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Two-sides of the same coin: why entrepreneurs can transform the crisis into business opportunities to create more impactful and long-lasting ventures

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Abstract

This impact paper explains why entrepreneurs can transform the COVID-19 crisis into business opportunities for long-lasting ventures. We describe three must-haves of an entrepreneurial mindset that help us to tackle the fundamental structural faults of our current economic system. By doing so, entrepreneurs can act as microinstitutional agents, pushing us into the phase of performing grand changes that lead us to a more sustainable future for our next generation.

Keywords: Entrepreneurship, Family entrepreneurship, Entrepreneurial mindset, Longevity, Impact

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Entrepreneurs play a critical role in our market economies and are typically described as the powerhouse of a national economy, activating and facilitating economic activity. We know that entrepreneurs can initiate economic development by breaking up its current status through innovations. More recent studies (Sydow et al., in press) describe entrepreneurs also as microinstitutional agents that promote institutional bottom-up change, such as the support of market functioning and the facilitation of market access. Therefore, entrepreneurs are a critical determinant of the level of success, growth, and prosperity in economies. Effects that become even more important in a moment of crisis. To better understand why we believe that entrepreneurs can transform the COVID-19-pandemic crisis into business opportunities, we need first to clarify the key economic faults that have become more evident due to the COVID-19 pandemic.

One side of the coin: economic faults behind the COVID-19 crisis

Individuals such as Greta Thunberg and her Fridays For Future movement have already tried to convince us that our well-known 'normal' is one of our key problems and that we should not go back to where we were pre-COVID-19. If we are honest, we should recognize that our economic system has had tremendous flaws for decades. What has happened now is that the tornado of the COVID-19 pandemic has simply swirled up our systems and undoubtedly disclosed the weaknesses in our societies, politics, and economies. Although they have always been there, as a subliminal part of our daily lives, now they have become visible for all to see.

We summarize three fundamental categories of structural faults in our economies and whose effects are intensified by COVID-19:

Global over-consumption of natural resources

The Global Footprint Network¹ showed in 2019 that if we continue living as we are used to, we would need the natural resources of 1,75 earths, highlighting the fact that we currently use more resources than we have available. Our over-consumption is furthermore connected to the production of waste, with which we have filled our planet in the last few decades. In 2019, the World Economic Forum² published a study that shows that we eat a credit card's worth of plastic a week. Moreover, global sea levels are rising, glaciers are melting away, and forests are dying because we have caused extremely high greenhouse gas levels. By continuing with the destruction of biodiversity, rapid urbanization and population growth, we will greatly increase the likelihood of another pandemic (Gössling et al., 2020), as David Quammen recently pointed out in his critical opinion in the New York Times:³ "We cut the trees; we kill the animals or cage them and send them to markets. We disrupt ecosystems, and we shake viruses loose from their natural hosts. When that

¹ For more info: <https://www.footprintnetwork.org/2019/06/26/press-release-june-2019-earth-overshoot-day/>

² For more info : <https://www.weforum.org/agenda/2019/06/you-eat-a-credit-card-s-worth-of-plastic-a-week-research-says/>

³ For more info: <https://www.nytimes.com/2020/01/28/opinion/coronavirus-china.html>

happens, they need a new host. Often, we are it.” He argues that we currently live in the Anthropocene era, the geological age in which human beings determine the earth. From his personal perspective, one of the critical hidden costs seems to be the resulting transmission of disease from wildlife to humans.

Lifestyle of fast-consumption

Ryanair, Airbnb, H&M, Zara, and McDonalds (just to name some examples) are an integral part of our lives. Although giants nowadays, they were once started by entrepreneurs such as Erling Persson (H&M) and Brian Chesky, Nathan Blecharczyk and Joe Gebbia (Airbnb), who were able to orchestrate a whole ecosystem around their firms characterized by the ideas of fast tourism, fast fashion, and fast food. They all contribute to mass consumption of inexpensive and rapidly produced products/services that lead to a massive negative environmental impact. The global fast fashion sector generates 92 million tons of waste per year and 79 trillion liters of water are used each year (Niinimäki et al., 2020). Short-term rentals in cities transform neighborhoods into “tourist enclaves” (Furukawa & Onuki, 2019, p. 2). Some critical voices argue that Paris, for instance, has 100,000 empty homes and 100,000 second homes that are for short-term rentals instead of providing affordable housing to their local inhabitants. Due to the COVID-19 pandemic, however, Airbnb’s bookings have collapsed by 96% and they are now offering apartments to health workers and fancy online experiences. At the same time, European cities such as Paris and Amsterdam can finally recover by digesting the impact of daily tourists. Venice’s usually polluted canals have turned significantly clearer, stressing the fact that we over-use our cities through intense mass tourism.⁴

Social injustice

In contrast to developing economies, countries within the EU have been characterized by a solid middle class. However, recent European surveys have disclosed a rising trend towards a widening gap between rich and poor, especially in larger European cities.⁵ This subliminal trend has become even more evident during the COVID-19 crisis, in which we have realized which professions are relevant to make our economic system work. Surprisingly, there are some professions that have been traditionally less visible and respected within society, and have now been turned into “forgotten heroes”,⁶ such as supermarket employees, nurses and hospital cleaners. Cases of social injustice might become even more critical if we think about a future “global distribution of covid-19 vaccines” scenario in which richer countries could monopolize production and supply of vaccine, thus leaving poorer countries behind. Even though the WHO has recently stated that they want to ensure everyone everywhere can have access to new covid-19 vaccines, there remains a relatively high degree of uncertainty and complexity to establish appropriate policies for an equal global distribution. A challenge that we have already faced during previous pandemics, such as the swine flu pandemic in 2009 (Versluis et al., 2019).

⁴ For more info: <https://www.bloomberg.com/opinion/articles/2020-04-02/will-airbnb-become-obsolete-after-the-coronavirus>

⁵ For more info: https://ec.europa.eu/budget/euprojects/node/2237_en

⁶ For more info: <https://www.bbc.com/news/world-us-canada-52359101>

Second side of the coin: transforming the crisis into business opportunities

The COVID-19 crisis seems set to cause severe economic damage that will shape our global economy. However, if we look back in history, we have faced several serious crises which have then been followed by economic prosperity. To highlight some examples, Trigema was founded right after the first World War in 1919 by two brothers, Josef and Eugen Mayer, in the South of Germany. Nowadays, it is the largest manufacturer of sportswear and casual fashion which is purely made in Germany.⁷ Or Frescobaldi, a winery from Tuscany, that has produced high-quality wines for 700 years.⁸ Its history has been shaped by external shocks such as the “Italian Wars” (1494-1559), the War of Spanish Succession, two World Wars and several bankruptcies. Those examples demonstrate that a crisis and/or bankruptcy for several business sectors can at the same time offer new opportunities for others that want to fill the voids with long-lasting businesses, such as the founders of Trigema and Frescobaldi. Both have turned their new ventures into long-lasting family firms.

We believe that it is intriguing to analyze this type of entrepreneurs to illuminate how they can transform crises into business opportunities that create more impactful and long-lasting ventures. Therefore, we should deep dive to the very starting point of entrepreneurial action, namely, the entrepreneurial mindset which guides the cognitive research for business opportunities. Here, in the origin of entrepreneurial action, we can decide which type of business ideas are first recognized, and then started. Haynie, Shepherd, Mosakowski and Earley (2010, p. 217) defined an entrepreneurial mindset as the “ability to sense, act, and mobilize under certain conditions”.

Yet, we argue that three vital must-haves of an entrepreneurial mindset have crystalized out of our analysis in the context of COVID-19 pandemic.

Be prosocial and balance a plurality of values

One of the first things that management students get introduced to is the term “homo economicus”, representing a view of humans as self-interested agents seeking optimal and utility-maximizing outcomes. It has shaped several key business objectives such as profit maximization, economies of scale, and the scalability of a business model. However, “homo economicus” seems to be an oversimplification of who we are and the motivations that drive our action, thus leading to mindsets and key objectives that underrepresent the complexity of human beings. If we want to find business-oriented individuals that experience a plurality of values, we can look at family entrepreneurs who are continuously embedded in their family identity (i.e. role as father/mother) as well as in their business identity (i.e. role as general manager), and are trying to establish an equilibrium (Ciravegna et al., 2020). Frescobaldi was founded by members of the family 700 years ago and from there on we can observe how single individuals of the family were able to successfully incorporate shared family values into their business objectives. “For 700 years, the Frescobaldi Family has combined tradition, experience and innovation with creativity and the pursuit of excellence.”⁹ With this statement, Frescobaldi demonstrate their

⁷ For more info: <https://www.trigema.de/en/unternehmen/geschichte/>

⁸ For more info: <https://en.frescobaldi.com/>

⁹ <https://en.frescobaldi.com/company/family/>

commitment to blending a strong family tradition with business innovation. By doing so, they were able to establish a firm which is not simply interested in profit maximization, but which is composed of a family with all its social relationships, that wants to be proactively involved in the political and sociological history of Tuscany. Wolfgang Grupp, the current CEO of Trigema, stated “Our actions must not be solely guided by goals such as increased power and greater market share, but by solidarity, respect for all members of our community, justice and sustainability.”¹⁰ Both examples display a blend between prosocial attributes and business success that are shaped by individual mindsets. A mindset which is closer to some fundamental characteristics of humanity, such as prosocial attitudes shaped by fairness and altruism (Samara et al., 2019). Yet, paradoxically, we have started to define some of our basic elements of humanity as something ‘particular’ which you can notice in the trend of social entrepreneurs and the surrounding ecosystem of impact investors that are guided by creating both social impact and profit. It seems surprising to us that we have introduced new types of entrepreneurs to describe a prosocial mindset, while actually the restrictive orientation towards economic goals seems to be an oversimplification. In the face of COVID-19, we hope that there is a trend toward re-discovering the value of a mindset which is shaped by prosocial attitudes, blending economic goals with fairness and altruism.

Be a founder of a business that you would like your grandchildren to see

According to the GEM national report (2019), more than 100 million start-ups are launched every year globally, which is about three startups per second, underlying the fact that there are plenty of new business ideas outside. We literally live in a world where new ideas are abundant. So, we need entrepreneurs that ‘make sense of an overabundance of novel opportunities’ and that start ventures with a powerful purpose and the potential to endure more generations. Entrepreneurs should not be in love with their product or service, they should continuously re-evaluate their meaning and purpose to establish a firm that can innovate overtime (Verganti, 2017). As we can see in the case of Trigema, it was one of the first companies in Germany that turned its production of clothes into the production of face masks. Moreover, the founders of Frescobaldi were pioneers in longevity as they succeeded to establish a firm that is currently in its 31st generation. They focus on heritage practices that give precedence to long-term generation of family wealth over short-term preferences for specific governance forms. Thus, their business practices are oriented towards the idea of passing on a healthy business to the subsequent generation. Their mindset is shaped by the idea of creating long-lasting relationships with their stakeholders and creating a vital community culture. For instance, long-term community engagement helped them during the Second World War, when their most important wine production site was first occupied, and then bombed by the Nazis. Luckily, the Frescobaldi family was supported by the local population and by a large network of stakeholders, including its employees, so that they were able to overcome the crisis (Ciravegna et al., 2019). Whereas Trigema states that it offers their “employees’ children a job guarantee” to illustrate their long-term orientation. Both activities underline the fact that the family firms identify themselves as active members in their environment and that they want to create long-lasting impact through their businesses. This long-term orientation should be embedded in an entrepreneurial mindset as it seems to facilitate entrepreneurs to transform their ideas into impactful ventures that endure more generations. Therefore, entrepreneurs, even though they are not planning to establish a

¹⁰ For more info : (<https://www.trigema.de/en/company/philosophy/>)

family firm, should thrive for being a founder of a business that they would like at least their grandchildren to see, because what we need are new impactful ventures that are responsible members within their environment.

Show empathy with the people in your network to navigate through stormy times

We have seen that during the COVID-19 crisis, female leaders such as Angela Merkel (Germany), Mette Frederiksen (Denmark), and Sanna Marin (Finland) have demonstrated resilience and success in navigating their countries through the uncertainty of the pandemic. Although there are plenty of countries with male leaders that have done well, it does seem that one trait that they all have in common has been revealed, namely empathy. Empathy is defined as a subjective capability of and willingness to recognize and understand the feelings and the perspective of others. Typical elements to describe someone as empathetic are: caring, compassionate, supportive, tolerant, and ready-to-help (Payne et al., 2011). For instance, Angela Merkel bemoaned “every death as that of a father or grandfather, a mother, or grandmother, a partner ...”¹¹ during her speech to call on the shared responsibility of each individual in the society during the pandemic. The owner of Trigema used her words to talk to his employees in a video on the website in which he guaranteed all their jobs while at the same time asking for their commitment and responsibility. Showing empathy seems to be a strong weapon to get the commitment of key stakeholders during a stormy period. It seems to function as a driver of getting a social network into action.

In the face of COVID-19, empathy has been shown to be a facilitator of stakeholder engagement by clearly outlining the reasons or benefits for them to contribute. Understanding the feelings and thoughts of your stakeholders allows you to customize your call-to-action and thus stakeholders can better identify their personal meaning. Therefore, we believe that empathy will play a key role in the entrepreneurial mindset to guarantee that individuals are able to navigate their ventures through stormy seas.

Conclusion

We know that entrepreneurs can function as microinstitutional agents (Sydow et al., in press) to promote bottom-up institutional change. In order to exploit this power of entrepreneurs, we have explained why entrepreneurs can transform the COVID-19 crisis into business opportunities for long-lasting ventures. We have identified three must-haves of an entrepreneurial mindset, namely, (1) be prosocial and balance a plurality of values (2) be a founder of a business that you would like your grandchildren to see (3) show empathy with the people in your network to navigate through stormy times, that help us to tackle the fundamental structural faults of our economic system.

By doing so, we might be able to finally go from the phase of understanding the great challenges to the phase of making great changes that might not only lead us out of this economic crisis but, more importantly, lead us to a more sustainable future for our next generations.

¹¹ For more info: <https://www.telegraph.co.uk/news/2020/03/18/coronavirus-germanys-biggest-challenge-since-second-world-war/>

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