine – was CEO of DeBeers, a phenomenal woman, very tough.'

By contrast, the lack of appropriate role models for business development and growth can be a disabler – a challenge to be overcome.

'What's really hard is when it [your business] is like another business. You have businesses to look at and you can see what to do but when you're like us, completely different, there's no model to look at. Looked at hairdressing...am I like a stylist? How do I form this model of design that doesn't use retailers? When people are blazing a trail in a new area, growth should follow. I am just a lady who started a business, relatively bright but I'm not a business development expert. I know it's possible to take this business further but I don't have the skills to take it there. You don't have a model to copy; there is no help.'

Some enablers and disablers were mentioned explicitly only by a few interviewees but we thought they could nevertheless be significant:

### **Support from family and friends**

'I wasn't married at the time, I had no commitments...I thought, now is the time to take the plunge without mouths to feed...can be very difficult. I can see people with a lot of responsibility would be concerned about taking the risk. I'm now married...my now-wife was supportive – plus other friends.'

### **Costs of intellectual property protection**

'[There were] personal betrayals in early days – a third person who was married to a solicitor; another chemist who used our formulation and claimed they were his. This complete plagiarism was very hard. And then there have been copycat products – deeply upsetting. One hindrance has been our inability to defend our IP – it costs a fortune to get things patented, more to keep licences, globally spreading. This is deeply dismaying – there have been three infringements in America – we don't have funds to defend them.'

### **Social enterprise support infrastructure** (enabler and disabler)

'Twenty years before, social enterprise funding, etc. didn't exist. Twenty years later, there is almost no end of money available to create a social enterprise...All of those grant funds are project funding, it's actual social enterprise growth. In Scotland, support mechanisms to start social enterprises are phenomenal and have been a massive help for me, when I was trying to raise £6m for a housing portfolio. When money is repayable, people look at it much harder, some said no, went until someone said yes. That held me back for 18 months – really irritating, I could see all the property I wanted to buy. Unbearable.'

### **Track record and experience from previous enterprise** (enabler)

'What is interesting [is]...there are not many social entrepreneurs who do it more than once. That's something everybody was interested in. Was low key about [new enterprise] while at [previous enterprise]. I didn't want anything detrimental to the transition. I kept quite quiet about [the new enterprise] – I was vague about what I was doing next. Once I did get started, there was lots of interest and support.'

'The second time you do something you've learned a lot about it, do market research...where you can't do market research, you have to use your gut – you can

weigh up and ask, am I making a sensible decision – you have some comfort... That kind of learning, yes, trust your instinct but keep checking as you go along, not just instinct, do better research.'

Two enablers were specific to (social and environmental) sustainability:

### **Shared interest in sustainability**

'The reason people want to talk to me is the sustainability element – they feel that it is important beyond helping another business or woman. They want to help me help others. They're amazing ladies.'

### **Sustainable enterprise-related skills and expertise** – these included:

- Teaching expertise: 'I was really lucky... part of my teaching expertise is around stakeholder engagement, I've taught it all round the world.'
- Co-creation and stakeholder engagement skills: 'I was there 3-4 times every week. We had stakeholder meetings in the community centre.'
- Managing bureaucracy and due diligence: 'I was also fighting Greek bureaucracy around planning... I was absolutely fastidious in paperwork, accounting, legal matters. Villagers loved me, bureaucrats from Chania hated me. Like access – I asked, "Can I always access that track?" I was going back to being an entrepreneur for social purposes. Doing due diligence up front.'

**Societal culture** could be an enabler or a disabler, as described in the change process here:

'Attitudes toward work, work ethics is a big problem here [in Crete]. Even the building... some have come along with me, things are changing. So, in terms of the builders, in 2011, they came to my opening gala, got an award. Now they are selling buildings/homes on basis of what they did for me.'

**Regulatory environment** could also be an enabler or a disabler:

'Another one [challenge] has been the FDA and regulatory environment. Until a few years ago, our products were classified as medical devices. They changed the regulations for personal lubricants – require £5-£10K pre-approval [which is] obstructive, expensive. We were selling in America and getting good PR. Then, when this came in, we had to suspend selling to trade customers there – we have been waiting four years. Painful process – an unforeseen hindrance. 92 countries worldwide – sell to direct customers in America (internet can't be legislated as trade sales). We are an international business.'

**Market conditions** could also be an enabler or a disabler.

'Gartner says that by 2018, marketing spend will be higher than CIO spend – becoming more of a digital transformational officer – I'm not sure if it's a straight line, something to keep an eye on. US is in Europe, IT is into the marketing space – we've got to start engaging in spring next year. The other thing to factor in – we're all convinced a crunchy downturn is coming in 2017-18 – we've got to get out before then.'

## Advice to Others

Not surprisingly, the advice our sustainable entrepreneurs offered to others wishing to emulate their success mirrored the behaviours they reported to us.

### Maintain a clear focus, vision and drive

‘Have something to focus on, even if that changes – make sure you have something to focus on and a desire to make it work. Apart from that, two things – that focus and the desire to make it work.’

‘Don’t waste time worrying about it. Most entrepreneurs struggle with worry, the unknown...focus on what you can do.’

‘Make sure you’ve got a clear vision. Make sure people around you understand and share that. People aren’t always what they seem.’

‘Advice to others in charity sectors different from business – having focus in charity sector is biggest thing.’

But others may have contrasting views:

‘Be fuzzy, not too laser beam – having a tight focus is a bad thing unless you can switch from laser beam...’

### Know your core values and purpose

‘Be very clear about the core values you won’t compromise on – so easy for them to be eroded and they will be challenged. They need to be robust and enshrined in something.’

‘Set of values – come from founder and protected and lived, not through founder but integration with culture and systems of company. That points to a mission, that mission being more than money – have a higher purpose – those values then flow through to getting passionate people to work for you, understand a simple mission, how they contribute to the overall mission....the way the employees see the trust within the business, crucially, you get the very best. Value underpin everything. Get focus on why you set up. You get consistency of decision making – flows through when things go wrong, you can explain yourself. Ultimately – if you’ve got a brand and stand for something – living that brand inside and out.’

### Research, plan and pilot before and after starting the enterprise

‘Don’t fall in love with the hype around yourself...one of the things overlooked in social enterprise is the hard business argument for any venture. Do your homework well before you start, make sure there is a market with consumers to pay. Be prepared.’

‘If you’re already working, think hard about how much you can research and validate before you give up the day job. Definitely talk and listen to other people – your idea may be cool in your mind but if lots of people you respect came up with different reasons [for not doing it], you have to respect them and listen. Do think hard about, what does the customer want? What do I have to do to get to market?’

‘Every business needs to identify gap in market, ensure there is a market in that gap. That’s in planning, piloting and in researching – although I am keen on piloting and researching, prototyping – finding your sustainable point of difference – why you will be sustainable – price, quality, all point to trust and developing from a financial point of view. I advise every entrepreneur to do that – that’s a base level. Ones that grow fast, the ones that are sustainable.’

'Read a lot! In terms of the books and magazines we get through – James (head of brand and strategy)...sister, brother, we all read voraciously...seek, read...make time for reading.'

## **Engage with passion and persistence; trust intuition**

'Find what you really care about and do something in that space, no matter how minor. But...what's the impact of what you're doing. Don't be afraid to change what you're doing, you'll get the result you want.'

'If you want to do it, as the founder of Apple, Steve Jobs said "if you don't really love it, you'll give up" because it hits you hard, you really have to believe in what you are doing otherwise any sane person would give up.'

'Be tenacious, keep going. Passion and patience!'

'Overall – do what's right, go with your gut feel – don't rely on consultants and data to make decisions – use them to enhance your decisions – if they say blue, you think red...if you have a bad gut feel, haven't created a good business. Think about it in terms of people. And finally, ask yourself and others, "why?" constantly - why did you start this journey, why do they work for you?'

## **Remain authentic and open to ideas and experience**

'I think being open is really useful...if you start a business and shut your door, you're not going to go anywhere.'

'I'd also keep the openness of self-realisation – openness – and the authenticity. Keep that really deep authenticity. Even if it's really hard and you're being challenged – keep authenticity, respect and collaboration.....you need to be prepared to be alone, but not lonely, on the journey.'

## **Value, and build on, social capital**

### **Partners**

'Interpersonal commitment – in partnership – building that foundation before the business plans are drawn up is seriously important.'

### **Customers**

'My advice is: invest as much time as you can, not just in research but your first couple of customers. Things I found most interesting and useful, my business has adapted...some people set up companies because they have an idea...need to sit down with the customer. That's the bit that entrepreneurs sometimes miss...they're excited about their idea and their solution. That might sound strange – a way of approaching opportunity differently.'

'A focus on the consumer or customer – an obsession – start-ups have no money, need to find different ways to understand your consumer, can't buy data – for us it's millennial modern families, trying to help them raise their children, get through their lives. [And also the team] Starting a business is a lonely business, sharing the pressures but also the successes – builds culture, community. So teamwork – if you build your culture right – that idea will be perfected by others, sometimes from surprising corners, if you empower people to be autonomous. So really, culture and people... We have focus on this idea that we need to build authenticity and trust with every stakeholder – employers, suppliers, customers and consumers. Easy to put mission on the wall but every day showing relevance to that mission...and you make more profits that way.'

'You can't achieve anything – know your customers and what you're trying to create for them. Socially minded, that's great. I do see examples...a lot of it, people set up



socially minded businesses, nice and fluffy, you see there's no market, or pricing is ridiculous compared to elsewhere. Socially sourced is not enough. Always look at the fundamentals and don't kid yourself that social credentials will buy you a customer. Customers care a certain amount but not that much. Don't expect customers to overpay for a product. Your business has to work on its own as a normal business, apart from social credentials.'

### **Organisational colleagues**

'Attract and retain good people around you. A brilliant FD and a really good solicitor!'

'Biggest single thing I think we did...advice I had was, I took on a financial director and in our case it's a part-time function, we buy how many days we want. Had same person 5-6 years – what he has given me is not just clear financial interpretation and advice, much more strategic – an unofficial board member, we bounce ideas around about he backs it up with experience...biggest factor in growth of business, being able to bounce ideas...look around and take advice from people who have experience that you don't have.'

'Start with a vision and then you've got to get the right people on board. Get people who don't need to agree with you but bind to the vision. There may be better ways of getting there but set out the vision. You are the business brains or whatever it is, help us get there. On that journey, we'll have fun doing it. It's not all about work.'

'The advice is to make the most of the people around you...don't expect them to be there forever – 2-3 years. The world is fast moving now. In the entrepreneurial space as well. If people learn from me and build up entrepreneurial skills and confidence and they go. Look for the right ones.'

'Taking people with you – 30-40% growth requires lots of goodwill from staff.'

'Two things: get the right people...and there's a temptation – with somebody who isn't right, not pulling their weight, do a lot of coaching...be prepared to recognise people don't see the world as you do. Make your decisions [to part company] quickly. Aligned to that, I want people to get it, be enthused, you can waste time. Get the good people around you, work out quickly if they're the right person or not. Do both of you a favour by parting.'

'Create an environment where people can grow, support each other. Start-ups are weird places, you have to juggle lots of things at once – can be difficult for people, not like a big company.'

### **Support and peer networks**

'Reach out to everyone you know to try to get support and advice, coaching. So many people are willing to give it for free. In this country, we're not good at that. People are very British about it...they think I'm being rude. Technology has created platforms so you can do this...get as much advice as possible and stay positive.'

'You need a BGP Club or equivalent – if you're lucky, with a business partner. We have a couple of brothers on our BGP – they have somebody to bounce things off. Having somebody on the outside is really useful. At one club someone said to me, "We can do IT recruitment." Me: I don't want to do that! You need to talk to your peers and be in a forum...over a period of time. It takes months of contact to have an inkling of people's business.'

### **Retain control of your intellectual property**

'Definitely go and talk. And try to keep what you build – you can't sit back – we almost got left behind on one of our products... don't be too keen to give away control of your



business. I did 50/50 – a nightmare – have been tempted to give away shareholdings – if you have faith in what you're doing, find another way to do it.

## **Ensure good financial planning and management**

'If I need money, I have a plan, whether VCs, angels, banks – don't try to under-capitalise for too long. For a period of time, okay – but if you don't have the right financing, you will make too many bad compromises.'

'Keep a really close eye on the money... Social entrepreneurs think because [of their social cause] they should get bail-out money even if it goes wonky. Shouldn't expect people to bail me out.'

'It's been organic throughout – never went to the bank – no external debt – I was fortunate – we had a flexible mortgage – e.g. could do £10K transfer if there was a shortfall at the end of the month – didn't want to do that too often.'

## **Write a business plan**

'Forget exchange rates, you're going to come up with 2-3 plans – optimistic, pessimistic, realistic – if pessimistic plan works, go with it. Write your worst case plan.'

## **Take personal responsibility for your enterprise**

'Be prepared to take full accountability for what you're doing. No stakeholder – government, other bodies – owes you a living.'

## **Be prepared to take risks**

'Both charity and business sector: you have to take a risk with things.'

'If it's somebody who's not yet started a business...do it. If it's an itch you've got to scratch, you will not rest until you scratch it. Particularly the young. I started Connectology at 30 – we said, if this doesn't work, we'll go get jobs in six months...we'll spend a few thousand dollars, not big cost...unless you're mad. If you've thought it through, it just takes courage. Some people have jobs with lots of benefits – take the risk, jump in the water.'

## **Have a clear exit strategy**

'Have a clear exit strategy – know where you're going, how long to run, what eventual worth will be.'

## **Measure impacts and outcomes**

'Make sure you can measure it as well. That's what helps us. Every time we've struggled is when we've stopped measuring and making things accountable. Make sure you can measure it – quite difficult to keep the focus.'

'Measure – products and day to day ops, everything.[You need] evidence – when you're changing things inside – it's the techy geek in me.'

'Business – talk more about the technical side – measurement, evaluation – are you any good? ...My advice to business – whatever size you are, data is your friend.'

## **Engage with charities**

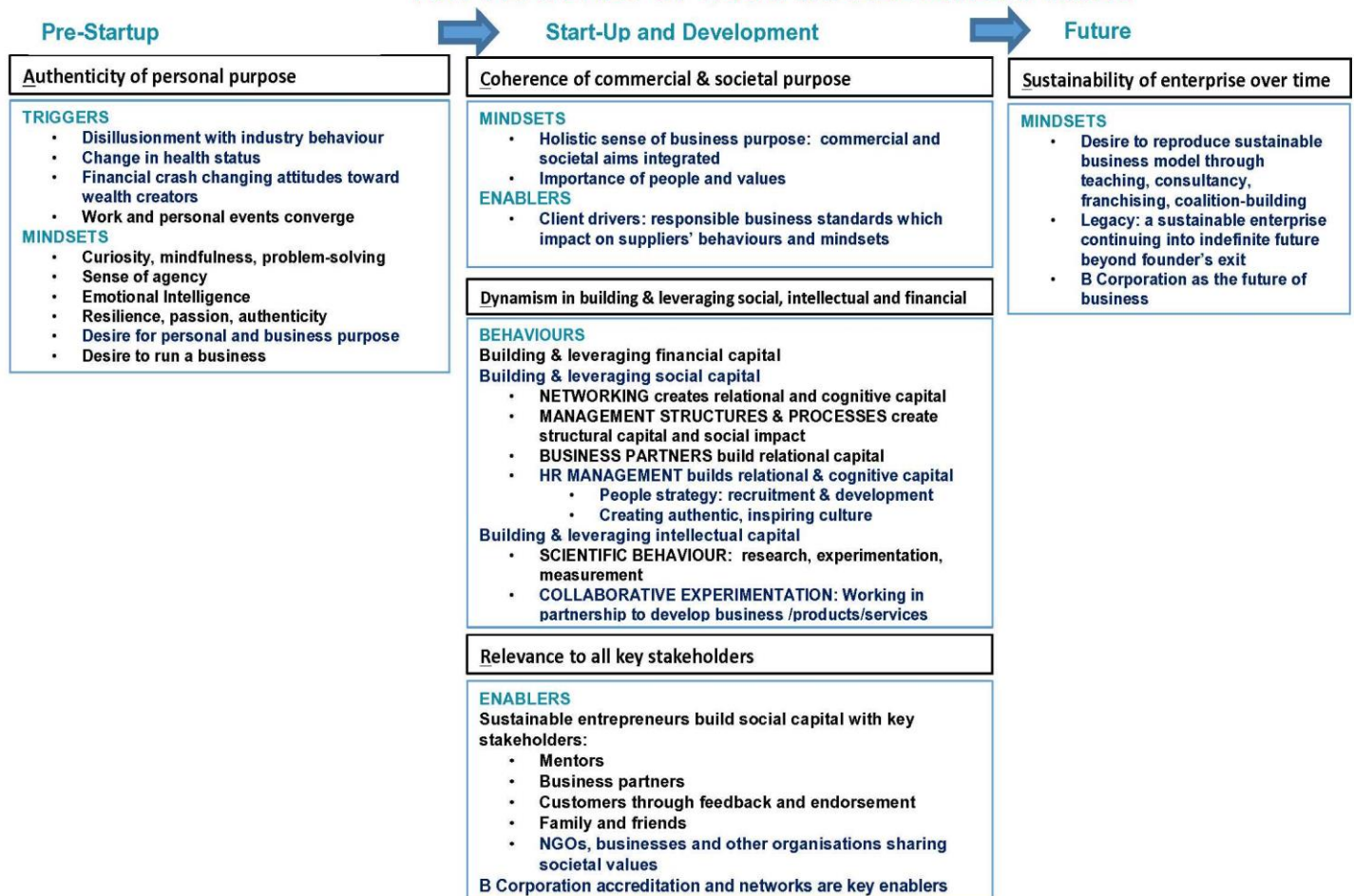
'I understand as a charity trustee the limits of what we can give. More business people should sit on charities. Charities will give people more of a social conscience.'

# What Distinguishes the Sustainable Entrepreneur's Journey from that of the Commercial Entrepreneur?

When we examined the narratives of our interviewees, we found that they reported many attributes that were similar to those of commercial entrepreneurs – including personality characteristics such as curiosity and mindfulness, self-belief, resilience, passion, persistence and patience; the ability to create, and implement, business plans; the ability to build personal and professional networks as well as the capacity to build, and leverage, financial resources needed to start and develop their business.

However, we identified additional characteristics which we believe are specific to the start-up and development of the sustainable enterprises which our entrepreneurs have described.

## KEY FEATURES OF SUSTAINABLE ENTERPRISES



These attributes fall into five categories:

## **Coherence of commercial and societal purpose**

This, we felt, was the most significant distinguishing characteristic of sustainable entrepreneurs. In describing the purpose of their business and the aims it was intended to achieve, our interviewees spoke of a holistic business purpose, with their commercial and societal aims as having equal value or not being separate at all:

'A mission being more than money – have a higher purpose'

'[The business is] supporting communities in which we work and financial family security'

'There is a commercial sustainability question, but also operational sustainability – not just eco-sustainability but other sustainabilities... We say, scalability and sustainability.'

'It's just good business'.

At an organisational level, this also encompasses coherent alignment between the aims of the business and those of the client, as was the case of suppliers incorporating the responsible business standards of Marks & Spencer.

## **Authenticity of personal purpose**

This encompasses the multiple triggers and mind-sets our sustainable entrepreneurs mentioned which preceded the business start-up phase that led them to found their sustainable enterprise. Examples include trigger events such as a change in health status; disillusionment with an employer or an industry; at a wider, societal level, this includes disillusionment with wealth creators following the 2008 financial crash. Other examples include mind-sets and linked behaviours such as a desire to find a personal and business purpose, leading to a quest for new options; a desire to reduce waste and increase efficiency, leading to creation of “green” businesses.

## **Relevance to all key stakeholders**

This encompasses enablers (and disablers) which shape the start-up and development of an enterprise which does not disproportionately serve shareholders (or other investors) but takes all its key stakeholders into account. The stakeholders mentioned by our interviewees include mentors and role models; business partners; informal contacts and networks; and family and friends. Other enablers include the track record, skills and experiences that the entrepreneur brings from previous enterprises. Development of these stakeholder relationships creates the ‘social capital’ needed to sustain the enterprise over the long term.

Interviewees who had guided their enterprises through B Corporation accreditation and joined its B Hive network cited this process as a powerful enabler as it requires changing its Articles of Association to formalise management processes and structures that take all stakeholders into account. Peter Bennett of Bates Wells Braithwaite, the first law firm to achieve B Corps status and a key legal advocate for the creation of the Community Interest Company (CIC) and the development of the Benefit Corporation (a legal entity in both the US and Italy), expressed clearly how the B Corporation movement is helping companies embed social responsibility in the heart of their business:

'B Corps has helped us tremendously... B Corps embeds that [socially responsible] culture into our management... as you grow larger, unless things are

institutionalized, they don't happen. [As the firm grows] people with that expertise [of growing commercial firms] may or may not have commitment to social responsibility. There are lots of people with hands on levers of power, however strong a culture you have. B Corps has provided systems whereby everybody knows [about the firm's social responsibility commitment]. ...if our social responsibility withered away, that would be reflected in our B Corps score, signalling our failure.'

## **Dynamism in building and leveraging social, intellectual and financial, capital**

This iterative process of building and leveraging social and intellectual, as well as financial, capital is the 'heart' of the sustainable enterprise. Inside the firm, this encompasses the activities described in the previous section which include **business partner relationships** and **human resource management** practices that build relational and cognitive capital; **management structures and processes** that create structural capital and social impact; **networking** which creates relational and cognitive capital; **scientific behaviour** such as research, experimentation and measurement as well as **collaborative experimentation** to co-create new products, processes and business models that achieve societal, as well as commercial, goals.

## **Sustainability of the enterprise over time**

Taking the long-term view, our sustainable entrepreneurs – a collective antithesis of commercial entrepreneurs interested only in growing a business as quickly as possible and selling that stake for the greatest possible financial return – worked to achieve both commercial viability and organisational longevity as well as sustained social/environmental impacts. While they might exit from the day-to-day operational management of the business, many spoke explicitly about how they hoped to reproduce their sustainable business model through teaching, consultancy, franchising and coalition-building. Some talked not only about sustaining the longevity of their own firms through 'manageable' growth but about their aspiration that the sustainable business movement – as embodied in B Corporations - should grow and spread.

# Are we witnessing a step change in the Evolution of Business?

Putting our “C.A.R.D.S.” on the table, metaphorically speaking, the distinctive key features of our sustainable entrepreneurs’ narratives were:

**Coherence of commercial and societal purpose**

**Authenticity of personal purpose**

**Relevance to all key stakeholders**

**Dynamicity in building and leveraging social and intellectual, as well as financial, capital**

**Sustainability of the enterprise over time.**

The question is, what do these interviews signify? Are we witnessing a step change in the evolution of business as a whole? Or are sustainable enterprises simply a niche group of responsible, commercially viable businesses founded and led by individuals with a strong sense of societal purpose who will remain outside the mainstream?

In the Conclusion of our book, *Social Intrapreneurism and All That Jazz*, we speculated that social intrapreneurism – the development of innovative products and services that produce both commercial and societal positive impacts – would “become not merely a new approach to corporate responsibility and sustainability practice but a gateway to an entirely different way of doing business”.<sup>23</sup>

This notion appeared to be supported by subsequent research which our Doughty Centre team conducted on behalf of Coca-Cola Enterprises (CCE) examining the purpose and responsibility of business, now and in the future. Our research found that the two generations had very different views of the ‘social purpose’ of business and how well companies are delivering this.

While future leaders perceived social purpose and commercial purpose to be inextricably intertwined, many current business leaders did not equate social purpose automatically with corporate responsibility or sustainability, while other business leaders linked social purpose and CSR activities more explicitly. And while current and future leaders we surveyed overwhelmingly believed businesses should have a social purpose, only 19% of future leaders thought businesses actually did have a clear social purpose, compared to 86% of CEOs.<sup>24</sup>

The sustainable entrepreneurs we interviewed for this project may represent a vanguard of this shift change. The founders of B Corporations, in particular, are focused on creating measurable societal benefits as a consequence of enshrining a commitment to do so in their Articles of Association:

*B Corps are companies that are operated for the benefit of workers, communities, the environment AND shareholders...Benefit corporation legislation...changes the purpose of the company so that it is being operated not just for shareholders, but also for workers, the community and the environment, ranking them alongside shareholders, and not subordinate to them. The B Corp legal requirement in the UK uses the Articles of*

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<sup>23</sup>Grayson, McLaren and Spitzack (2014), *op cit.*, p. 211.

<sup>24</sup>Combining Profit and Purpose: A new dialogue on the role of business in society (2014).A report for Coca-Cola Enterprises by the Doughty Centre for Corporate Responsibility, Cranfield School of Management.

*Association of the company to embed the commitment to treat all stakeholders' interests equally.<sup>25</sup>*

Several of our interviewees made reference to Millennials as a key group who are part of, and sometimes driving, a change in how business operates:

*'in the 1990s, giving to charity was something the super-rich did – giving money on your journey was reckless. But Millennials today demand it. We won't buy your goods if you're not socially responsible. We don't expect you to be lauded for doing the right thing.'*

*'[Millennials] are almost a different species – they get flack for being whiny but they're marvellous – the way they naturally approach the world, it's very good...the feeling that we're a growing funky company that's interesting...they can make a difference, express themselves. Recruitment has gotten easier as word has gotten out.'*

*'Millennials now – I tell [those] employees that their business can be a ripple, influence beyond their business.'*

*'[In the B Corps network] They have a global thing in America each year – we go hang out with cool Millennials.'*

*'30-year-olds are Millennials in terms of outlook. The younger generation is more thoughtful about the world and the social alongside the commercial interactions...a lot of people at 20-25 are more interested in whether you have a wholesome outlook on the business interaction with suppliers, etc. It's harder to run a sweatshop with them! And yes, that's a really good thing.'*

Bates Wells Braithwaite CEO Paul Bennett believes that 'the jury is out' on whether socially responsible for-profits (B Corporations) will take off or not. He noted that while Unilever - one of the first multinational companies to incorporate a social mission into its core purpose via its Sustainable Living Plan - is a major supporter of the B Corps movement, it will nevertheless come under significant pressure to enhance shareholder value as a result of the attempted takeover by Kraft Heinz.

If sustainable entrepreneurs do indeed represent an emerging fundamental change in why and how businesses are created and developed, it is worth considering how best to support their efforts. The societal value they create through their innovative business models, products and services could have a significant positive impact on many of the global social and environmental challenges we face today.

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<sup>25</sup> "B Corp UK FAQs", <http://bcorporation.uk/b-corp-uk-faqs>.



# How should Sustainable Entrepreneurs be supported?

To ensure that the beneficial societal impacts created by sustainable entrepreneurs continue into the future, we believe that a 'joined up' approach is needed which engages Governments (devolved Governments, mayoralities, great conurbations, local government) as well as other actors in the for-profit sector (including large businesses as well as SMEs), the current public sector (Business Link and other business support organisations) and the not-for-profit sector (including B Lab UK, Business in the Community and others working in this space).

Here are some of the resources which sustainable entrepreneurs have said would help them develop their businesses:

- **Peer to peer networking events** with other sustainable entrepreneurs to make contacts, share stories, promote knowledge exchange and resource sharing. Perhaps Business in the Community – which focuses primarily on large organisations through its membership network - and B Corps UK – which supports development of sustainable enterprises – could work together to stage joint events to promote collaboration.
- Access to **more affordable courses (or scholarships)** - business growth/development and general management were topics identified by interviewees.
- **Support for identifying and connecting with potential recruits** (several entrepreneurs highlighted this as problematic)
- **Access to mentors** who have started and grown their own businesses or **non-exec directors' advice** (role models wanted by interviewees)
- Networking events with **potential sustainable investors**.

**We are now canvassing further ideas for how to improve the supportive environment for Sustainable Entrepreneurs.**

# Appendix 1: Interview questions for Owners/Managers

## Overarching question: “How did you get to where you are now?”

*We are interested in understanding the journeys of high-performing SMEs – those led by individuals with ambitions to grow their business both commercially and sustainably. Our overarching research question is, “How did you get to where you are now?”*

### 1) Tell us about why and how you came to start your business.

- Why did you start your business? Were you inspired or motivated by anyone/anything in particular?
- What did you hope to achieve when you started your business? Was there anything in particular you wanted to do that no one else had yet done?

*What we are looking for:*

**Commercial mind-sets:** *e.g. desire to make money/profits, emulate a famous entrepreneur, grow a business, create a successful family-owned enterprise, implement an alternative business model (partnership, cooperative), create impact in the sector, address a gap you’ve identified through your business expertise etc.*

**Sustainability mind-sets:** *valuing social and environmental care and preservation, circular economy. Look for holistic vs. specific focused sustainability goals (e.g. mitigating environmental impacts; managing a “responsible workplace”; “responsible product development”, responsible consumer marketing); develop a product/service to address a particular social or environmental issue/need that you’re passionate about*

- How did you get your business started? *Sources of finance, Business plan, Mentors/Sponsors/other guidance or support?*

### 2) Tell us what you think has helped or hindered the successful development of your business to date.

- What have been the significant drivers or obstacles that have shaped your business journey to date? That could include your own (and/or your partners’) skills or behaviours (or the absence of these); characteristics of the business itself; or factors in your external social or political environment. *We are looking for:*

**Individual characteristics:** *possible examples include*

- **Behaviours:** *Persistence (commitment to achieving commercial/social/environmental goals), maintaining self-belief, learning, outreach, seeing and acting on opportunities, taking initiative(s), information seeking, systematic planning, concern for quality and innovation, influencing and networking, problem solving, and risk taking*

- **Skills:** entrepreneurship and communications, business case preparation, specialist sector-specific technical skills and partnership working with other organisations

**Organisational characteristics:** business model, ownership structure, management processes, employee relationships, external partnerships, supply chain management, dynamic capabilities (e.g. capacity to adapt to change)

**External environmental characteristics:** possible examples could include economic climate, abundance/paucity of resources (financial, in-kind), events, access to capital, cheap premises, business support

### **Obstacles/challenges to consider**

**Individual characteristics:** possible examples to consider

*Skills: Having the right skills to be able to scale the business, more interested in development than running a business, succession planning, access to relevant skills (e.g. HR, finance, marketing, communications, social media, business management processes, IT) lots of ideas but needed support to focus on strategy*

### **Other issues**

*Ability to get in front of big businesses/ governmental agencies to sell products/services, larger businesses having procurement processes which are too onerous for smaller businesses, excessive requirements for insurance from customers*

### **3) What are your long-term hopes and aspirations for your business?**

- Reflecting on your business journey to date, what are your long-term hopes and aspirations for your business going forward? *Look for both commercial and sustainability goals.*
- And what do you think will shape your chances of getting there?
- What additional support would enable you to get there?
- What advice would you give to others wishing to follow your example?

## Appendix 2: Project Invitation

### Wanted: Entrepreneurs leading high-performing Sustainable Enterprises

Are you an entrepreneur who is leading (or who has led) a small-to-medium-sized firm with aspirations to build a high-performing business that creates social and environmental, as well as commercial, value?

At Cranfield School of Management, we are launching a new research project examining the attributes of high performing “sustainable enterprises” - small and medium-sized businesses that excel at producing both commercial and societal positive impacts. This is a joint collaboration between the Doughty Centre for Corporate Responsibility and the Bettany Centre for Entrepreneurship and is part of on-going work to empower current and future managers with the knowledge, skills, and desire to lead successful, sustainably managed organisations.

**Why we are doing this research.** According to statistics from the Department of Business, Innovation and Skills<sup>26</sup>, the combined annual turnover of SMEs, as of 2014, was £1.6 trillion, 47% of turnover in the private sector; 5.2 million SMEs accounted for 60% (15.2 million) of UK private sector employment. But in addition to SMEs creating significant amounts of economic value – which benefits the SMEs and their stakeholders directly – we believe that they also have potential to create significant amounts of positive societal value addressing a wide range of social, economic and environmental challenges. If there is potential to cultivate SMEs’ capacity to generate both economic and societal value, it would be worthwhile to explore how best to do this – at individual, organisational and systemic levels.

**Methodology.** We intend to study high-performing “sustainable enterprises” – i.e. SMEs “with an aspiration to grow” (Department of Business, Innovation and Skills, 2011<sup>27</sup>) that are also recognised as producing positive social impact (e.g. shortlisted firms in the Business in the Community Responsible Small Business of the Year Award<sup>28</sup>). Through our interview research and a literature review, we will work to identify the mind-sets, behaviours and skills of individuals who promote sustainable business in their organisations; and, at organisational and systemic levels, the “enabling environment” for managing successful sustainable enterprises.

**Practical benefits from this research.** By participating in this research – through a (one-hour maximum) telephone/Skype interview you can help increase understanding of how SMEs:

- Identify opportunities for becoming high-performing “sustainable enterprises”;
- Support (vs. thwart) the development of their innovative ideas for creating value;
- Create new forms of business value that benefit the firm as well as the wider communities in which they operate.

If you (or someone else you know) would like to participate in this research, please contact Melody McLaren, Associate, Doughty Centre for Corporate Responsibility ([m.mclaren@cranfield.ac.uk](mailto:m.mclaren@cranfield.ac.uk)).

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<sup>26</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/377934/bpe\\_2014\\_statistical\\_release.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/377934/bpe_2014_statistical_release.pdf)

<sup>27</sup>[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32225/11-515-bigger-better-business-helping-small-firms.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32225/11-515-bigger-better-business-helping-small-firms.pdf)

<sup>28</sup><http://www.bitc.org.uk/services/awards-recognition/responsible-business-awards/categories/responsible-small-business-year>

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