

Lecturer's Notes and Instructions on
**Corporate Sustainability & Green
Cities**

Lecture 3: Doing Business for Green Cities

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INTRODUCTION

This third session focuses on two pathways to 'Doing Business for Green Cities': Circular Economy and Social Entrepreneurship. Firstly the session attends to the concept of the Circular Economy and considers how firms may create circular business models to achieve circular cities. It details the wastes of the linear economy before introducing, defining and explaining the core concepts of a circular economy. Attention is given to different types of circular business models and the supporting conditions enabling them to thrive. The second half of the session attends to Social Entrepreneurship and how new organizations may find viable revenue models from providing solutions to city challenges. The session explores the characteristics of social enterprises and the two pathways to how they emerge. The session concludes by discussing the relative effectiveness of social enterprise to achieving sustainable cities.



CONTENT

This third session is divided into two constituent parts (recommended proportion of session time given in brackets): (1) Circular Economy (60%) (2) Social Entrepreneurship (40%).

Instructions

(1) Circular Economy

The aim of this section of the session is to introduce the concepts of the circular economy and to stimulate students to consider how companies may create circular business models for circular cities.

The session begins with an explanation of the traditional 'take-make-waste' economy and the negative implications for both cities and companies. In particular, attention should be drawn to: (a) limits of the assimilative waste capacity of a city and its exhaustion; (b) materials depletion and effect on pricing; and (c) wasted resources are only one of four 'wastes' for companies.

Subsequently the circular economy is introduced and at this point it is advised to engage with summary and overview provided by the compulsory reading: Murray, A., Skene, K., & Haynes, K. (2015). The Circular Economy: An Interdisciplinary Exploration of the Concept and Application in a Global Context. *Journal of Business Ethics*, 1-12.

Key learning points include: (a) a circular economy is an industrial system that is restorative or regenerative by intention and design; (b) circularity introduces a strict differentiation between consumable and durable components of a product (technical and biological nutrients); (c) circularity can be achieved through cascading loops which align with the waste hierarchy.

Students are stimulated to consider how firms may implement a circular business model and different options are presented. Instructors may choose to utilize the Patagonia case study available for download at: <http://1.ethicalcorp.com/LP=8770>. Students are asked to contemplate what conditions may help to support circular business models such as existing inefficient ownership models, and how can city actors help to provide these conditions.

Finally a discussion should center on the question of 'Does businesses operating circular business models = a sustainable city?' It is advised to engage with the discussion section of Murray, A., Skene, K., & Haynes, K. (2015).

(2) Social Entrepreneurship

The second half of this session focuses on the concept of social entrepreneurship. To begin the core concept is introduced, its characteristics and how social enterprises differ from other forms of trading entities. At this point it is advised to engage with compulsory reading: Dees G. (1998). The meaning of social entrepreneurship. Kauffman Center for Entrepreneurial Leadership. The key learnings for students are: (a) social enterprises are viable trading organizations; (c) may be non or for profit; and (c) hold explicit social aims.

It is advised at this point to use an example of a social enterprise solving a city challenge. In the slides an example of a social enterprise solving the challenge of inadequate housing in Cape Town, South Africa is provided. Details may be found at: <http://trueafrica.co/article/building-houses-on-sand-in-cape-town/>.

The session then attends to the question of if social entrepreneurs are some form of 'heroic' characters and the recognition that many work in some form of collectives with support from distributed agents. Blue City 010 in Rotterdam, Netherlands is used as an example of social entrepreneurs located together in a collaborative network focused on eliminating food waste in the city. Examples of two social enterprises: (1) Rotterzwam: growing mushrooms from coffee grounds (<http://www.rotterzwam.nl/>); (2) Kromkommer: a catering and soup company created from unwanted vegetables (<http://www.kromkommer.com/english/>)

The final part of this session considers the two routes of how social entrepreneurship occurs: (1) Visionary pathway; (B) Emergent pathway.

Social entrepreneurship is frequently described as a linear 'visionary' process moving through six steps. We return to Cape Town and the social enterprise of Foodpods to exemplify this pathway, this time focusing on their vegetable business. In this example (Drawn from: <http://www.foodpods.co.za/>):

- (1) *Opportunity recognition*: The founder Peter Shrimpton recognized the challenge of providing consistent and affordable access to proper nutrition for people living in disadvantaged communities in South Africa.
- (2) *Defining the problem*: Currently, most people purchase their vegetables from commercial supermarkets and are therefore subject to escalating food prices and hefty travel costs relative to the small amount of money spent on each shopping trip.
- (3) *Idea ownership*: Ideally, most people living at the bottom of the pyramid should be able to grow their own food to consume and sell. Unfortunately, in many disadvantaged areas the soil quality is poor and the skill of subsistence farming has been lost over time as a result of rapid urbanization.
- (4) *Collective action*: Foodpods is a social enterprise that tackles the challenge of providing food security to disadvantaged communities in a financially sustainable way. Training grassroots entrepreneurs to start and run small-scale, agri-businesses that supply their families and neighbourhoods with fresh, organic vegetables.
 - We Grow in Crates to eliminate soil preparation: To overcome poor soil quality, we plant our seedlings into 'crates' that are lined with a porous fabric and packed with a special mixture of soil and organic compost. Each crate holds between six and twelve seedlings. This innovation eliminates the need for laborious soil preparation, preservation and maintenance. To eliminate the financially unproductive growing period for small scale agri-businesses, we grow thousands of crates at a centralized Market and sell them to our Growers when they are market-ready.
 - When the produce in each crate has been consumed or sold, the Growers exchange the empty crate for a new, harvest-ready crate from our Market for a small fee. Simple but revolutionary!
- (5) *Scaling Up*: We replicate through Social Franchising: We are pioneering a scalable, replicable, social franchise business model. A Foodpods Franchise (Market) is established as a manufacturing, growing, sales, distribution, training and resource centre

in the heart of the township.

- A group of Growers are provided with a strip of Crates at the Market and taught how to grow, harvest, distribute and sell fresh, organic vegetables to their community.

(6) *Evaluation*: We employ a rudimentary Push Sales Strategy: Foodpods Sellers are selected and trained by our Growers to distribute and sell their produce from Mobile Sales Carts.

- Sellers arrive at the Market early each morning to collect their produce for the day. They return to the Market at the end of each day to cash up and return their carts. Their goal is to establish a loyal customer base, understand and meet their customer's daily produce requirements and establish dependable sales routes. Through this rudimentary distribution method, Foodpods customers enjoy a dependable home delivery service, saving them time and money.

The alternative pathway of emergence is exemplified by the effectuation model and explained using the four key principles. Optional engagement with recommended reading: Akemu, O., Whiteman, G., & Kennedy, S. (2016). Social enterprise emergence by distributed agency. *Journal of Management Studies*. Students can be asked to consider what means do they now have at the disposal to solve city problems and how they could act using them.

Finally the session concludes with a discussion on 'How Effective are Social Enterprises for Sustainable Cities?' Here it should be highlighted that it is a 'neo-liberal' market-based solution and there are significant challenges to scaling up such enterprises.

Homework: Elevator Pitch

The elevator pitch for this session focuses on social entrepreneurship and asks students to consider what new enterprise they could begin and how they may pitch a business plan to potential investors.

It is expected that students apply the ideas of both compulsory readings and the lecture material to a business operating in their city.

REFERENCES

Compulsory Reading:

Dees G. (1998). The meaning of social entrepreneurship. *Kauffman Center for Entrepreneurial*

Leadership

Murray, A., Skene, K., & Haynes, K. (2015). The Circular Economy: An Interdisciplinary Exploration of the Concept and Application in a Global Context. *Journal of Business Ethics*, 1-12.

Recommended Reading:

Akemu, O., Whiteman, G., & Kennedy, S. (2016). Social enterprise emergence by distributed agency. *Journal of Management Studies*.

Ellen McArthur Foundation (2014). *Towards the Circular Economy* 3. Available at: <http://www.ellenmacarthurfoundation.org/business/reports>

Lacy, P., & Rutqvist, J. (2015). *Waste to Wealth: The Circular Economy Advantage*. Palgrave Macmillan.

LECTURER'S PROFILE

Steve Kennedy is an Assistant Professor researching corporate sustainability, climate change and sustainability-oriented innovation within the Centre of Corporate Eco-Transformation at Rotterdam School of Management, Erasmus University. Dr Kennedy's current research focuses on how corporate sustainability strategies are translated into successful innovation and the formation of future-ready sustainable business models. In recognition of its academic contribution his thesis on the challenges of operationalizing sustainability at the local-level was highly commended at the prestigious Emerald/EFMD Outstanding Doctoral Research Awards 2010. Dr Kennedy is the Academic Director of the MSc Global Business & Sustainability and teaches courses such as 'Climate Change Strategy Role-Play' and 'Sustainability Leadership and Planetary Boundaries'. His research is published in journals such as *Journal of Management Studies*, *Long Range Planning*, *Journal of Cleaner Production and Management Learning*. Email: skennedy@rsm.nl

MODULE DEVELOPER:



ABOUT ROTTERDAM SCHOOL OF MANAGEMENT

Rotterdam School of Management is one of Europe's leading and largest business schools among the 1% of schools worldwide with Triple Crown accreditation. The school is a world leader in research and teaching on sustainability ranking 3rd in Europe and 19th globally according to The Aspen Institute's Beyond Grey Pinstripes Report.

Project participation is from the Centre for Corporate Eco-Transformation which broadly aims to reach a clearer understanding of the management challenges of corporate sustainability. The Centre conducts high-level research and education on management issues related to sustainability and provides accessible and up-to-date information on cutting-edge research, ideas and works published on the subject of corporate eco-transformation.

Learn more about RSM: <http://www.rsm.nl/>

ABOUT SUSTAIN PROJECT

The SUSTAIN project aims to improve the quality of tertiary education in Sustainable Urban Development in Europe and partner universities in Asia; develop standardized education modules related to SUD and furthermore enriching them with international perspectives and academic and vocational skills and competencies; promote collaboration and international cooperation between European and Asian Higher Education Institutions in SUD but also collaboration and sharing between Erasmus Mundus programmes; establish links and bridge European Higher Education and practice in SUD; increase the visibility and access to European Higher Education in Asia in the field of SUD, attracting prospective Asian and international students.

The SUSTAIN project is co-ordinated by the Institute for Housing and Urban Development Studies (IHS) with the Dutch Research Institute for Transitions, the Netherlands, the Rotterdam School of Management, the Netherlands, Darmstadt University of Technology, Germany; National Technical University of Athens, Greece; European Academy of Bolzano, Italy; Ca' Foscari University of Venice, Italy; Gadjah Mada University, Indonesia; Centre for Environmental Planning and Technology, India; Beijing University of Civil Engineering and Architecture, China; and International Council for Local Environmental Initiatives, Germany.

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