



Post-Growth
Entrepreneurship



UNIVERSITY
OF AMSTERDAM

Post Growth Entrepreneurship

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Jan 9, 2023

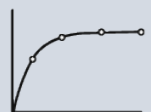
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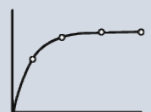
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Post Growth Entrepreneurship

Non-Extractive Business for Idealists

Fundamental questions:

- **Is growth good?**
- **What is financial extraction?**
- **Who is the startup ecosystem working for?**

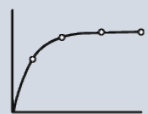


Post Growth Entrepreneurship

Objectives

- Achieve system change vs. fighting symptoms
- Provide actionable alternatives for:
 - Entrepreneurs
 - Corporations, governments, NGOs
 - Financial industry

***“The revolution starts in our heads.”
- Unknown***



Outline of this Course

Part I - Introduction

- Setting the stage
 - Who am I?
 - Making business personal
 - Business as activism /
art / spirituality /
creative expression

["Protester plays role of a banker at rally to demand accountability from the financial institutions"](#) by [Fibonacci Blue](#) is licensed under [CC BY 2.0](#).

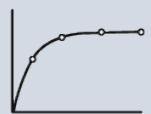
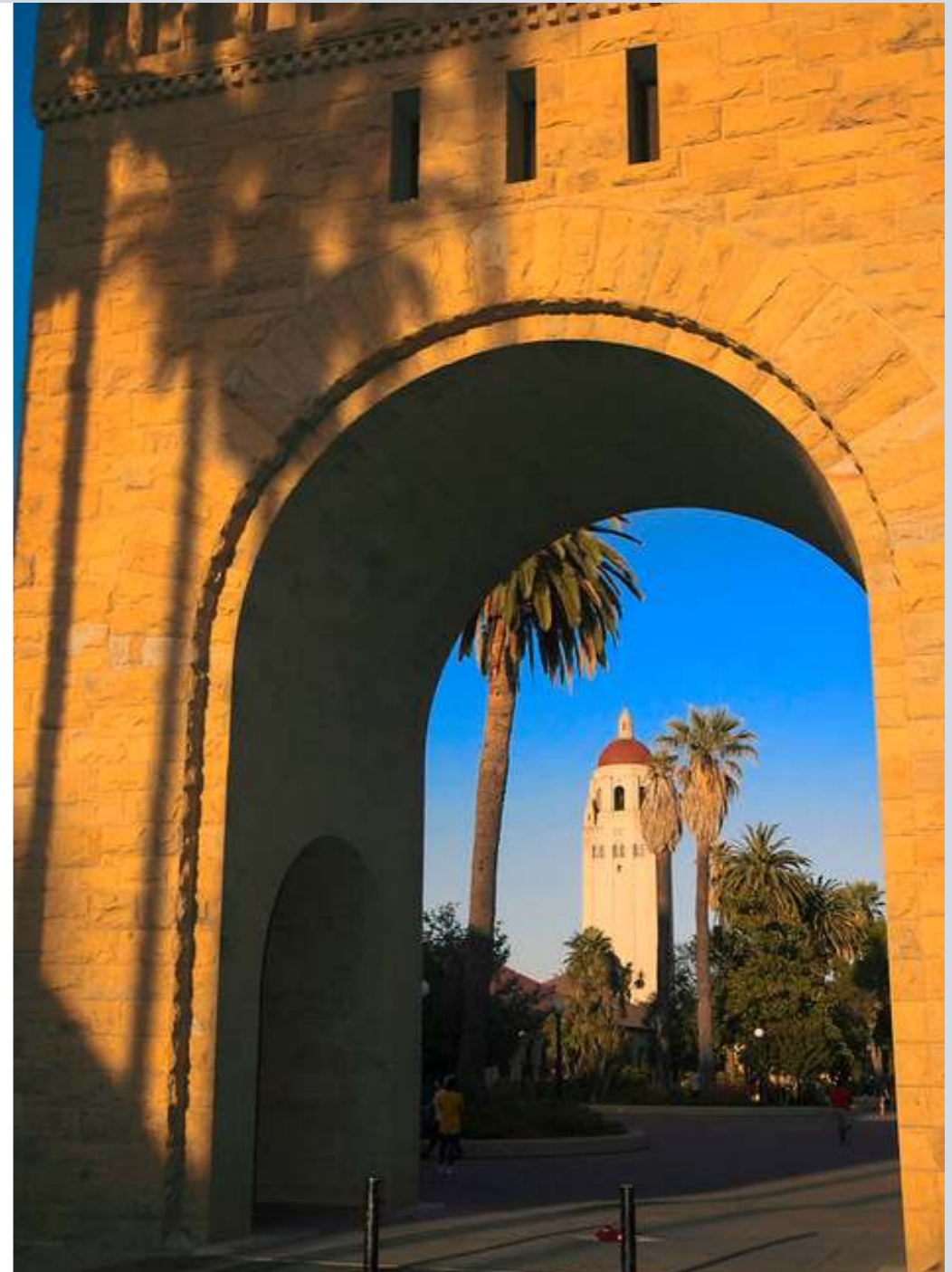


Outline of this Course

Part II - Status Quo

- Questioning business
 - Financial extraction + growth
- Silicon Valley Model
 - Capital/Scale/Exit
 - Startup Ecosystem
- Business education
 - Incubators + business schools

"The arch at the Quad at Stanford University" by Fiore
Power is licensed under [CC BY 2.0](#).



Outline of this Course

Part II - Status Quo

- Social enterprise
 - Building blocks
 - What is wrong?
(greenwashing)
 - How to fix it?

"Installing solar panels" by OregonDOI is licensed under CC BY 2.0.



Outline of this Course

Part IV - PGE Methodology

- Micro-level (personal)
- Meso-level (business)
- Macro-level (economics)

"Home Kanban: our fun project methodology" by Rob Enslin is licensed under [CC BY 2.0](https://creativecommons.org/licenses/by/2.0/).



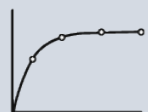
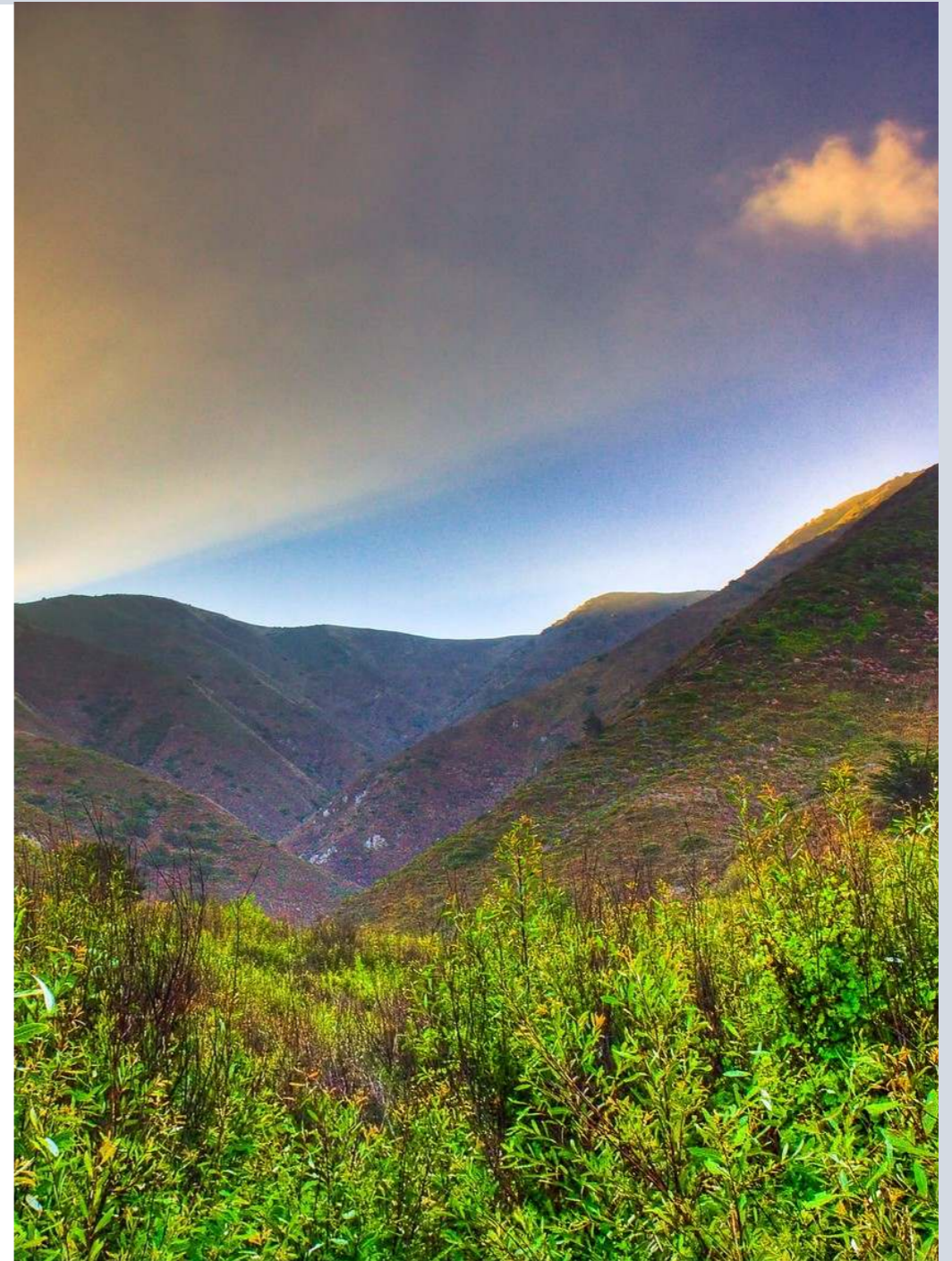
Outline of this Course

Part V - Infrastructure

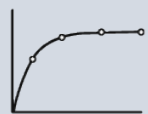
- Reinventing:
 - The Startup Ecosystem
 - Investment and Finance

“The New Normal”: how can we move forward together?

"Serendipity" by *S A N D E E P* is licensed under CC BY 2.0.



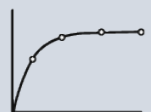
Who Am I?



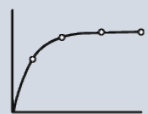
Who Am I?



"Melanie Rieback at the SingularityU The Netherlands Summit 2016" by [Sebastiaan ter Burg](#) is licensed under [CC BY 2.0](#).



Making Business Personal



Business as Activism

- NGO's and Nonprofits: the problem with donations/subsidies
- We want financially self-sustaining platforms for activism
- You can talk to businesses, but they won't necessarily listen
- Use business to infiltrate the power structures

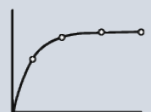
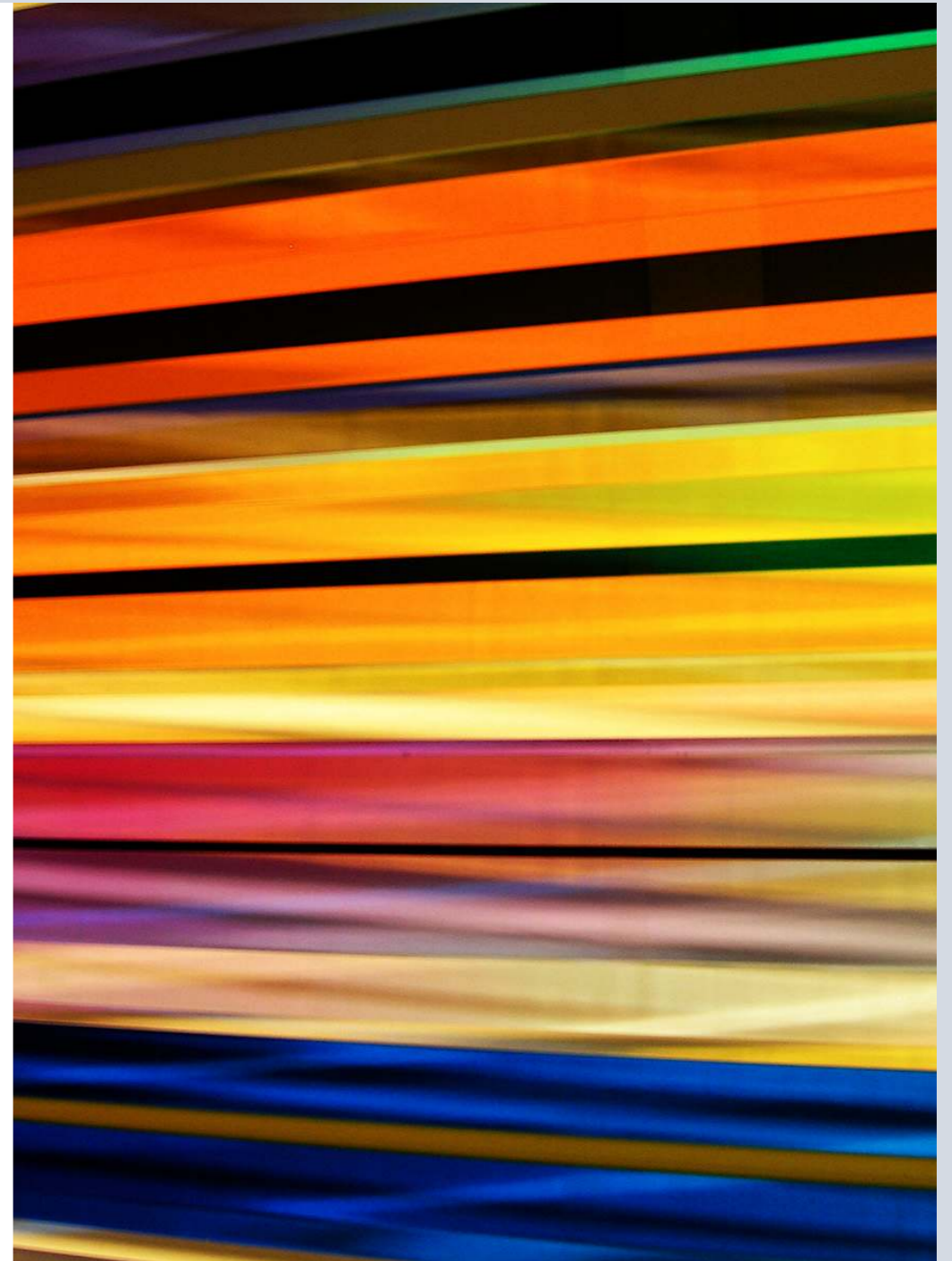
"Fridays for Future 25.01.2018 Berlin" by [fridaysforfuture](#) is licensed under [CC BY 2.0](#).



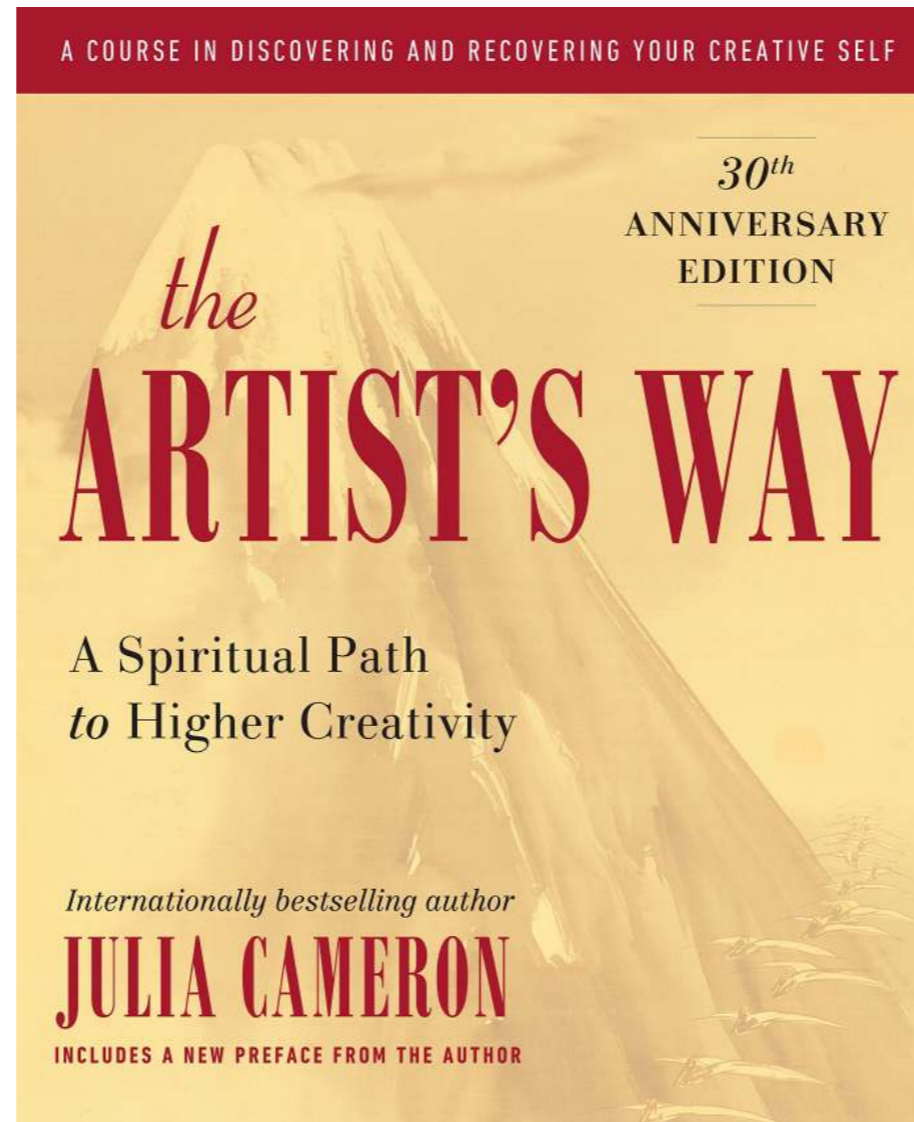
Business as Art

- Business as a mixed media for art
- Avante-garde business?
- Efficiency is overrated.
Be playful instead.

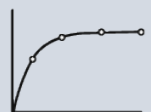
"Art in Colors" by Ishrona is licensed under CC BY 2.0.



Week 1 Assignment



<https://juliacameronlive.com/books-by-julia/the-artists-way-a-spiritual-path-to-higher-creativity/>



***“Science fiction is activism because it's imagining
the world to come”***

- Unknown

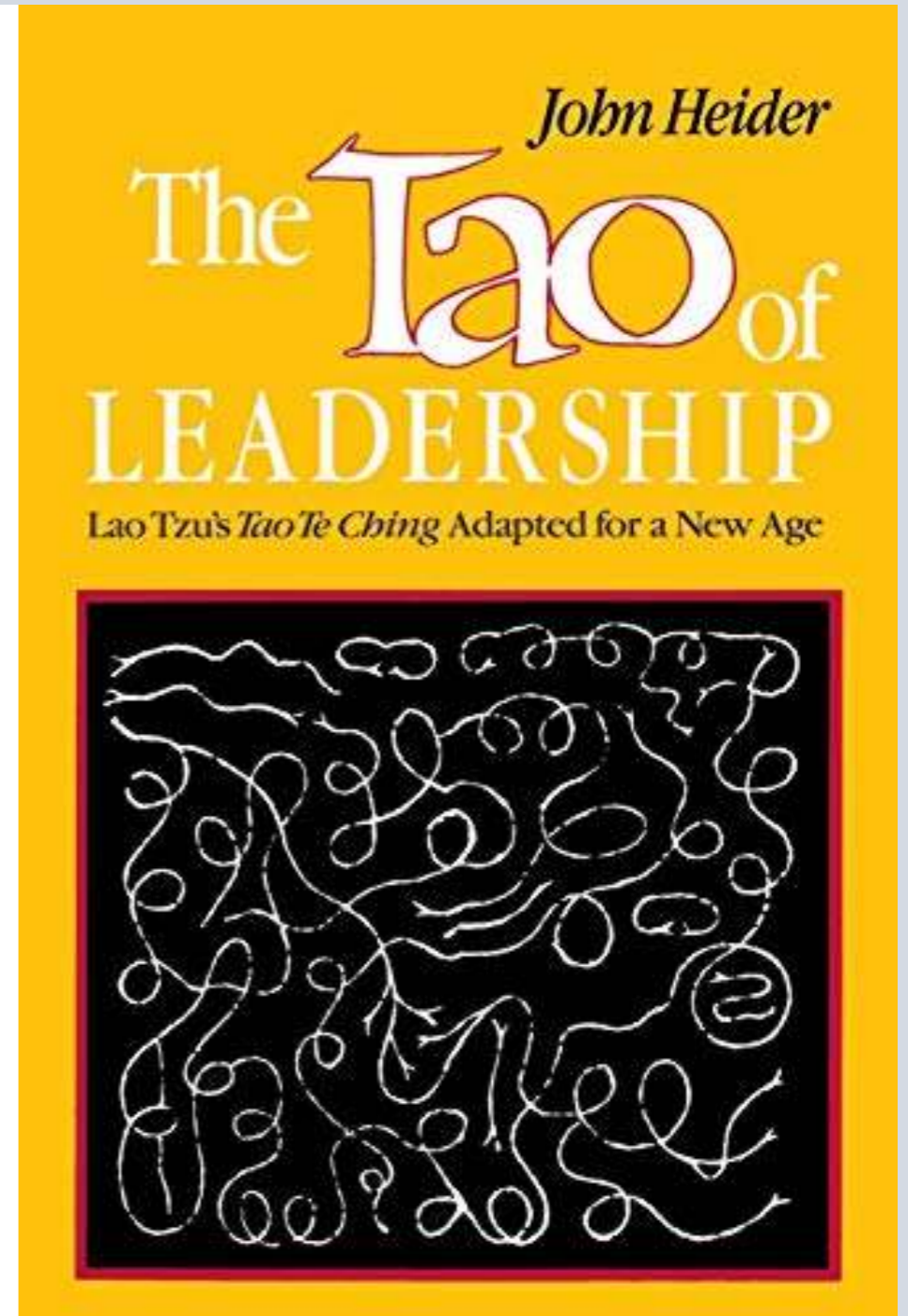


Business as Spirituality

Eastern Religions:

- **Buddhism:** “Right Livelihood”
 - Pema Chodron, Thich Nhat Hanh
 - Mindfulness
- **Taoism:**
 - “A leader is best when people barely know he exists, when his work is done, his aim fulfilled, they will say: we did it ourselves.”

<https://greendragonbooks.com/product/the-tao-of-leadership/>



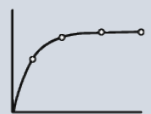
Business as Spirituality

Semitic Religions:

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"[Sheikh Zayed Grand Mosque: Colonnade V](#)" by [andryn2006](#) is licensed under [CC BY-SA 2.0](#).

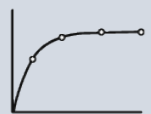
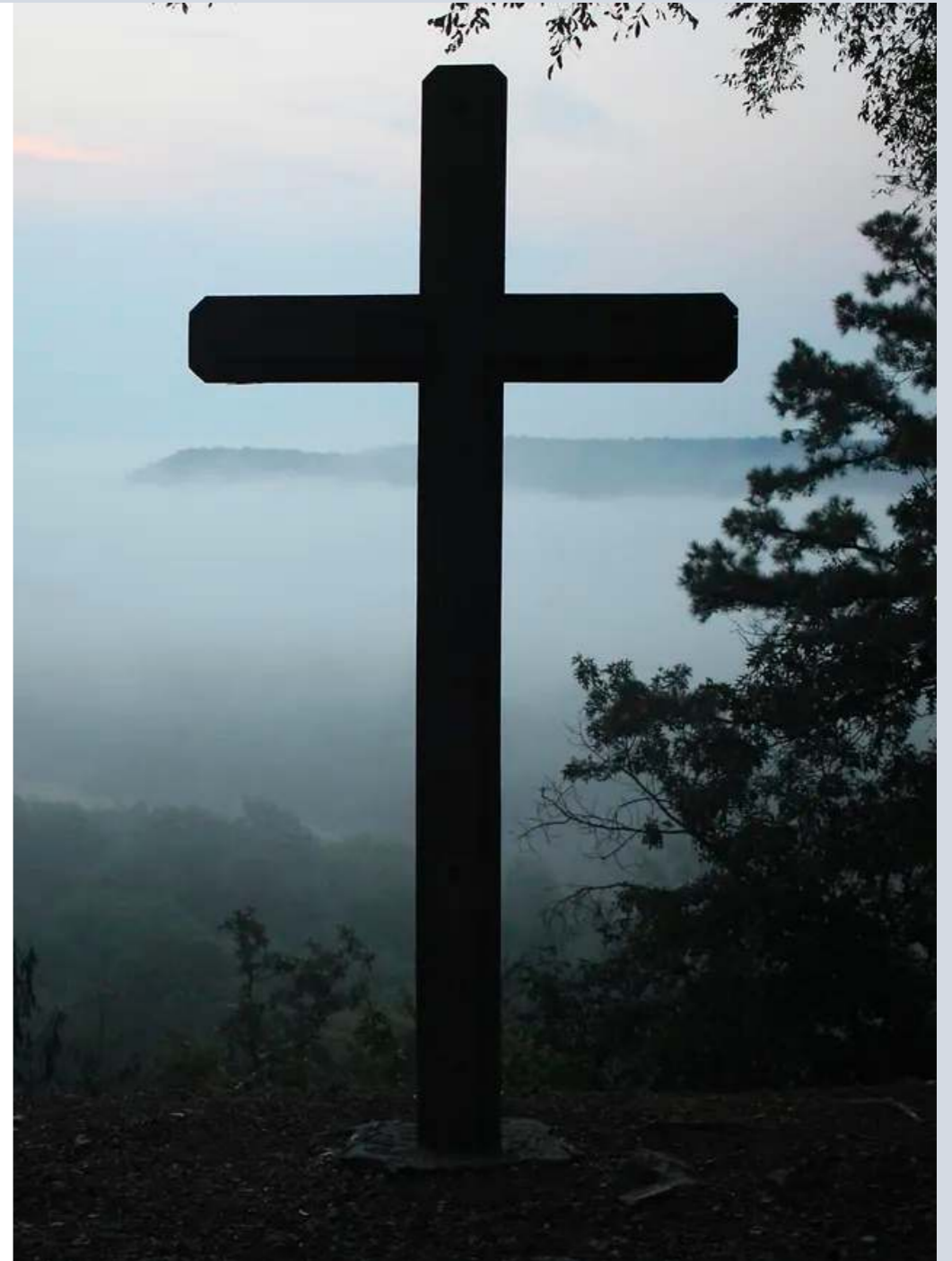


Business as Spirituality

Christianity:

- "Lend, expecting nothing in return" (Luke 6:35)
- Laudato Si (Pope Frances)
 - “The principle of the maximization of profits, frequently isolated from other considerations, reflects a misunderstanding of the very concept of the economy.”

"Silhouette of Christian cross near foggy" is marked with [CC0 1.0](#).



Business as Spirituality

Ancient Greeks and Romans:

- Aristotle called usury the most unnatural and unjust of all trades
 - “Money is be used for exchange, not the breeding of money from money”.
- In Rome, Cicero, Cato and Seneca made similar censures

"British Museum. Ancient greek vase" by talliskeeton is licensed under CC BY 2.0.

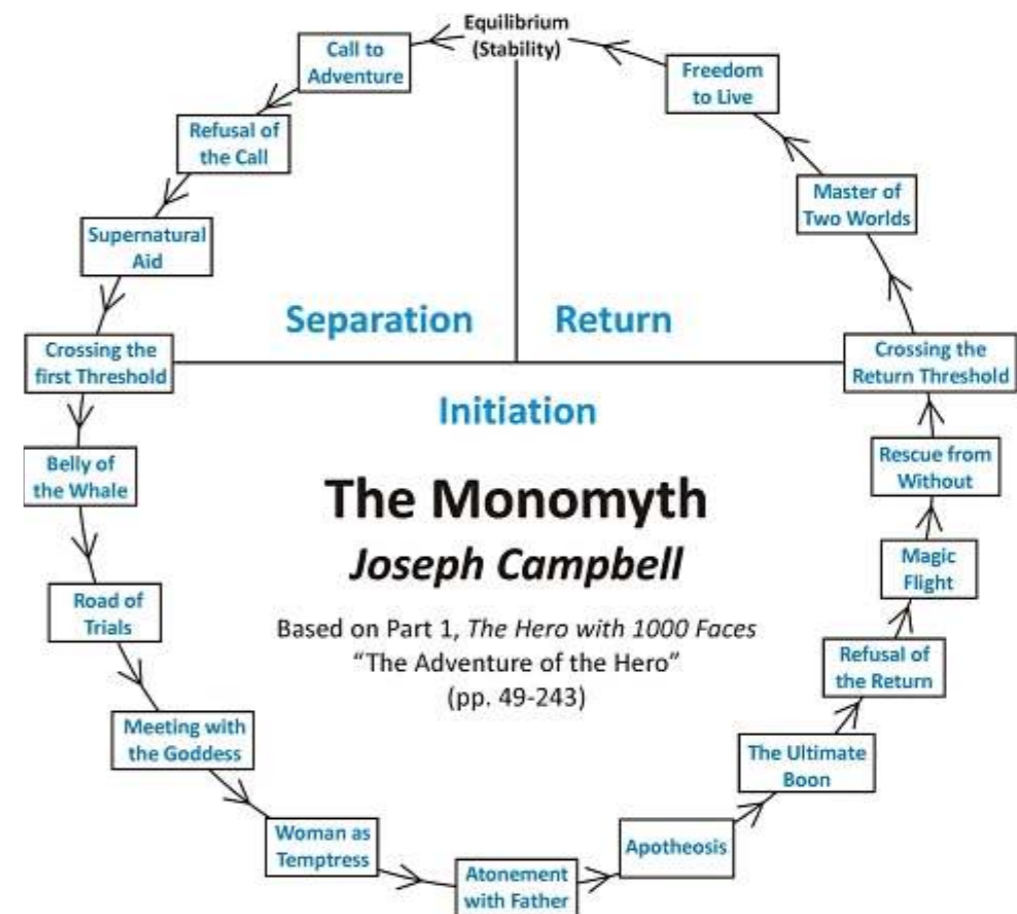


Business as Self Expression

Hero's Journey:

- 12 step template - Joseph Campbell
- As entrepreneurs, we write our stories with our actions (not words)
- Create “dramatic unity” between our North Star of Purpose and our everyday operational actions
- We can aim to make our story a noble quest rather than a tale of greed and tragedy

"File:The Monomyth - Joseph Campbell.jpg" by RegHarris4Wiki is licensed under CC BY-SA 4.0.

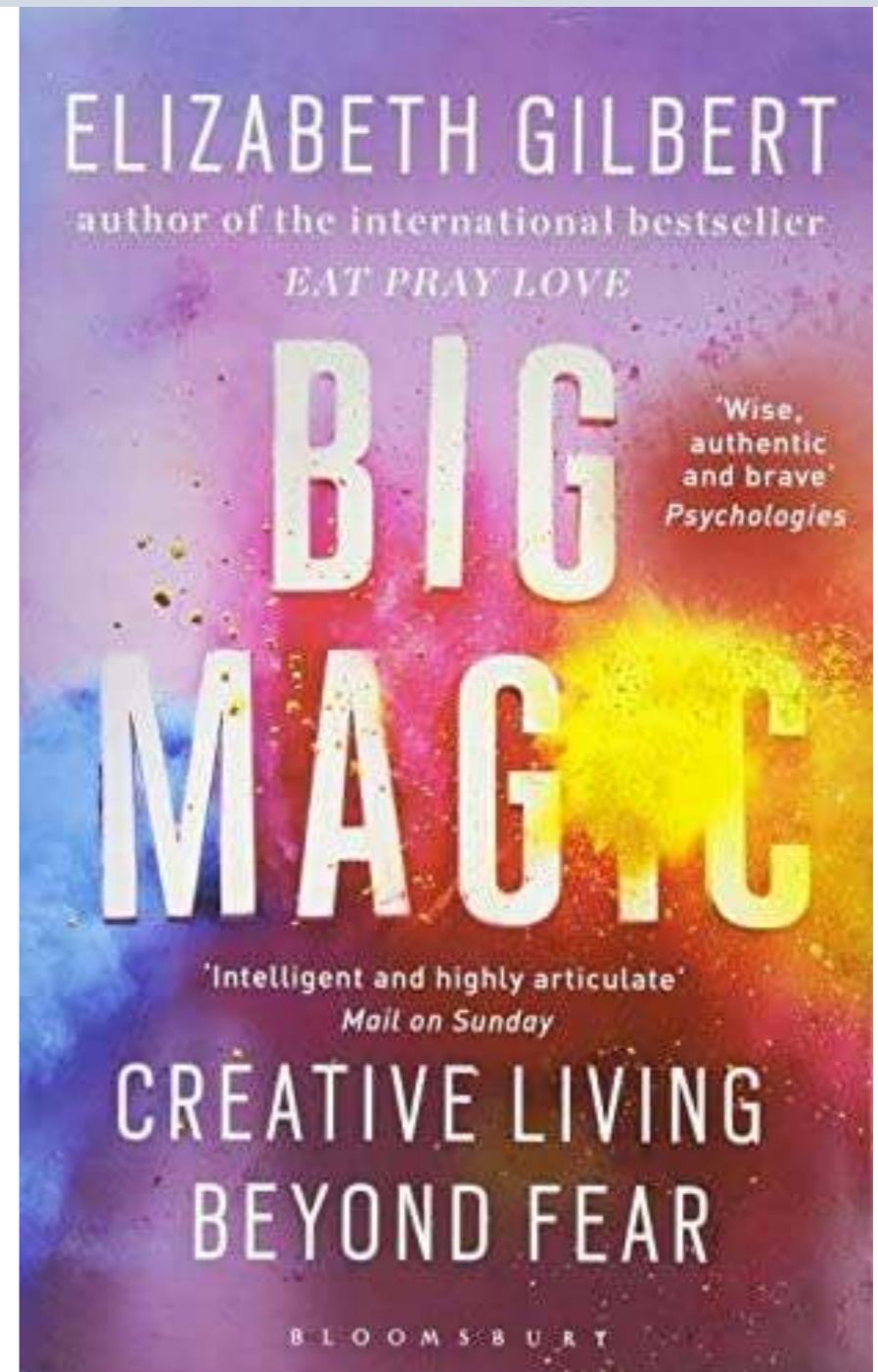


Business as Self Expression

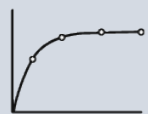
Synchronicity and Scavenger Hunts

- Aspiring founders want to start a company, but don't have a business idea
 - Get quiet. Create some space.
 - Pay attention to what you're curious about.
 - Notice it. Investigate it. As you explore it, you will receive the next clue.
- Entrepreneurship is a scavenger hunt

<https://www.elizabethgilbert.com/books/big-magic/>



Part II: Status Quo



Questioning Business

Financial Extraction

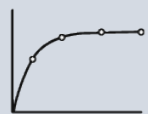
The Story of the 11th Round

- Written by Bernhard Lietaer
- Extended by Charles Eisenstein
(Sacred Economics)

"Chicken" by cheetah100 is licensed under CC BY 2.0.



“Extraction is the original sin of business”

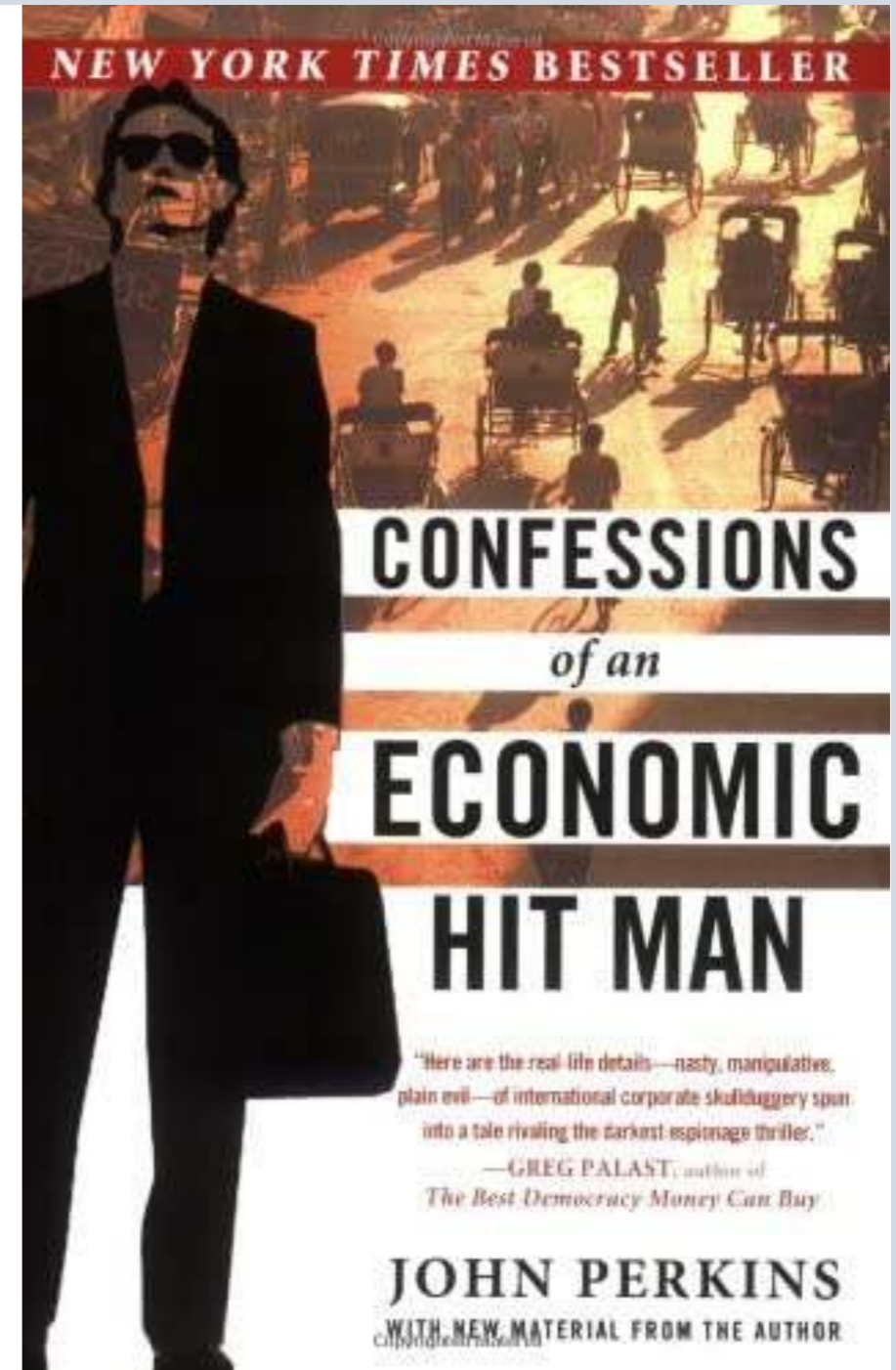


Financial Extraction

Multiple Layers

- Micro: Personal debt
- Meso: corporate equity and debt financing
- Macro: international development loans

<https://johnperkins.org/books>

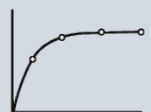
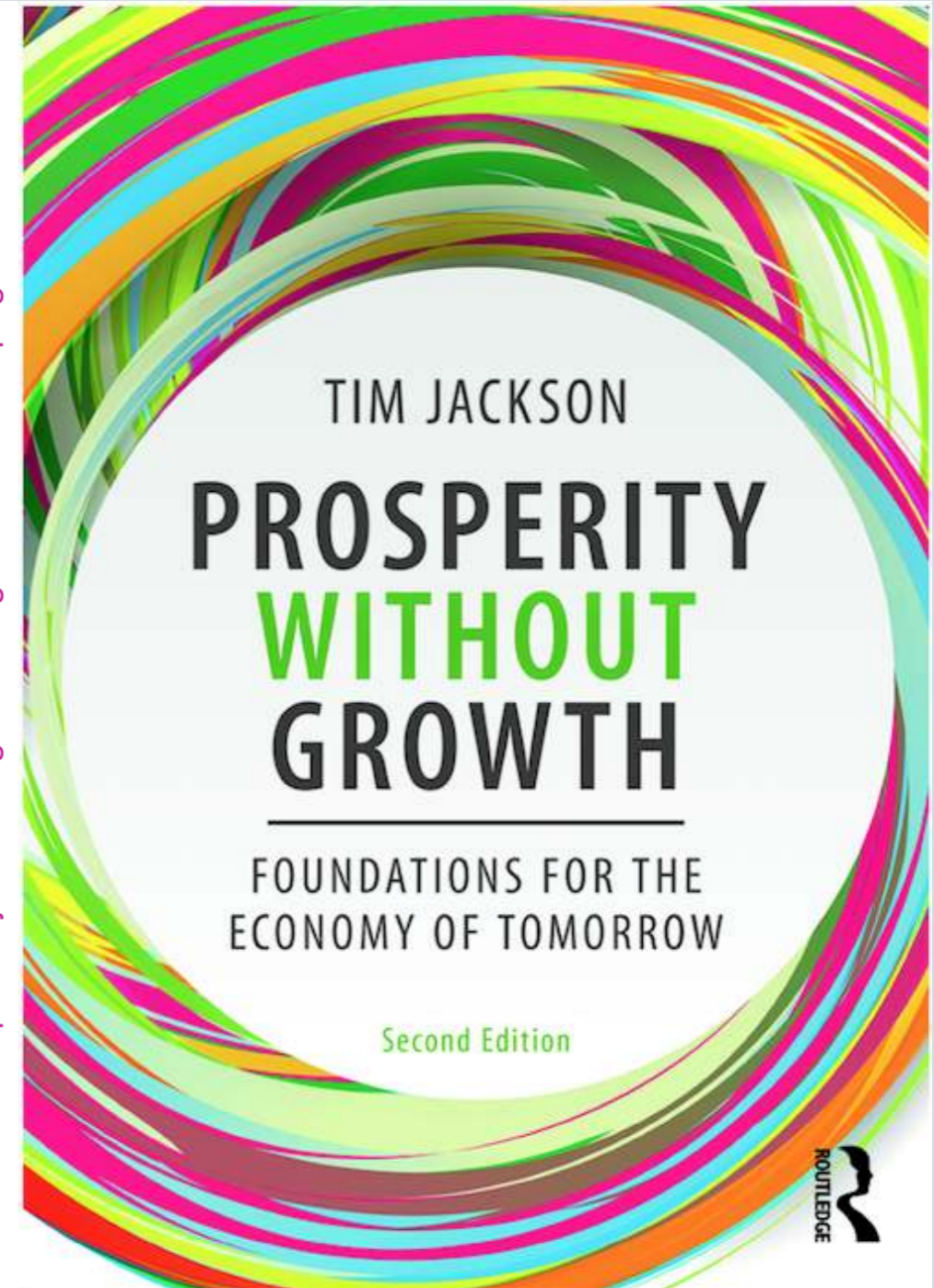


Growth

Macroeconomic Growth

- Gross Domestic Product (GDP)
 - Why is this our measurement of national wealth?
- Question: can we achieve prosperity *without* growth?

<https://timjackson.org.uk/ecological-economics/pwg/>



Growth Curves in Business

Kate Raworth

- TED talk: 'A healthy economy should be designed to thrive not grow'
- Question: can we move from exponential growth curves to flat ones?

"TED2018 20180411 2BH9397 1920" by TED
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Silicon Valley

"Create equity" by Global X is licensed under CC BY 2.0.

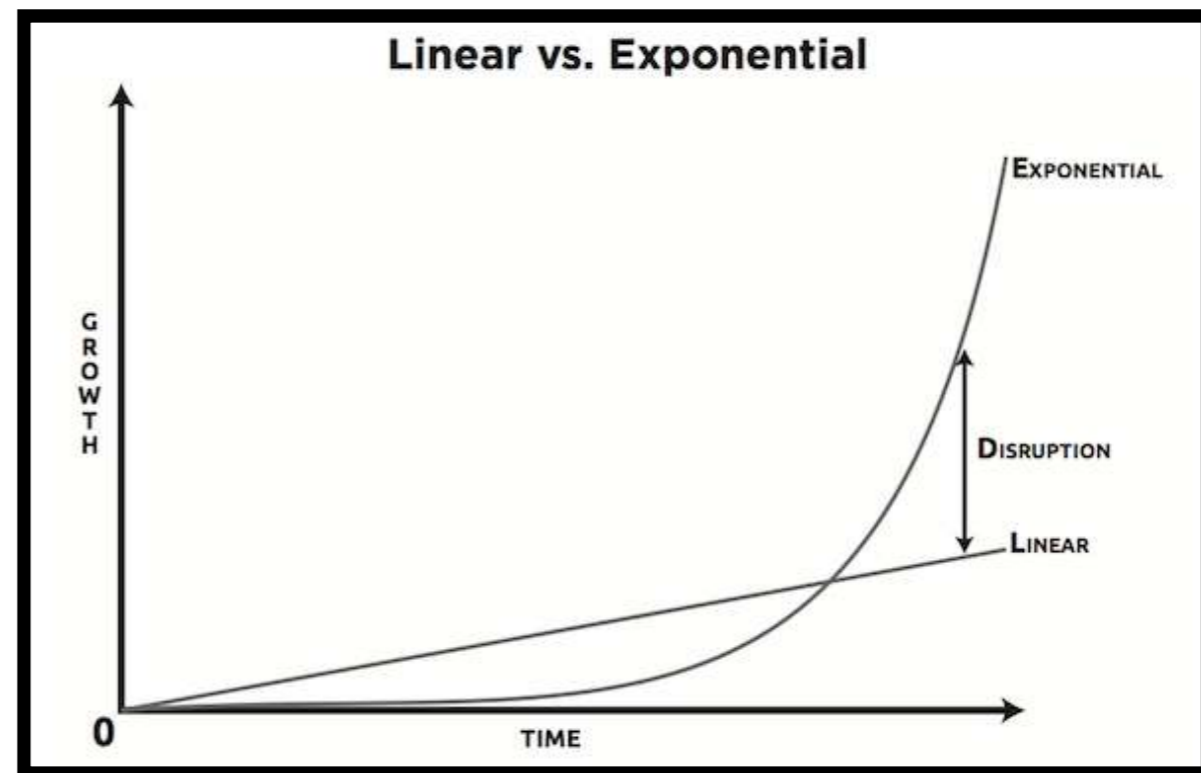


"Homeless woman rummaging through a trash can" by Franco Folini is licensed under CC BY-SA 2.0.



The Silicon Valley Model

1. Capital
2. Scale
3. Exit



Capital

- Seed financing, VC rounds, angel investment, convertible loans, etc..
- Investors now have control
- VC is overhyped

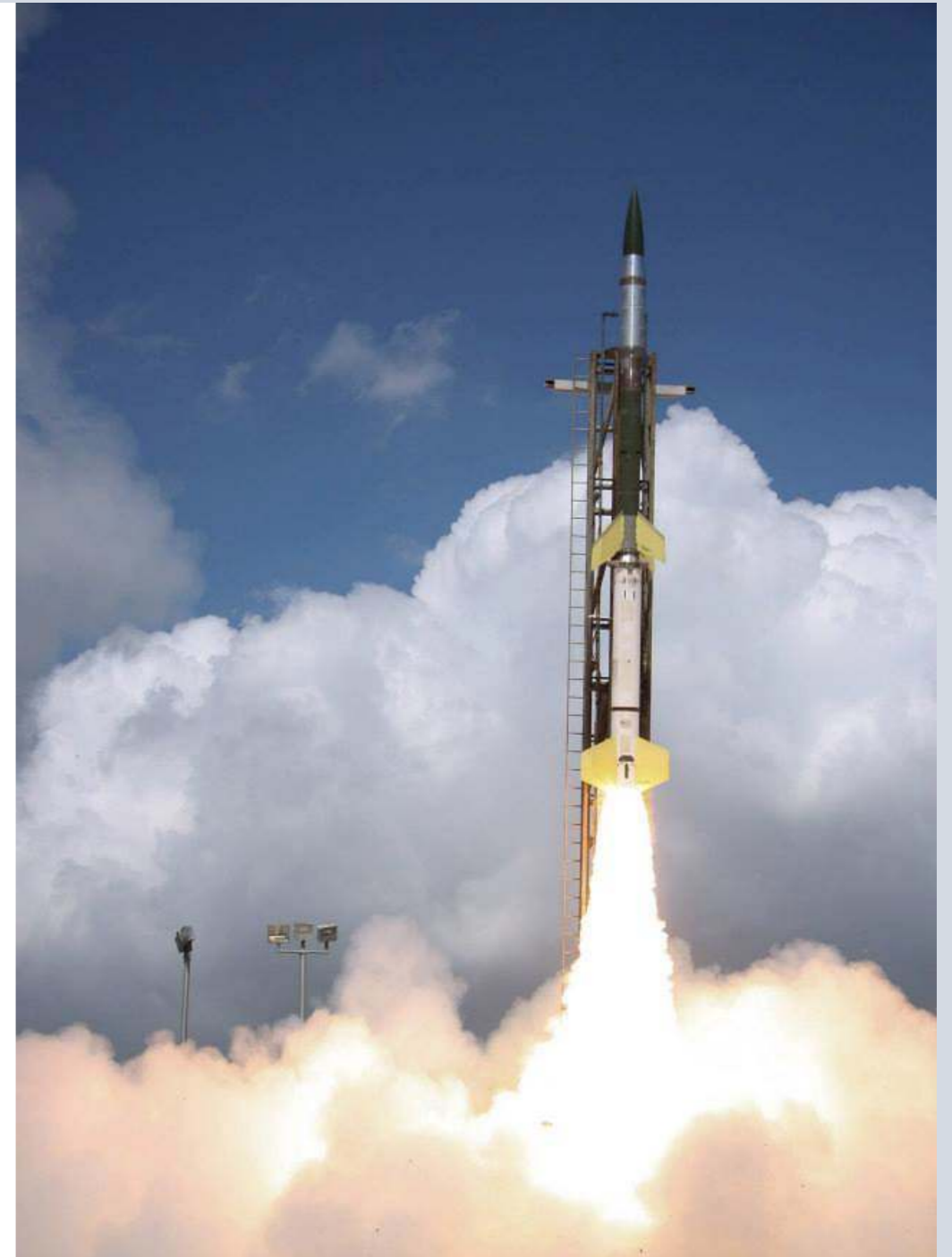
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Scale

- What exactly are we scaling?
- Is VC an accelerator?
- 90% of startups fail

"Daytime Dynamo Rocket Launch" by NASA Goddard
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Exit

- Financial value is pulled out of business
- Startups are like farmed chickens
- The startup ecosystem as a casino for investors
- Exits are destructive

"File:SmileDirectClub Rings the Nasdaq Bell 1.jpg" by SDCSteve is licensed under CC BY-SA 4.0.

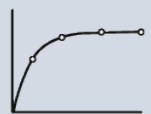
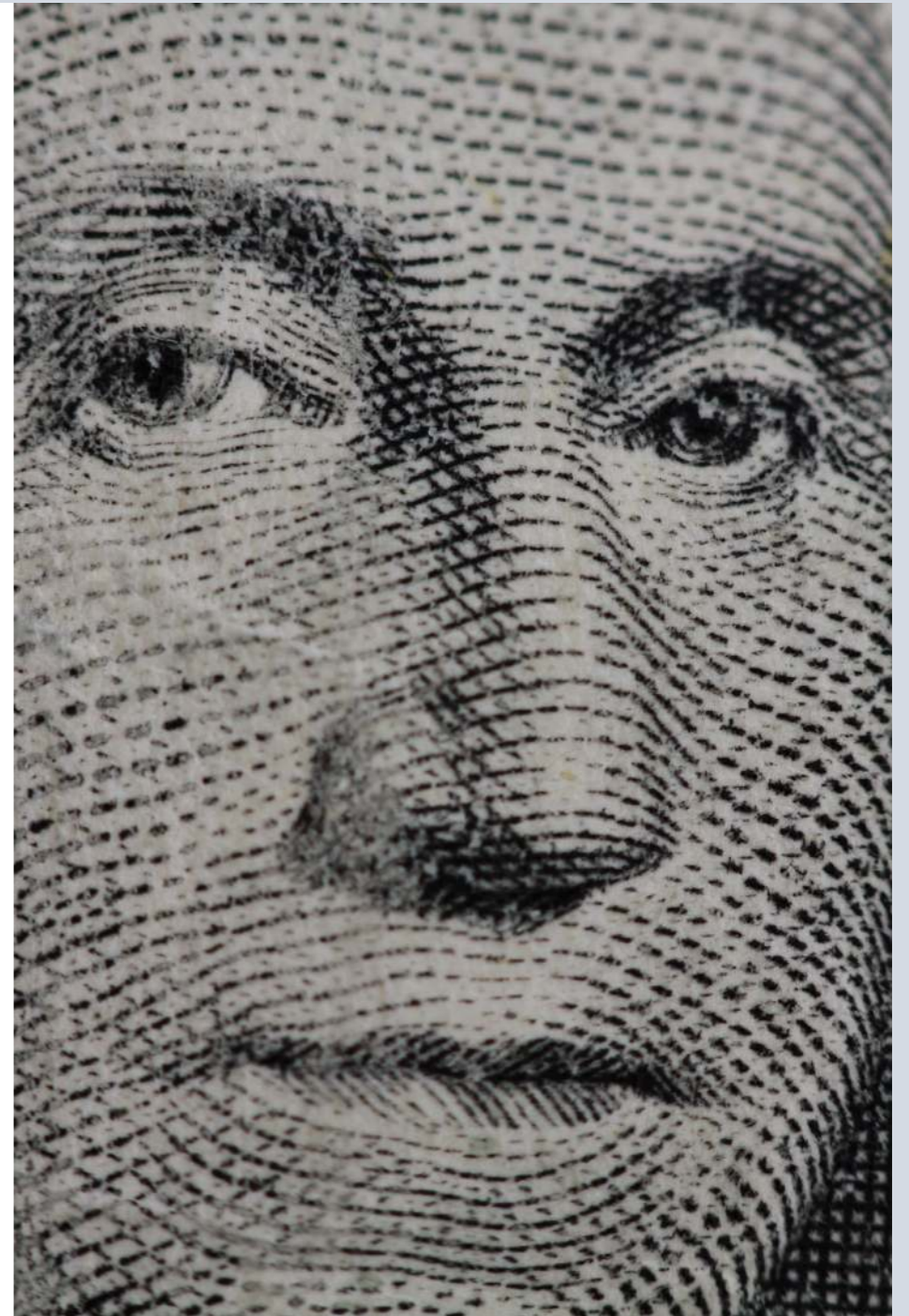


The Startup Ecosystem

Valuations

- Apply the stock price from the latest funding round to all outstanding shares
- Satirical blogpost from 37signals (Basecamp)
- Less funny: Kleiner Perkins put \$20 million into Snapchat (May 2014 - no revenue) for a tiny ownership stake, valuation \$10 billion (up from \$2 billion)

"One Dollar Bill Macro" by Gamma Man is licensed under CC BY 2.0.



Pump and Dump

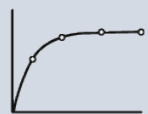
- Startups have become unprofitable cashing-out shell operations
- The mega investments of Softbank shook Silicon Valley
- “Pump and dump” obliterates the basic economics of industries, and causes them to evolve artificially and incorrectly

"Stock Graph" is marked with CC0 1.0.



“Speculators may do no harm as bubbles on a steady stream of enterprise. But the position is serious when enterprise becomes the bubble on a whirlpool of speculation. When the capital development of a country becomes a by-product of the activities of a casino, the job is likely to be ill-done...”

- John Maynard Keynes



Pump and Dump

- Startups have become unprofitable cashing-out shell operations
- The mega investments of Softbank shook Silicon Valley
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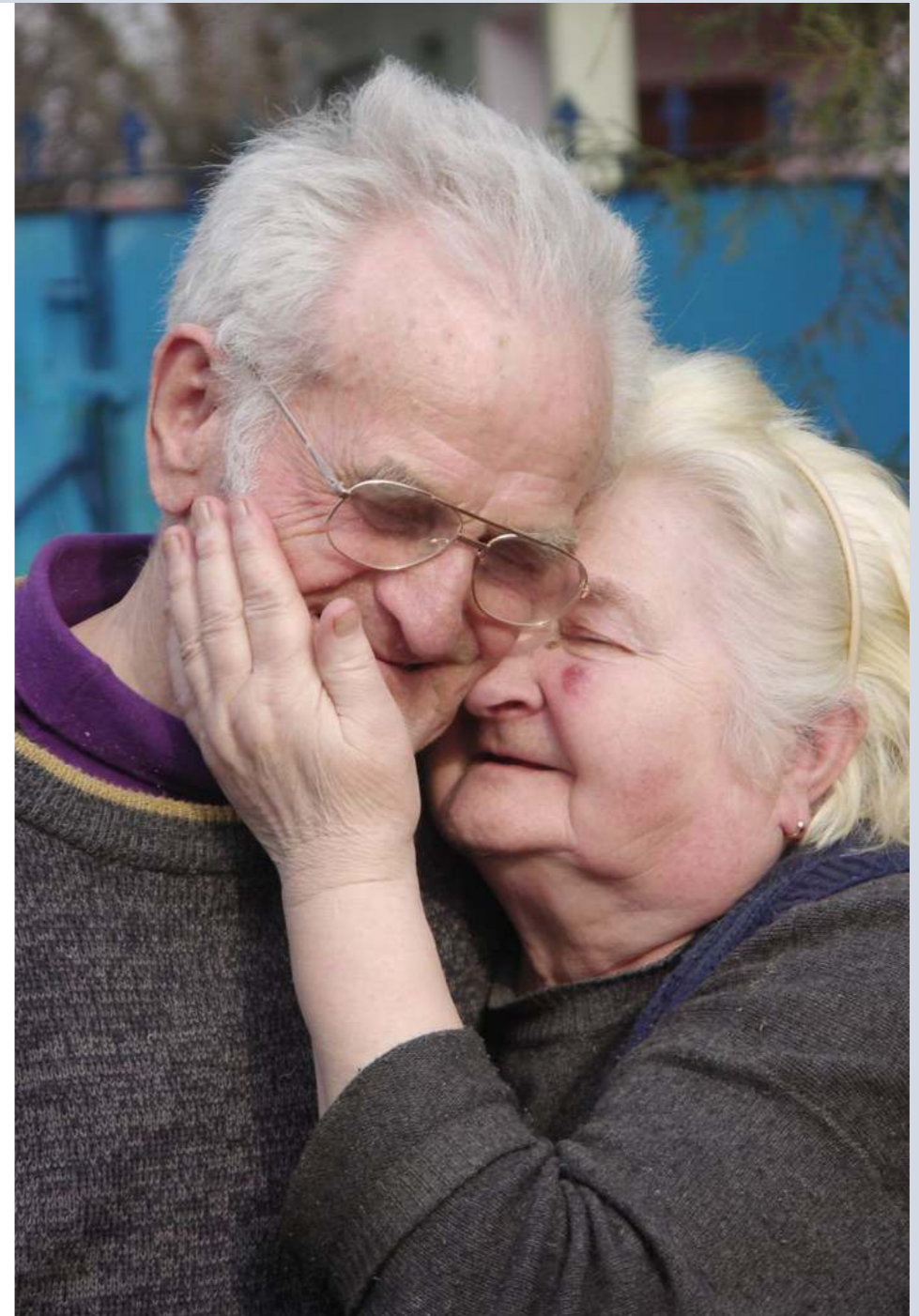
"Stock Graph" is marked with CCO 1.0.



Who Pays For This?

- Question: when unprofitable companies are bleeding cash - whose money are they spending?
- Pension funds contribute 65% of the capital to the US VC market
- 90% of VCs fail to keep pace with the stock market since 2000
- Institutional investors typically allocated 90% of IPO shares

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Unicorns

- Unicorns = 1 billion USD valuation
- Here's a dirty secret: 90% of unicorns are cash losing
- Let's call Unicorns what they really are: pension fund subsidized monopoly forming

Generated by OpenAI's Dall-E, using the prompt 'unicorn with rainbow dollar bills'



Who is Winning Here?

- LPs are bleeding cash both pre- and post-IPO, and 90% of startups fail. Who is winning?
- VCs live off the “fee stream” (2 and 20)
- Normal people bear the risk, fund managers always win

"Cuban Cigars" by ankarino is licensed under CC BY 2.0.



Term Sheets Matter

Hypothetical situation:

- Unicorn startup raises several rounds of VC to great fanfare
- Mistakes are made, growth slows, valuation decreases
- Company sells for hundreds of millions, which still seems like great accomplishment
- Founders + employees earn nothing, investors get everything
- This is due to “liquidation preference”

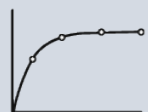
"Signature Contract Close Up Tool Edited 2020" by
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Liquidation Preference

- The principle behind liquidation preference (“liqpref”):
 - Investors put 100k in company for 50% of shares
 - Company is sold for 150k Euros
 - 50% (75k Euros) goes to founders
 - 50% (75k Euros) goes to VC
 - Investor loses 25k Euros from exit
 - This is obviously not fair
- Liquidation preference protects against this scenario
- Investors receive **preferred** shares, with liqpref=1
 - When company sells for 150k Euros, investors now get 100k Euros, 50k Euros for founders

"Is there a sale on? @ Lowestoft, Suffolk" by timparkinson is licensed under CC BY 2.0.



Multiples + Participation

- VCs generally ask for “multiples” of liqpref, due to risk
 - Investor puts 100k Euros into company for 50% of shares, with liqpref=3
 - Company sells for 500k Euros
 - First 300k Euros of sale goes to investor
- No participation = 300k is all the VC gets
- Preferred participation = VC also gets 50% of remaining amount (100k Euros)
- VC gets 400k Euros, founders get 100k Euros

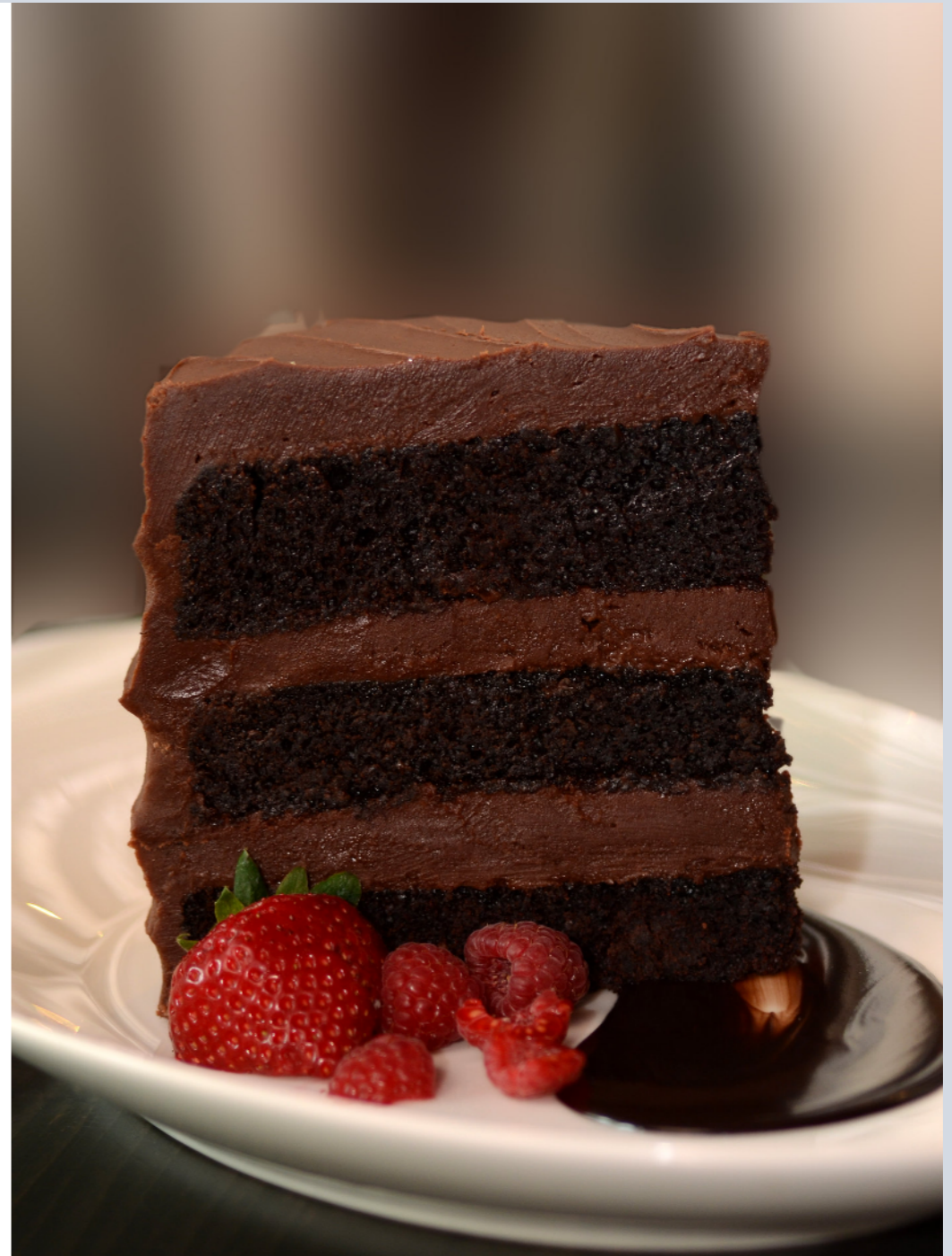
"Calculator and Coins" by Images of Money is licensed under [CC BY 2.0](#).



Preference Stacks

- “Preference stacks” across multiple investment rounds
 - A Round = FFF (100k Euros)
 - B round = VC (tens of millions), with preference
- VC is paid ahead of earlier investors
- On disappointing exit, not only founders but FFF get nothing
- The larger the B or C round, the more likely ALL the money goes to the VC

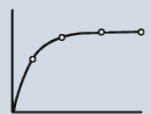
"Benny's Chop House Chocolate Layer Cake" by Benny's Chop House is licensed under [CC BY-SA 2.0](#).



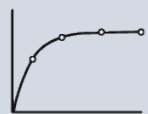
Why Founders Accept This

- VCs play hardball
 - They offer \$\$\$ with T&Cs
 - If you don't accept, they will go to your competitor
- Startup incubators generally don't mention any of this

"Playing hardball" by their is licensed under CC BY-SA 2.0.



Business Education



Education

General Education

- Democracy requires a good education
- Under increasing financial pressure, school shifted from enriching people's lives towards job readiness training
- The private sector externalizes costs of job training onto public school system
- But human interaction, relationships, and connection is the real point

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Business Schools

EC10 Walkout

- Occupy Wall Street organized a walkout on EC10 at Harvard University, the 'Introduction to Economics' class of Professor Gregory Mankiw.
- They then started Rethinking Economics and the Post Crash Economics Society to brainstorm about updating the economics curriculum
- Why haven't there been any walkouts from our MBA programs?

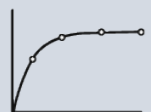
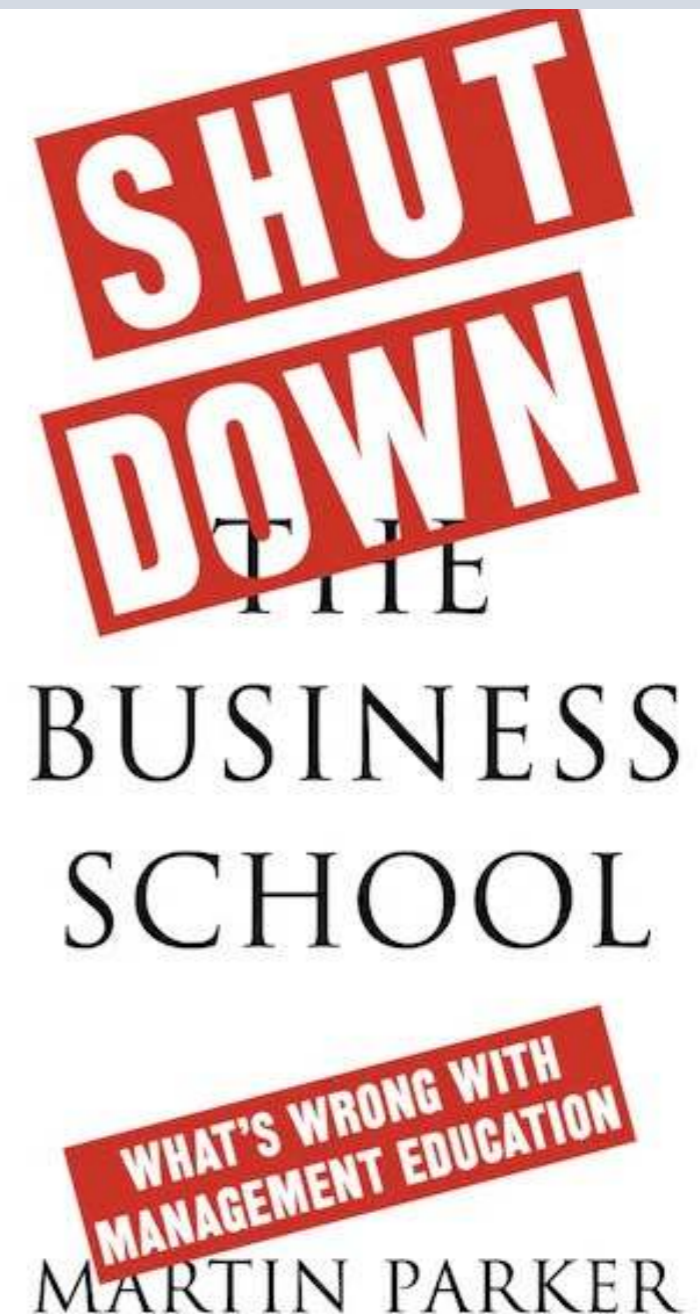
"Harvard Yard" by niklas.tenhaef1 is licensed under CC BY-SA 2.0.



Business Schools

- Prof Martin Parker (Univ of Bristol) wrote 'Why We Should Bulldoze the Business School'
- Capitalism is assumed to have beaten all other economic models. Students learn massive edifice of how things are, rather than how to organize differently
- Hidden curriculum: accounting, finance, MIS, marketing, HRM, Innovation, Operations/logistics, International Business, Strategy, Business ethics and CSR

<https://www.plutobooks.com/9781786802408/shut-down-the-business-school/>

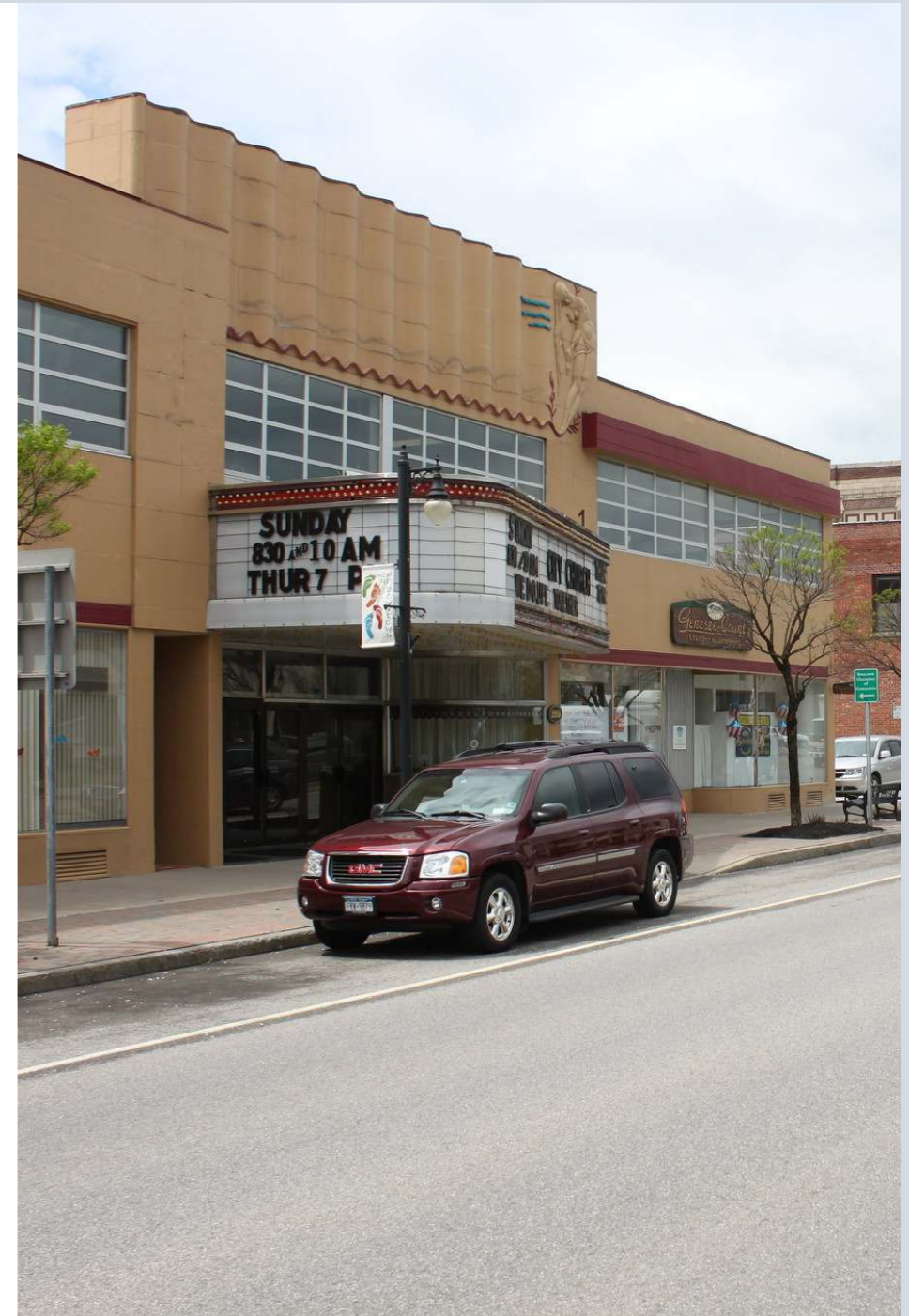


Startup Incubators

Batavia Industrial Center

- The Mancuso family created the Batavia Industrial Center (BIC) to revitalize the local community in Batavia, New York
- The Mount Hope Hatchery moved into the BIC: “These guys are incubating chickens. I guess we’re incubating businesses.”
- In the 1990s the BIC generated about 5,000 local jobs.

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Startup Incubators

High-Tech Incubators

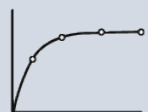
- Nolan Bushnell, founder of Atari and Chuck E Cheese is the pioneer of the high-tech incubator
- After Bushnell sold Atari, he created Catalyst Ventures, which churned out small businesses for his ideas
- Catalyst did decently for Bushnell: 7 of 14 made money, 2 broke even, 6 had losses
- This was an investment vehicle for Bushnell. As long as startups sold to larger companies - even if not profitable, the goal was achieved.

"Downtown Batavia, NY" by joseph a is licensed under CC BY-NC-SA 2.0.



“I am a manufacturer of economic inequality”

- Paul Graham (Y Combinator)



Conflict of Interest

Startup Incubators

- Our startup ecosystem faces a financial conflict of interest - most incubators take equity in their startups.
- Profiled as “business educators”
- Teachings and activities mostly revolve around VC and exits

"2022 - Venture event ENX 1385 (52470563923)" by
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Conflict of Interest

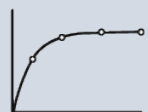
Business Schools

- Business schools at universities share a similar financial conflict of interest as incubators
- Large business schools: endowments
- Smaller business schools: subsidies and tuition

["University of Salford signs partnership agreement with Santander"](#) by [University of Salford](#) is licensed under [CC BY 2.0](#).



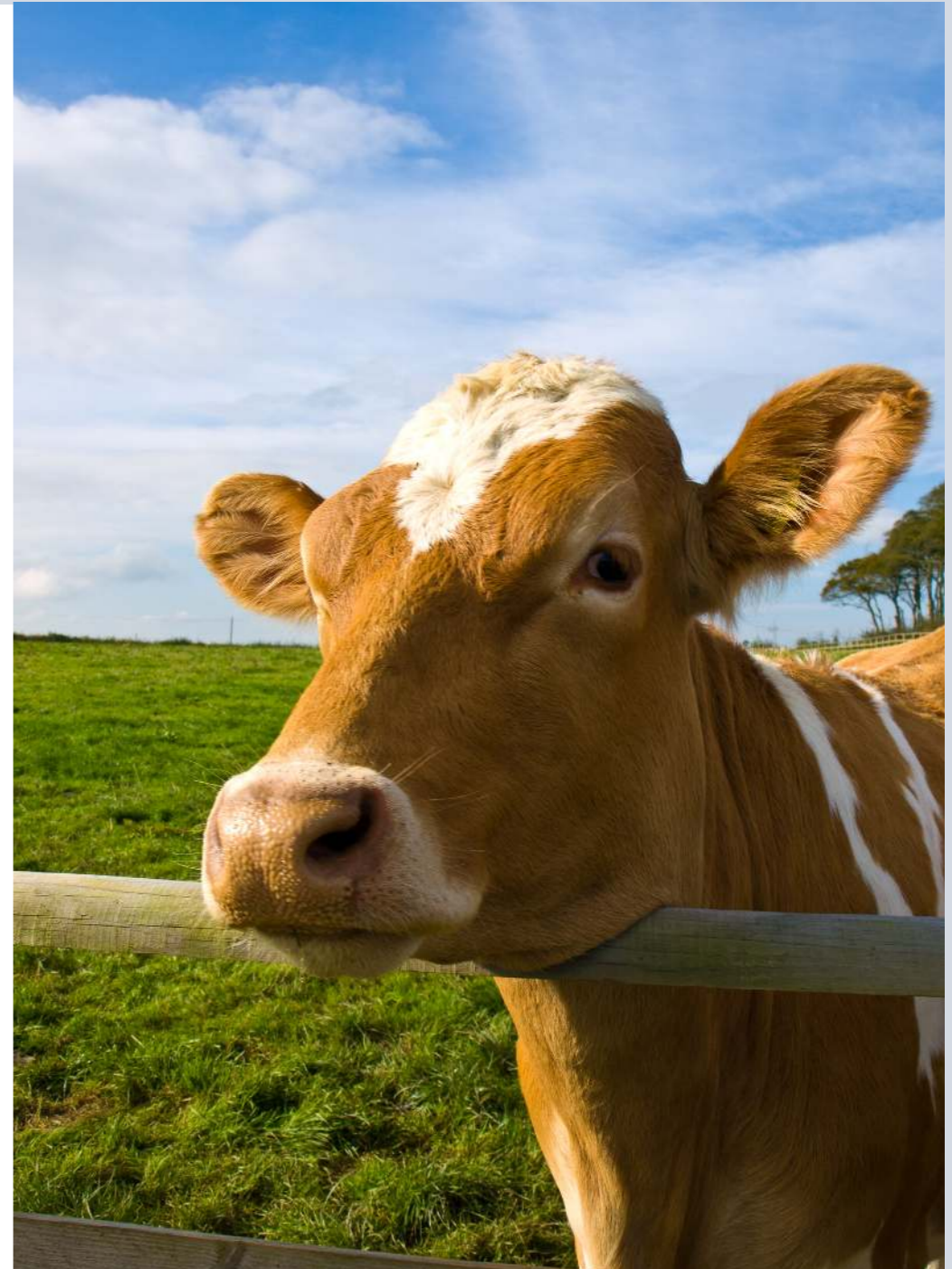
Social Enterprise



Social Enterprise

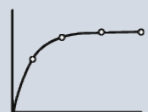
- Systemic problems require systemic solutions
- Blaming individuals/consumers is counterproductive
- Consumer choice implies the availability of viable and cost-effective alternatives, and only collective action can realize this
- Example: vegetarian “meat”

"Cow" by wwarby is licensed under CC BY 2.0.



“System change not climate change”

- Extinction Rebellion



Regeneration vs. Extraction

- Kate Raworth: 3 way companies can think about social impact: “doing less bad”, “doing no harm”, and “doing good”
 - (Re-)generation not extraction
- Social enterprise consists of a wide variety of regenerative concepts and communities
- Michel Bauwens’ [P2P Foundation wiki](#)

"Regeneration" by russellstreet is licensed under CC BY-SA 2.0.



Building Blocks

- We will highlight some building blocks of social enterprise:
 - Social mission
 - Low-profit / non-profit entity forms
 - Self-ownership / Steward ownership
 - Stakeholder governance / cooperatives
 - Sustainable / regenerative / circular
 - Transparent / participatory / inclusive
 - Local / decentralized
 - Charitable / cross-subsidizing

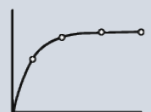
"building blocks" by nerissa's ring is licensed under CC BY 2.0.



Social Mission

- Commitment to social mission and Triple Bottom Line
- Writing this into statutes to make it legally binding
 - Attempt to overcome shareholder primacy
- 'B Corp' movement pioneered this

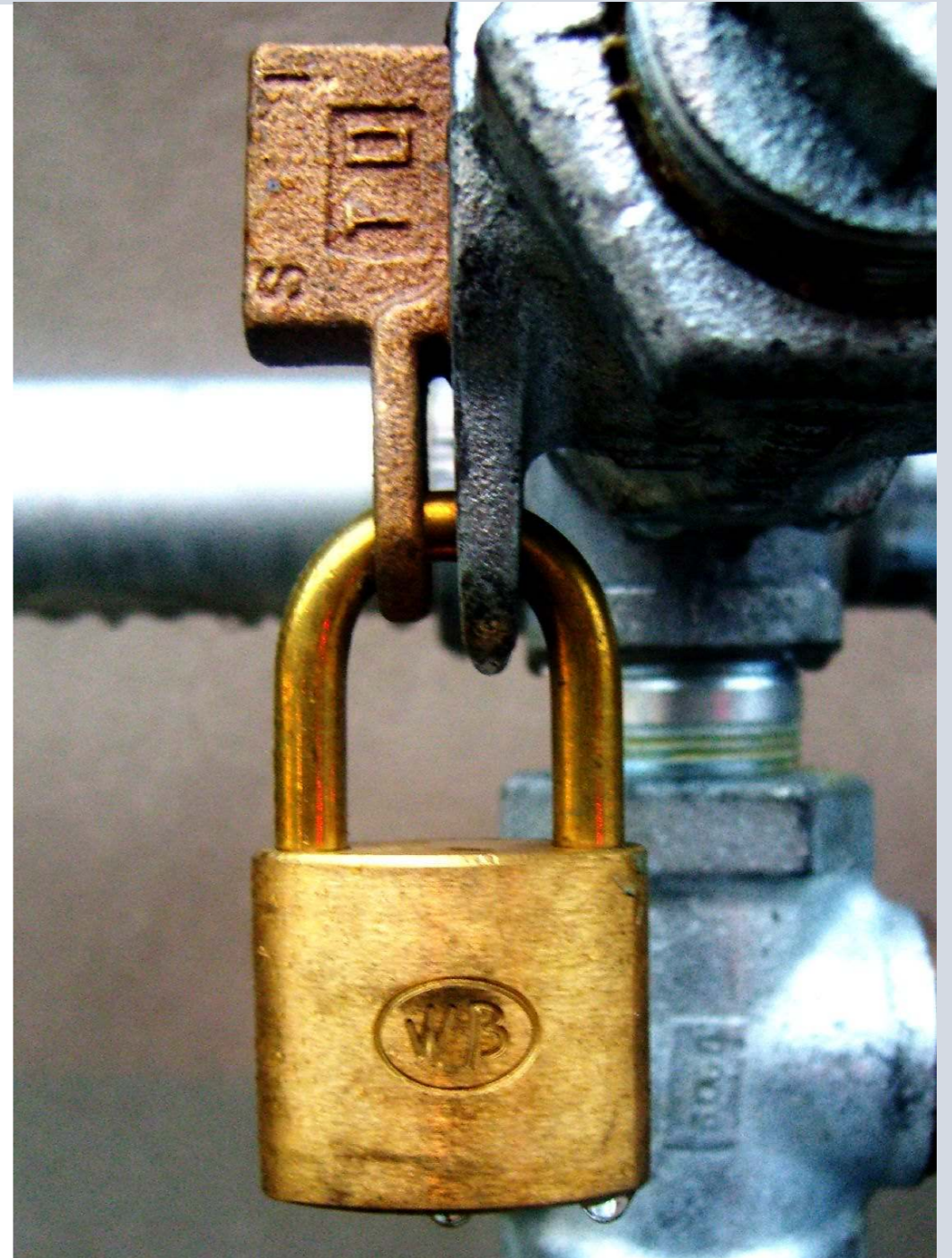
"Triple Bottom Line's chinese translation" by Z7504 is licensed under [CC BY-SA 4.0](#).



Low-Profit Entity Forms

- Official legal entity forms
- Feature asset locks, which limit financial extraction from companies
- Examples:
 - B corporation, L3C, public-benefit corporation (USA)
 - Community Interest Companies (UK)
 - gGMBH (Germany)
 - BVM (Netherlands)

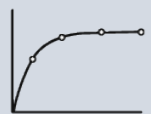
"locked steel" by Darwin Bell is licensed under CC BY 2.0.



Non-Profit Entity Forms

- Foundations as companies
 - Examples: universities, hospitals, Wikipedia
- Foundation-owned companies
 - Hybrid forms are common in social enterprise
 - Examples: Zeiss, Bertelsmann, Heineken, Ikea, Bosch, Rolex, Tata Group, Carlsberg, Patagonia
 - 100% foundation-owned companies are popular in Denmark

"DSC00628, Copenhagen, Denmark" by jimg944 is licensed under CC BY 2.0.



Steward Ownership

- Led by Armin Steuernagel (2017) and Purpose Foundation
- “Self-ownership”, profit rights separated from voting rights
- Golden share: “poison pill” (single voting share) that blocks sale of companies
- Hundreds of companies including: Ecosia, Einhorn, Buffer, Ableton

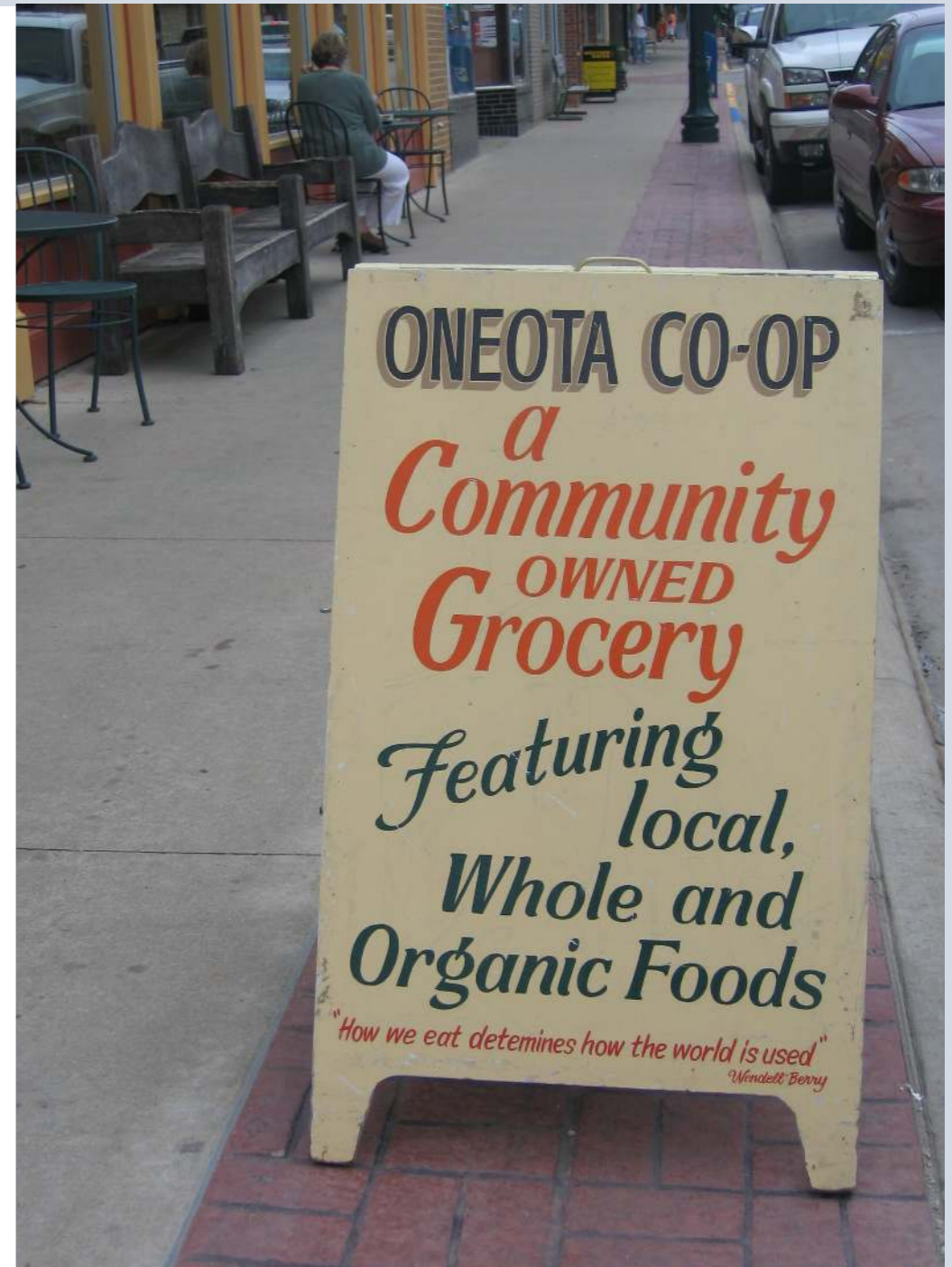
"Pills" by List_84 is licensed under CC BY 2.0.



Cooperatives

- Co-ops are a form of stakeholder governance
 - Usually worker owned or employee owned
 - Stakeholders collectively own the tools of value creation
- “Platform cooperatives” provide an alternative to “platform monopolies”
 - Example: Drivers Cooperative (NYC) vs. Uber
- “Exit to Community” - Zebras Unite

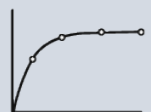
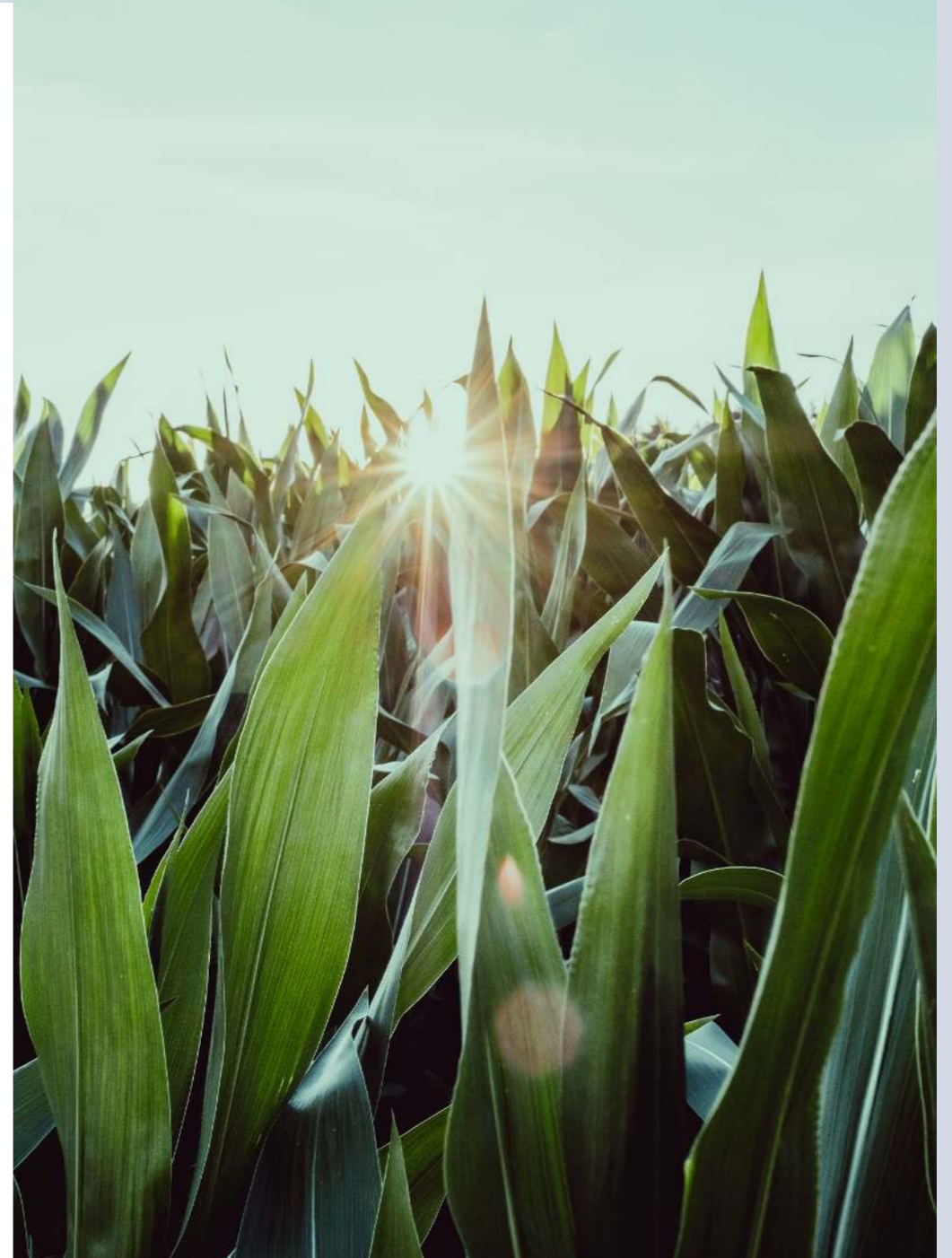
"Oneota co-op rocks." by Jason Riedy is licensed under [CC BY 2.0](#).



Sustainability

- Ecological sustainability
 - Climate change and biodiversity loss
 - Resource usage (reduce, reuse, recycle)
- Regeneration
 - Ecological regeneration
 - Rebuilding non-monetized human relationships and the Commons
- Circularity
 - Cradle-to-cradle approach

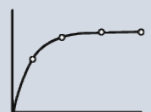
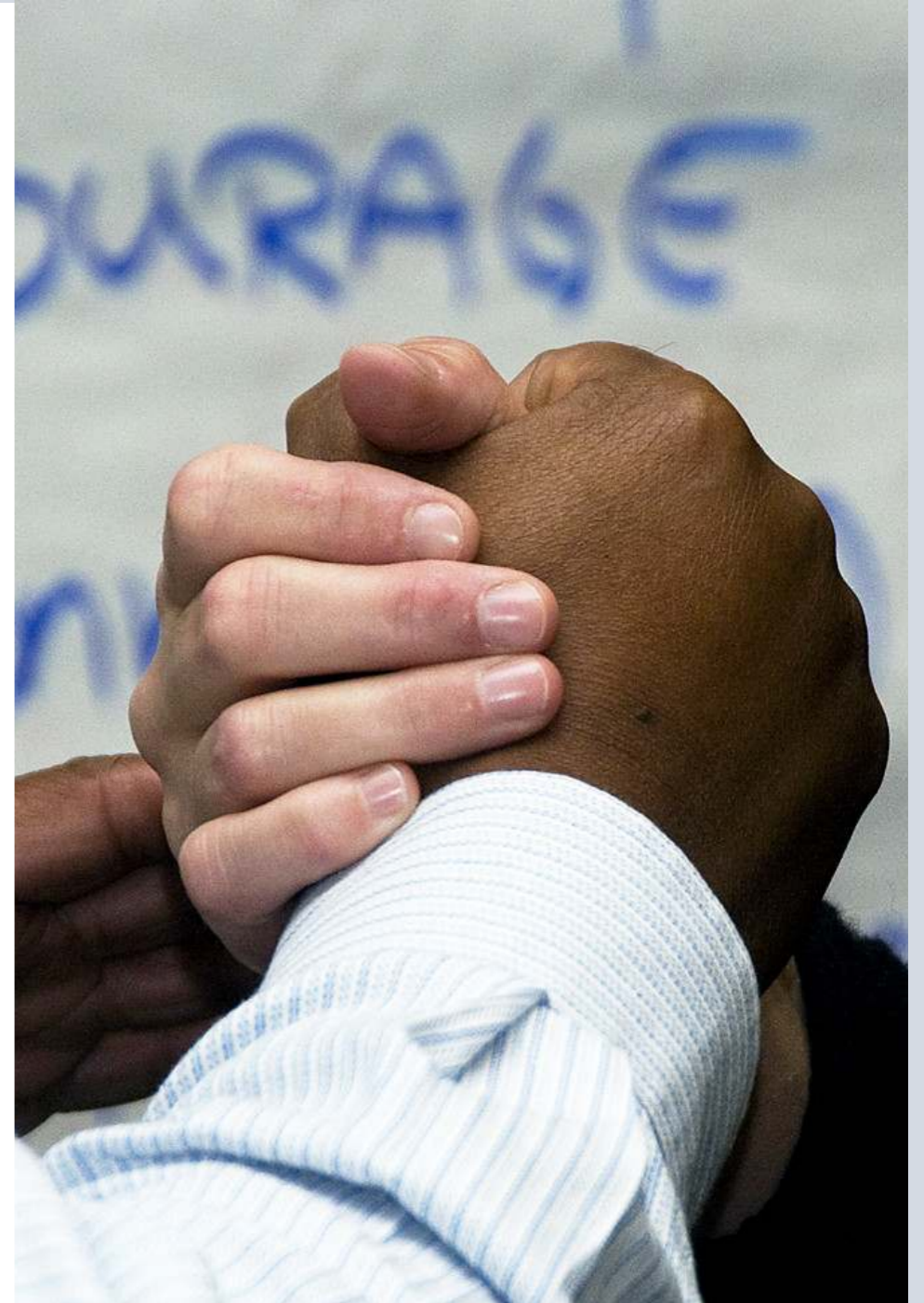
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Inclusive

- Transparent
 - Sharing financial data, KPIs, and strategic information internally
- Participatory
 - Expanded circle of people making business decisions
- Inclusive
 - Diversity, equity, and inclusion (DEI)

"Sustainability" by mripp is a "2011 Diversity Conference" by OregonDOT is licensed under [CC BY 2.0](#) under [CC BY 2.0](#).



Local

- Local
 - Business focused on stimulating local ecosystems
 - Example: community shops and pubs, community banks
- Decentralized
 - Horizontal organization (Buurtzorg)
 - Note: separate issue from blockchains, cryptocurrency, decentralized finance (DeFi), and Distributed Autonomous Organizations (DAOs)

"File:Age Concern Community Shop - High Street - geograph.org.uk - 1566393.jpg" by Betty Longbottom is licensed under CC BY-SA 2.0.



Charitable

- Companies may give a percentage of their profits to charity
- Yunus Social Business
 - “No-dividend companies for solving human problems”
 - Type 1 = all profits reinvested into the company with a social mission
 - Type 2 = all non-reinvested profits donated to charity
- Cross-subsidization models
 - Ex: Arvind Eye Care Center, Aga Khan University Hospital

"File:Orphans - Debmalya Seva Mission - Orphanage - Howrah 2014-04-06 9829.JPG" by Biswarup Ganguly is licensed under CC BY 3.0.



What's Wrong With Social Enterprise?

- Social enterprise is (usually) still extractive
- Greenwashing
 - Social mission statements cover up harmful business models
- Mission drift
 - Impact watered down over time in favor of growth, often due to pressure from (impact) investors
 - Hypergrowth doesn't lead to more impact
- Case study: Elon Musk

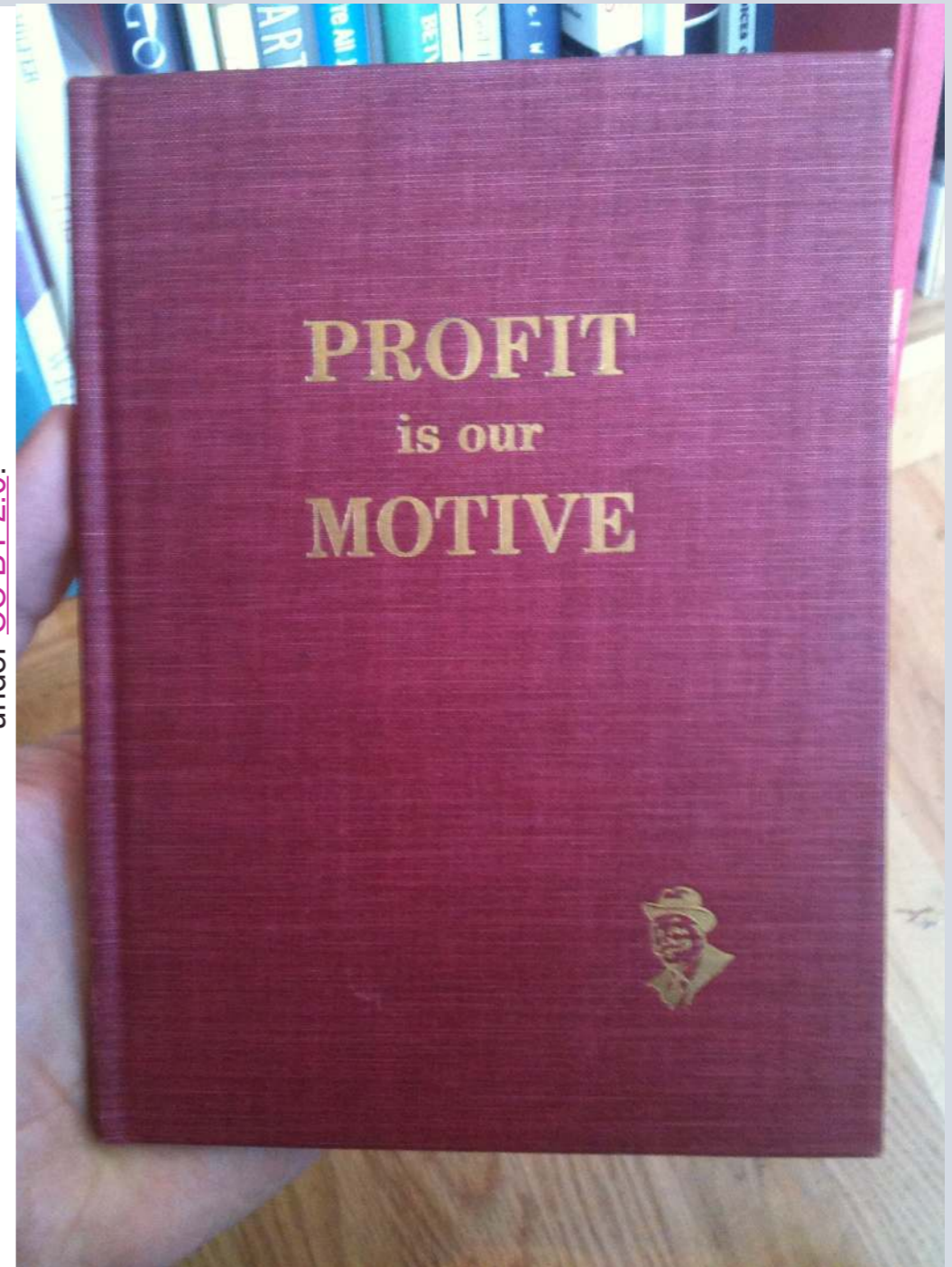
"greenwash at the gas station" by [margonaut](#) is licensed under [CC BY 2.0](#).



Profit's Double Meaning

- There's 2 meanings embedded in the word 'profit':
 1. Reinvestable margin
 2. Financial extraction
- This creates confusion: "OF COURSE my business needs to be profitable to survive!"
- "Not-for-profit" is equally confusing
- This illustrates the problem with the Triple Bottom Lines

"PROFIT is our MOTIVE" by pheezy is licensed under CC BY 2.0.





Post-Growth
Entrepreneurship



UNIVERSITY
OF AMSTERDAM

Post Growth Entrepreneurship

Dr. Melanie Rieback

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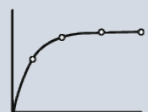
Jan 9, 2023

Individual Assignment

Part 1: (due Feb 5)

Design and plan the structure of a fictional "non-extractive company" by:

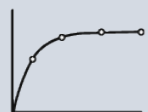
- Creating a Sustainable Business Model Canvas;
- Designing an experiment to test a fictional Minimum Viable Product, using the MVP Experiment Canvas;
- Write a "PGE Playbook" compatible Bootstrapping Plan for your fictional company of 500 words (1 A4);



Individual Assignment

Part 2: (due Feb 5)

- Write a 1500 word report (excluding references) describing how you would reinvent the University of Amsterdam Entrepreneurship curriculum (3 A4s)



Impact Investment

- Impact VCs fund social enterprises
- They may also cater to underserved communities
- Problem: Impact VCs have the same “2 and 20” fee structure as commercial VCs
 - ‘Carried interest’ embeds the growth imperative into social enterprises
 - These fee structures can be reformed: Snowball IM

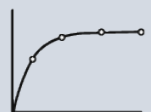
"Private Sector Solutions: Alimi Impact Ventures Climate-Smart Agriculture 2018" by UNCTAD is licensed under CC BY-SA 2.0



Impact Exits

- “Selling your B corporation to Unilever”
- Celebrating exits is ironic when we are claiming to build companies for the long-term
- Claim: selling to large corporations helps achieve social mission faster
- Retirement: CEO can create a “succession plan” to replace themselves with someone like-minded

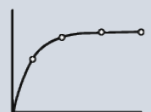
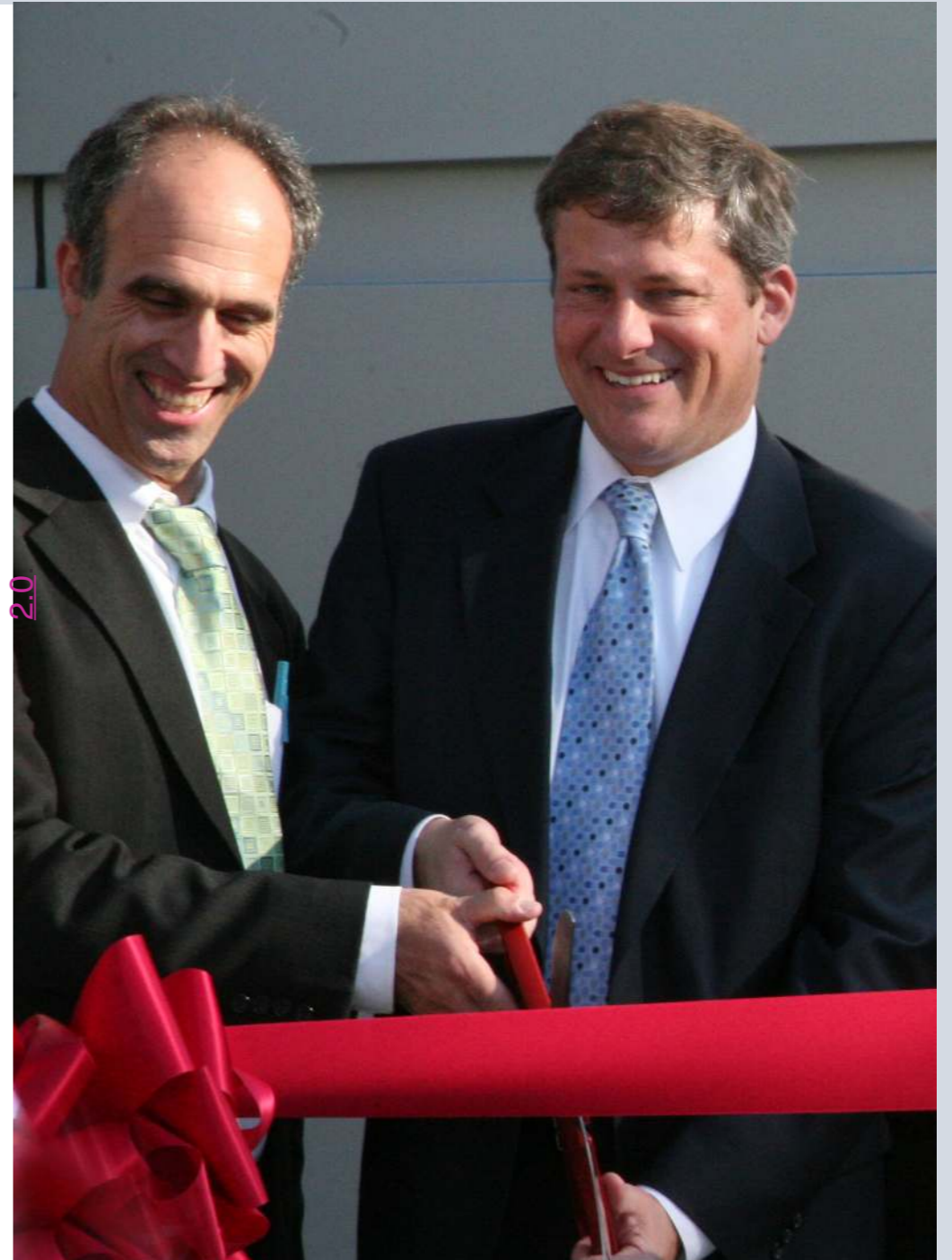
"Exit" by jpataki is licensed under CC BY-SA 2.0.



Philanthropy and CSR

- Philanthropy is one way we justify hoarding wealth
- Philanthropy does not fairly nor effectively redistribute money in society
- Reputation laundering and tax relief
- Philanthropy frequently takes the form of political donations
- Corporate Social Responsibility (CSR) is “philanthropy for companies”

"WES Ribbon Cutting" by Massachusetts Dept. of Environmental Protection is licensed under CC BY 2.0



Eliminating Extraction

- At a basic level, EVERY company can call itself a social enterprise, because it is fulfilling a genuine need in society
- Financial extraction from a business can be used to judge how "mission oriented" a company is, whether it calls itself a social enterprise or not.
- Eliminating extraction can potentially make every company a mission-oriented activist organization

"Farmers' Market" by NatalieMaynor is licensed under CC BY 2.0.



Creating Bespoke Solutions

- The social enterprise ecosystem is not unified and coherent
 - It is like the parable of the blind men and the elephant
 - Each movement is working towards the same thing, but from a different angle
- Approaches can be evaluated for strengths and weaknesses
- We must avoid tribalism and silo-forming, and work together to create bespoke solutions



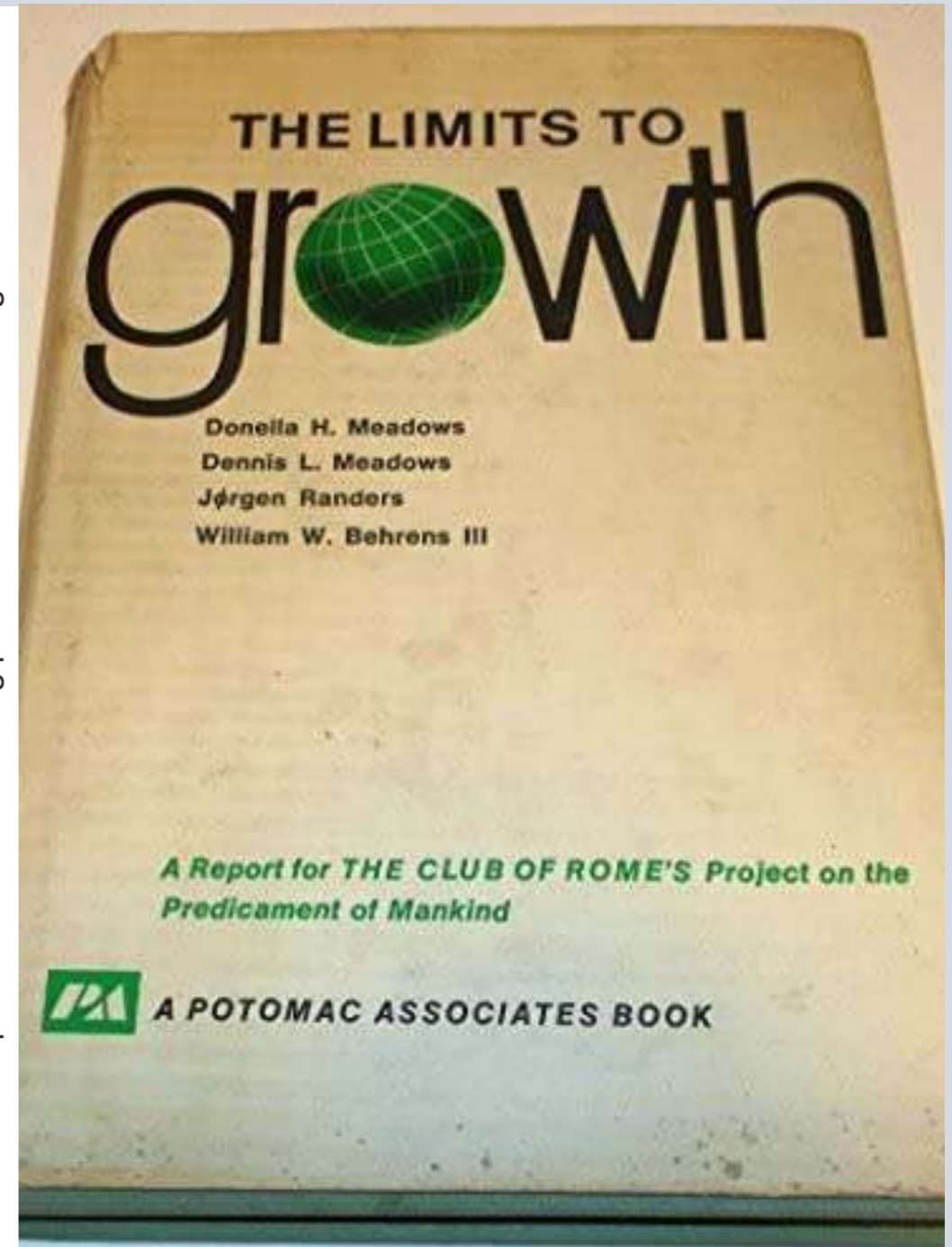
"Collaboration artwork is finished" by dorofoto is licensed under [CC BY 2.0](#).

Part III: Post Growth Entrepreneurship

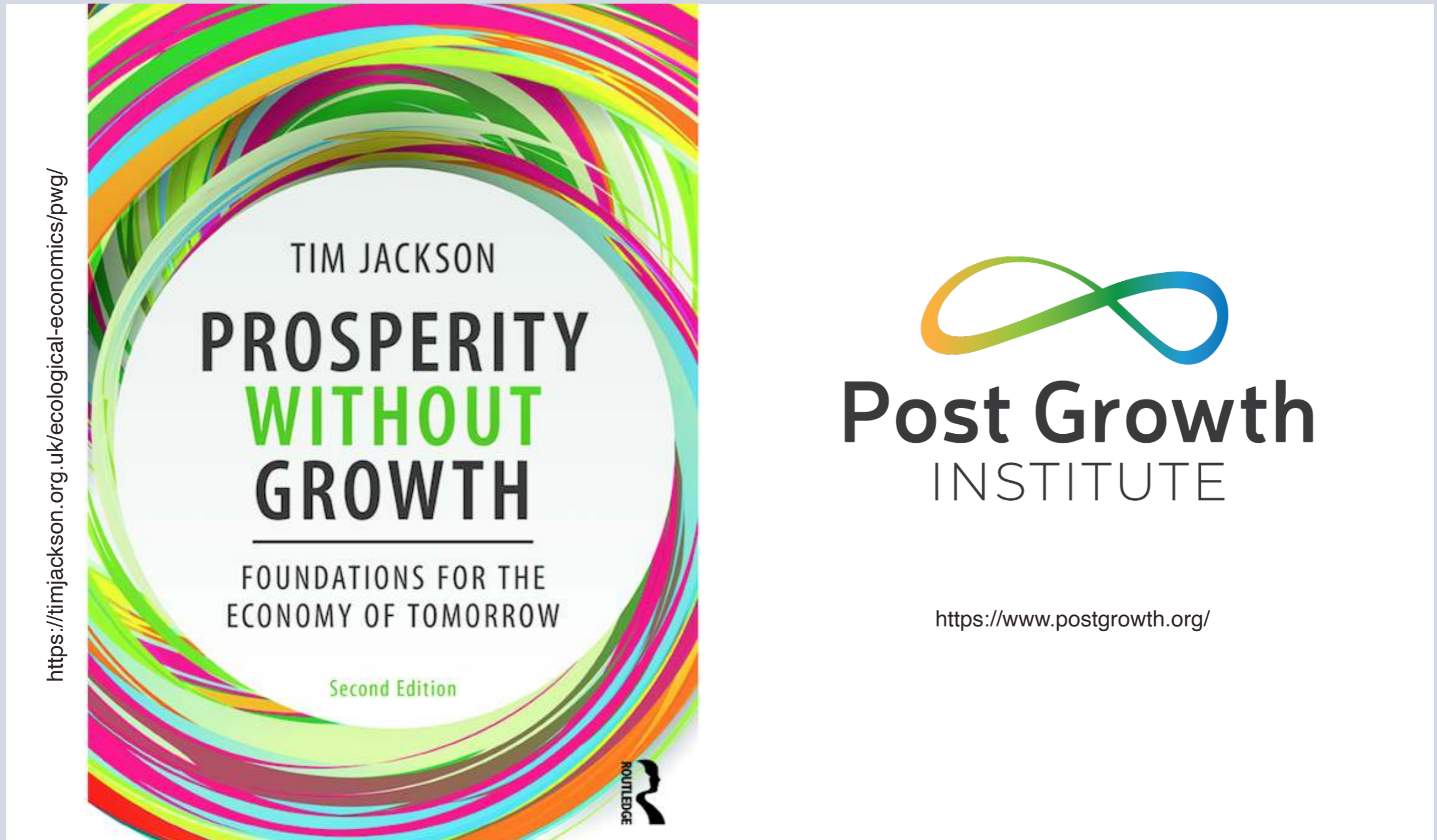
The Limits to Growth

- In 1972, the Club of Rome and MIT published a controversial report called 'The Limits to Growth'
- It resented a computer simulation (World3) of exponential economic and population growth given a finite supply of resources
- Offered 12 scenarios (including "Business as Usual")
- Predicted that limits would be reached by 2072

<https://www.clubofrome.org/publication/the-limits-to-growth/>



Post Growth Economics

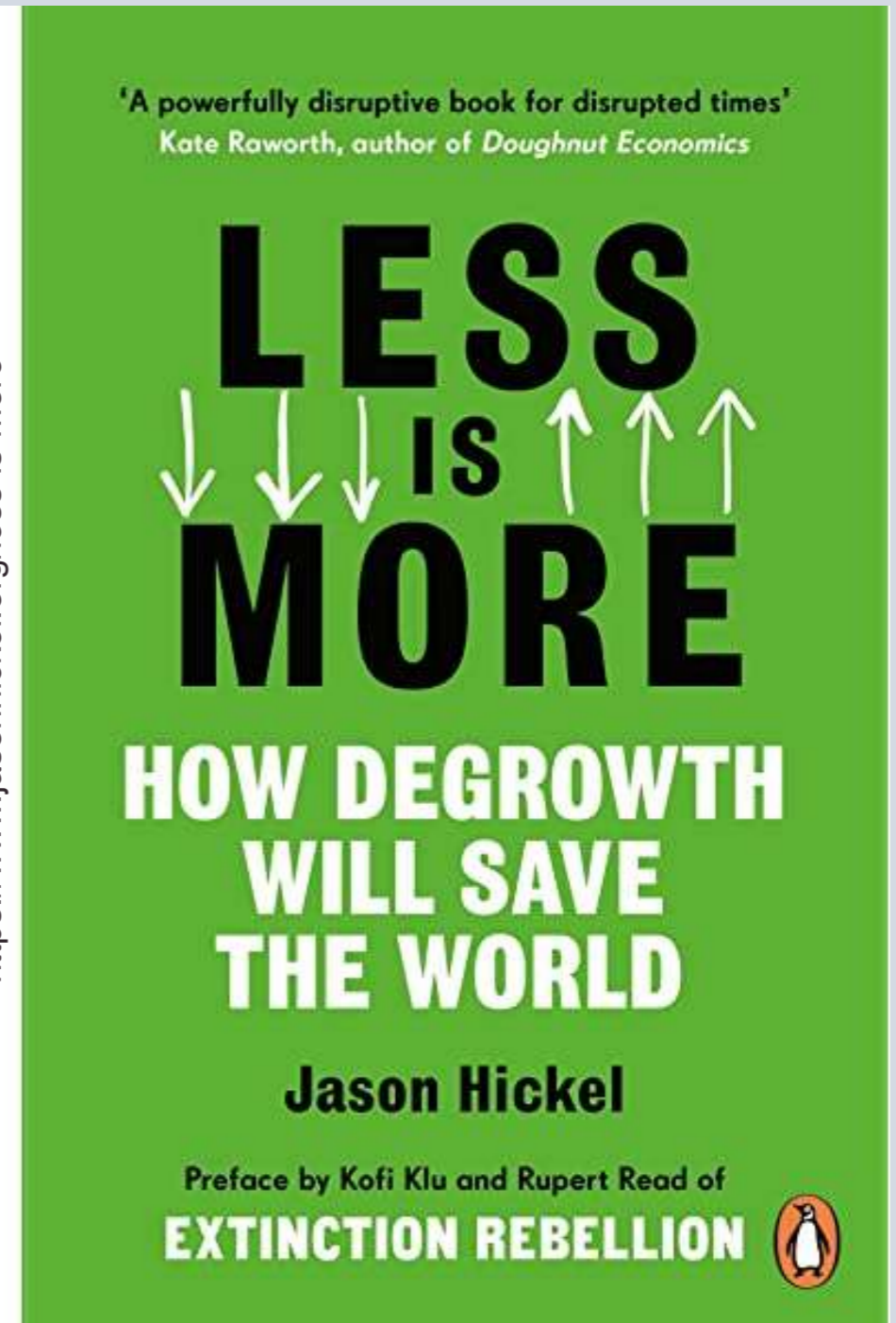


Degrowth Movement

Thought leaders:

- 19th century anti-industrialists
- Décroissance: Nicholas Georgescu-Roegen and André Gorz (1972) + Serge Latouche
- E. F. Schumacher - Small Is Beautiful (1973)
- Jason Hickel

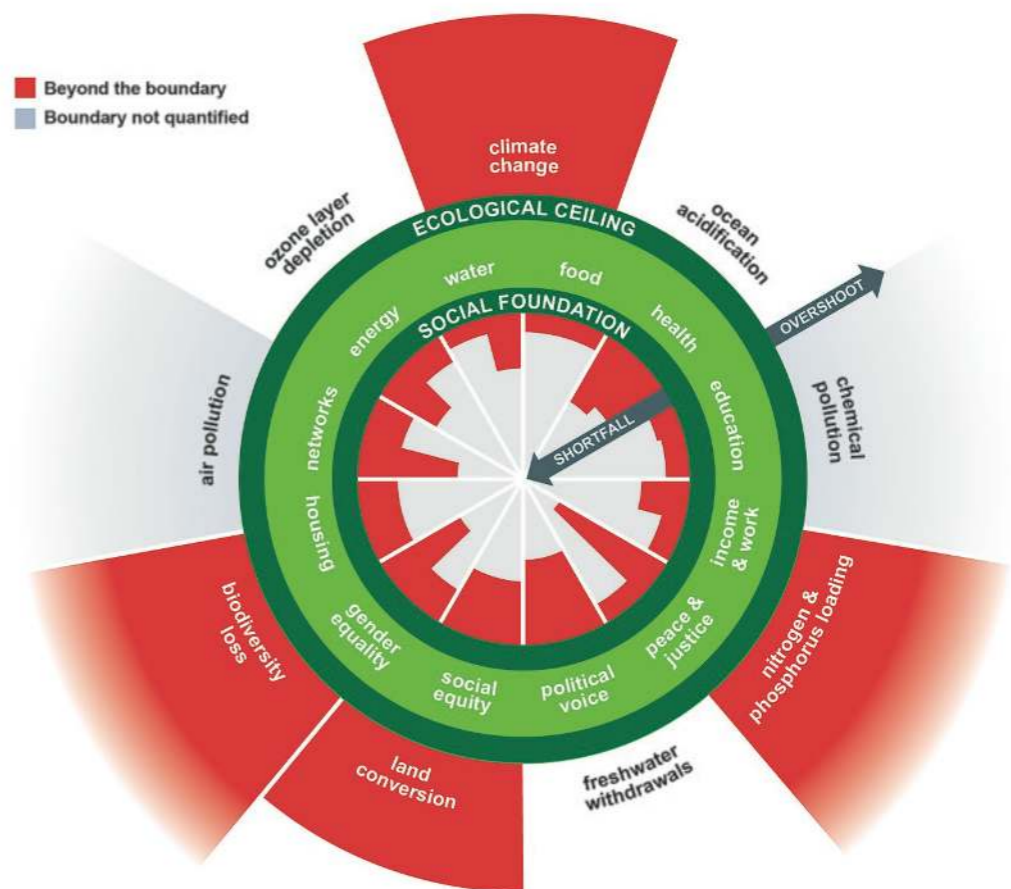
<https://www.jasonhickel.org/less-is-more>



Doughnut Economics

- Kate Raworth wrote 'Donut Economics: Seven Ways to Think Like a 21st Century Economist' (2017)
- The “doughnut” is two concentric rings:
 1. Social foundation - so no one falls short on life's essentials
 2. Ecological ceiling - so humanity does not collectively overshoot the Earth's life supporting planetary boundaries
- We need to “remain within the doughnut”

”Environmental doughnut infographic” by DoughnutEconomics is licensed under [CC BY-SA 4.0](https://creativecommons.org/licenses/by-sa/4.0/).

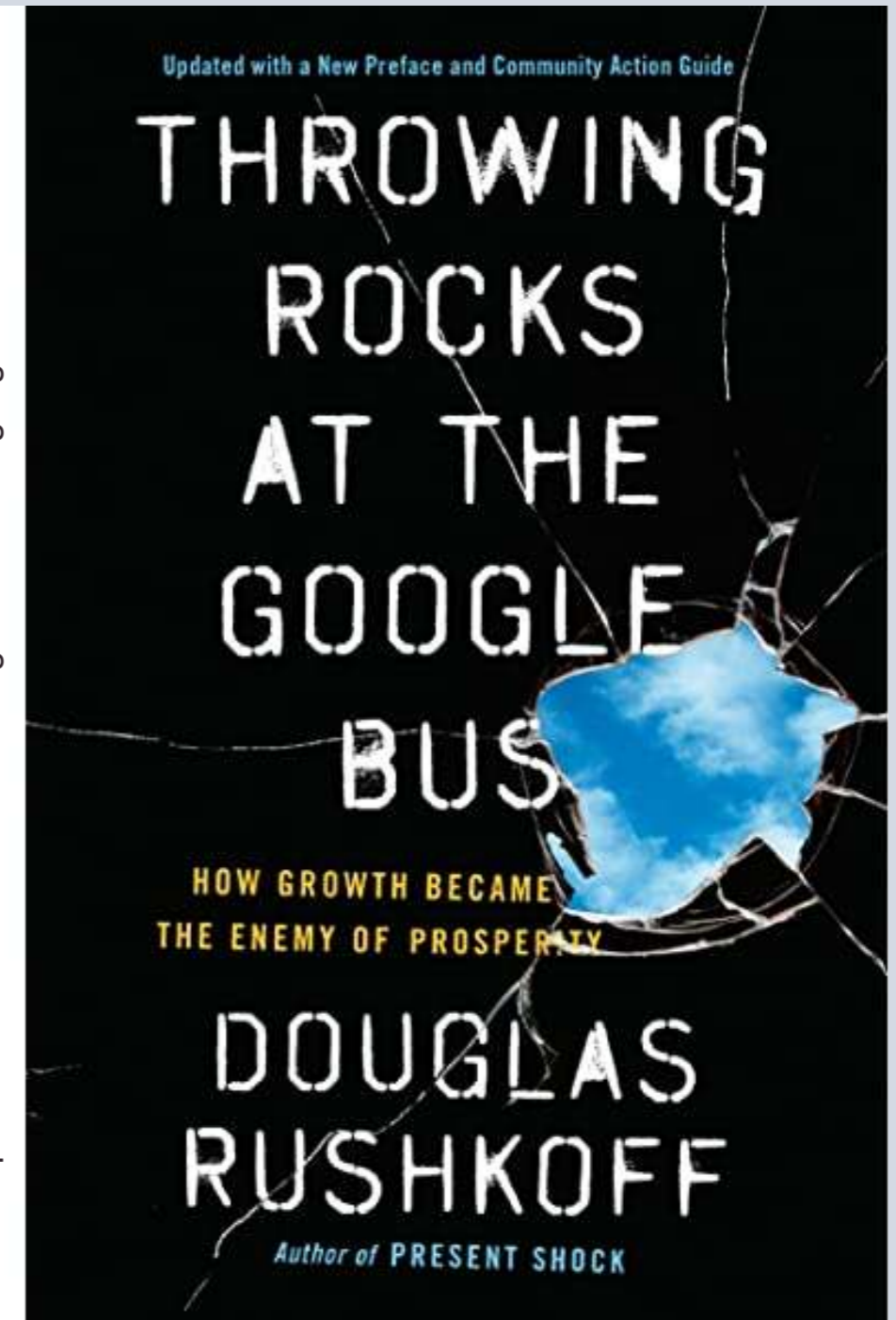


New Economics

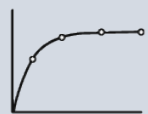
More Thought Leaders

- Douglas Rushkoff
- Charles Eisenstein
- Mariana Mazzucato
- David Graeber
- Christian Felber
- Wellbeing Economy Alliance
- Institute for New Economic Thinking

<https://rushkoff.com/books/throwing-rocks-at-the-google-bus/>



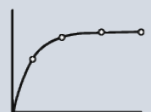
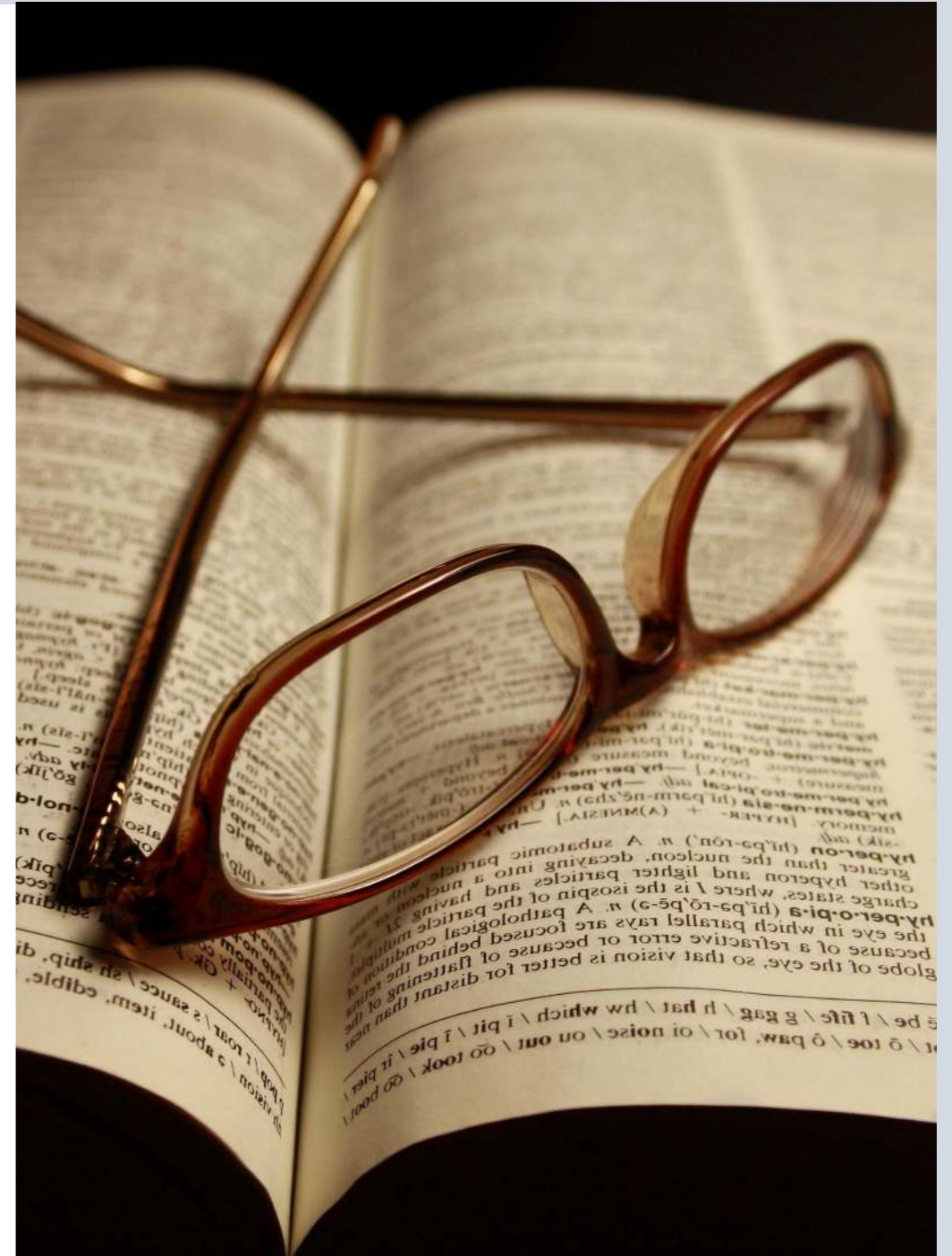
“We can build the Post Growth Economy one startup at a time”



Definition of PGE

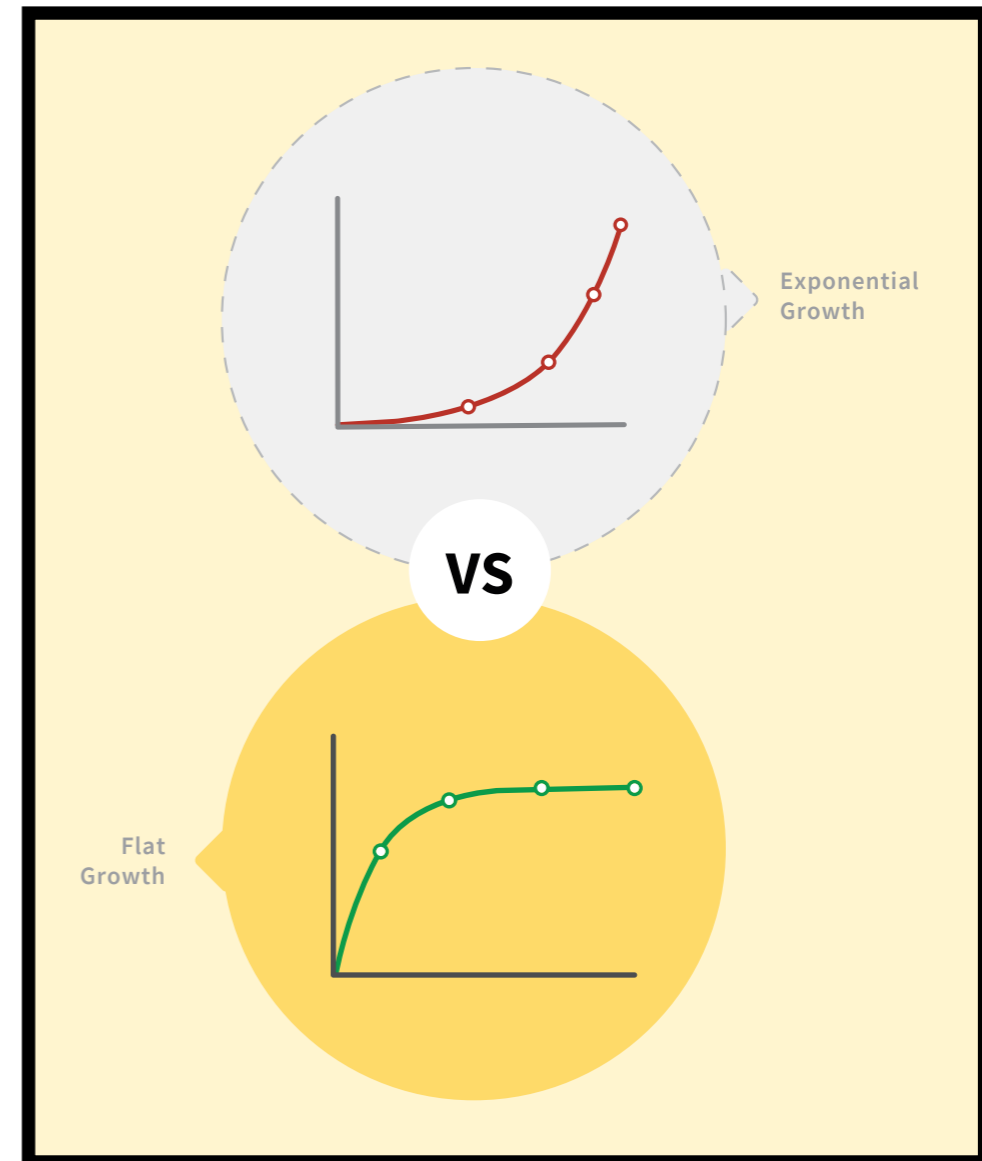
“Post Growth
Entrepreneurship is the
practice of creating and
running *non-extractive*
businesses”

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Main Elements of PGE

1. Bootstrapping
2. Flat growth
3. Non-extraction



Beyond the SDGs

- Sustainable Development Goals (SDGs): 17 interlinked goals serving as blueprint for a sustainable future
- Lots of social enterprises focus on the SDGs
- This is a small niche, we need to think broader
- We must also consider everyday mundane “boring but necessary” businesses, that have no relation to SDGs
- ANY organization can optimize for social impact
 - Eliminating financial extraction is the key

Published by the United Nations into the public domain



Ethics By Design

- In cybersecurity we have: “security by design”
 - You build security in from the beginning - you can’t slap it on like a band-aid later
- It’s the same with ethics
 - You can’t take something inherently unethical and slap a “CSR band-aid” on, and think it’s now ethical.
- “Ethics by design” is built in from the start
 - This requires a new startup or spinoff
 - Once we have ethics by design, we must guard and maintain it rigorously

"The core" by hendriko is licensed under CC BY 2.0.



Compensation Caps

- To eliminate financial extraction, you need caps on compensation
 - Middle class salaries and a pension
 - US\$75k/year for optimal happiness
 - Avoid equity compensation
- “Fair compensation” for CEOs is tricky
 - “Balkanende norm” (~200k Euros)
 - Compensation ratios
 - 10:1 - used to be normal for CEOs
 - 250:1 - now normal for CEOs
 - 450:1 - Elon Musk
- This is all industry/location dependent

Photo by Reafon Gates: <https://www.pexels.com/photo/take-it-easy-painted-road-1570264/>



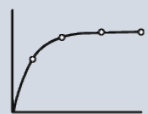
Who Is PGE For?

- Startup founders
- Established companies
- Governments
- Nonprofits/NGOs
- Incubators
- Creative sector

TobiasSchumann(WMDE)derivative work: Dgultekin,
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Bootstrapping



Bootstrapping

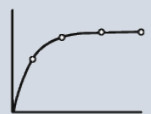
Why Bootstrapping?

- Bootstrapping creates solid and independent businesses
- But most incubators don't teach it
- We will discuss why it's a great approach for (social) entrepreneurs

"Army boots" by lifarn is licensed under CC BY-SA 2.0.



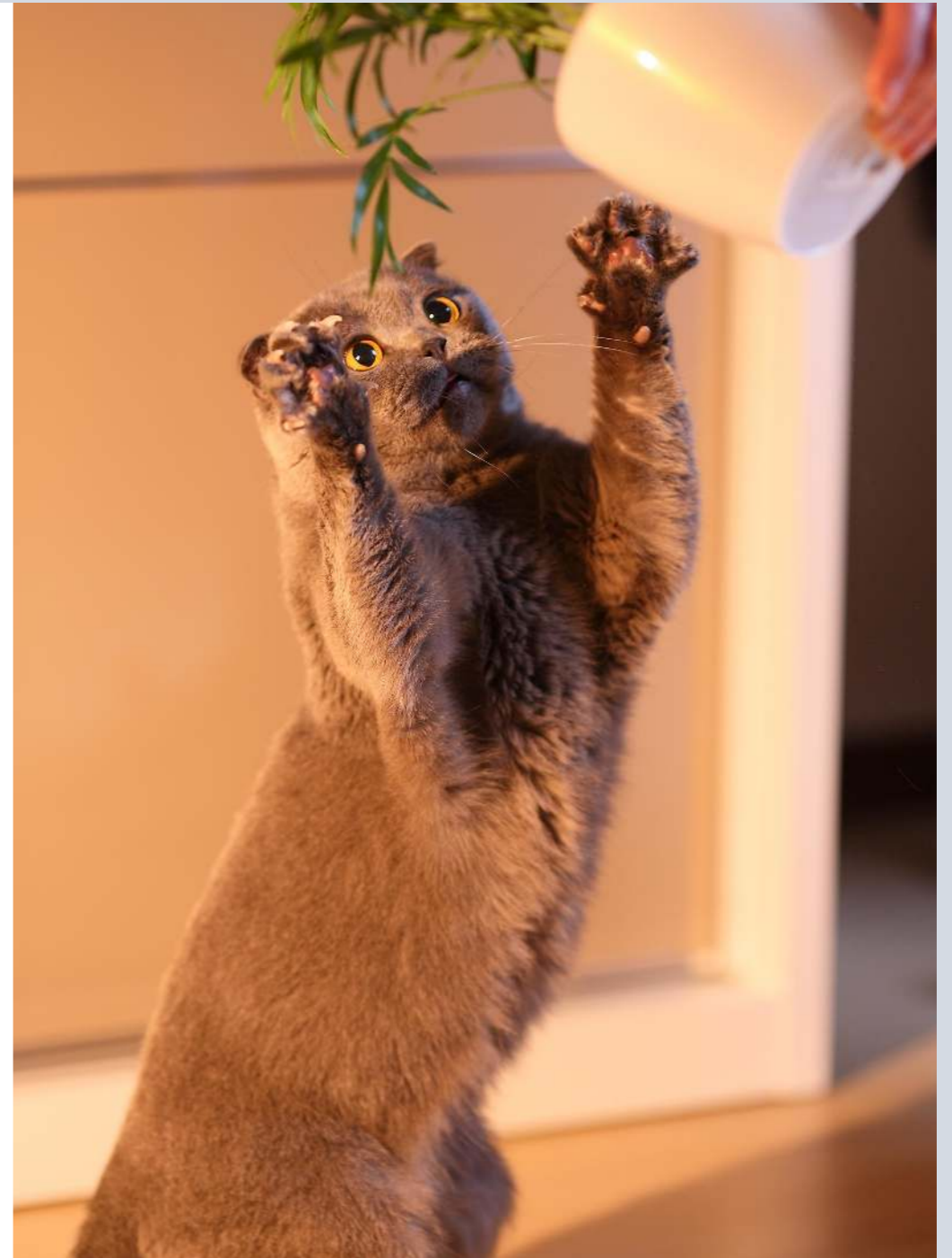
“Make bootstrapping sexy again”



Capital is a Distraction

- Money teaches entrepreneurs bad habits
- Capital harms product/market fit
 - Starting “lean” creates a solid foundation
- Raising capital is a lot of work

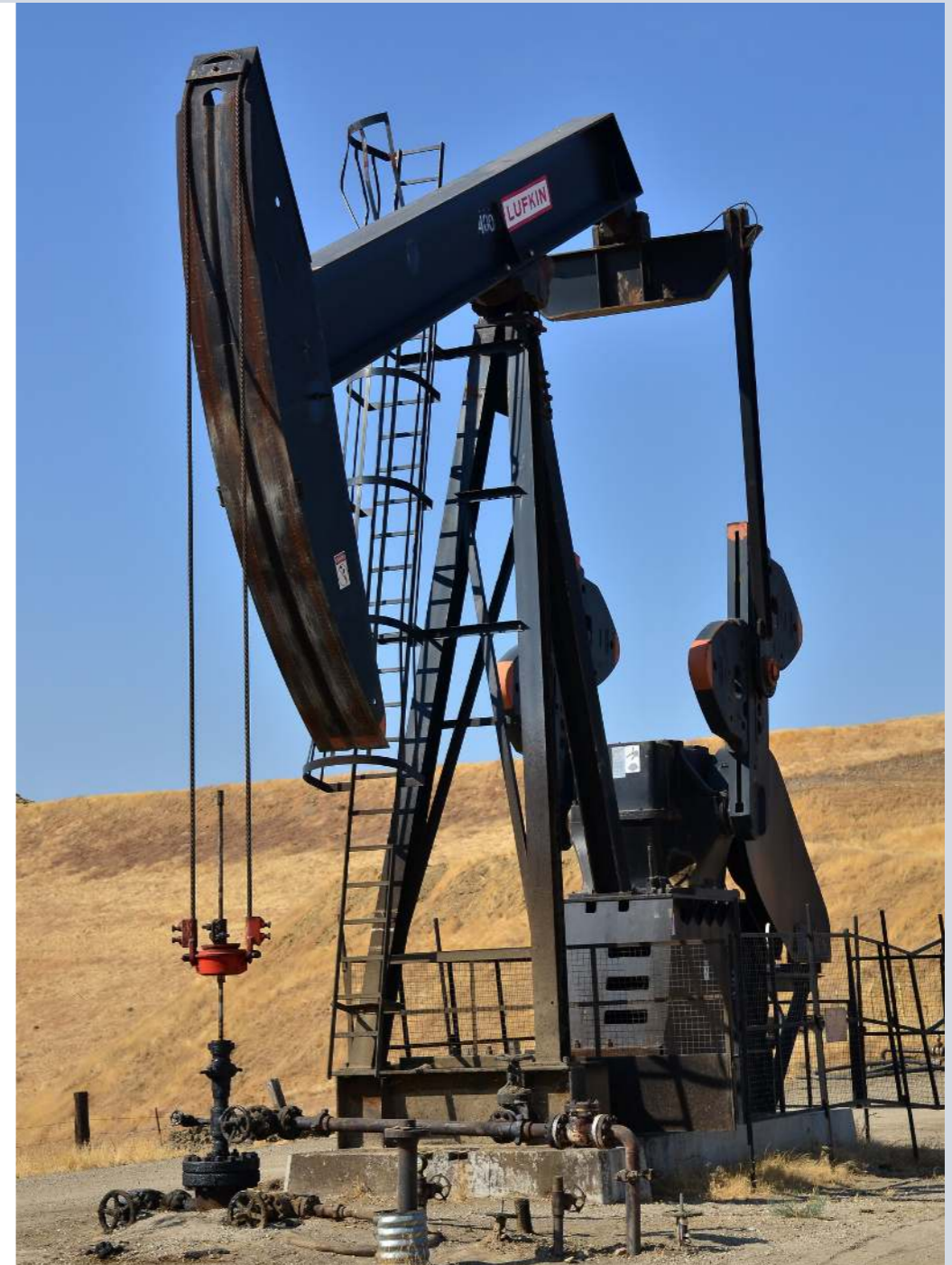
"Cat" by be creator is licensed under CC BY 2.0.



Extraction Hurts Businesses

- Extraction of cash from a company is a competitive disadvantage on the market
- Cash that is extracted can't be reinvested in: R&D, higher pay, lower prices, better quality
- Ikea is a good example of a (non-social) non-extractive business

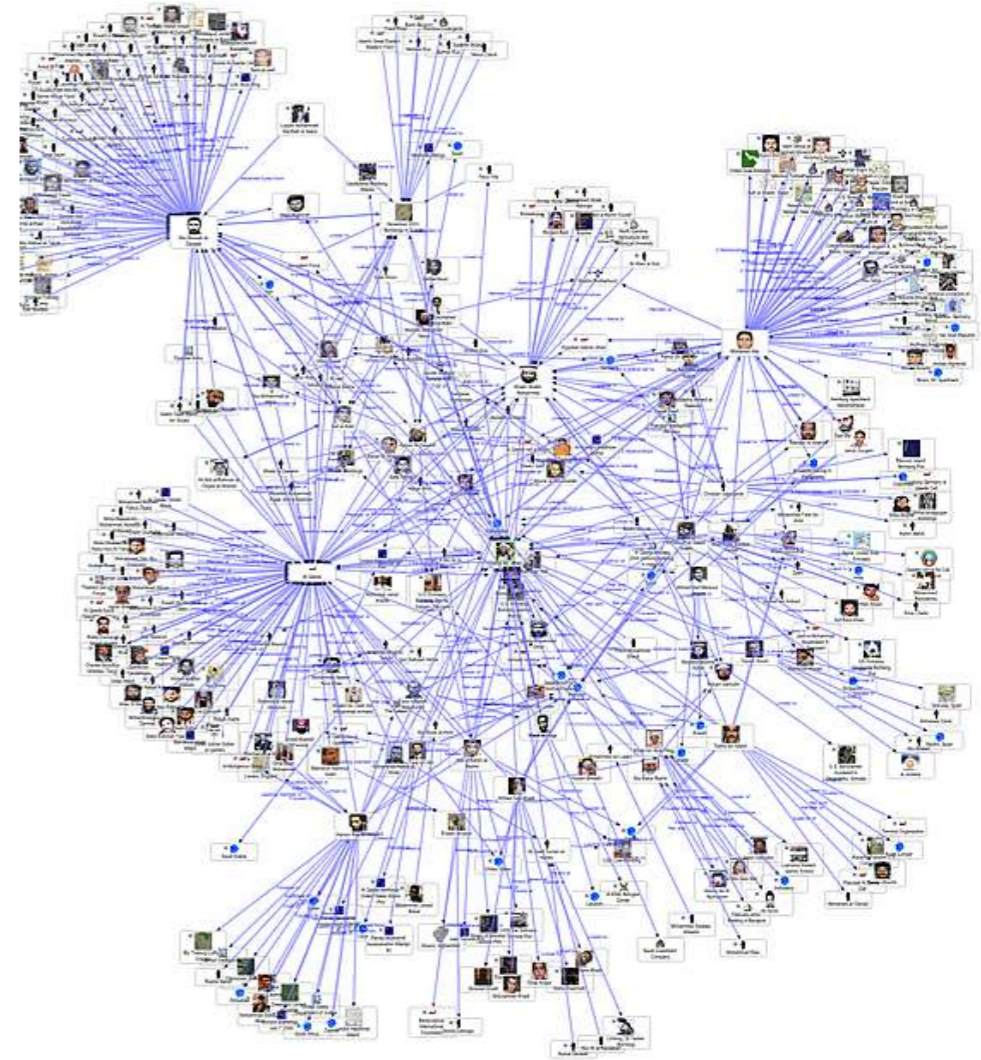
"California Oil and Gas" by [blmcalifornia](#) is marked with [Public Domain Mark 1.0](#).



Network Effects + Economies of Scale

- “Network effects” and “economies of scale” are widely misunderstood
- Startups rush to gain market saturation, and “defeat” the (dominant) players on the market, assuming that business is “winner take all” and a zero-sum game
- We think: “Once we’re big enough, our business model will sort itself out”
- This “one big push” is hard to pull off

“Social Network” by neil cummings is licensed under CC BY-SA 2.0.



Playing Darts

- There's 2 ways that I can approach a game of darts:
 1. Stand across the room, and throw the dart
 2. Walk across the room with my dart, and place it in the middle of the target
- This analogy describes the difference between capital-fueled hypergrowth vs. bootstrapping

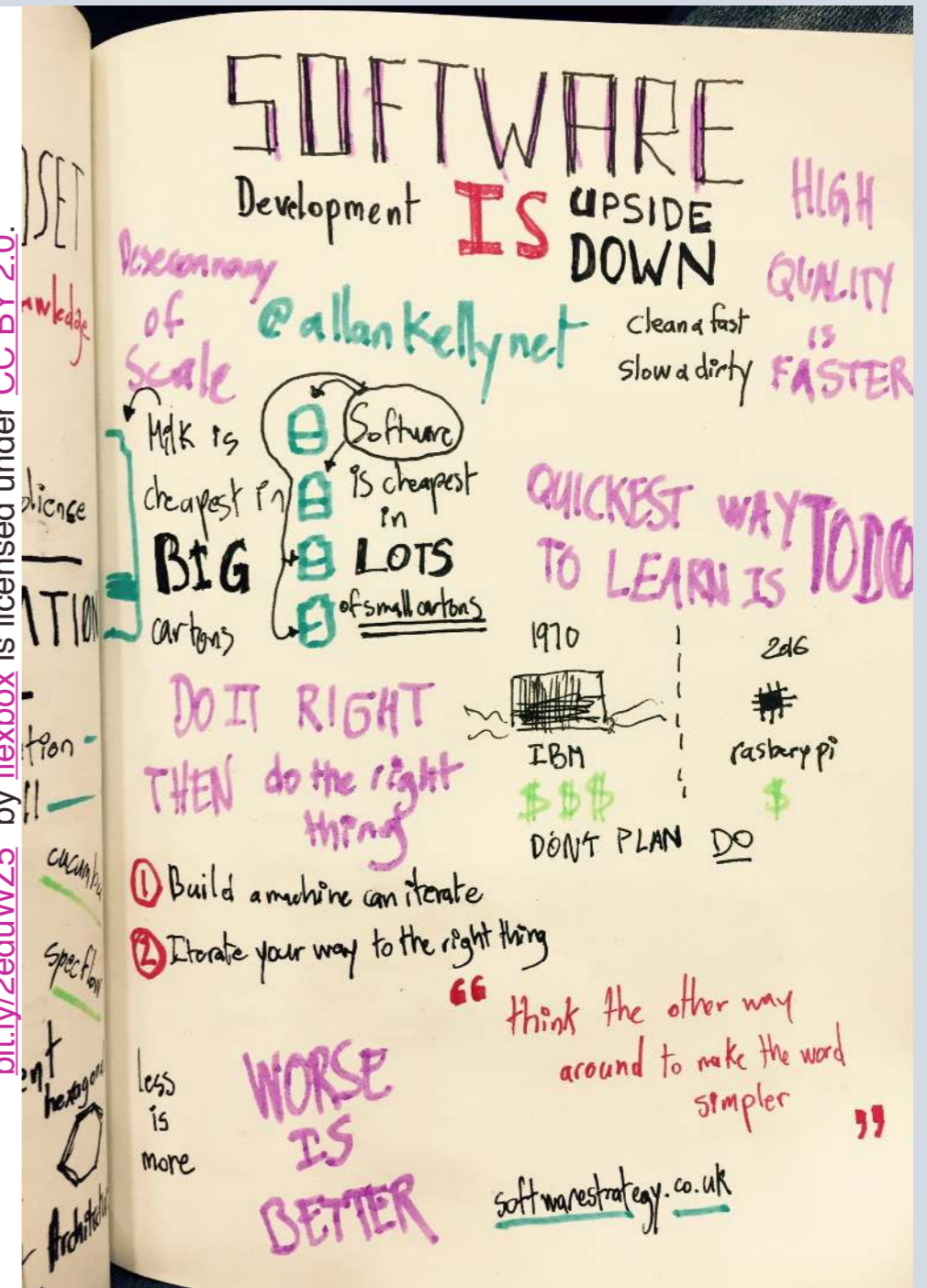
"Darts" by rafael-castillo is licensed under CC BY 2.0.



Software Engineering

- In software engineering, we have similar concepts:
 - Waterfall model
 - Agile
 - DevOps
- Lean Startup is the “agile of business”
- What is “DevOps for entrepreneurship”?

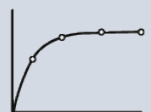
“Software development is upside down @allankellynet — build a machine can #iterate — #agiletourlille #sketch... http://bit.ly/2eduWZ5” by flexbox is licensed under CC BY 2.0.



Bootstrapping Principles



"Concept principles" by psd is licensed under CC BY 2.0.



Stone Soup Parable

- A poor man picks up a stone and uses it to collect ingredients from farms, to make a soup for everyone to share
- Entrepreneurship works similarly:
 - The poor man had a vision - his task was to convey his vision to others, collecting complementary elements
 - It succeeded! His vision was realized, and all stakeholders were happy in the end.

"Day 140 - Made up soup" by Phil and Pam is licensed under CC BY 2.0.



My Version of the Parable



Talk To Everyone Who Will Listen

- Talk to anyone who will listen to you
- You will gain increasing clarity as you repeatedly tell your story
 - People are mirrors who reflect things back
- Listening is important
 - Ask people about their pains, and inquire what solutions they would (and currently do) pay for
 - Steal the best bits of feedback, and integrate them into your MVP
 - If you don't know where to start, read 'The Mom Test'

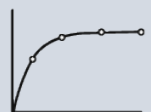
"Conversation" by ibm4381 is licensed under CC BY 2.0.



Preach To Your Choir

- We don't need to convince everyone (including the 1% and politicians)
- Some people will never agree with our ideas, and that's fine
- Start with those who understand and are enthusiastic
 - Mobilizing our “choir members” gets us started
 - As we find success, our project will gradually move into the mainstream
 - Read: 'Crossing the Chasm'

"Christmas Choir #2" by It's No Game is licensed under



Start Small

- Think big, start small
 - Moonshots ambitions are fine - but every journey begins with a single step
- Read 'The Lean Startup'
 - Don't put too much energy into early stage ideas
 - Don't get too focused on building technology
- Don't make a detailed business plan
 - A Business Model Canvas is better

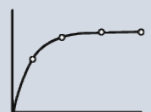
"Austin through a magnifying glass" by oddharmonic is licensed under CC BY-SA 2.0.



Refactoring

- Keep overhead low to start
- Find a service that launching customers want to pay for
- “Refactor” as your business grows:
 - Refactor repeating activities into a process
 - Create a small piece of automation to perform a repeating process
 - This is all financed by reinvestable margin
- These small pieces of automation will gradually and organically evolve into a supporting platform
- You will step back and realize you’ve developed a solid revenue base + critical mass of IP + processes + staff

"New York City - Home of the Repeating Patterns" by kevin dooley is licensed under CC BY 2.0.



PGE Playbook

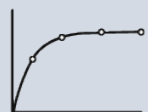
Act I: How To Get Started

- Make sure that you're not starved for money when starting. If you are, get a part-time job to earn enough money per month to take the edge off your desperation. It's hard to build something with patience and integrity when financially desperate.
- Understand that no matter how ambitious you are you need to start TINY and grow organically. Growth must be financed by turnover! Avoid unnecessary overhead (offices, equipment, internal employees) - you won't need this at the beginning.
- Setup your legal entities and Statutes to be as non-extractive as possible. (Consult a PGE knowledgeable lawyer.) This is essential to avoid mission drift later.

PGE Playbook

Act I: How To Get Started (2)

- Start with the pain in the market. What kind of service you can offer that someone would be willing to pay for? Get them to put their money where their mouth is.
- As long as customer requests align with your values and interests, leverage freelancers (and your own time/energy) to fulfill those services, paid by your launching customers.
- Start out doing everything by hand - give everyone involved concierge treatment.
- Pair producers with consumers. Make sure that both are treated like kings! The key to success is finding arrangements that are win-win-win. (Win for the Producer, Win for the Consumer, Win for the Platform). Business is the fine art of getting interests aligned. Business is NOT a zero-sum-game, where someone wins and someone loses.



PGE Playbook

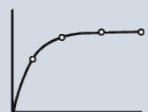
Act I: How To Get Started (3)

- Perform lots of experiments (MVPs). Expect that some percentage of what you try will fail - and that's okay. Fail, fail again, fail fast. Collect validated learning. Pivot to follow the pain in the market. Repeat and remain flexible.
- Rely upon word-of-mouth and “evangelism” (conference talks, workshops, media coverage, etc..) for marketing. If what you're doing is sufficiently valuable to your ecosystem, this is the only advertising you should ever need.
- Start to refactor processes when you see frequently occurring activities. This is financed by margin on your revenue.
- Build a piece of automation when you see frequently repeating processes. This is financed by margin on your revenue.

PGE Playbook

Act I: How To Get Started (4)

- Isolated bits of automation will evolve into a supporting IT platform over time. With time and patience, you'll discover that you've built an entire platform of IP + processes + staff - all financed by reinvested margin.
- This platform will make things progressively smoother - and your margin will improve. This is when network effects and economies of scale kick in.
- Focus on delivering quality and maintaining a stable happy ecosystem - NOT on growth! Growth should be a byproduct, not an objective.
- As you progressively hire staff (supported by customer revenue), you can delegate more and more of your responsibilities to others, to create room for strategic thinking and creative projects on your side.



PGE Playbook

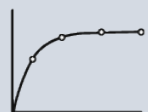
Act I: How To Get Started (5)

- If you're patient (and pivot when something isn't working), then the critical mass of what you're building will gradually increase over time. One day, you'll look back and realize that your progress isn't so slow anymore. Over time, you will (slowly) start displacing the (less socially inclined) market leaders.
- Exiting is not an option. (If you setup things right, this should be impossible.) If/when you ever get bored of your company, delegate more and more of your work to your staff until you're no longer needed. Create a succession plan. Then decrease your hours (or leave completely) in order to focus on something else.
- Congratulations.. you've built a non-extractive business of integrity that will live on for long after you're gone. Be proud of yourself, and realize that you've left a positive legacy in this world. And if enough of us do this together, we can change the world for the better!

PGE Playbook

Act II: Serial Entrepreneurship

- Think about your next steps: what non-extractive passion project do you feel called to start? Can you find a commercial service to provide, grounded in the pain of a market? Can you get it launching customers?
- Go through the bootstrapping process again - your old business will continue growing (aided by support staff), and you can spend your time and energy bootstrapping the new initiative. Your original company can even help to support your new one, as long as it's win-win.
- Rinse and repeat! Don't forget to also take time off. Even heroes need rest sometimes! :-)



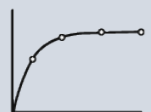
Possible Non-Extractive Companies

Here's a few ideas, that are by no means exhaustive:

- Non-Extractive SW Development
- Non-Extractive Music Streaming
- Non-Extractive Carbon Offsetting
- Non-Extractive Circular Waste Handling
- Non-Extractive Accountancy Firm
- Non-Extractive Law Firm
- Non-Extractive Childcare Platform
- Non-Extractive Food Delivery Platform
- Non-Extractive Bank
- Non-Extractive Insurance Company
- Non-Extractive Pension Fund

These are just a few examples. The possibilities are endless...

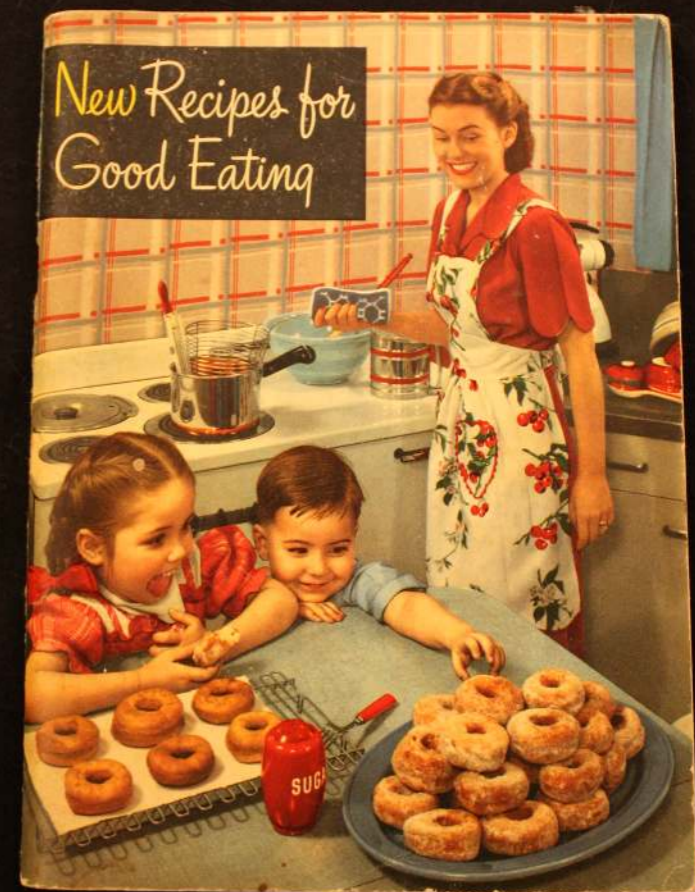
"Hippy-Dippy-Kaleidoscope-640x960-115319d3" by Andrew Norrie is licensed under [CC BY 2.0](#).



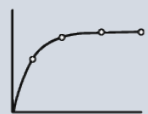
Business Model Recipes

- Pick any kind of company, and imagine a non-extractive social version of it
- Hypothetically work through its bootstrapping process on paper
- We can create a “cookbook” of such “business model recipes”
- Some people suggest recipes, other people may decide to “cook” them

"cookbooks 009" by Polka Dots and Pastries is licensed under [CC BY 2.0](#).

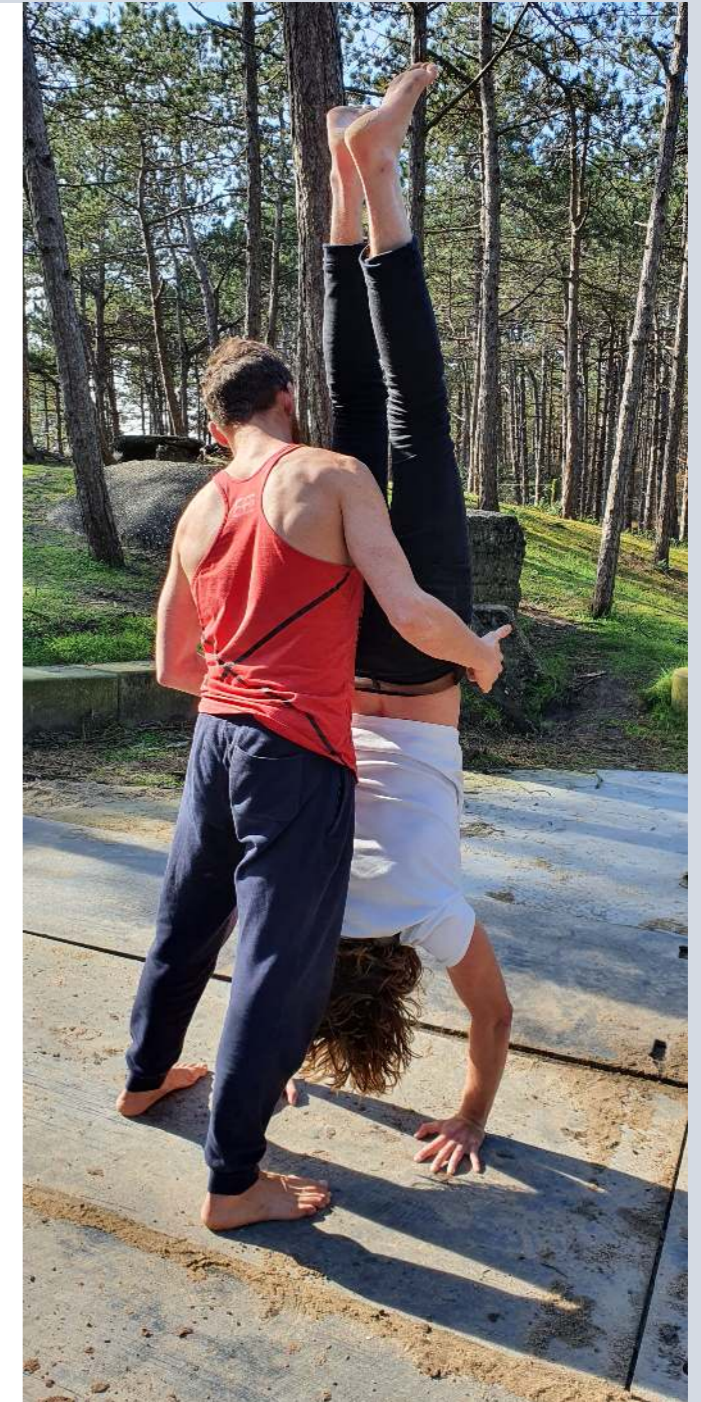


What Does This Look Like In Practice?



PGE Startup Bootcamp

- 5 days in Terschelling (Feb 2020)
- Left brain + right brain
- Combination of traditional startup bootcamp and personal development retreat
- Diverse organizer team



Journey



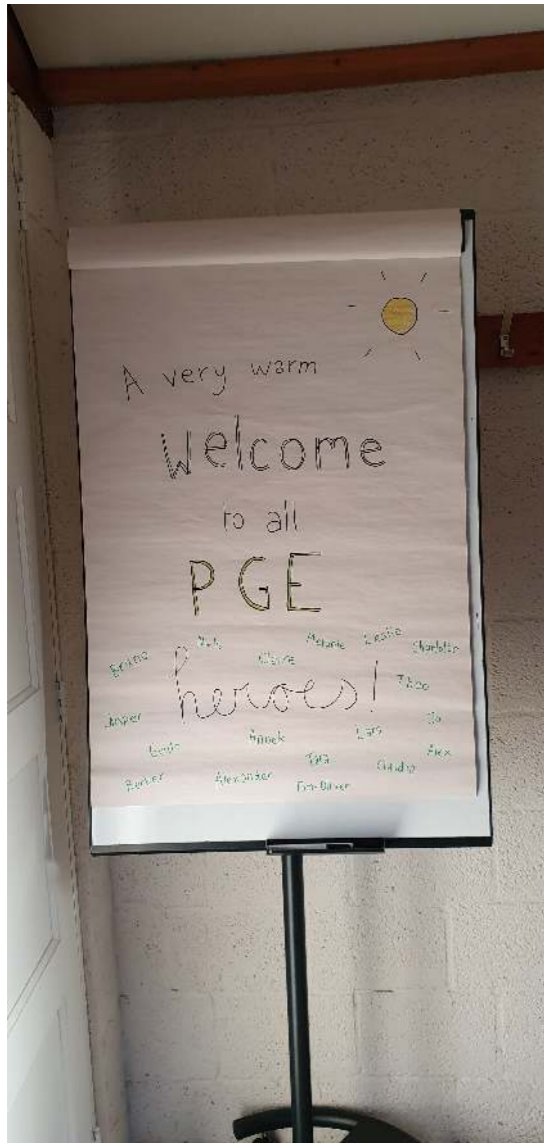
Journey



Location



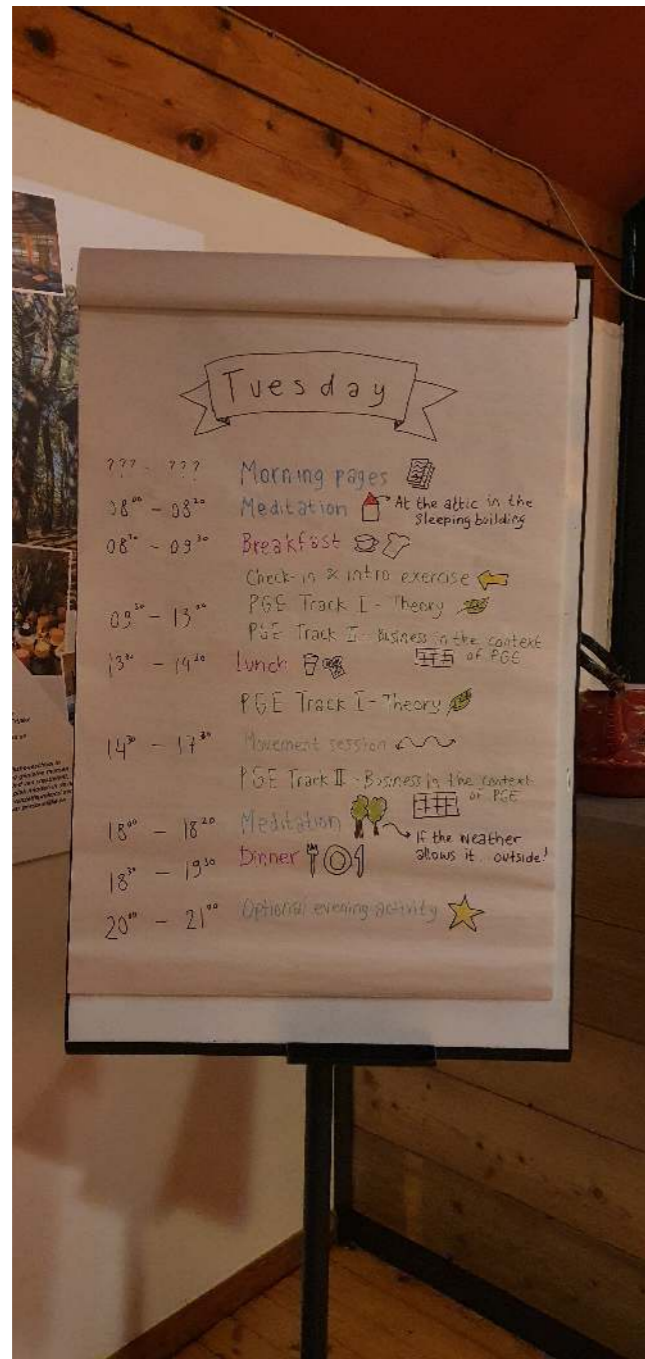
Location



Ideation



Check-In



Community



Nature



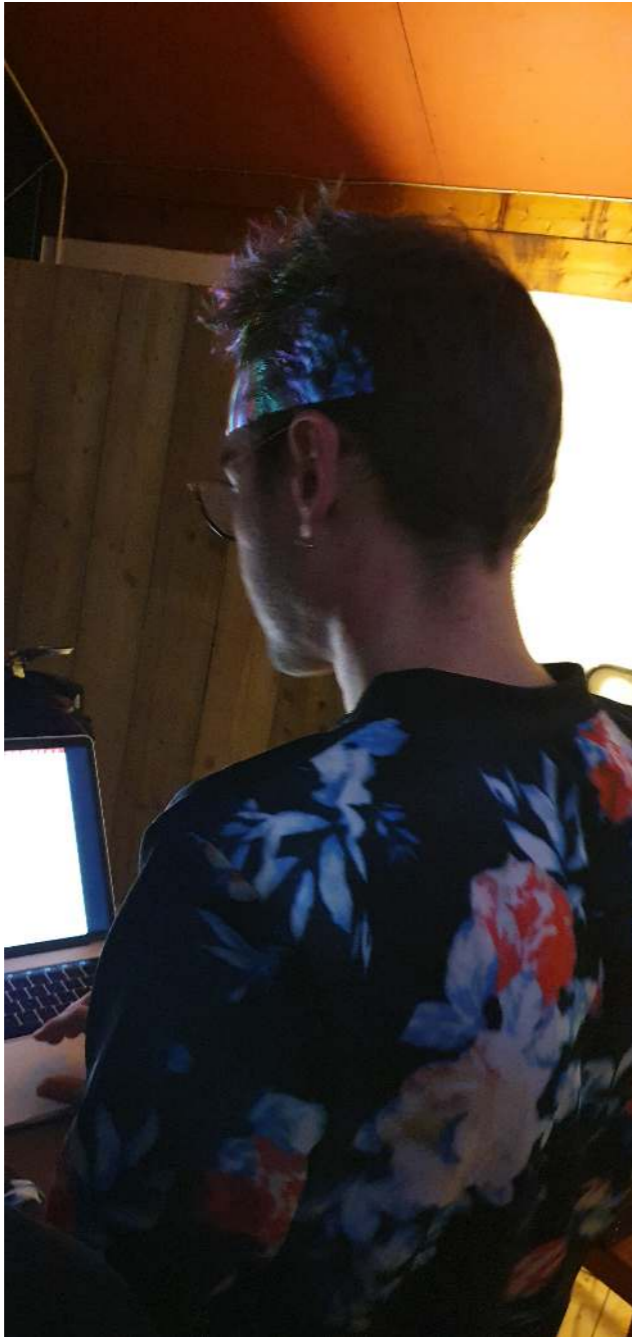
Peer Learning



Presentations



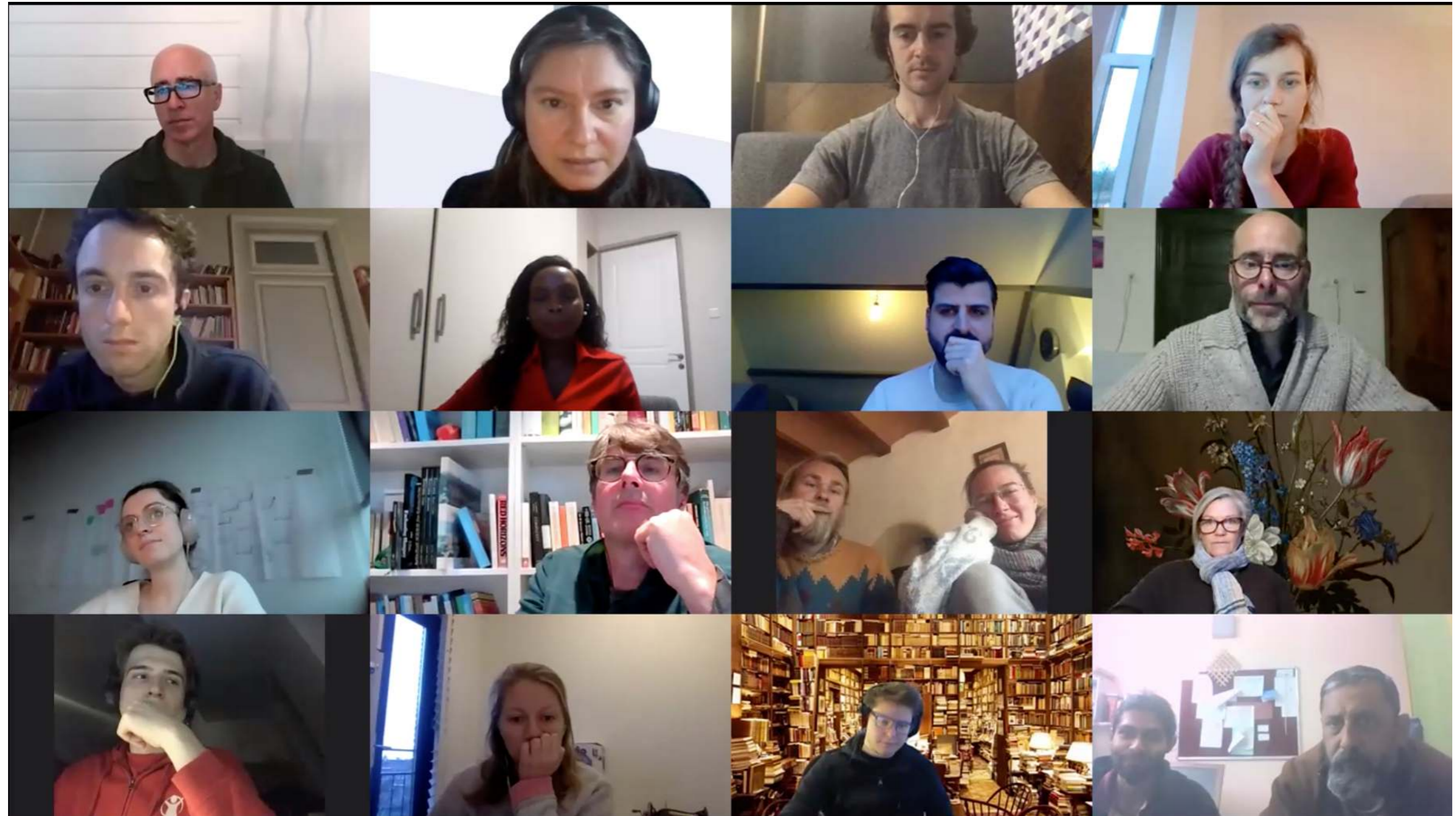
Art and Culture



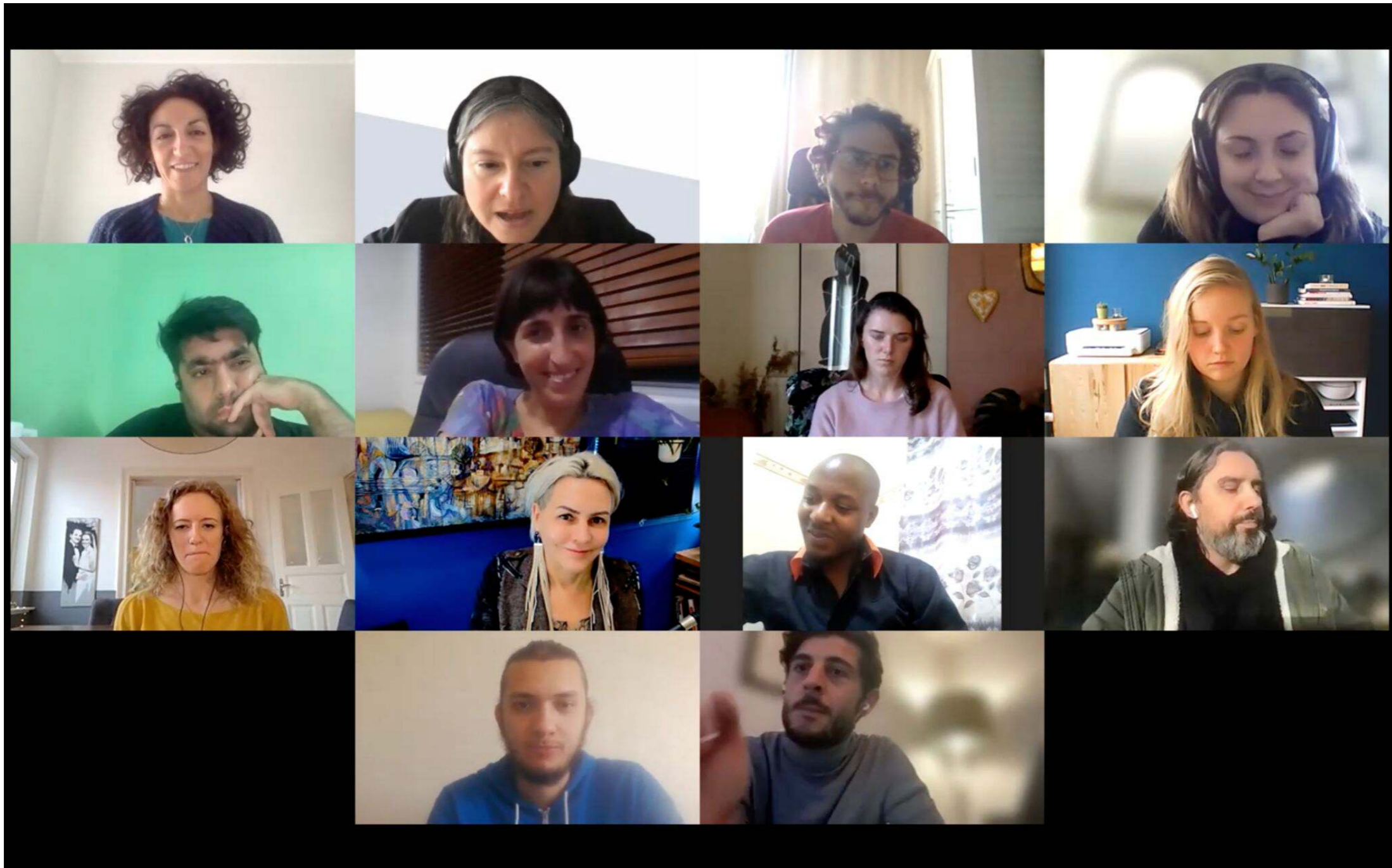
The New Normal



Online PGE 10 Week Incubation Program



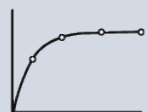
2022 Cohort



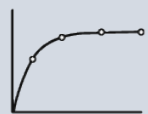
Monicah Muhoya (PGE 2021)



Part IV: PGE Methodology



Micro-Level (Personal)



Personal Qualities

Different leadership qualities:

- Vulnerability
- Patience
- Communications
- Listening
- Self-care

Require new business literature

"Teen helping little child at drinking fountain" by tsayrate
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Vulnerability

#1 NEW YORK TIMES AND WALL STREET JOURNAL BESTSELLER

Brené Brown

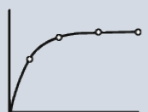
PhD, MSW

<https://brenebrown.com/hubs/dare-to-lead/>

dare
to
lead

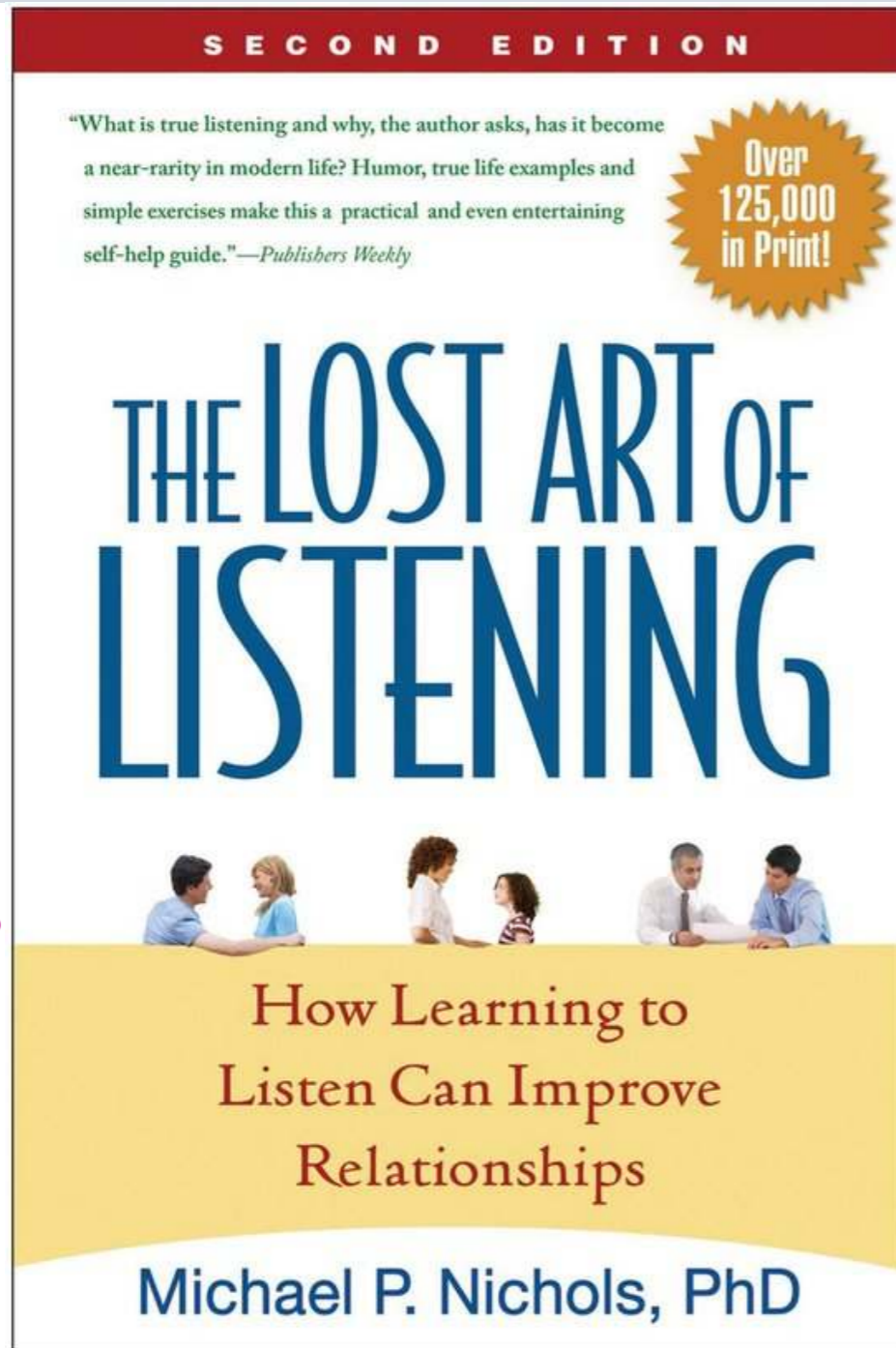
BRAVE WORK.
TOUGH CONVERSATIONS.
WHOLE HEARTS.

DARING GREATLY AND RISING STRONG AT WORK

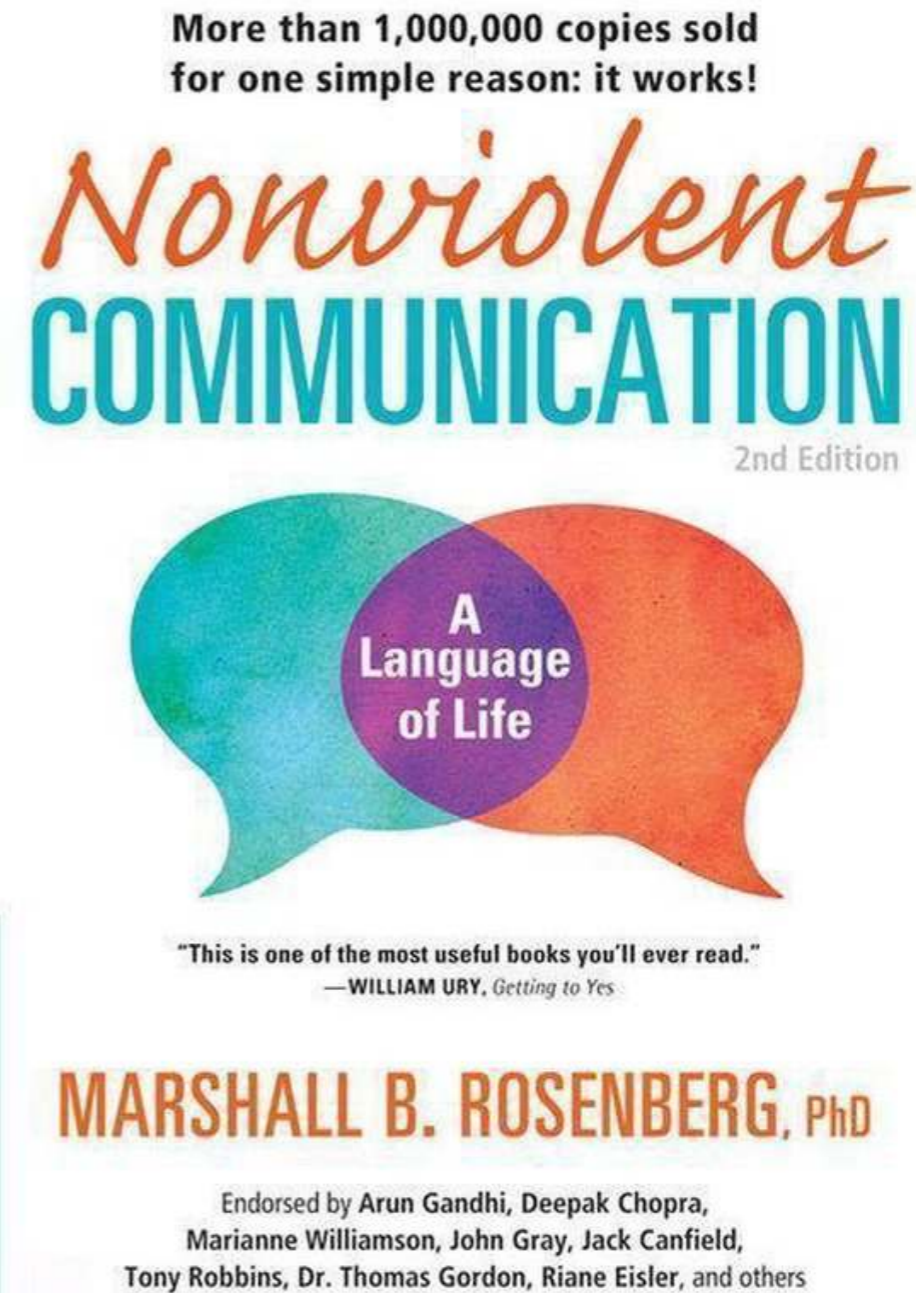


Communication

<https://www.guilford.com/books/The-Lost-Art-of-Listening/Nichols-Strauss/9781462542741>

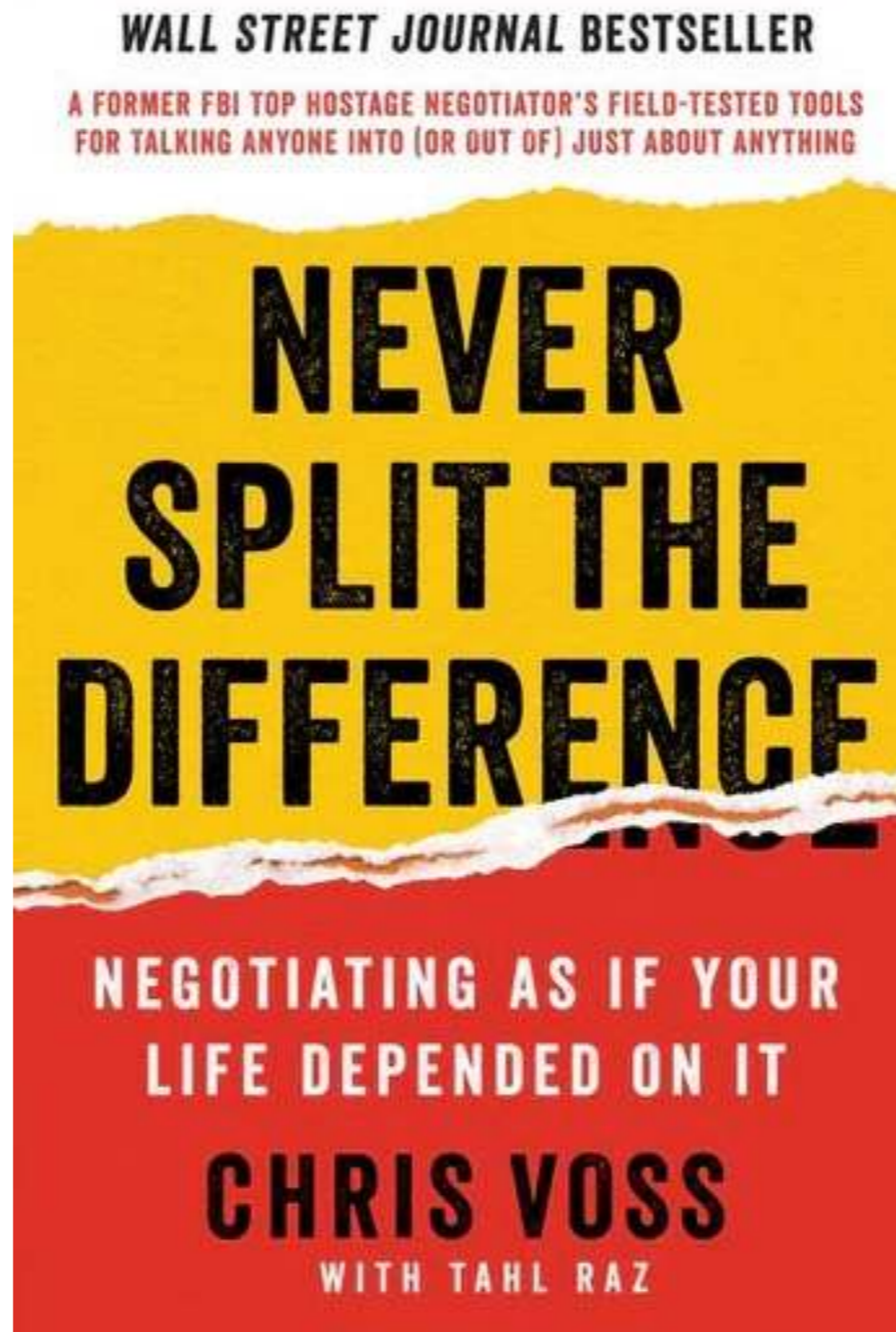


<https://www.nonviolentcommunication.com/product/nvc/>



Negotiation

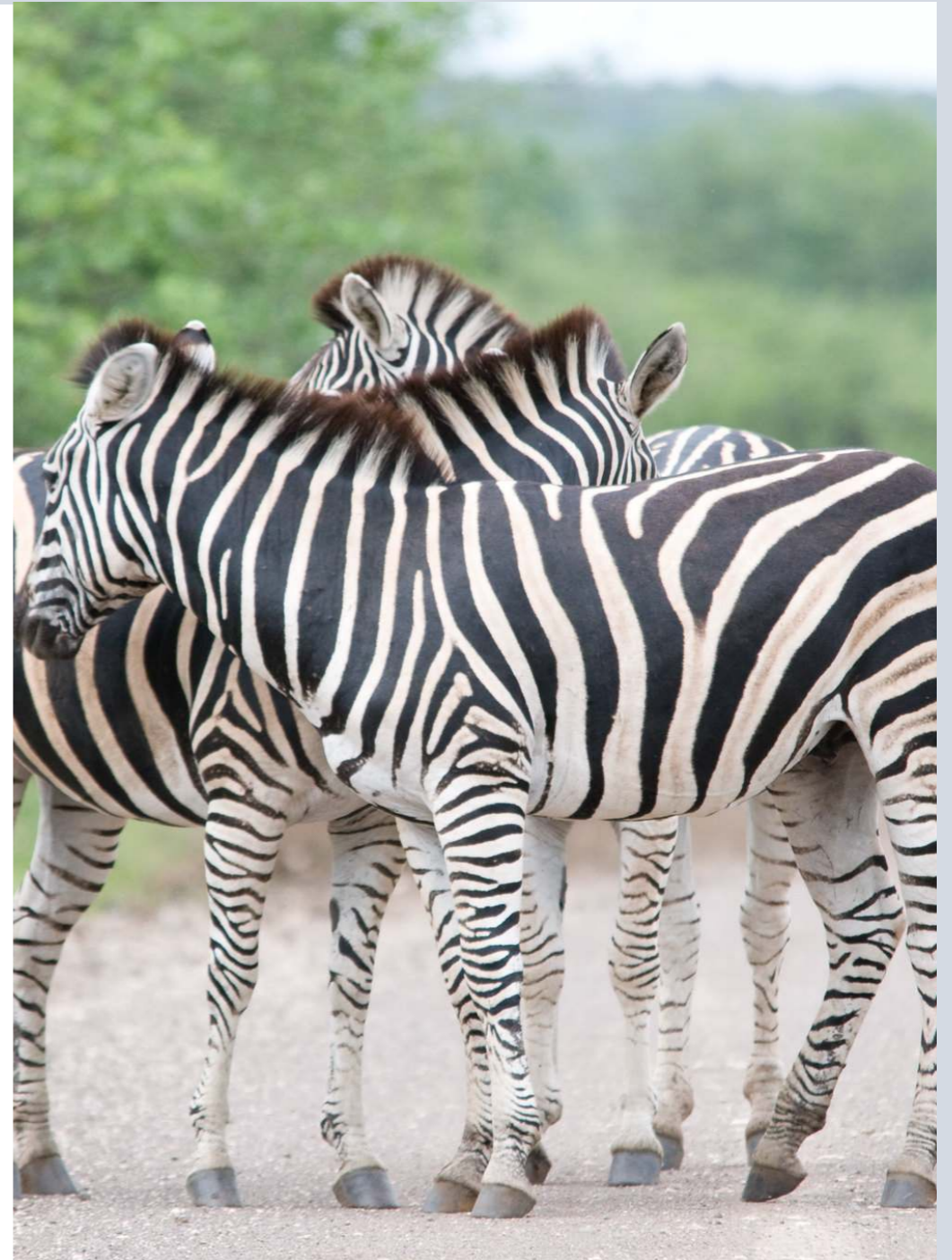
<https://www.blackswanltd.com/never-split-the-difference>



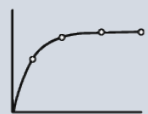
Emotional Validation

- Founders of non-extractive startups need a community
 - The traditional startup ecosystem provides emotional validation for: raising investment, fast growth, exits
 - We need to celebrate founders who make different choices

'Group Hug' by Chris Eason licensed CC BY 2.0, via Flickr



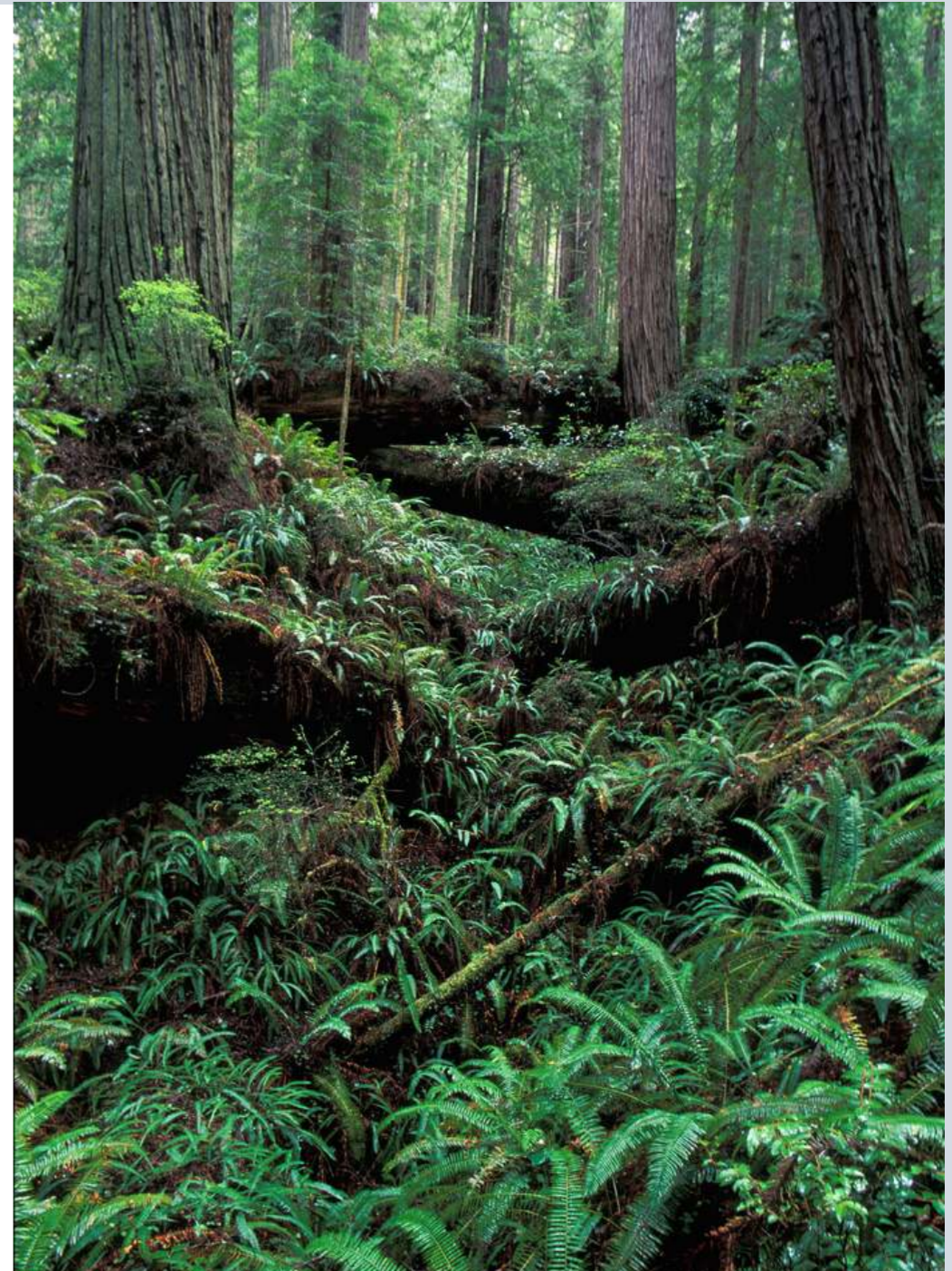
Meso-Level (Business)



Collaboration vs. Competition

- Charles Darwin:
 - “Survival of the fittest” vs. “survival of the friendliest”
 - Social Darwinism popularized by sociologist Herbert Spencer, in support of unrestrained capitalism during the Industrial Revolution
 - Darwin argued that friendliness, partnership and communication are the key to evolutionary success, not being large, strong, or aggressive.
- Suzanne Simard’s TED talk: “How Trees Talk to Each Other” makes a similar point

"Headwaters Forest Reserve, CA" by mypubliclands is licensed under CC BY 2.0.



Business is Creative Alignment

- Business is the creative art of getting interests aligned
- In Dutch: “concullega” (where “concurrent” = competitor, “collega” = colleague)
 - Cooperating is usually better for everyone
 - This requires moving from a scarcity to an abundance mindset.
 - Most markets are big enough - there’s generally enough customers to go around

"Alignement Louvre (2)" by jfgornet is licensed under [CC BY-SA 2.0](#).



Implementing Non-Extraction

- Non-extractive companies require legal “belts and braces” to stay non-extractive
 - There is no purpose-fit entity form (yet)
 - We can use: hybrid entity forms, Golden shares, Statute text
 - We can try to hack something together using contract law
 - The open source community did the same (i.e. GNU GPL, Creative Commons)
- If we DIY it, we might inspire politicians to create purpose-fit non-extractive business entity forms

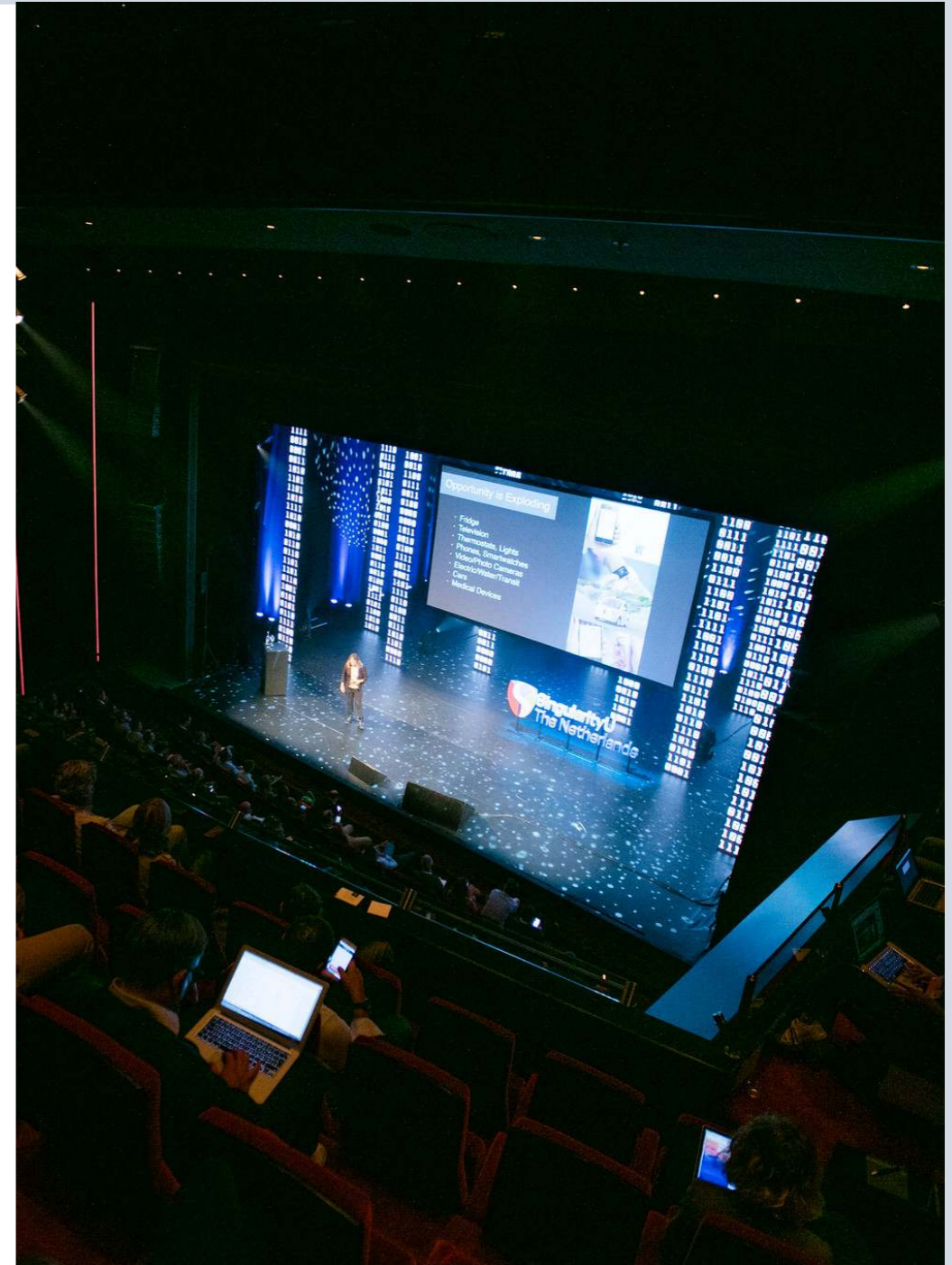
"do it yourself revolution" by [hannes.a.schwetz](#) is licensed under [CC BY-SA 2.0](#).



Sales and Marketing

- A good product-market fit is the best marketing tool
- “Evangelism” fits social enterprise better than traditional marketing and sales
- Doing the “right thing” gets you earned media

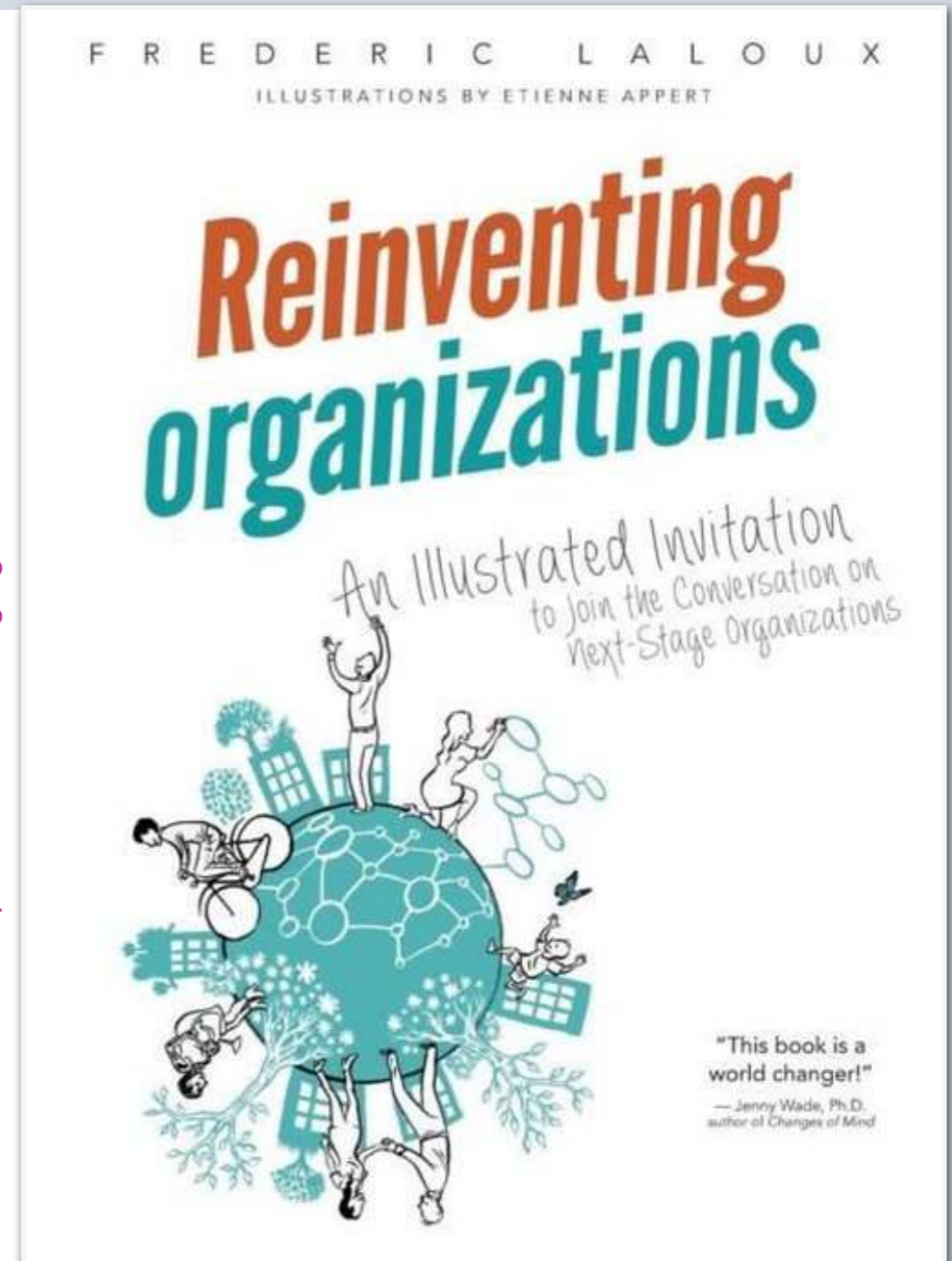
"Melanie Rieback at the SingularityU The Netherlands Summit 2016" by [Sebastiaan ter Burg](#) is licensed under [CC BY 2.0](#).



Management

- Horizontal management is both effective and stakeholder friendly
- Holocracy
- Sociocracy
- Teal

<https://www.reinventingorganizations.com/>



Intellectual Property

- Most incubators discuss patents, copyrights, and trademarks
- Patents are generally counterproductive for startups
- Open-source is better
 - Business model: give away the product and sell the services

"open source" by frankh is licensed under CC BY 2.0.



Law

- “I realized the true function of a lawyer was to unite parties riven asunder” -Mahatma Gandhi
- When conflicts arise, you should favor mediation over legal threats
- Legal contracts are human relationships condensed onto paper
 - Visual contracts, formal relational contracts, and human readable contracts are up-and-coming

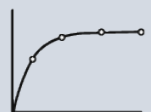
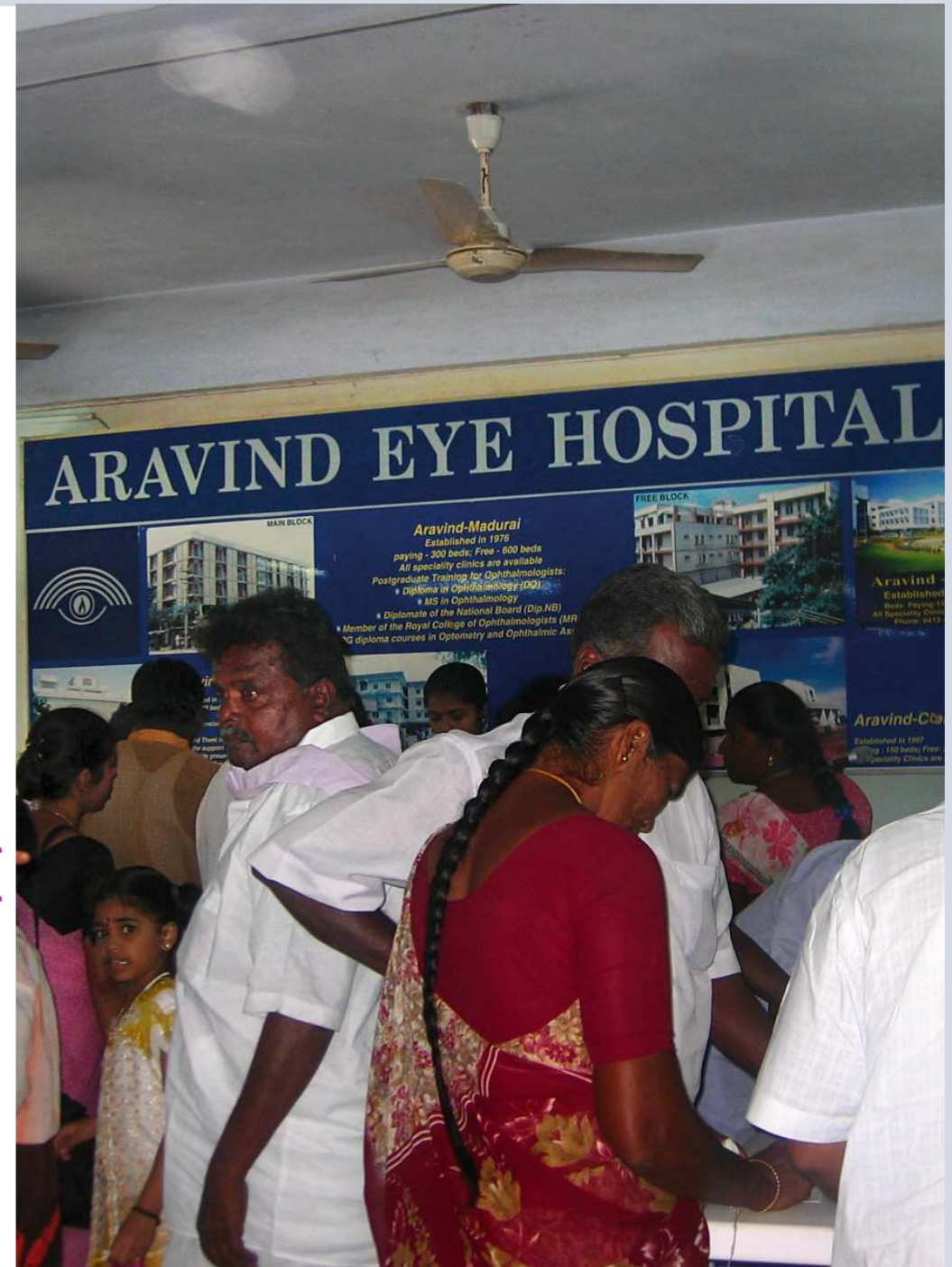
"MK Gandhi, Attorney" by Ben Sutherland is licensed under [CC BY 2.0](#).



Pricing

- Different pricing for different classes of customers
- Cross-subsidization of charitable projects
- Note: cross-subsidization is abused in the commercial sector for predatory pricing.
- Same mechanism, very different intentions

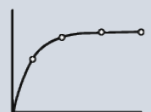
[The Aravind Eye Hospital in Madurai. INDIA.by Community Eye Health licensed CC BY-NC 2.0 on Flickr](#)



Taxes

- Non-extractive business shouldn't require any tax breaks
- Paying tax supports society and contributes to a better world
- Social safety nets, paid by our taxes, reduce entrepreneurial risk
- Founders benefit from this, so we should contribute back to the system

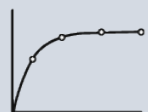
"Tax Bill" by 401(K) 2013 is licensed under CC BY-SA 2.0.



Retirement

- Founders want to cash out, because it “solves the money problem” for them
- In PGE, founders are middle class
 - Good salary + pension
 - (This should be enough to retire)
 - We can also leverage our company to create new opportunities
- We try to keep things reasonable/ proportional in relation to everyone else
 - “Entrepreneurial risk” is overrated

<https://www.cnvc.org/> "Elderly Man Soaks Up the Sun along the Danube - Pest Side - Budapest - Hungary" by Adam Jones, Ph.D. - Global Photo Archive is licensed under CC BY-SA 2.0./resource/book-chapter-1





Post-Growth
Entrepreneurship



UNIVERSITY
OF AMSTERDAM

Post Growth Entrepreneurship

Dr. Melanie Rieback

University of Amsterdam - Faculty of Economics and Business

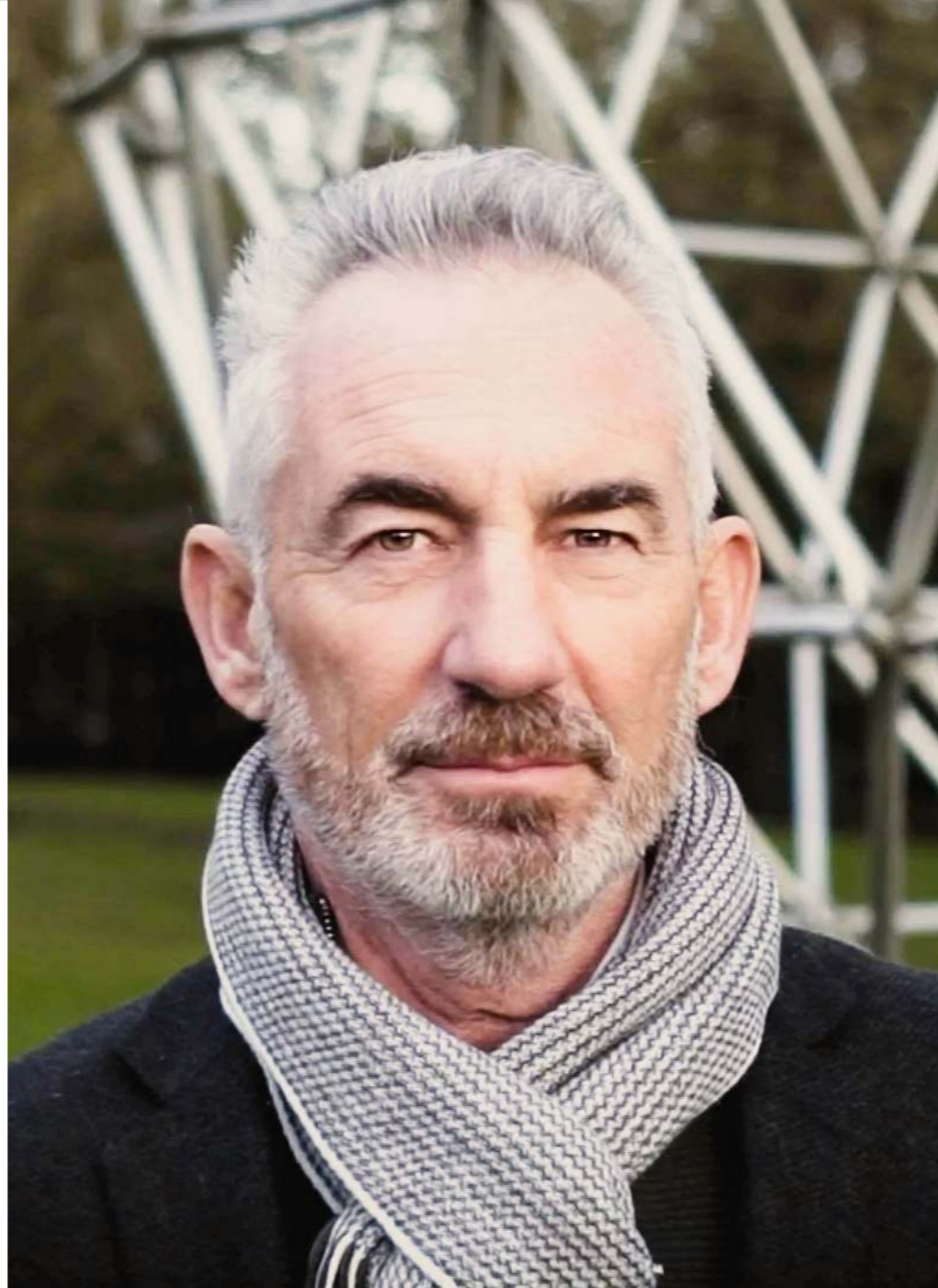
melanie@nonprofit.ventures

m.rieback@uva.nl

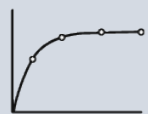
Jan 9, 2023

Tim Jackson

<https://timjackson.org.uk/about/press-kit/>



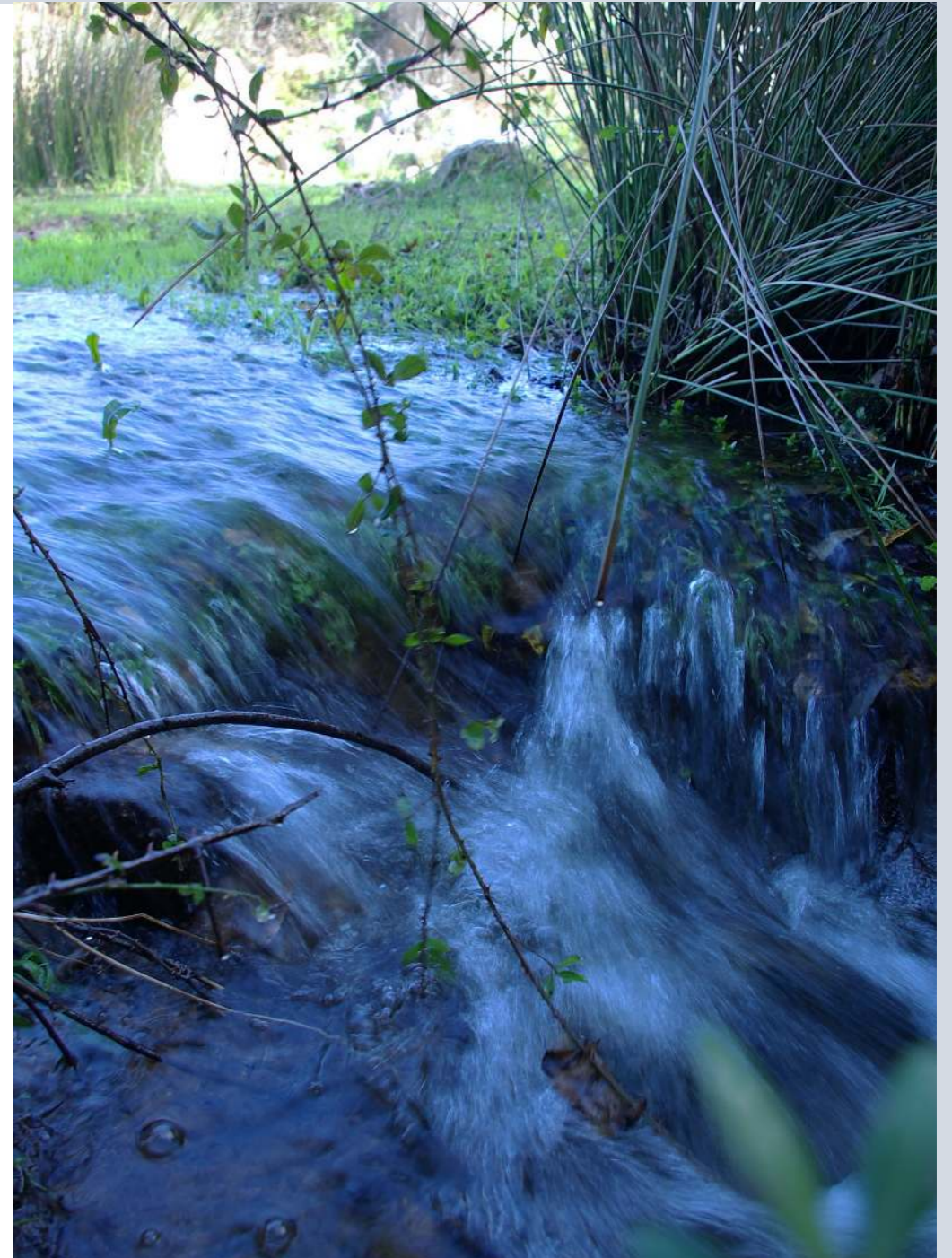
Meso-Level (Business)



Redirecting Cashstreams

- The Post Growth Economy is self funding
 - We can't rely upon subsidies and tax breaks
 - Revenue from sales should be sufficient
- Non-extractive companies redirect cash from the commercial economy into the Post Growth economy
 - But the relationship shouldn't be adversarial
 - The commercial ecosystem is our ally
 - Everyone benefits from more social and less extractive businesses

"Streaming..." by consul78 is licensed under CC BY-SA 2.0.



Social Procurement

- We vote for the world that we want to live in with our Euros
- Companies/governments have more money to spend than consumers do
- Supporting the Post Growth Economy becomes as simple as making purchasing decisions
- Social procurement policies: small changes create large ripples

"Invoice, Public Resource's big box of standards, the office, Hackney, London, UK.jpg" by grunzooki is licensed under CC BY-SA 2.0.

PUBLIC RESOURCE.ORG ~ A Nonprofit Corporation
Public Works for a Better Government

COMMERCIAL INVOICE

EXPORTER:
Tax ID#: [Redacted]
Contact Name: Carl Malamud
Telephone No.: 5412537514
E-Mail: carl@media.org
Company Name/Address: Public Resource, Inc., 1005 Gravenstein Highway North, Sebastopol CA 95472, UNITED STATES OF AMERICA

CONSIGNEE:
Tax ID#: [Redacted]
Contact Name: Cory Doctorow
Telephone No.: 44 798 607 266
E-Mail: doctorow@craphound.com
Company Name/Address: CorDoc Co, Ltd (UK), 128 Aldersgate Street, Unit 306, Barbican, London EC1A4AE, UNITED KINGDOM

No. of Packages	No. of Units	Unit of Measure	Description of Goods	Harmonized Tariff Number	Country of Origin	Unit Value	Total Value
1	1.00	PCS	Commercial - Legal Documents		US	325.000000	325.00
Total No. of Packages: 1						Total Weight (Indicate LBS or KGS): 27.90 lbs	

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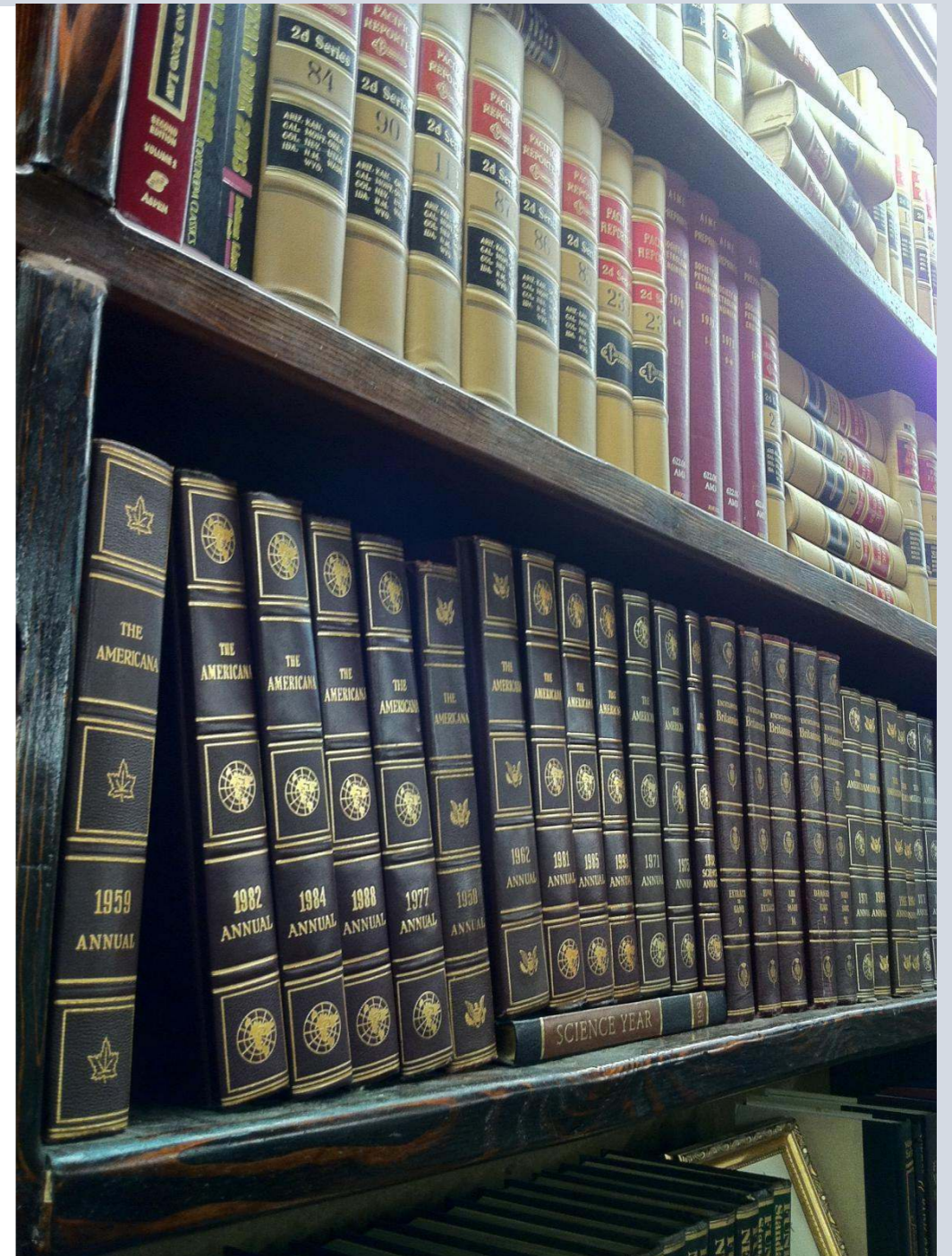
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carl@media.org

Social Compliance

- Compliance drives procurement decisions - but this is often fear driven
 - Chasing minimum standards never leads to optimal real-world outcomes
- Laws and regulations are fairly open to interpretation
 - Similar to the interpretations of biblical texts
- The compliance field needs reinvention
 - Compliance officers can be change agents
 - There should be no difference between the Compliance, CSR, and Ethics departments

"Law Books" by Wesley Fryer is licensed under CC BY 2.0.



Ethical Supply Chains

- Case study: Fairphone
- Case study: Tony's Chocolonely
- It's hard (if not impossible) to architect ethical supply chains from the top-down

"Fairphone 3_Angle" by Fairphone is licensed under [CC BY-SA 2.0](#).



Breaking Down The Problem

- Use reductionist engineering thinking to break down problems
 - Build solutions from the bottom up
- Forget the Fairphone: can we build a fair LED? Or a fair diode?
 - If so, then we can make 1/400th of every cellphone in the world “fair”
 - This is how it starts. We solve small atomic problems together.

"RGB LED" by flakeparadigm is licensed under CC BY 2.0.



Back to Fairphone

- Fairphone setup a supply chain for Tungsten vibration motors
- Fairphone has functioned (top-down) as a broker, to improve supply chains (bottom-up)
 - Fairphone partnered with Glencore, Tesla, and Signify
- Success with gold and cobalt
 - Tesla uses Fairphone's cobalt for car batteries
 - Apple has some of Fairphone's gold in their phones

"into the gold mine" by arripay is licensed under CC BY-SA 2.0.



Emergent Ecosystems

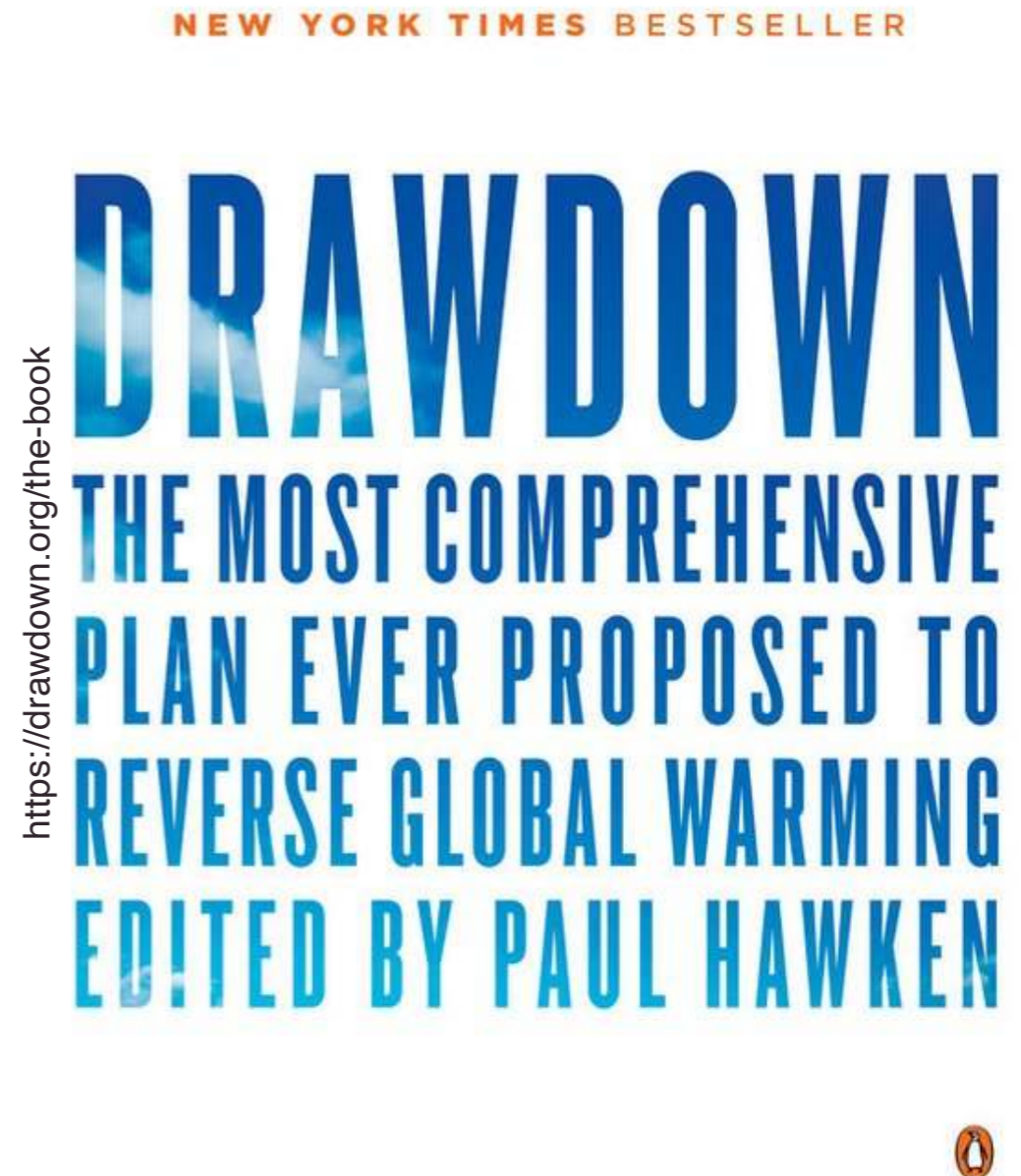
- We can combine small atomic entities to form decentralized networks with larger emergent qualities
 - We're already familiar with this phenomenon - it's called the Internet
- In other words: we don't have to individually compete with tech giants
 - Our ecosystem will collectively make the impact

"Hoberman Sphere, Chuck Hoberman 1995" by Ryan Somma is licensed under [CC BY-SA 2.0](#).



Revisiting the SDGs

- 'Drawdown' by Paul Hawken describes the 100 most effective ways to reclaim carbon from our atmosphere
 - All 100 of these solutions already exist - the tech has been developed and proven
 - The problem: these technologies haven't been deployed on a sufficiently large scale yet
 - Doing so would reverse climate change
- The point: climate change isn't a technology problem, it's a business model problem

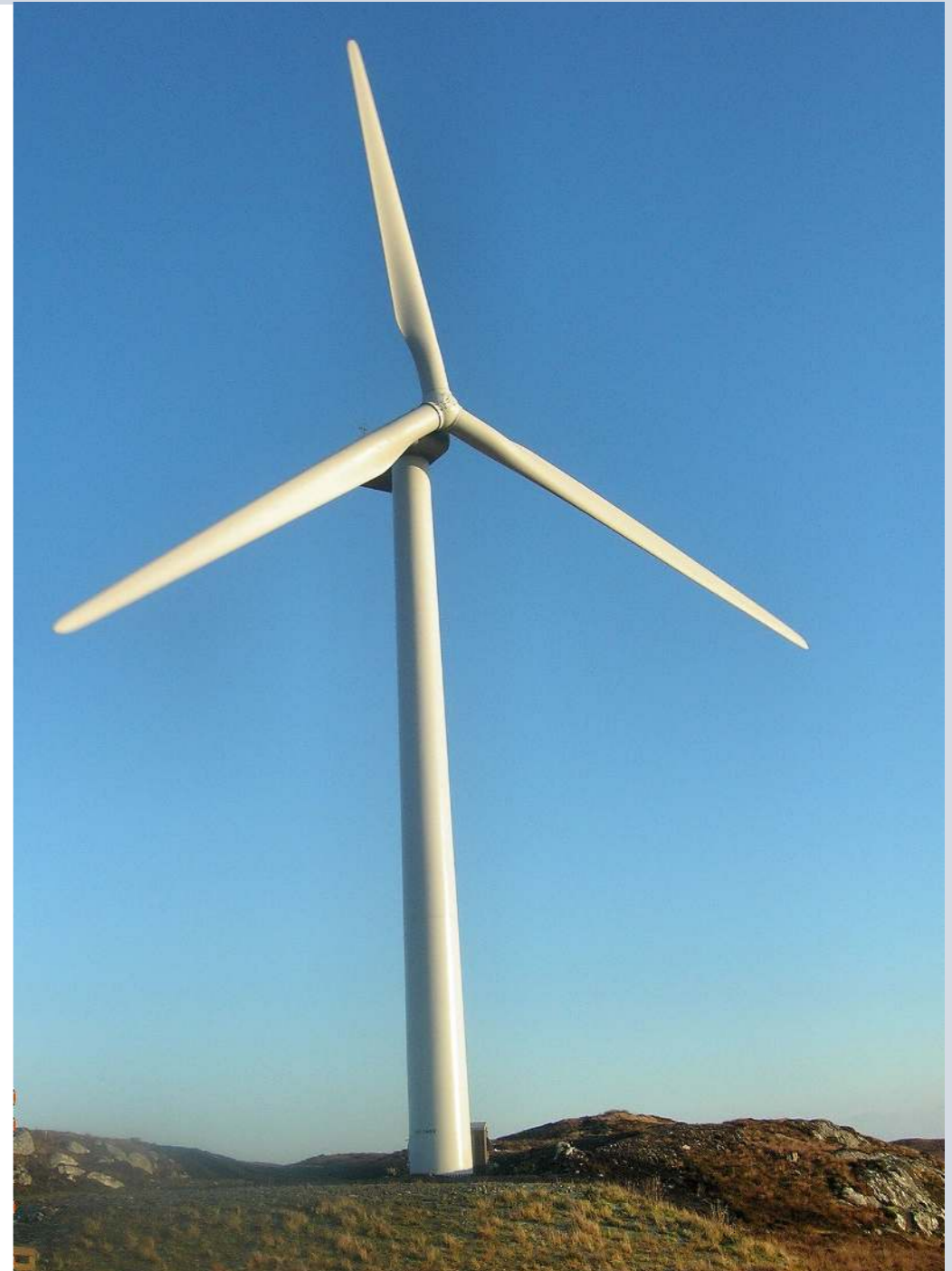


Revisiting the SDGs

Example: Onshore Wind Turbines

- The #1 most effective way to reclaim carbon from our atmosphere according to Drawdown is onshore wind turbines
- There's a chicken-and-egg problem with their financing
- We can break down the wind turbine into smaller pieces?
- Can we leverage non-extractive ecosystems to tackle capital intensive problems?

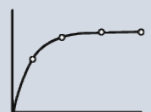
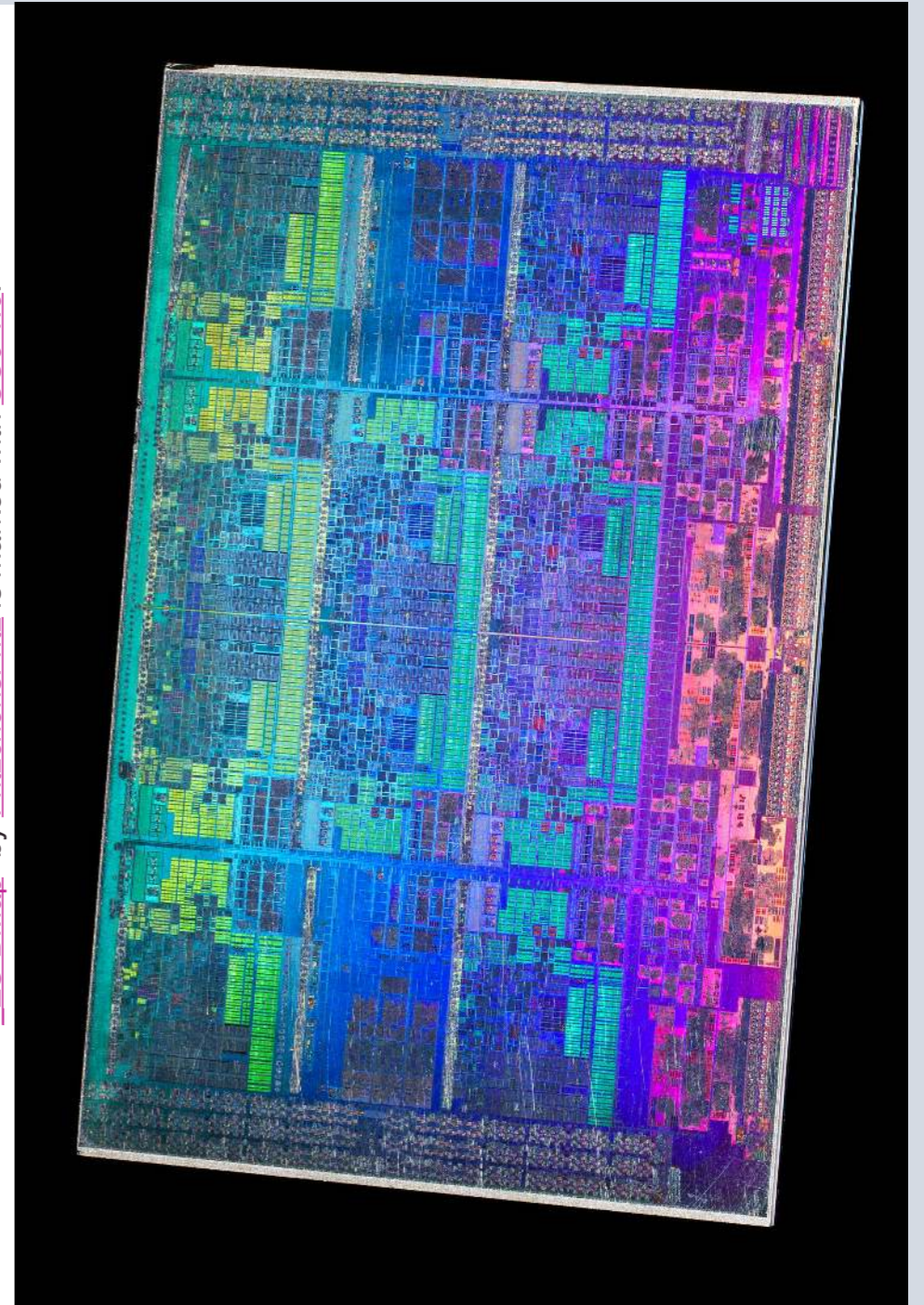
"Wind Turbine" by SustainableDevelopment is licensed under CC BY 2.0.



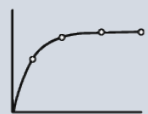
Technology Problems vs. Business Model Problems

- It's really easy to fall in love with technology
- (Trust me, I know. I'm a computer scientist.)
- But I'd like to postulate: what if most of today's social and environmental problems are business model problems and not technology problems?

"intel@14nm@Skylake@Skylake-X(LCC)@i7-7820X@SR3L5 Stack-DSC10363-DSC10395 - ZS-DMap" by FritzchensFritz is marked with CC0 1.0.



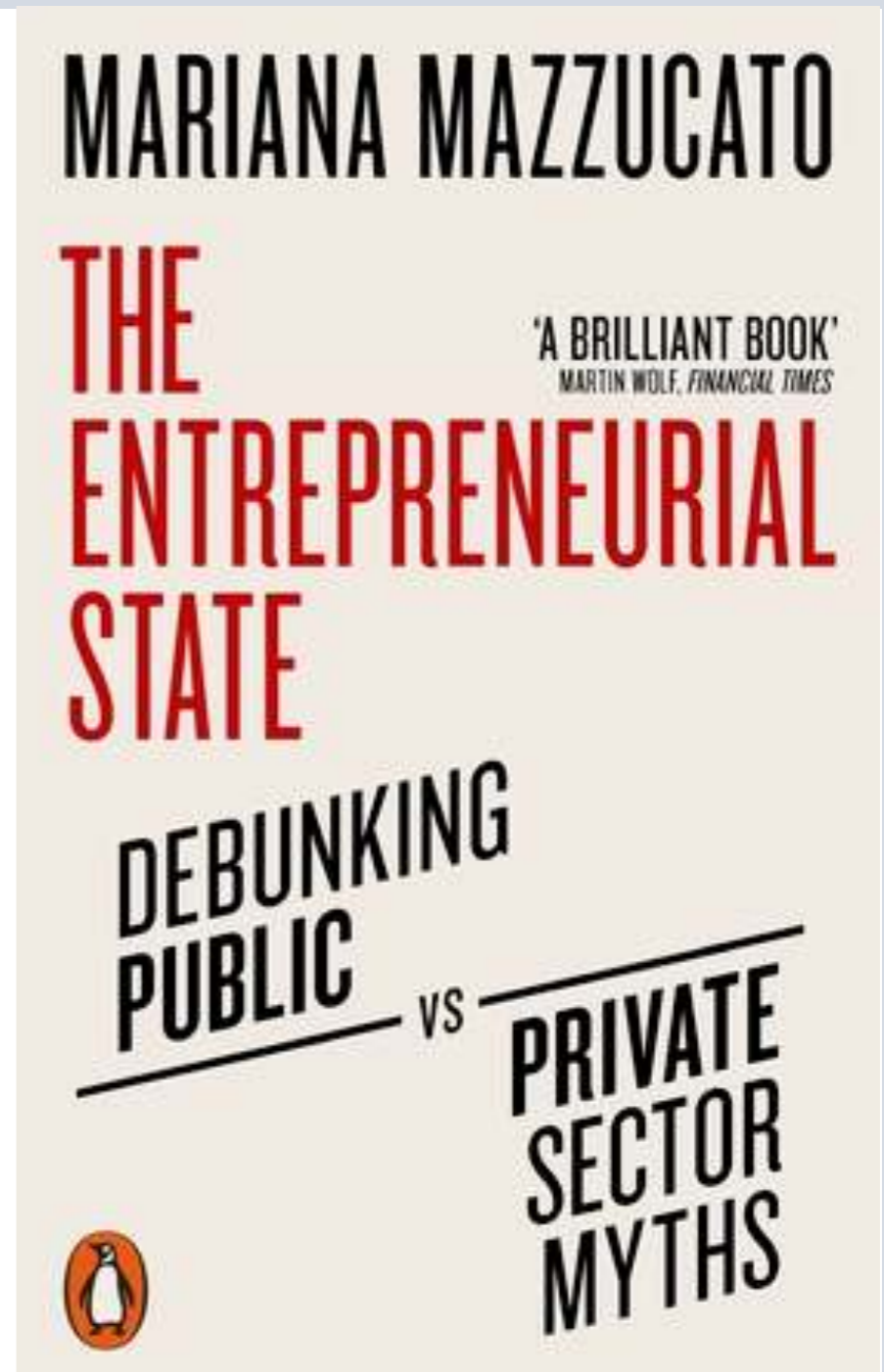
Macro-Level (Economy)



Governments

- Mariana Mazzucato's book 'The Entrepreneurial State'
 - The government is the world's largest VC
 - We are socializing the costs, but privatizing the benefits
- Exits are a governance nightmare
- Extractive companies avoid paying taxes
- "Unicorns" = taxpayer subsidized monopoly forming

<https://marianamazzucato.com/books/the-entrepreneurial-state>



Global Development

- Extractive business is counterproductive to global development
- Companies started with foreign capital extract cash out of the country again
 - Hotel chains to micro-finance
- VCs reinforce Western bias
- This is (yet another) example of Western colonization

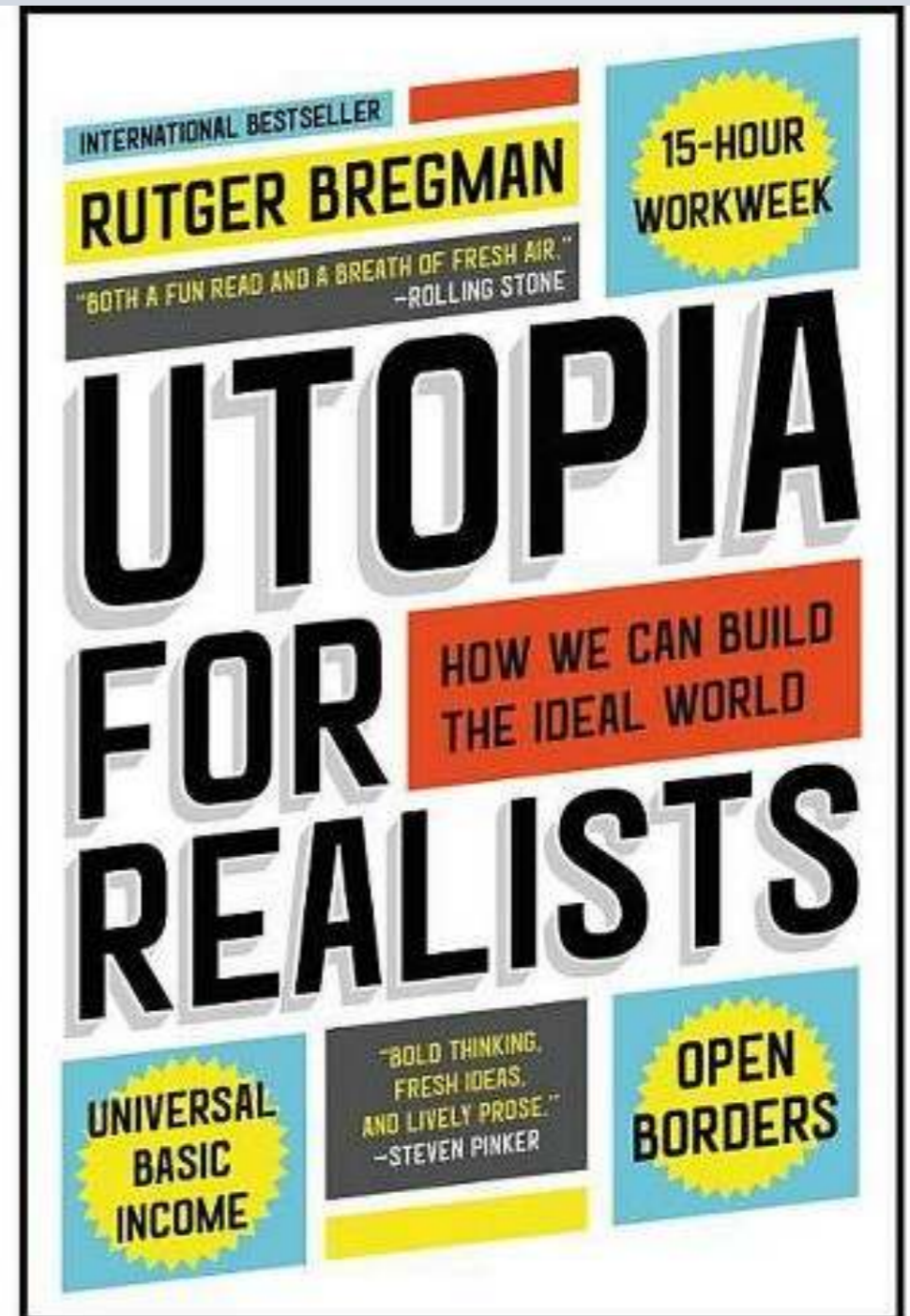
"File:Back to farm 02.jpg" by Youth4agric is licensed under CC BY-SA 4.0.



Universal Basic Income (UBI)

- Socialism is good for capitalism
 - Social safety nets create a friendly climate for taking entrepreneurial risk
 - In the absence of social safety nets, people overcompensate by hoarding personal wealth
- The UBI is a program in which everyone unconditionally receives a basic living wage.
- Supporters of the UBI span the entire political spectrum, from Martin Luther King to Milton Friedman to Pope Francis

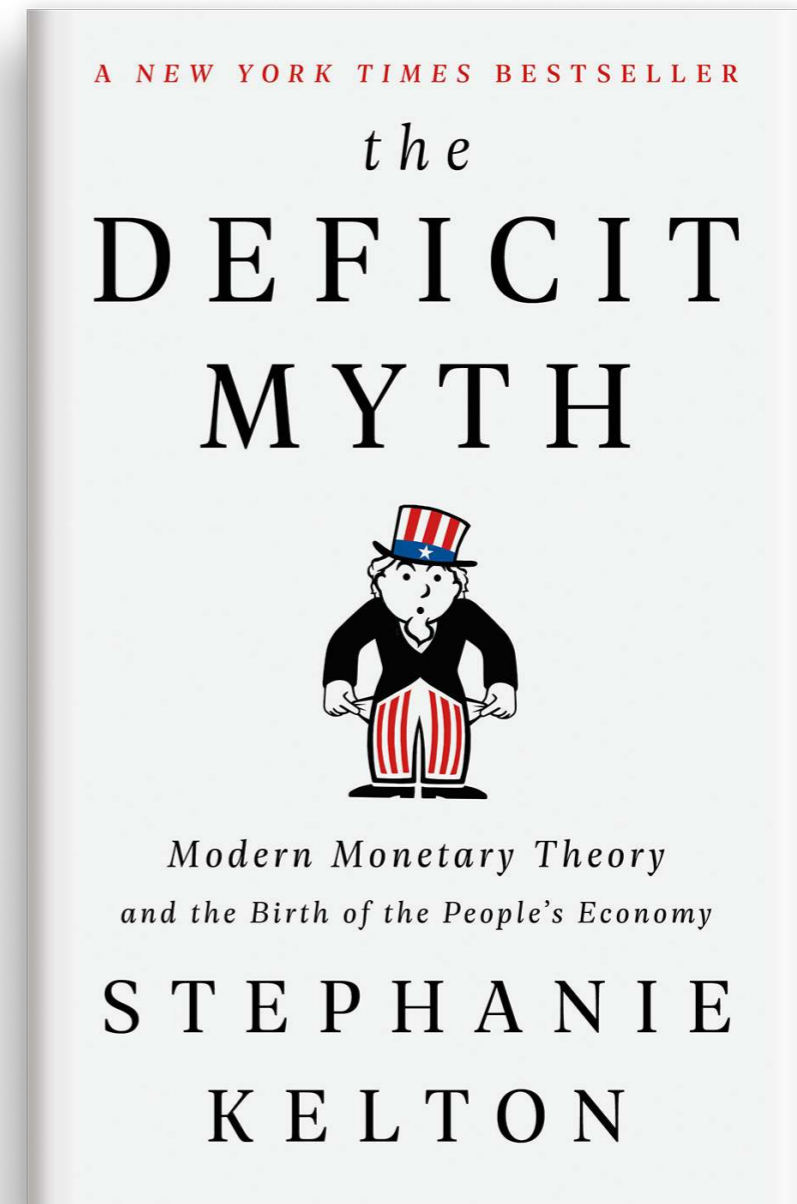
<https://www.rutgerbregman.com/books>



Modern Monetary Theory (MMT)

- Modern Monetary Theory says that any government with its own sovereign currency can use fiscal policy to pay off debts in that currency
- Governments are not like households, who need to balance their income and spending
- The only limit on a government's ability to print money is inflation
- The real issue is the political activity of deciding which spending programs should be prioritized
 - MMT could pay for a UBI
 - MMT has instead bailed out banks (2008) and reversed dips in the stock market (2020)

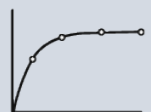
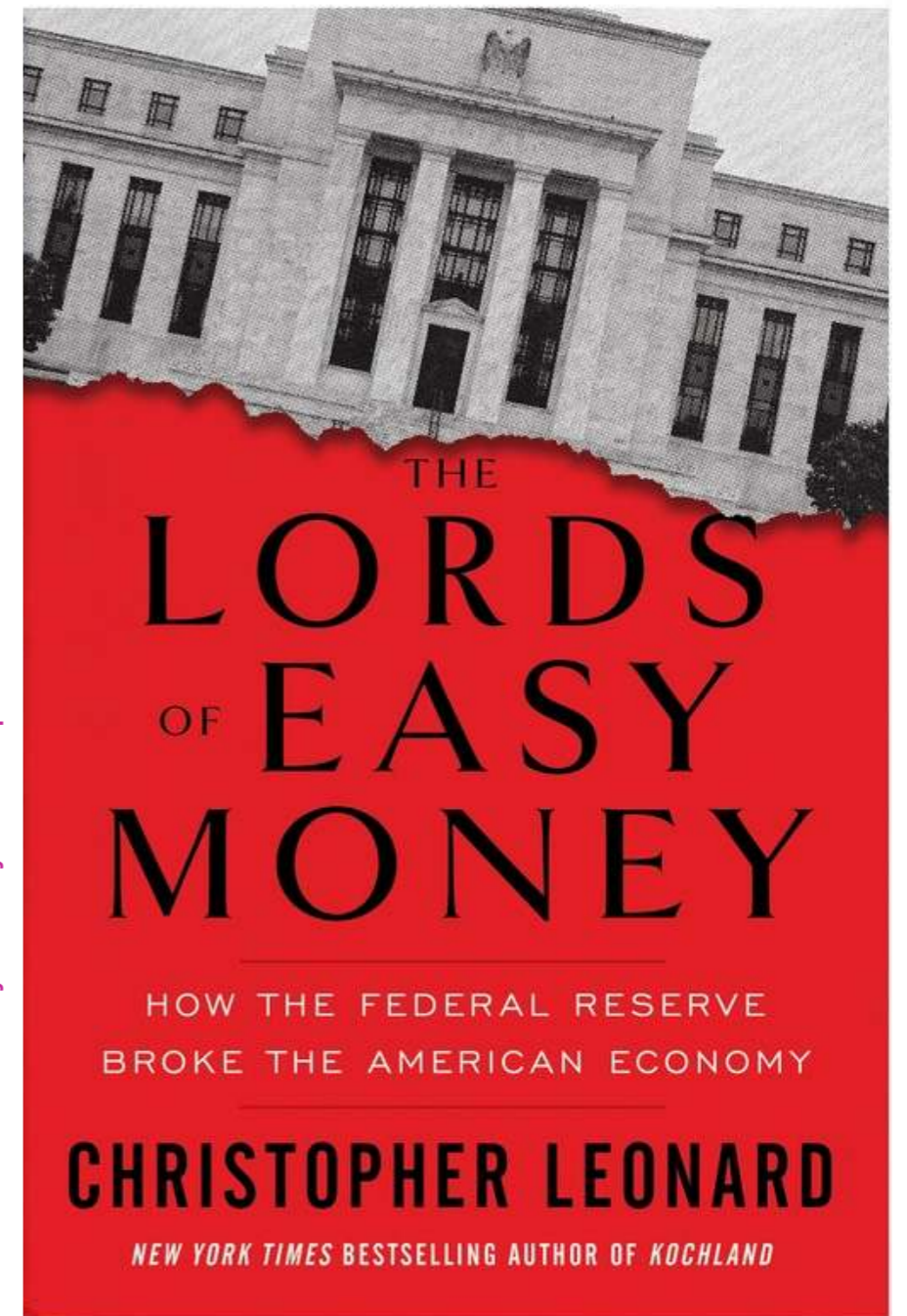
<https://stephaniekelton.com/book/>



Central Banks

- Central banks (US Federal Reserve, European Central Bank, etc..) control fiscal policy
 - “Quantitative Easing” (QE) = low interest rates + money printing + financial asset purchase
 - Unprecedented amounts of money printed by the “Fed” (16 trillion) and ECB since 2020.
- The stock market rallied to all-time highs -“everything bubble”, “unicorn bubble”, housing prices, etc..
 - Citizens didn’t get “bailed out” much
 - Billionaires gained \$1.7 million for every \$1 of new global wealth earned by a person in the bottom 90%
 - Historic levels of inflation followed - this hits poor and middle classes the hardest
- Our economic situation was created by a conscious set of (political) choices

<https://www.simonandschuster.com/books/The-Lords-of-Easy-Money/Christopher-Leonard/9781982166632>



Dutch Central Bank (DNB)

Those stimulus tools, deployed over several years when inflation was too low, were now likely to push the ECB and some of its shareholders, such as the central banks of Germany, the Netherlands and Belgium, into the red

...

This might eventually force some of these central banks to seek a bailout that would raise questions about their independence and raise the ire of taxpayers.

...

The Dutch national central bank has openly acknowledged the risk that it might need a recapitalisation by its government, though finance minister Sigrid Kaag later cautioned this was "not yet on the table".

<https://www.reuters.com/markets/europe/ecb-warns-losses-it-pays-price-decade-money-printing-2022-11-29/>



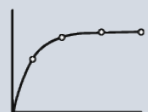
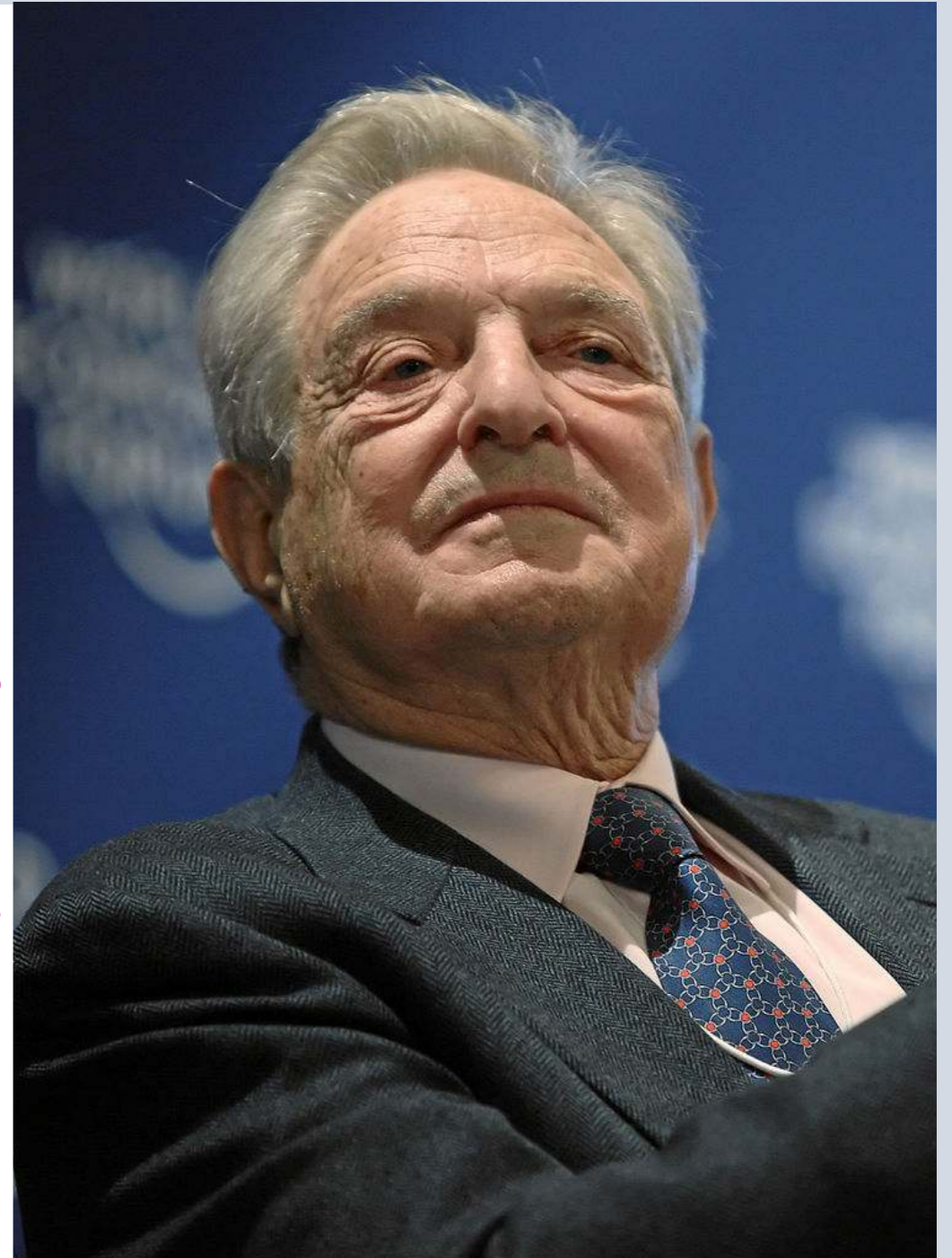
The screenshot shows a Reuters article from November 29, 2022. The article is titled "ECB warns of losses as it pays price for decade of money printing" and is categorized under "European Markets". The article includes a sub-headline "3 minute read · November 29, 2022 2:37 PM GMT+1 · Last Updated 2 months ago" and a byline "Reuters". The main image shows several European Union flags flying in front of the ECB headquarters in Frankfurt, Germany, under a blue sky with clouds. The caption below the image reads: "European Union flags flutter outside the European Central Bank (ECB) headquarters in Frankfurt, Germany, April 26, 2018. REUTERS/Kai Pfaffenbach/File Photo".

Part VI: Finance and Investment

Investing is a Political Act

- Who you invest with makes a large difference
 - Example: George Soros vs. Robert Mercer
- In the USA, companies + individuals can make unlimited (non-disclosed) political donations
- This influences both legislation and government funding, and it massively shapes our societies (around the world)
- Billions of dollars of “other people’s money” is powering these operations
- We can choose to give these fund managers our money - or not

"File:George Soros - World Economic Forum Annual Meeting Davos 2010.jpg" by Copyright by World Economic Forum. swiss-image.ch/
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Understanding Money Flows

- **Asset owners:** pensions, insurance, banks, sovereign wealth funds, family offices (single-/multi-), endowments, foundations, HNWIs, etc..
 - Often called: “Institutional Investors” and “Limited Partners” in deals
- **Asset managers:** mutual fund, hedge fund, wealth manager, VC, etc..
- **Money flow:**
LP-> AM->Company->Citizens->LP

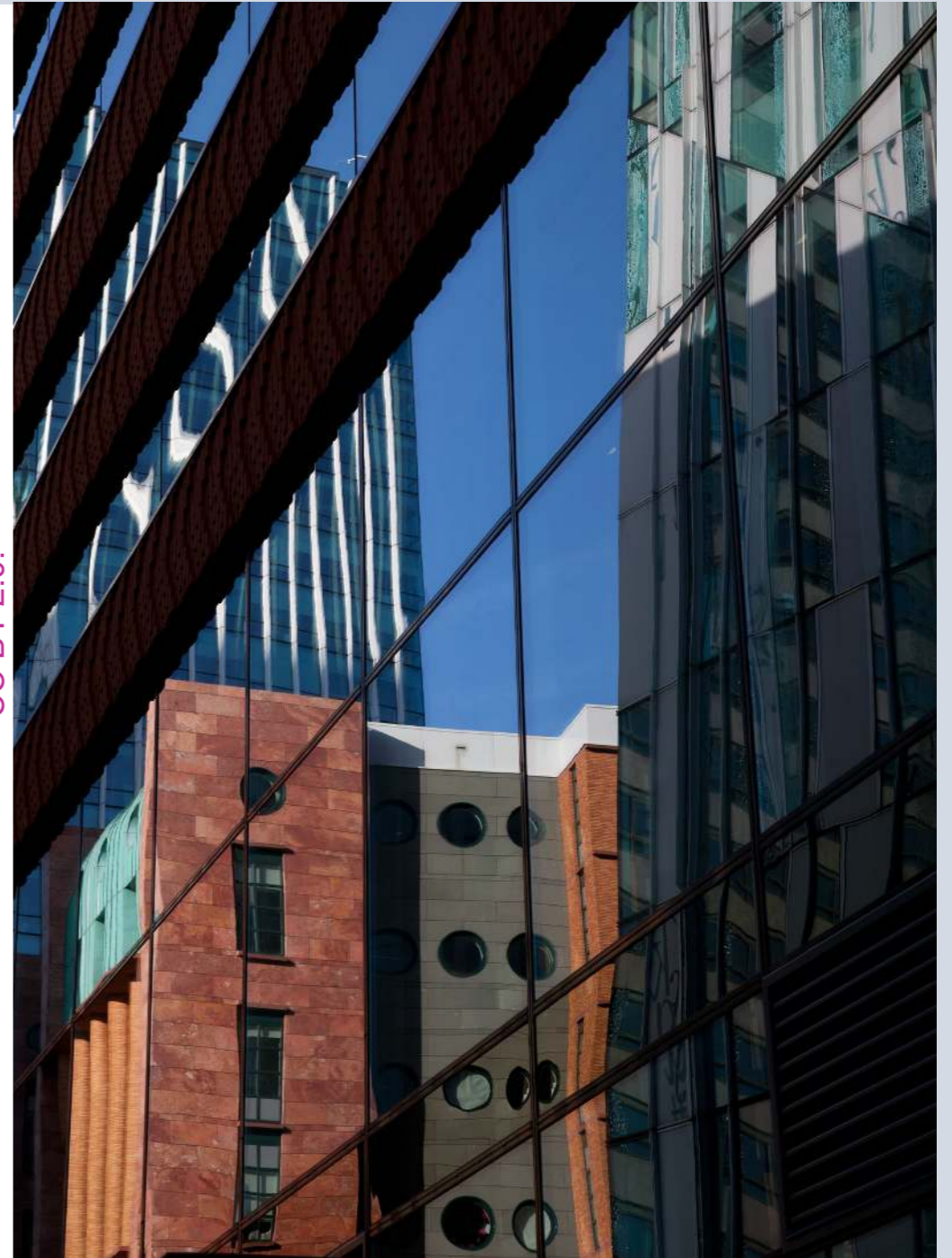
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Extraction in Finance

- How is cash extracted by the finance industry?
 - Fees
 - Dividends
 - Investment
- Facilitated by:
 - Stock buybacks
 - Mergers & Acquisitions

"Amsterdam Zuidas" by udo geisler is licensed under CC BY 2.0.



Stock Buybacks

- “Activist” hedge fund managers take small but influential stakes in companies
- They influence the company to buy back shares of its own stock
 - This leaves fewer shares in circulation thus increasing the price of a single share
 - CEO often agreeable, due to equity compensation
- “Activists” might try to replace CEOs and Board Members who get in the way
 - Other LPs might vote to support this activity
 - (This also happens in Social Enterprises)
- This is value destruction - not value creation
 - Company will layoff staff, defund R&D, sell parts of the company to free up more cash for buybacks

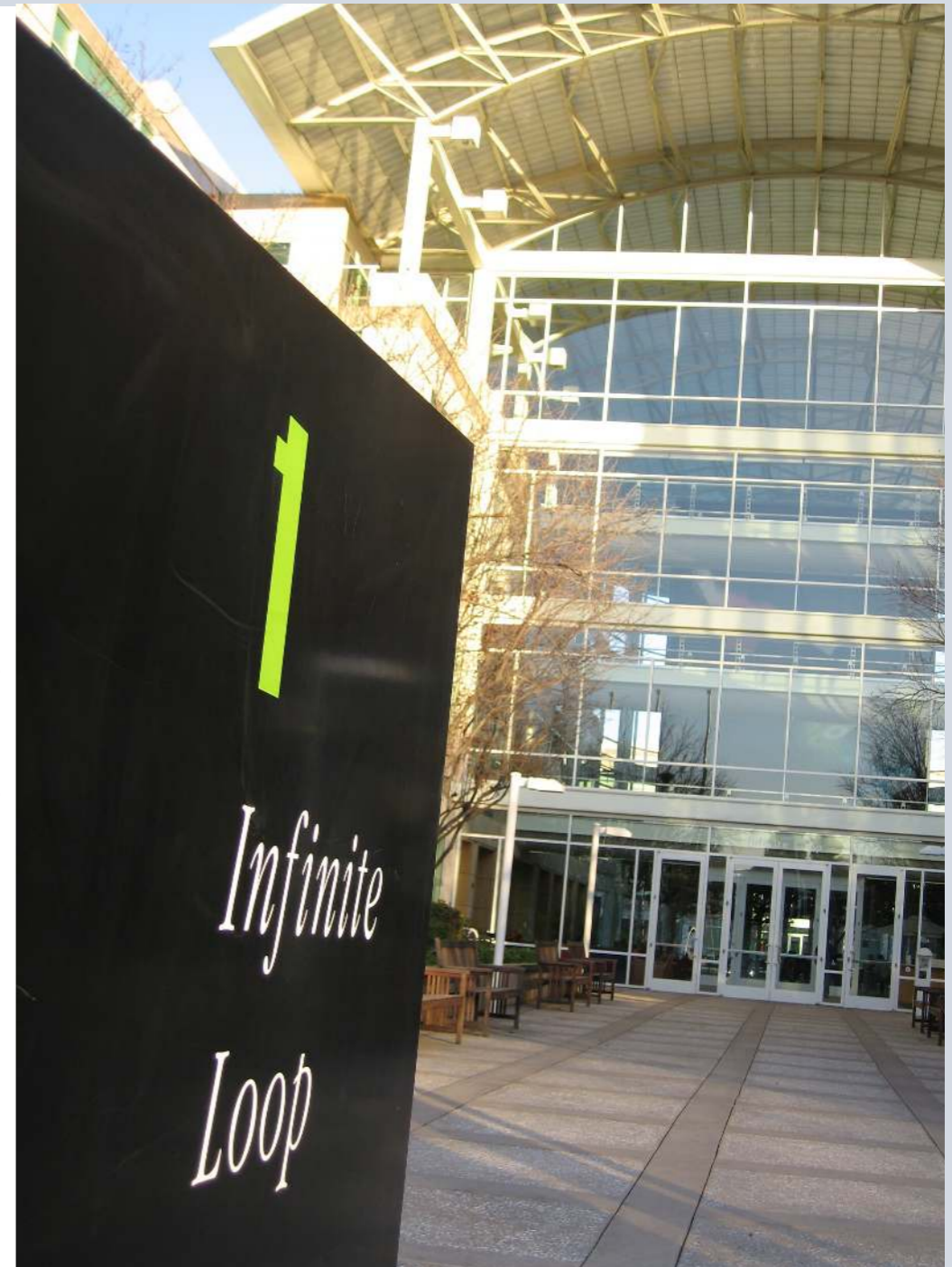
"Investors News tips - Stock Market Quotes & Financial News.jpg"
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Case Study: Apple

- Since 2012, Apple has performed \$500bn worth of buybacks, making it the market leader
- Steve Jobs was opposed to buybacks
- Warren Buffett encouraged Tim Cook to use Apple's \$100bn cash to buy back stock
- Carl Icahn also wrote a letter to Tim Cook in 2013 encouraging buybacks
- David Einhorn sued Apple to use its excess cash for buybacks
 - < 2 years later, Icahn sold his Apple stock for \$2bn in profit
 - Warren Buffett's ROI around \$100bn
 - Einhorn made > \$1bn of profits

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Case Study: Meta

- In 2020, a lawsuit was filed by a Michigan Pension Fund, over the timing of buybacks performed in 2017+2018
- Zuckerberg wanted to sell \$75 million worth of shares to fund the Chan Zuckerberg Institution
- According to lawsuit, the buybacks were likely designed to facilitate stock sales by Zuckerberg and other insiders, including Sheryl Sandberg and Peter Thiel, who sold their stock in 2019
- Why are buybacks not considered market manipulation and/or insider trading?

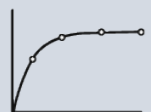
["Facebook HQ privacy settings are set pretty high. This sign is the closest you can get to the offices. #geektours #paloalto"](#) by [fiverlocker](#) is licensed under [CC BY-SA 2.0](#).



Engine No. 1

- Engine No. 1 is a small hedge fund in California who took a minority position of US\$250 million AUM in ExxonMobil
- They asked ExxonMobil to shift investment from gas/oil into renewables. ExxonMobil disagreed.
- Engine No formed a coalition with pension funds (CALPERS, CALSTRS), big 3 investment firms (Blackrock, Vanguard, State Street) and ISS
- They managed to replace three members of the Exxonmobil Board of Directors
- Next step: Transform 500 ETF (ticker: VOTE)

"North Charleston Fire Department takes delivery of new trucks" by North Charleston is licensed under CC BY-SA 2.0.



“Woke” Finance War

- Growing right-wing backlash against “woke capitalism”
 - “Woke” = ESG, DEI, stakeholder capitalism
 - Criticism: corporate elites putting “activism” over fiduciary duty
- 17 “red states” are proposing bills to punish Wall Street firms for ESG investing
 - Texas, Florida, West Virginia: pension funds must divest from ESG
 - (Desantis: \$13bn divestment attempt, Blackrock)
 - Dec 2022: Vanguard pulled out of net-zero alliance
 - Texas bill cost taxpayers \$300-\$530 million in 6 months
 - Counter-criticism: Republicans putting “activism” over fiduciary duty

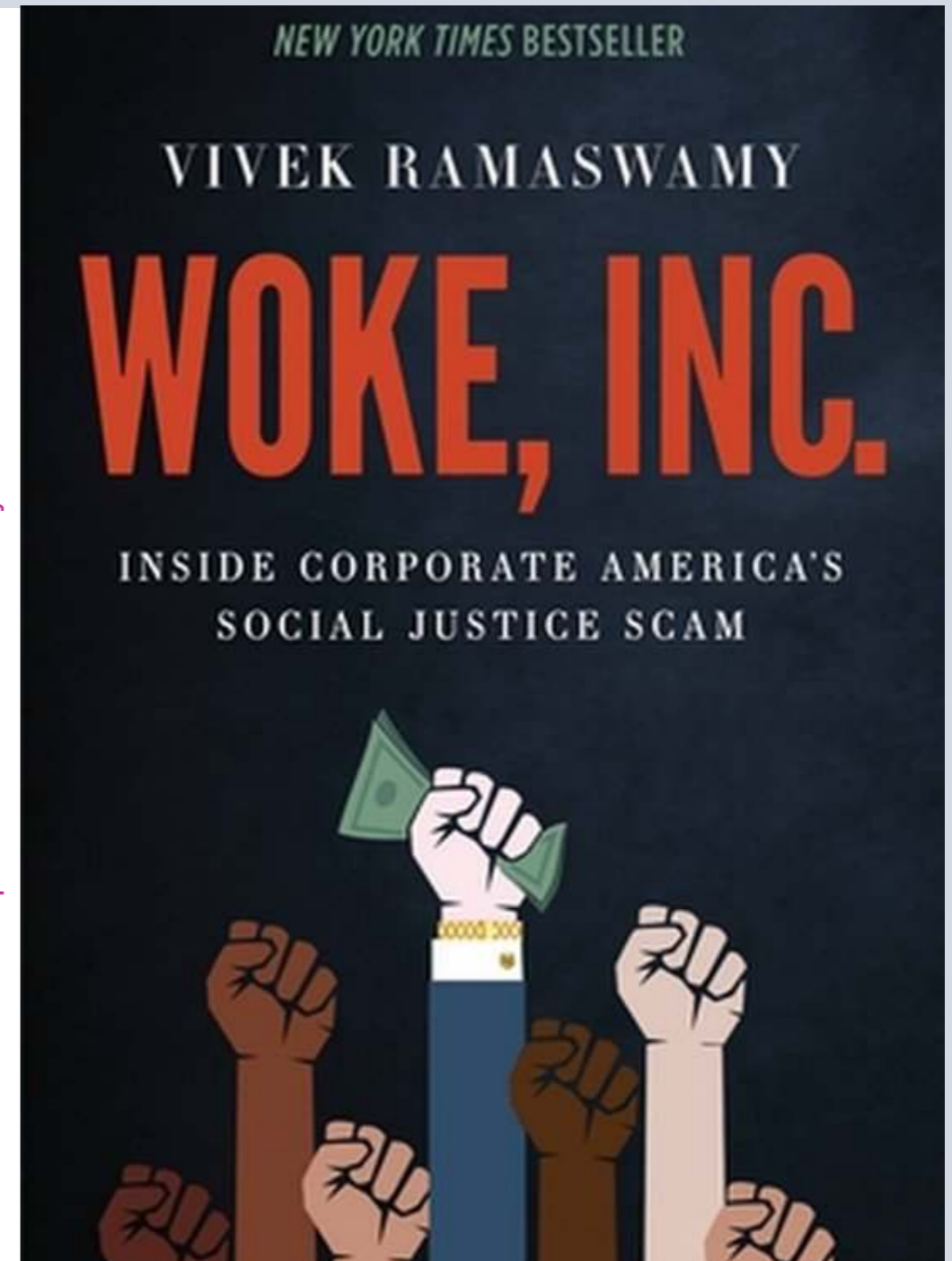
"File:Amsterdam Gay Pride 2008 03.jpg" by Екатерина Борисова is licensed under CC BY-SA 4.0.



“Anti-Woke” Activism

- Cash may be rerouted to right-wing asset managers, like Strive Asset Management
 - Shares can be used for Engine No 1 style board takeovers on “woke companies”
 - Not hypothetical: Activist Investor (and Republican Donor) Nelson Peltz is now fighting for a board seat at Disney
 - If successful, CEO can be replaced - resources of Disney can be leveraged for conservative political agenda
 - (Including donations to politicians who rerouted assets to right-wing asset managers in the first place)
- The finance war is not just an “American problem”
 - Capital is global - a US pension fund can also target European companies

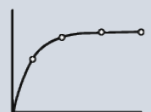
<https://www.vivekramaswamy.com/woke>



Leveraged Buyouts (LBOs)

- Example: Elon Musk's LBO of Twitter
 - Firing content moderation team
 - Replatforming Trump
 - "Twitter files"
- Leveraged buyout = purchasing a company with debt, using corporate assets as collateral and paying off debt with future cashflow
- What else could you do with LBOs?
 - "Exit to Steward Ownership"
 - LBO a pharmaceutical company, and release patents into public domain
- Finance is a powerful tool, whatever your political and philosophical views

"Elon Musk at the 2015 Tesla Motors Annual Meeting"
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ESG Investing

- So what is ESG investing?
- **E**nvironmental, **S**ocial, **G**overnance
- Often divestment from “sin stocks” (weapons, tobacco, alcohol, etc..)
 - Helped overturn Apartheid in South Africa
 - Increasingly targeting gas + oil
- Rationale: “pricing in systemic risks” (including climate risk)
- ESG has seen attractive returns

"Seed Financing" by michael.heiss is licensed under CC BY-SA 2.0.



The Problem With ESG

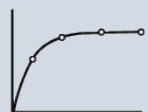
- Conflicts of interest
 - EU Taxonomy: gas and nuclear energy in the EU's list of sustainable investments
 - Impact metrics (MCSI, Domini 400, S&P, Sustainalytics, etc..)
- Lots of focus on E, a bit on S
 - E and S are symptoms, G is the root cause
 - Fix the G, you get E and S for free
 - G is hardest to greenwash with - that's why it's largely ignored
- We need to focus on governance
 - Compensation, fee structures, and proxy voting

"Green Ink" by davidgljay is licensed under CC BY 2.0.



“Show me the incentive and I will show you the outcome.”

- Charlie Munger



Non-Extractive Finance

- To eliminate the greenwashing in sustainable finance, create non-extractive investment funds (and financial service providers)
- How?
 1. Reform fee structures
 2. Nonprofit entity forms
 3. Steward Ownership

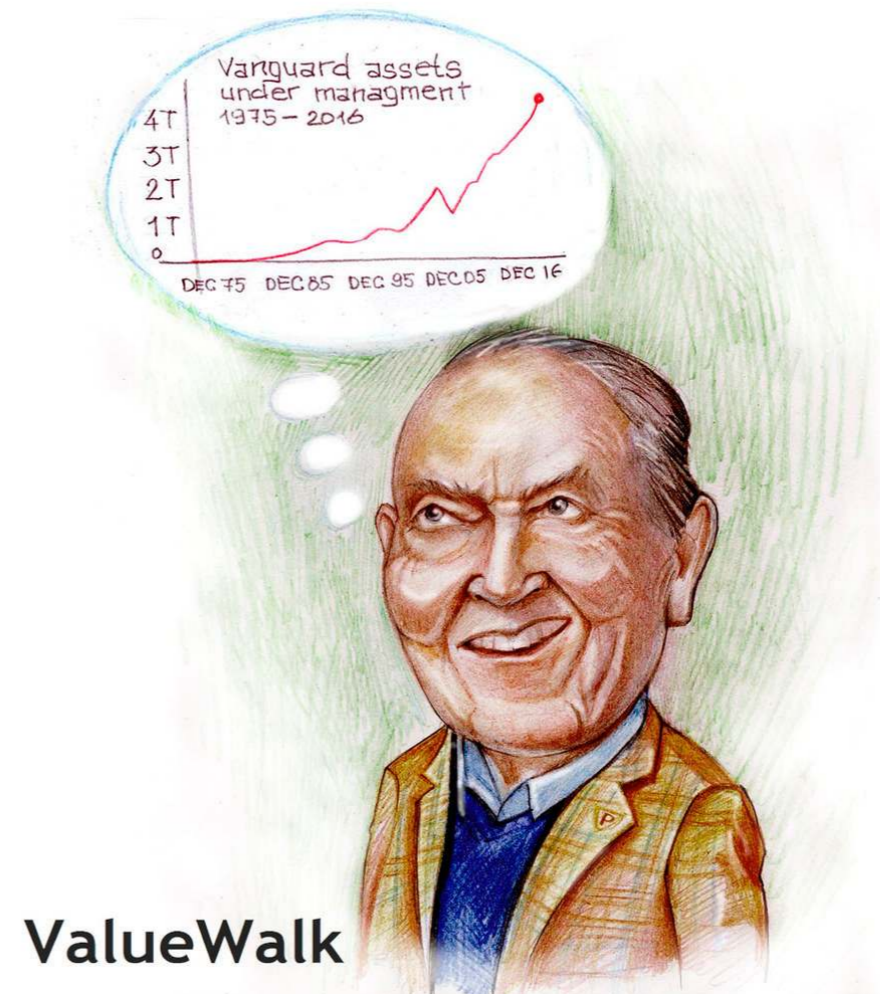
<https://www.stockio.com/free-icon/oden-icon-set-reinvestment>



Reforming Fee Structures

- Nonprofit finance has a surprisingly storied legacy:
 - John Bogle (Vanguard)
- Other examples:
 - Snowball Impact Management
 - Impact Shares

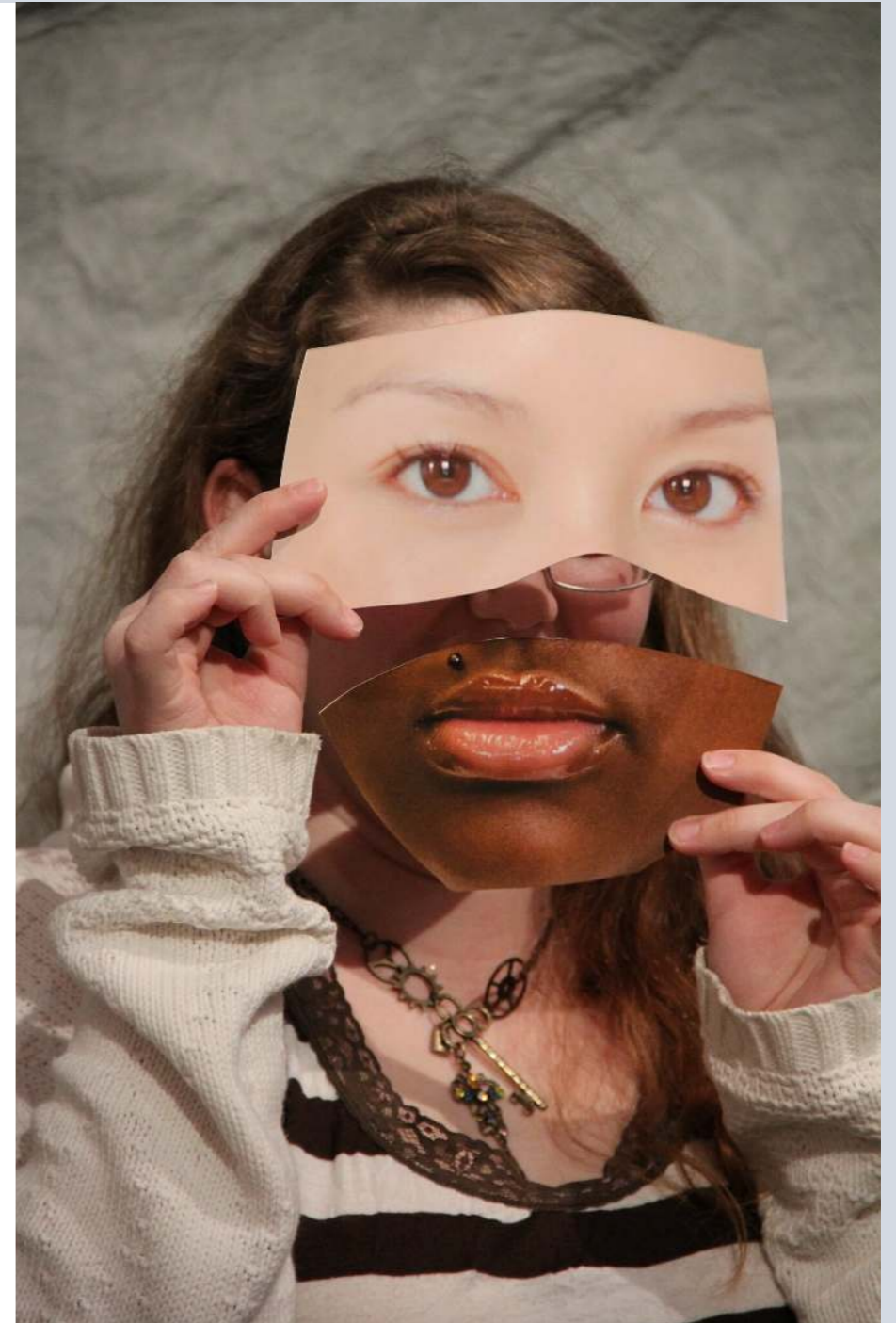
"Jack Bogle, John Bogle, Vanguard Group" by ValueWalk is licensed under CC BY-SA 2.0.



Reforming Impact VC

- Impact VC funds could be so much better if non-extractive:
 - Diversity Equity Inclusion (DEI) funds
 - Steward ownership funds
- Most (well meaning) impact funds likely haven't given this issue much thought yet

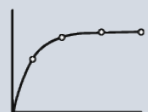
"Diversity Mask" by Spiva Arts is licensed under CC BY 2.0.



Bootstrapping Funds

- It's difficult for new (small) fund managers to start
- Family offices and NGOs can help launch funds, but institutional investors need to get on board for real size and traction
- Diversification rules are a problem: a pension fund might have a minimum tranche size of 100 million and must be less than 10% of your total portfolio
- BlackRock can snap their fingers and create a \$1bn fund tomorrow
- Can a pension fund diverge from Modern Portfolio Theory to cultivate more diverse ecosystem of smaller GPs? Would regulators allow this?
- Can large Asset Owners create “incubation programs” for new funds?

"Diversification - Investing" by 401(K) 2013 is licensed under CC BY-SA 2.0.



Institutional Investors

- Institutional Investors are driving the agenda
- They are super risk averse, and fearful of doing anything non-conventional
- Non-extractive finance would be beneficial for investors
 - Low fees
 - Better risk-adjusted returns by reducing conflicts of interest between GPs and LPs
- But there are cultural barriers to overcome

"Mit Münzen gefülltes Glas mit Aufschrift PENSION symbolisiert Sparen für Rente by Marco Verch is licensed under CC-BY 2.0."



Pension Fund Activism

- People should understand what their pension funds are investing in
- UK: 'Make My Money Matter'
- Employees can lobby corporate pension funds (through worker's council or trade unions)
- Pension fund activism run by NGOs (like Extinction Rebellion) can move the needle

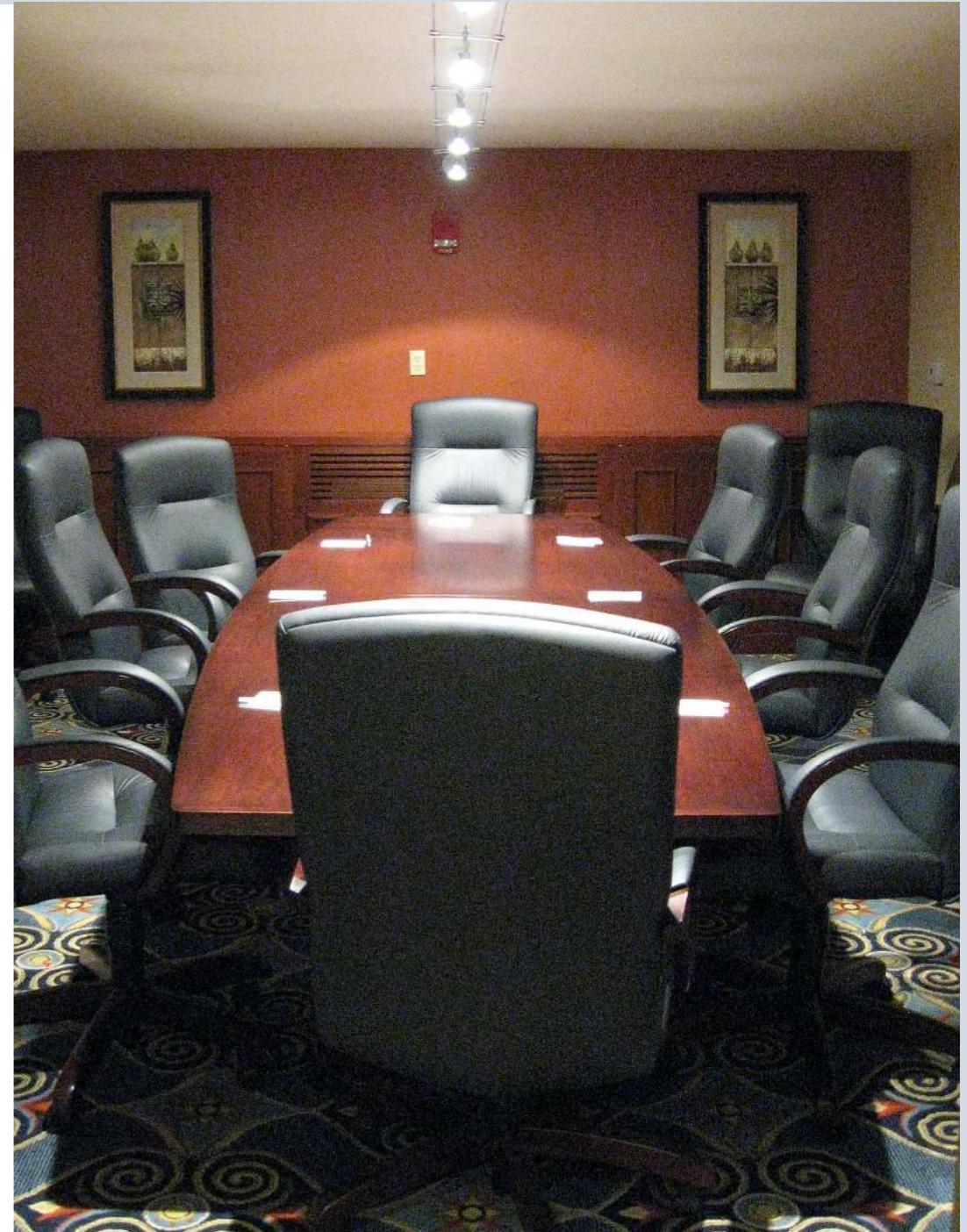
"XR Die-In Zuidas Amsterdam 27 March 2019" by Extinction Rebellion NL is licensed under CC-BY 2.0.



Shareholder Engagement

- Divestment vs. engagement
- Prominent NGOs:
 - As You Sow
 - Interfaith Center on Corporate Responsibility (ICCR)
 - Shareholder Commons
 - ShareAction
 - Follow This

"0625 The Vault Boardroom" by [bsabarnowl](#) is licensed under [CC BY 2.0](#).



Example: As You Sow

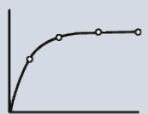


ABOUT US OUR WORK REPORTS RESOLUTIONS

THE NUMBERS. In total, the *As You Sow* team led 196 engagements with 156 companies across 11 program areas. In proxy year 2022, a total of 99 of these engagements were escalated and shareholder resolutions were filed on behalf of 79 shareholders. We successfully withdrew 56 resolutions in instances where companies agreed to take requested actions; 32 proposals went to a vote, with ten majority votes and median support of 41.4%. A total of \$2.18 trillion of share value was voted in support of our resolutions. Companies challenged 15 resolutions at the SEC; we won 14 of those challenges or the proposal was withdrawn during the SEC evaluation period, with only one proposal being omitted.

Our 196 engagements addressed the following issue areas: climate change (78); diversity, equity, and inclusion (40); racial justice (24); ocean plastics, single use plastics, and recyclability (18); political spending (10); petrochemicals (6); pesticides (5); antibiotics misuse and overuse (4); corporate misalignment with investing (4); governance (4); and water use (3).

<https://www.asyousow.org/2022-shareholder-impact-review>



“Corporate Gadflies”

- Some private individuals file dozens(!) of shareholder resolutions per year
 - John Chevedden (>1000 proposals)
 - James McRitchie and Myra Young (~50 proposals/year) - corpgov.net
 - Proposals submitted by gadflies win 47.8% shareholder support on average
 - “Where else can someone that’s never gone to law school beat a \$2 billion law firm?”
- We can maximize proxy votes instead of maximizing for returns

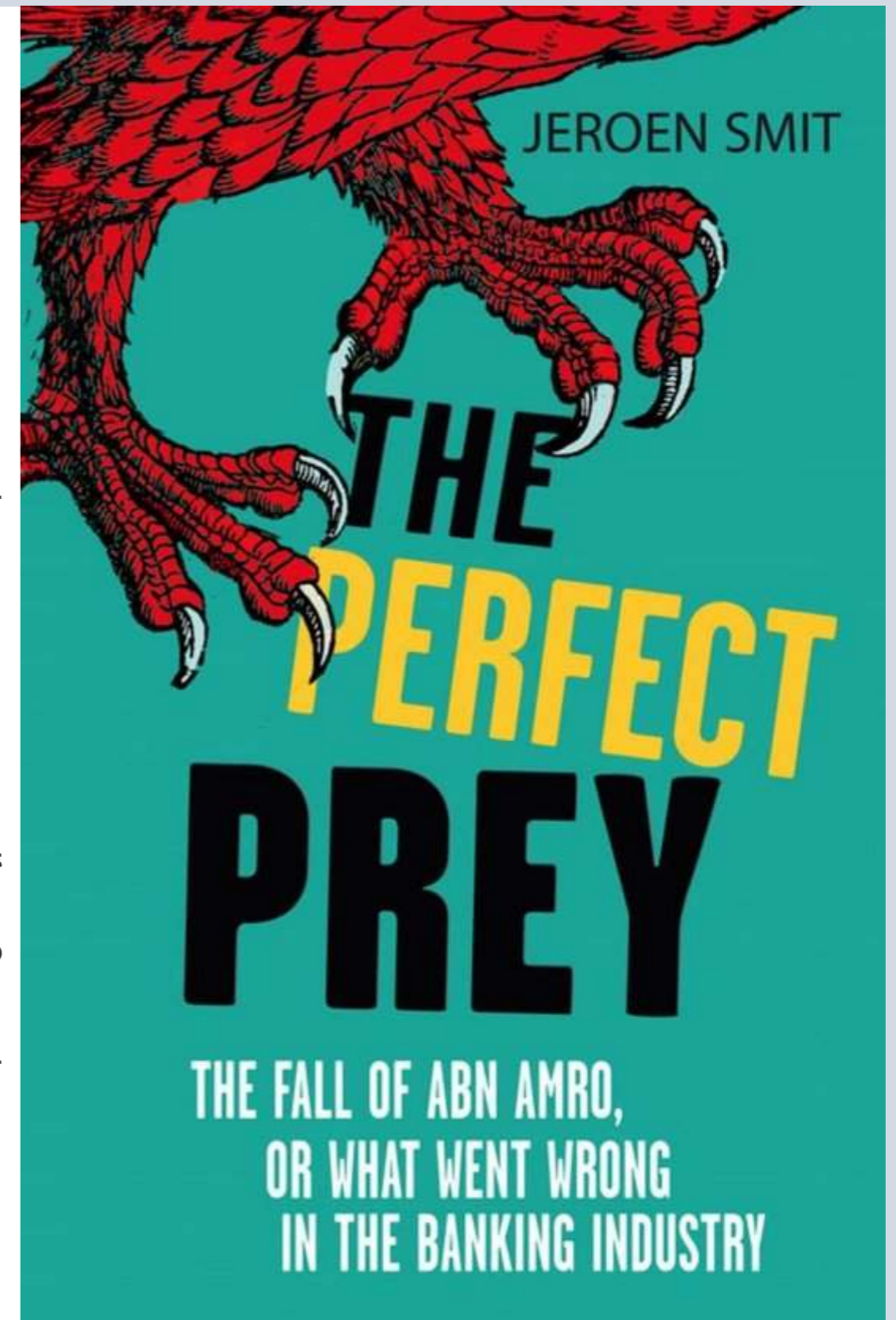
“Tiny Fly” by MattX27 is licensed under CC BY-SA 2.0.



Share Capital Requirements

- % shares to file resolution
 - UK: 100+ shareholders, 100 GBP (on average)
 - USA - 2k USD for 3+ years
 - FR - 0.5%
 - Norway - 0%
 - NL - 3%
- This is a hangover from TCI's attack against ABN-AMRO (2007)

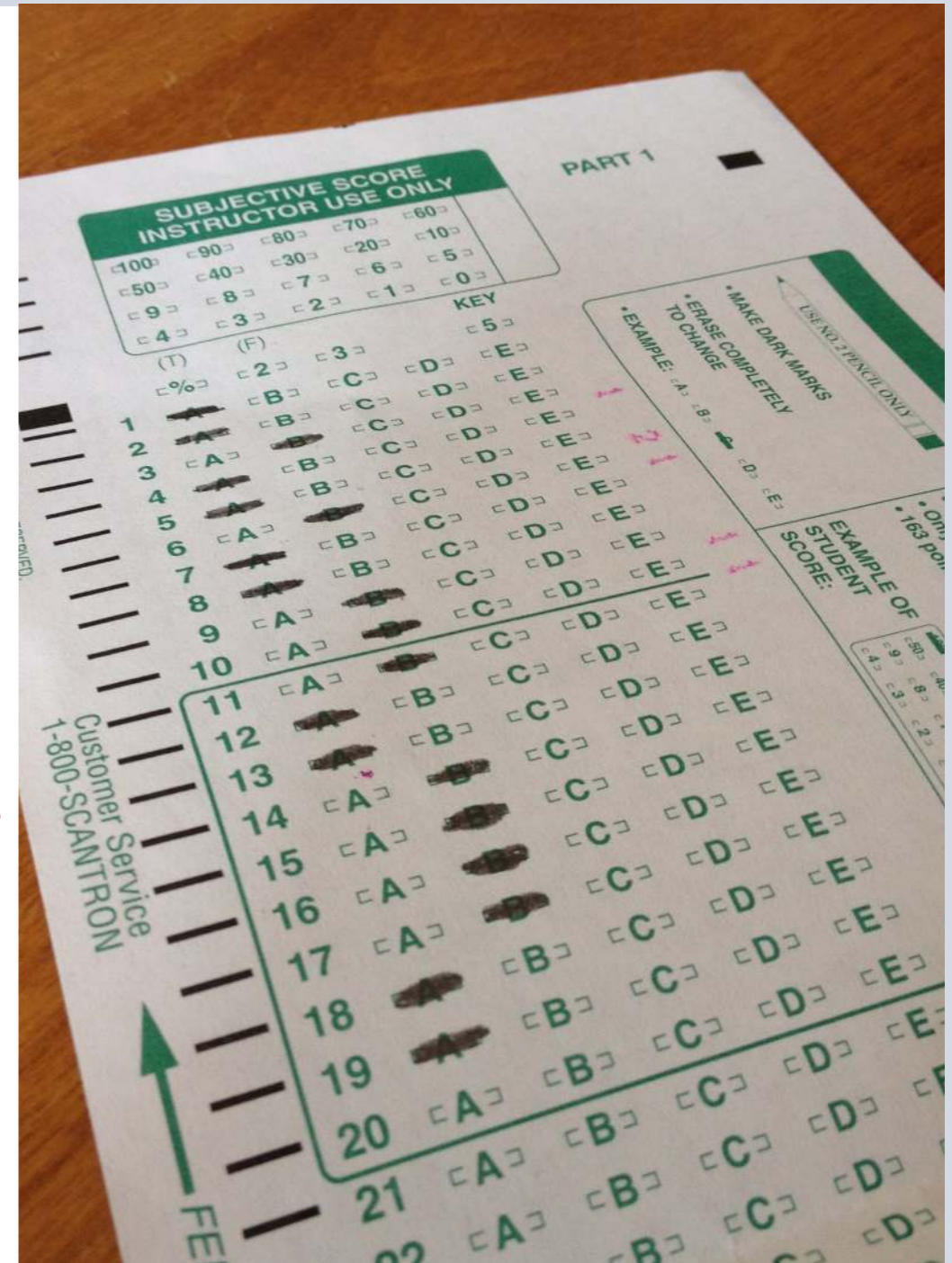
<https://uitgeverijprometheus.nl/boeken/prooi-e-boek/>



Proxy Advisory Services

- Asset owners don't know how to vote without extensive research
- Market leaders: ISS and Glass Lewis
 - Duopoly with > 95% market share in the proxy advisory market
 - 20% of shareholders' votes are cast within three days of a recommendation from proxy advisory firms (= no due diligence by asset managers)
- Alternatives?
 - Shareholder Support (2002-2017): proxy advisory services company in the Netherlands
 - As You Vote

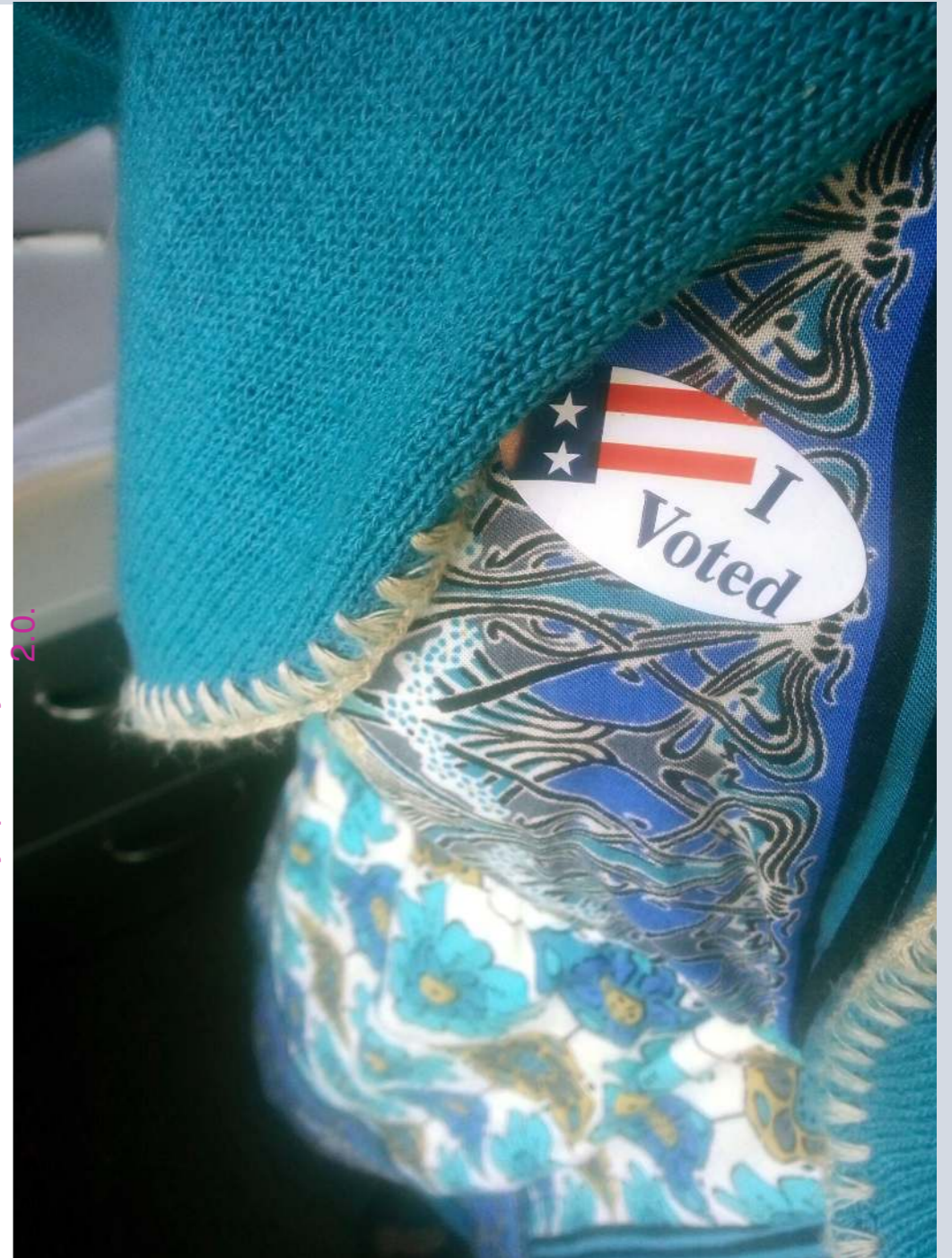
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“Pass-Through” Voting

- Index funds (US\$15 trillion) are problematic for corporate governance
- INDEX act (USA)
 - Broadridge “ProxyVote”
 - BlackRock’s “Voting Choice”
 - Tumelo
- Universal Proxy Card
- We can bring democracy into corporate governance

"I voted" by quinn.anya is licensed under CC BY-SA 2.0.



Legislators and Regulators

- Support those doing things right
 - Less bureaucracy targeting greenwashing
 - This buries well-meaning social enterprise and impact organizations in paperwork
 - Create fit-for-purpose “non-extractive business” entity forms
 - Reward companies/funds with non-extractive models
- Engage those doing things wrong
 - Make it harder for the most toxic violators

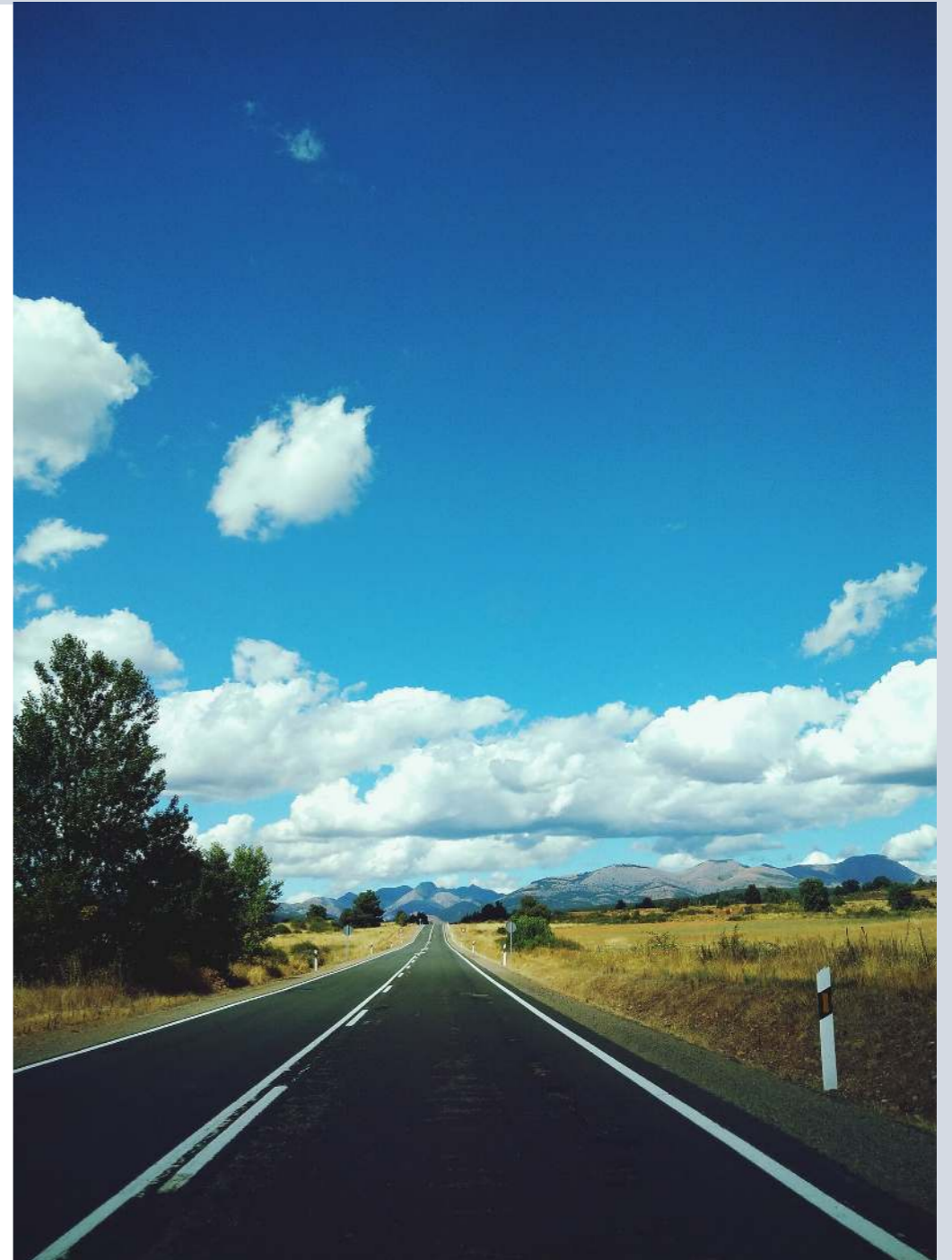
"European Commission Flags" by [libereurope](#) is licensed under [CC BY 2.0](#).



Conclusion

- We're now building the post-pandemic "new normal"
- Let's not feel hopeless about the state of the world, there's a lot that we can do
- EVERYONE can harness business/finance as a tool to change the world
- First you need to understand the possibilities, the rest is personal choice
- Good luck!

"Roadtrip Road Castilla SPAIN Sunny Blue Sky Castilla Y León Driving at Cistierna" by xurde is licensed under CC BY-SA 2.0.



Group Assignment

Due Feb 12:

How can we promote environmental and social responsibility through shareholder activism?

We will assign 2 publicly listed Euronext (AEX, AMX, AScX) companies to groups of 3 students. Each group will:

1. Write a letter to the CEO or Board providing advice
2. Provide a slate of voting advice for last year's AGM proxy ballot (similar to ISS)
3. Write a question to hypothetically ask at next year's AGM

Questions?

