

Runa: clean and healthy energy from the Amazon to the World¹

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By December 2015, The Runa Group (RG) was a hybrid organization comprised by for-profit and non-profit entities mainly located in Ecuador and United States, with incipient activities in Peru. Their vision was to promote the sustainable development of the Amazon through creating new markets for products based on native plants of Ecuador, particularly the *guayusa*. Runa was founded in 2009 after Tyler Gage (a young north American Brown University student) became interested for the energizing properties of the *guayusa* infusion elaborated by the *Kichwa* communities of the Amazon (the plant had an elevated content of caffeine and antioxidants). Tyler and his partner, Dan MacCombie (also a Brown University student), decided to start a commercial initiative that was from the beginning based on a sustainable business model, improving the livelihoods of the *Kichwa* communities and contributing to the development and sustainability of the *guayusa* and its natural environment. By 2015, the group had a commercial for profit branch lead by the Runa LLC Company in the United States and *Runatarpuna Exportadora S.A.* in Ecuador. The Fundación Runa in Ecuador and the Runa Foundation in the United States composed Runa's nonprofit branch. The RG supported the development of the local economic capacity offering the Fair Trade Social Premium Fund generated from an additional 15% payment from total *guayusa* sales. RG also increased the incomes and favored the integration and inclusion of small indigenous producers in the *guayusa* production chain in the Napo province. The foundations focused on research about production, improvement in the farmers' productive activities and community development, and promotion of fair public policies for the development and conservation of the Amazonian territories, while the for-profit companies focused on the production, marketing and sales of the final products for the United States consumer market. From Runa's founders perspective, 2016 and 2017 would be critical to demonstrate that their business model could be sustainable, and that they could keep on growing as a business while benefiting the farmers and the environment in which *guayusa* was produced. The present teaching case was placed on December 2015 and focused on sustainable business model challenges and creation.

Key words: sustainable business models; economic and social value; value creation; Latin America enterprises.

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Runa believes in market-based solutions to address social and environmental problems. We acknowledge that creating new markets alone does not automatically create long-term positive impact for farmers. While Runa's for-profit companies drive new income to communities, Runa Foundation hopes to lay the foundation for a market dynamic that can support indigenous livelihoods in a comprehensive way. We aim to both initiate new markets and ensure they grow into thriving value chains with positive social and environmental impact at their core (Runa Foundation Annual Report, 2014).

1. Introduction

On December 23, 2015, Tyler Gage was sitting on an airplane at the JFK Airport just a few hours away from the Ecuadorian Amazon, one of his favorite places in the world and first home of his life project. As he leaved New York City behind and looked through the window, a smile appeared in his face: his company, Runa Group (www.runa.org), was growing. After six years of operation, Runa LLC ranked No. 203 in the [Inc. 5000 list](#), having grown its revenue by 2,068% since 2011, and bringing U\$ 4.6 and U\$ 9.5 million in sales in 2014 and 2015, respectively.

Tyler's vision was to promote the sustainable development of the Amazon region, while building new markets for teas and energy drinks based on *guayusa*, a native plant from Ecuador. The marketing efforts for their products in the United States had been effective and in 2015 they sold in over 5.800 stores around the country. While these figures were considered satisfactory by Tyler, the social and economic benefits to the Kitchwas producers, providers of the guayusa leaves, shown some stagnation since 2014, and were a current concern to him. To add to his concerns, the Runa group was facing a managerial restructuring, promoted by Metabrand (www.metabrand.org), a capital fund specialized in fostering mission driven brands, which had just invested U\$ 5.4 million, becoming the majority partner with 26% interest in the venture.

Tyler was heading to Archidona, Ecuador, for an important meeting with Eliot Logan-Hines (Executive Director of the Runa Foundation and *Fundación Runa*). That December morning, Tyler met with Eliot, his partner and friend, and told him, "we have doubled our sales between 2014 and 2015 and you know that I must keep seeking funding for Runa LLC and working to position our products in the United States market". Eliot

answered, “I am aware that those are our main business challenges. But Tyler, there is a tension; it is difficult to achieve the balance between our demand of raw material and the quantities the Kichwa producers are willing to supply.” The smile on Tyler’s face was gone only for a moment, when he replied, “Our vision has always been to promote sustainable development, while building new markets for our products, but are we really creating value for their Kichwa community and for the RUNA LLC Investors? Eliot I am convinced that the next two years will be crucial for Runa and our team: What do you think we ought to do to finally assembled a value network, which delivers profitability in tandem with greater social value for the farmers and environmental value for the Amazonia?” The time had come for them to carefully realign their economic and social model, review the scale of their social impact, and coordinate their visions about the future.

2. The Entrepreneurial Team

In 2006, 18 years old Tyler Gage (President and Co-founder of Runa) went to Ecuador for a few months and ended up staying for two years. As a Brown University Creative Writing student, he was fascinated with the rich culture and the landscapes of the Ecuadorian Amazon region. His best friend from Brown, Dan MacCombie (a Marine Biology student, Vice President and Co-founder of Runa), joined him in Archidona, where they lived in a popular Kichwa indigenous community leader’s house. In this process of exchange and coexistence, Tyler and Dan expressed their cultural and anthropological interest for the chants and ceremonies of the Kichwa, and were introduced to guayusa: “a naturally caffeinated tree leaf brewed like tea, consumed early in the morning to help interpret dreams and late at night to provide energy and clarity while hunting in the jungle”.² At the same time, they became aware of the endangered sustainability of the livelihoods in the Amazon, and of how unsustainable activities, like logging, were enticing ways for people living in the rainforest to pay for education or medicine for their kids and families. They also noticed that although a number of NGOs were working on development projects, they often floundered because they lacked buy-in from local stakeholders.³

2 <http://runa.org/our-story/#story-content-one>, accessed on October 19, 2015.

3 <http://runa.org/our-story/#story-content-one>, accessed on October 19, 2015

Once back in Brown University, Tyler and Dan signed up for an Entrepreneurship class with the challenge of developing a business plan for a guayusa based beverage company they named Runa, which means “fully alive person” in Kichwa.

In 2009, just a few days after graduating from college and having won several business plans competitions (worth U\$ 70,000 in total) they moved back to Ecuador. Their goal was proving that businesses in the Amazon could be good for the preservation of traditional culture practices and the environment, by combining sustainable development with a commercial option, while supporting producers and connecting them to consumers around the world.⁴

As for the origins of Runa, Tyler said:

Runa was a dream based on our passion for the cause and rights of the Kichwa indigenous communities. But we also wanted to develop an innovative business, with a strong attitude towards collaboration. We wanted to collaborate in our team, with the communities, but also to foster collaboration pathways between the public and the private. We deeply respected the *guayusa* tradition of the Amazonian people, but at the same time were determined to make our business successful and real. We worked a lot to achieve this goal.

Six month later, Eliot Logan-Hines (a Yale School of Forestry graduate) joined the group. He had experience in NGO’s in Latin America, and explored opportunities in a carbon certificate project in Peru, in conjunction with fair trade schemes. Recalling his initial involvement with Runa, Eliot commented:

When I heard about these two boys, younger than me, who had found this traditional Amazonian plant, first I got jealous, and then I decided to meet them. I got involved with the mission of reshaping the foundation, which I did completely. From the very beginning, I felt like the older brother; it has been an interesting partnership, and now, I can say that Tyler is a good friend of mine.

Tyler, Dan and Eliot shared the same vision regarding sustainability and seeking to convey a positive and concrete impact on the Kichwa community, as well as on the Ecuadorian Amazon environment, as they pointed out:

4 <http://runa.org/our-story/#story-content-one>, accessed on October 19, 2015

As a brand that started with the vision of supporting the livelihoods of indigenous Amazonian farmers, our core values of transparency and authenticity guide everything we do. We are working to innovate with the energy drink category, to offer products that are actually good for you and 100% organic. In addition to delivering a great tasting product, we offer free trips to the Amazon so that consumers can visit our producers, and are sharing a rich part of the cultural heritage of Ecuador with a global audience through our products.⁵

3. The Runa Group

In 2009, Tyler and Dan started the RG. They founded Runa LLC Company (RLLC) and Runa Foundation (RF) (both officially legalized in 2011) in the United States; and a few months later, they created Fundación Runa (FR) and Runatarpuna Exportadora S.A. (RTE) in Ecuador. Another company and a nonprofit were created in Peru but were not yet operational at the end of 2015 (Exhibit 1). The organizations in Ecuador and United States interacted in a hybrid structure with diverse stakeholders and shareholders participation (Exhibit 2A) in which profit and nonprofit focuses were combined in order to develop a business model designed to combine social, environmental and business benefits (Exhibit 2B). Referring to Runa's organization, Eliot remarked:

We think that the driver of the social and environmental impact is the company. But we also know that RLLC on its own will little by little reduce costs and focus on its priorities: growth and profit over social-environmental commitment, because that is what companies are for. Then, it is the role of our foundations to establish the rules of the game, and make sure that the company always provides social and environmental services.

Runa LLC was the commercial arm of the Runa Group, headquartered in Brooklyn (New York) and in charge of coordinating the production of the final products and their marketing, sales and distribution in the United States market. Its mission was "to share with the world the rich flavor of the energizer guayusa" (Exhibit 3). Its product portfolio (Exhibit 4) comprised a variety of loose leaf and boxed tea bag options, as well as ready-to-drink teas and energy drinks, distributed at specialty stores, as well as online on www.amazon.com. It began with loose leaf and boxed tea bag options in 2010 but then in the spring of 2012 launched its first line of bottled guayusa that enters a crowded marketplace of tea and energy

⁵ www.specialtyfood.com/organization/118135/runa-llc/, accessed on August 5th, 2016.

drinks. Runa LLC sold its products in over 5,800 stores around United States (Exhibit 5). Between 2011 and 2015 Runa grew its revenue from \$277,000 to \$9,500,000 (Exhibit 6). Although Runa LLC doubled sales from 2014 to 2015, Eliot remarked, “this level of growth was not reflected in the acquisition of guayusa from the Kichwa farmers, because energy drinks required a low concentration of guayusa”.

Runatarpuna Exportadora S.A. operated in the Archidona region in Ecuador, in close collaboration with the local Kichwa *guayusa* growers. By 2014, its productions system included over 2,300 certified producers, almost all of the Amazonian Napo Kichwa tribe, who came from about 180 communities and were organized into three associations and six cooperatives, in order to supply 636 thousands pounds of *guayusa* leaves per year (Exhibit 7). Its main activities were related with managing the primary value chain, from supporting small farmers, collecting the *guayusa* leaves and processing them into semi elaborated products (bulk tea leaf and tea bags) that were then exported to RLLC. In the Ecuadorian market, RTE commercialized the *guayusa* tea bags and boxed tealeaves, which were placed directly in less specialized retail chains, like the traditional supermarket chain Supermaxi, as well as in small gourmet stores located in touristic centers and Quito’s International Airport.

Fundación Runa and Runa Foundation were independent non-profit organizations, which worked hand in hand in leveraging funds from multilateral cooperation agencies and private donors, as well as seeking strategic allies or partners like the government, universities, academic institutions and technical experts (Exhibit 8). The funds were invested for growers training, producer associative processes, research and other areas of sustainable development (Exhibits 7 & 9).

Their main mission was to work with indigenous people, in order to “create sustained value for tropical rainforests and ensure that local communities benefit from this new value”.⁶ Runa Foundation highlighted its support to the vertically integrated supply chain, through a number of initiatives that comprised land management programs, the use of fair trade funds (Fair Trade Guayusa Cooperative) as well as social premium (Fair Trade Social Premium Fund) (Exhibits 7 & 9). Likewise, the Runa Foundation was using a dual approach to scientifically study the effectiveness of traditional Amazonian medicine and to understand how this traditional knowledge could be used as an engine for sustainable development. RG developed environmental and social programs, among them: Livelihood improvement (community enterprises, farmer association development, and stakeholders’ engagement); Landscapes (agroforestry research, land

6 <http://fundacionruna.org/es/>, accessed on May 6th, 2016.

management planning, and reforestation); Plant research (Laboratory, Rios Nete, & medicinal plant research Naku); and Guayusa Trail (cultural exchange and touristic program and Wildlife Monitoring) (<http://fundacionrunaesp.weebly.com/voluntariado.html>).

According to Eliot, “having two non-profit foundations serve to capture funds in different places.” While Runa Foundation had access to institutions such as the MacArthur Foundation, USAID and Planectation in the United States, the Fundación Runa was financed and supported by CAF in Ecuador. In addition, Runa Foundation had partnered with some Ecuador’s governmental institutions, like the Ministry of Production Coordination, Employment and Competitive, and the Ministry of Agriculture, Livestock and Fishing, as well as with academic institutions like University of Pretoria and Universidad San Francisco de Quito (Exhibit 8).

In the second quarter of 2015, another company and a non-profit were created in Peru, *Runa Peru* and the *Ríos Netes*, which were not yet operational at the end of 2015. They also founded Plant Med, a separate venture in association with the Hollywood star Channing Tatum.

Runa Foundation and partner organization Rios Nete have been busy in the Peruvian Amazon. We are developing the world’s first research center dedicated to the practice and clinical research of traditional Amazonian plant medicine. With doors set to open January 2016... Rios Nete’s property has come alive with over 100 varieties of indigenous trees and plants, including medicinals, ornamentals, and edibles.

In guayusa related news, Runa Foundation in Peru has been awarded funding to carry out a pilot project with local farmers and agricultural cooperative Oro Verde. The Pilot Project will work with 6 communities across San Martin to study the social, ecological, and economic viability of introducing new inclusive guayusa value chains.⁷

This variety of organizations called for a complex network of stakeholders (Exhibit 10) that run from the Amazon, the Kichwa communities and farmers, the Ecuadorian government, in its various instances, to the supply chain clients and final consumers in the United States.

4. The Ecuadorian Amazon: the Kichwas’ homeland

⁷ fundacionruna.org/wp-content/uploads/2015/05/Fall-2014-Winter-2015-Newsletter.pdf, accessed on August 5th, 2016.

By 2015 Ecuador was one of the most biologically rich nations of the world, actually the one with most biodiversity when comparing the number of species with the geographical extension. In the years 2000, the natural areas free from interventions occupied the 56% of the national surface, while agricultural areas, human settlements and roads (intervention zones) reached 29% of the territory, and areas of moderate intervention or transition, the 15% remaining. Even when in the following decade the human settlements kept growing, Ecuador remained a country characterized by a vast unaltered natural wealth.⁸

In the Amazon region, where Runatarpuna and Fundación Runa operated, the main environmental problems were the growth of monocultures brought by settlers from other areas and the logging of the forests under unsustainable schemes. Although these activities affected the natural ecosystem, caused contamination, and reduced the population of local animals and plants, the indigenous communities perceived them as an attractive alternative of income. The government tried to address these situations through legal regulations, supervision and incentives to sustainable land management. In fact, a special law protected the Amazon region, specifically prohibiting monocultures and negative alteration of the ecosystems,⁹ and there were penalties for the indiscriminate use of chemicals and the incorporation of foreign species.

The indigenous guayusa producers that worked with Runa belonged to the Amazonian Kichwas, a group of around 60 thousand people that came from a long process of interculturalization with other ethnics over several generations, integrating communities from different origins and inherent diversity. The role of the family was fundamental in transferring all the ancestral knowledge, within which traditional medicine stood out, applied by special individuals known as "*yachag*" or shamans, who managed the properties of medicinal plants, including *guayusa*, with a magical religious approach.

The Kichwas were located in the Napo province in the north center of Ecuador (Exhibit 11) and their definition of territory was "*Ñukanchik Kawsana Allpa Mama*" meaning: the mother earth where we will live forever. This vision referred to the land as a generator of life, community and harmony between *runas* (people) and their natural environment. They practiced hunting, fishing, planting and harvesting with a deep respect for mother earth, and an acknowledgement of the importance of taking care of the nature. However, the advance of the urban culture introduced

⁸ Idem

⁹ <http://www.ambiente.gob.ec/areas-protegidas-3/>, accessed on May 4th, 2015.

practices that were in conflict with these cultural foundations of the Kichwa communities.¹⁰

Younger generations showed a growing interest in approaching cities and in some cases studying or working there, generating greater flows of resources to their families and promoting the improvement of housing and living conditions. In this context, the incorporation of *guayusa* in commercial value chain, exploring market opportunities in cities and even abroad, had also contributed to the improvement of life quality for the families involved.

6. Runa's Business Model

Before Runa's arrival, the local producers had few ways to generate income and logging was their main source of money. Runa incorporated the certified farmers to the guayusa production value chain and created a business model (Exhibit 12), which offered them new ways to generate and increase their income. According to Tyler: "The producers went from being mere suppliers to becoming partners with the Runa business." In his words:

When we sell a bottle of our product here in the United States, all the guayusa leaves that entered that bottle came from native producers in Ecuador. It is a very straightforward business where every bottle we sell generates income and impact for the producers.

According to the Runa Foundation 2014 Annual report, the guayusa cultivation became a key element in the economic development in the Napo Province in Ecuador.

A traditional crop that once had little to no economic value has become an engine of economic development in the Napo Province of Ecuador. More than 2500 families in Napo now produce guayusa and their annual incomes have increased by an average of 10% directly from guayusa production. The guayusa chain was completely and sustainably integrated to other native species (such as bananas, cassava, some fruit and some timber), and being an ecological and organic farming did not require agrochemicals. In this context, the company requirement to planting more guayusa trees to support a growing demand for products derived into a positive synergy with the conservation and sustainable forest management.

¹⁰ Ortiz, P. (2012): *Espacio, territorio e interculturalidad: una aproximación a sus conflictos y resignificaciones desde la Amazonía de Pastaza en la segunda mitad del siglo XX*. Tesis doctoral, Doctorado en Estudios Culturales Latinoamericanos, Universidad Andina Simón Bolívar, Quito.

Another element to this value chain was the Fair Trade Social Premium Fund. By 2015, Runa invested over \$70,000 directly into this community development fund. Ten newly formed guayusa farmers associations had started using this fund for a variety of projects including micro lending, creation of guayusa nurseries, and investments in sustainable farming. Runa Foundation had supported these farmers' organizations through capacity building workshops to create investment plans and ensure the incorporation of all community members including women and the youth into these projects (Exhibits 7 & 9). However, in words of Eliot:

It is hard to work with different communities because when the time comes to distribute the money from the Fair Trade Social Premium Fund, each one wants to distribute the money in a different way. We can't force them to do something in particular with the money, how to invest it in one thing or the other. We are working so that they start joining and investing the money together but they don't want to share between communities.

The *guayusa* production also created value and benefits for the forest ecosystem. Eliot commented:

Led by Dr. Florencia Montagnini, senior research scientist in tropical forestry at Yale University, we have spent the past five years researching how to increase organic-certified *guayusa* production within agroforestry systems in the Ecuadorian Amazon. With the support of the Inter-American Institute for the Cooperation in Agriculture and the Finnish Foreign Ministry, we developed a Best Practices Guide to guayusa production for small-scale farmers that summarize the findings of our research for the past five years.¹¹

Runa's operating system affected both sides of the value chain. On one end, Runatarpuna and the foundations focused on farmers' certifications, training and auditing, in order to achieve economic, social and environmental value. On the other end, Runa LLC was involved in research and development of new products, aimed at differentiating their offer to the market. Their manufacturing partners in the United States were companies with best practices and quality standards, located in Ohio and Nueva Jersey, which received the guayusa raw material and produced all the final products.

Runa was the first organization having the fair trade certification based on "small independent producers" standards, and also achieved the USDA Organic certification, which was essential to Runa's product positioning

¹¹ Eliot Logan-Hines, Runa Foundation 2014 Annual Report, p. 2.

towards their target segments, and to attract specialized investors, such as MetaBrand.

Until 2013, Runa Group's social impact in the Napo Province in Ecuador showed a steady growth, almost doubling, on a yearly basis, the number of Kichwa farmers involved in their fair trade scheme, which added up to 2,356 producers. The average annual income of each farmer had gone from U\$ 48 per plant, to U\$ 120, while the number of plants had registered a six fold growth. However, 2014 had shown to be a year of stagnation, both in the number of guayusa plants, which showed no growth from the 900,000 available in 2013, and for affiliated farmers, who even decreased 2.4%, from 2013. In 2015 they reported: "to have improved the livelihood of 3,000 indigenous Amazonian farmers" (Exhibits 7 & 9).

Moreover, by the end of 2015, the demand for raw material was not growing at same pace of final product sales by Runa LLC. Elliot aired his concerns, "both the farmers and my team are wondering why they are not buying more if it seems that sales are so high? Our team and producers do not understand this."

An additional complexity was added by the decision of the Ecuadorian Environment Ministry to impose licenses to guayusa farmers, which actually limited the production and prevented the transportation of guayusa cargoes. This new regulation fueled incidents with farmers, who accused the government of damaging what had been achieved by the scheme to develop the guayusa value chain.

6. The American Market

According to Nielsen Global Health & Wellness Survey (2014) the growing concern of American consumers to achieve a healthy lifestyle had revealed a major shift in buying patterns, with 60% decided to increase the consumption of fresh and natural food and beverages. More specifically, 54% were willing to pay more for products with some healthy attribute, among which the most valued were to be completely natural (30%), cholesterol free (29%), organic and derived from sustainable production and fair trade (24%).

An organic consumer trend report by NMI (2015) revealed that 73% of American consumers had some experience with organic products, and that 24% of the market belonged to a "devoteds" segment, described as committed to an organic lifestyle, while 26% were "temperates", who fit organic into existing lifestyle. These figures grew for younger consumers, reaching 42% for "millennials" (aged 18-30). Moreover, consumers' perception of organic benefits went beyond personal health (60%) and

extended to environmental health (63%), creating an even stronger position for organic as a “protector of the people and the planet” (NMI, 2015).

Consumer strong feelings towards healthy, organic and environmental conscious consumption allowed for the identification of “consumer tribes”, whose shared values shaped lifestyle choices and personal identity. Runa’s consumers were no exception, and were described as people who valued natural products linked to the ancient culture from the Amazon and that developed a dynamic lifestyle associated with adventure activities, forming consumer tribes such as backpackers tourists and extreme athletes¹² (<https://www.instagram.com/drinkruna/>; <https://twitter.com/drinkruna>).

This healthy consumption trend affected the beverage market in which Runa competed. From 2009 to 2014, the USA market registered a 35% growth in energy and sports drinks, 30% in bottled water, and 24% in ready-to-drink (RTD) teas; while carbonated and traditional juice descended 9% and 10% respectively (Euromonitor, 2015).

In the energy drink category large corporations’ brands such as Red Bull (43% market share) and Monster (39%), dominated the market, but were under an [increased health scrutiny](#). On the other hand, healthy and organic energy drinks were proliferating, in what was still a very fragmented niche market, which was the main field for Runa.

As for the RTD tea category, Arizona tea (20.3 %) -an American low price brand introduced in 1992- lead the market against Pepsico-Unilever’s Lipton Ice Tea (11.2%). However according to market analysts, the overall share of traditional brands was decreasing as consumer preferences shifted towards premium and organic teas.

Organic and healthy products distribution in the USA spun amongst three main channels: conventional, natural and specialty gourmet stores. Conventional stores comprised large retailers with national coverage, like Walmart, Publix and Target, which registered over U\$ 38 billion in sales in the natural/organic product category, with overall health and wellness double that size (SPINS, 2015). The natural stores were classified by having at least 50% of their sales from natural/organic products, and included co-ops and associations as well as large regional or national chains such as Whole Foods. The specialty gourmet was high-end stores with a focus on specialty, imported, natural, organic and prepared items.

Runa’s distribution focused on the former two, but also comprised convenience (7eleven) and drugstores (CVS) in selected locations; food

12 <http://runa.org/community/#RunaTribe>, accessed on May 7, 2015.

services of companies such as Google, Apple, Intel; as well as more than 40 colleges. The whole Runa's product portfolio (Exhibit 4) was also available online on Amazon.com.

7. Planning for the future

For six years, Tyler and Dan shared the main responsibilities of the Runa Group decision-making. However, the employees perceived this duplicity as source of ambiguities. As Eliot remarked:

The idea of having two CEOs never made sense to me. It was confusing for everyone since Tyler said one thing to an employee, and Dan said the opposite. There was a lot of pressure and there were new professional managers who needed a clearer direction.

In June 2015, Tyler and Dan reached an agreement to preserve their friendship. Dan would step down from managerial duties, while maintaining a minority interest and serving on RG Board. This decision coincided with the arrival of a new interim president and a team of senior-level sales and marketing executives, proposed by MetaBrand. On the news of Dan's departure, the co-founder of MetaBrand, Eric Schnell said, "Thank you for pioneering such an amazing and mission driven company Dan. We all love you and appreciate everything you have done to get this amazing brand to where it is today!"

The hybrid organization also posed some questions. According to Eliot:

I would not change anything in our group's structure, but I would work on a better alignment of our teams, based on our shared vision. Our most recent experience in Peru is taking advantage of our learning process. There the company and the foundation are starting to work in a more integrated manner. I want to cultivate the idea that we are all part of the same group, with the same vision, although different responsibilities.

It was Christmas Eve, and Eliot was eager to meet with Tyler again. That same day he had to face a group of angry farmers whose cargoes were detained by public officers, for lacking the new required license. The farmers' complaint of "having had their Christmas ruined, not having enough money to buy their children their most expected gifts", had deeply moved him and showed him that much was still to be done for these communities.

For Tyler and Eliot, 2016 posed multiple challenges for Runa's business model. In the past few weeks, a number of concerns had started to haunt Tyler. First, they needed more funds to finance the marketing activities and

expansion in the US market. The aim was to achieve a greater demand for products derived from the guayusa, sold by Runa LLC, in order to generate profit and to increase demand for raw materials. Eliot's words still echoed in his head:

I am based in Ecuador, on the production side and I care about generating benefits for producers. The purchase of raw materials did not rise in proportion to sales growth in 2015 -the largest in the history of Runa-. Some producers say we are no longer buying, and there is tension in our team. I agree with Runa LLC need to invest more in marketing and sales, that is the engine that pulls everything. But there is a lag time between sales in the US and growth in the field, how can we manage farmers impatience?

To Tyler, 2016 and 2017 were key to finally prove that their model could be sustainable in the long run, and that they could keep on growing as a business while benefiting the farmers and the environment in which guayusa was produced. But some questions were still unanswered: would Runa LLC efforts to increase demand of teas and drinks in the United States translate into sustainable business growth and profits? How do we create new value for these traditions, people and the rainforest? Would this effort turn into dividends and benefits that could go straight to the field and the farmers?

Making profits was imperative, but as Eliot challenged:

Besides making profit -and there is not doubt we need to make that profit-, how do we ensure that local communities benefit from this new value?

Exhibit 1. The Runa Group Organizations

	Ecuador	USA
Profit	 <p>RUNATARPUNA EXPORTADORA S.A.</p> <p>Works with Kichwa farmers and purchases guayusa for final products and exports</p>	 <p>RUNA Runa LLC</p> <p>Imports guayusa, outsources production and commercialize final products in the USA</p>
NonProfit	 <p>fundación runa</p> <p>Supports Kichwa farmers and communities</p>	 <p>runa foundation</p> <p>International fundraising to support social and environmental initiatives</p>

Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015).

Exhibit 2.a.: Runa Group Governance

Organization	Shareholders
Runa LLC	<p>Limited Liability Corporation (LLC) with a total of 180 shareholders (individual and institutional):</p> <ul style="list-style-type: none"> • Andlinger MBC Investments (Metabrand Capital)- 26% • Tyler Gage (founder) - 7,6% • Divario Ventures (Investment fund) (Safeway) - 5,3% • Dan MacCombie (founder) - 4,8% • Eco Enterprises (founder) (Tammy Newmark) - 2,8% • ResponsAbility Ventures I (fondo de inversión) (Antonia Schaelli) - 2,6% • Angel Investor “A”: Luke Weil¹³ (Lorne Weil 1989 Trust f/b/o Benjamin Luke Weil) - 2,7% • Angel Investor “B” Alan & Karen Sheriff (<i>Joint Tenants</i>) - 1,9% • Angel Investor “C” Paul E. Sorensen - 1,9%
Runatarpuna Exportadora S.A.	<p>Forma Jurídica: Sociedad Anónima</p> <ul style="list-style-type: none"> • Runa LLC: 65% (propiedad mayoritaria) • Ministerio Coordinador de la Producción, el Empleo y la Competitividad (MCPEC) - 35%. <p>Crespo (2013) afirma que el Estado ecuatoriano posee el 42% de las acciones y que existe la idea de que en un plazo de 6 años, 10% de las mismas pasen a manos de los productores.</p>
Runa Foundation	<p>It is a non-profit foundation with no direct owners.</p> <p>Company Type: 501C3, non-profit organization. Rating: Charity Code: 27-0730043. Taxonomy: International Agricultural Development</p>

¹³ Nacido en Nueva York y graduado en Brown University, también es socio en Plant Med.

Fundación Runa	It is a non-profit foundation with no direct owners. NGO registered at the Ecuadorian Agriculture Ministry.
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Exhibit 2.b. The Hybrid Organization Value Creation

Type of Value	Economic	Social	Environmental
Runa LLC	<ul style="list-style-type: none"> Revenues from total sales of final products in USA Payments to third parties for beverages bottling outsourcing in the US 5 cents incentive to consumers for recycled bottle 	<ul style="list-style-type: none"> NonGMO, USDA Organic y B Corp certifications Creating sustainable conscious Cultural exchange Example for other companies Products with health benefits for consumers 	<ul style="list-style-type: none"> Environmentally certified suppliers Packaging recycling policies NonGMO, USDA Organic y B Corp certifications
Runatarpu na S.A.	<ul style="list-style-type: none"> Revenues from sales of bulk guayusa to Runa LLC Fair trade agreement with certified farmers Provides social fund award to farmers 	<ul style="list-style-type: none"> Inclusive Value chain with certified farmers and partners Provides social fund award to farmers Source of jobs and incentives to Kichwa communities Cultural exchange Fair Trade y B Corp certification 	<ul style="list-style-type: none"> Low environmental impact of guayusa processing Fair Trade y B Corp certification
Runa Foundation	<ul style="list-style-type: none"> Relationship with individual donors and funding institutions Receive and manage funds por sustainable initiatives Contributes to Corporate mission Internship Program 	<ul style="list-style-type: none"> International partnerships for R&D on forest improvement, medicinal plants, guayusa development and alternative products Non GMO y USDA Organic certification Cultural Exchange 	<ul style="list-style-type: none"> Non GMO y USDA Organic certification Supports training and certification of farmers and other suppliers
Fundación Runa	<ul style="list-style-type: none"> Relationship with individual donors and funding institutions Donations Receive and manage funds por sustainable initiatives Contributes to Corporate Mission Tourism Program 	<ul style="list-style-type: none"> R&D partnerships on forest improvement, medicinal plants, guayusa development and alternative products Supports local communities on education programs, association, business plans and gender equality Facilitates certification process 	<ul style="list-style-type: none"> Planning land use and sustainable practices in guayusa planting Reforestation Certifications Monitoring of wildlife

Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015), and Oriana Ferrer (2016).

Exhibit 3. The guayusa leaf

BENEFITS AND CHARACTERISTICS OF GUAYUSA



- High in caffeine naturally energizing that improves mental clarity, memory and general brain functions. The freshly brewed tea has as much caffeine as a cup of coffee.
- High content of polyphenols. In the ORAC scale it has twice the antioxidants than green tea. They help prevent premature aging.
- It has no tannin, an element that gives other teas astringent and bitter taste.
- Ideal for weight loss it contains chlorogenic acid that reduces high blood pressure and improve cardiovascular health.
- 15 essential amino acids. As theanine, that helps calm the nervous system and protect and restore the brain.
- It contains ferulic acid that improves circulation.
- It contains flavonoids that have anti inflammatory and anti cancer properties.

Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015), and Oriana Ferrer (2016).

Exhibit 4. Runa LLC’s Product Portfolio

Our Products

ready to drink

clean energy drinks

infusers

loose leaf

As Much Caffeine as Coffee

Categories	Variety of products
Clean energy drinks	Orange passion, Berry, Original.
Ready-to-Drink Tea	Half & Half, Sweet peach, Raspberry, Lemon-Lemongrass guayusa, Hibiscus-berry guayusa, Mint guayusa, Traditional sweetened with maple syrup, Guava zero unsweetened guayusa, Lime zero unsweetened guayusa.
Pyramid infusers	Sage lavender, Hibiscus berry, Traditional.
Loose leaf tins	Traditional, Mint, Hibiscus berry, Ginger-citrus, Sage lavender, Cinnamon lemongrass
Tea bags and boxed Tea leaves	Cinamon Lemongrass guayusa, Ginger Citrus guayusa, Traditional guayusa, Mint guayusa tea.

Source: RUNA LLC – Product Portfolio (<http://runa.org/products/#products>); <http://es.slideshare.net/lukeweil/1-run-clean-energy-deck>, accessed on May 15, 2016.

Exhibit 5. Sales channels in the United States

Natural:	
Grocery:	
Specialty:	
Foodservice:	
Drug & Convenience:	<p>*Select Rocky Mountains Locations</p> <p>*Select New York Metro Area Locations</p>
Alternative:	

Fuente: Luke Weil (2013): RUNA Clean Energy Deck. Runa LLC Slideshare. Slide 16.

Exhibit 6. Runa LLC Financial Statements

Income Statement	2011	2012	2013	2014	2015
Revenues (US\$ thousand)	277	891	2050	4600	9500
Total Employees	3	5	12	26	41
Productivity (revenue/employee)	92.33	178.2	170.83	176.92	231.7
Stock Price	11.15\$	11.24			

Source: <http://www.privco.com/private-company/runa>, accessed May 23, 2016.

Exhibit 7. Runa Group Impact Reporting

INDICATORS	2010	2011	2012	2013	2014
Certified organic farmers	160	680	1,352	2,356	2,300
Guayusa Plants	640	7,500	87,500	900,000	900,000
Plants/ per farmer	4	11	65	382	391
Guayusa crop (pounds)	21,898	46,952	212,500	576,370	636,952
Guayusa purchase	\$7,742	\$16,599	\$74,905	\$203,747	\$225,163
Farmers' family income (annual average)	na	na	\$ 1,174	\$ 1,212	\$ 1,640
Farmers guayusa income (annual average)	\$48.39	\$21.41	\$55.40	\$118.00	\$120.00
Fair price Social Premium	\$0	\$2,490	\$11,236	\$30,260	\$28,018
Community associations and enterprises investment and business plans	na	na	1	8	11
Technical assistance associations	na	na	1	1	4
Female participation in decision making	na	na	11%	42%	42%
Amazonian indigenous group alliances	na	na	1	1	3

Source: Runa Tarpuna (2013), Fundación Runa Annual Report (2014)

Exhibit 8: Fundacion Runa and Runa Foundation partners and funders



Source: Runa Foundation Annual Report, 2014.

Exhibit 9: Runa Foundation and Fundacion Runa's Initiatives

9.a. Executive Summary

Mission

Strengthen "environmentally friendly agricultural practices" to generate and support sustainable livelihoods for small farmers in the Amazon. Runa Foundation (RF) supports indigenous livelihoods and protect the Amazon rainforest and works closely with Runatarpuna. The Foundation carries out scientific and participatory research, engages in outreach to the community and promotes cultural exchange. It focuses on three specific areas:

1. Fair Markets

RF Invests in the fundamental tools needed by farmers to earn income from new markets with fair trade certification. It promotes the creation of cooperative (Fair Trade Guayusa Cooperatives) and provides funding to indigenous communities. It has two programs: Development of partnership of communities and Stakeholders Meeting. Among its achievements, in 2014, Runa Foundation reports fair trade training producers association leaders.

2. Knowledge Generation

RF offers farmers fundamental tools and training they need to maintain their livelihoods and landscapes through technical assistance, financial education and environmental education programs. It has three programs: Association (partnership) with the government, community workshops and research.

3. Ecosystems: RF works with farmers to plant and manage family gardens or "chakras" through three programs: agroforestry research, reforestation planning and land management in order to achieve organic certification.

Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015), tomado de: <http://fundacionrunaesp.weebly.com/>, accessed on April 6, 2015.

9.b. Other Runa Groups programs

“The Guayusa Trail

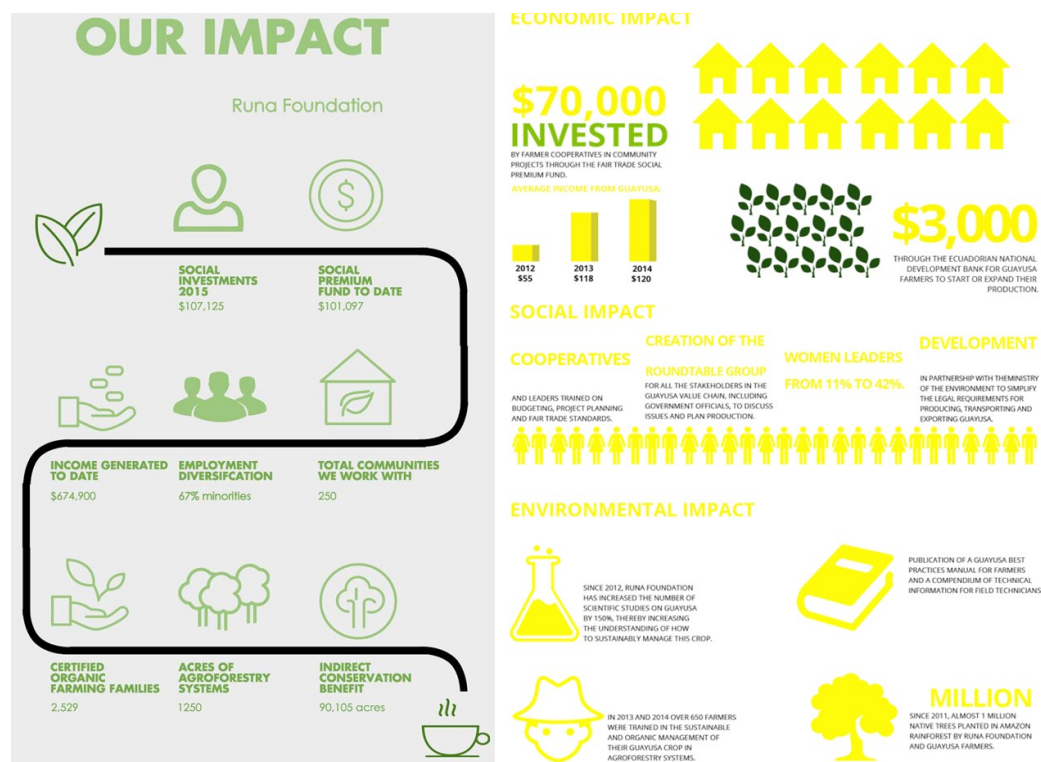
In 2013, Runa Foundation began an eco-tourism project called the Guayusa Trail, to combine forest conservation, community development, and sustainable travel. It is a unique opportunity for tourists to learn about the Kichwa culture and the importance of guayusa in the Ecuadorian Amazon. It contributes to local livelihoods in a sustainable manner by protecting the environment and preserving local culture. We work with several communities in Napo province to offer visitors a chance to sit by a communal fire with a Kichwa family in the early morning and listen to stories of their ancestors, Amazonian mythology, and guayusa traditions. Next, they may visit a farmer’s forest garden and witness the first steps of the guayusa value chain. Lastly, they visit Runa’s grounds and factory to learn more about our unique business model and guayusa processing and exportation. In 2014 we welcomed over 60 visitors to the Guayusa Trail from all over the world. We are proud to announce that in December 2014 we were named on the list of “Top 26 of the World’s Hottest New Experiences for 2015” by Lonely Planet travel guide.

Volunteer Program

Since 2009, Runa interns and volunteers have had an important role in the execution of our projects in Ecuador and Peru. 2014 was an exciting year, with our interns and volunteers working on many projects including sustainable agriculture, community development, traditional medicine and public health. In Ecuador, we partnered with an organization called WaterEcuador to provide access to clean drinking water and sanitation education to guayusa farming communities in the Napo Province. Interns determined quality of drinking water and conducted household surveys to determine sanitation practices in two rural indigenous communities in the province of Napo. In 2015, interns will continue this project to help communities gain access to clean drinking water and education on proper sanitation.”

Source: <http://fundacionruna.org/wp-content/uploads/2015/05/Annual-Report-2014.pdf>, accessed on September 2nd, 2016.

9.c. Runa Group Impact



Source: Runa Foundation Annual Report 2015. Source: <http://fundacionruna.org/our-impact/#measuring-our-impact>, accessed on September 2016.

Exhibit 10: Runa Group Stakeholders

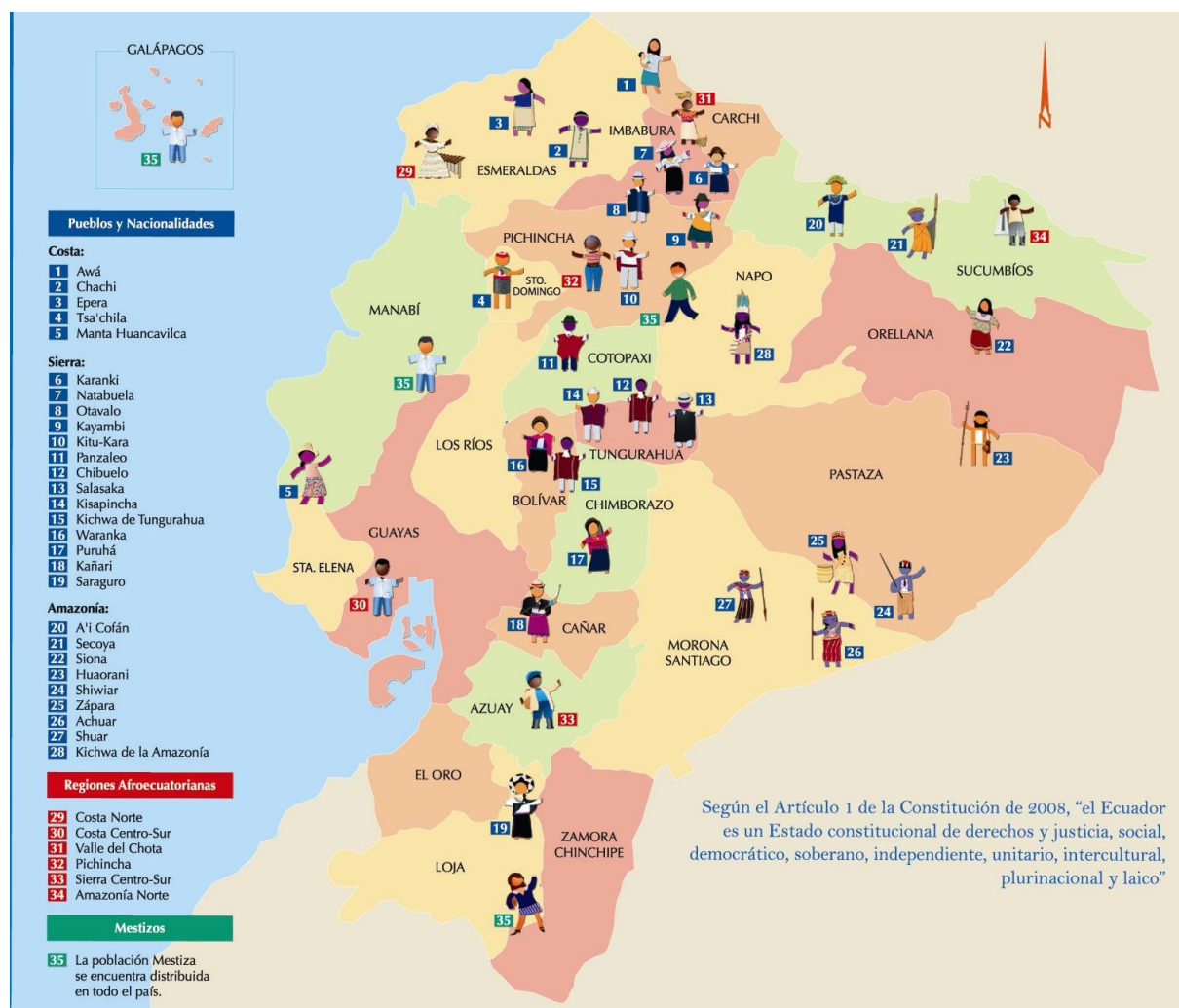
Runa LLC USA	<ol style="list-style-type: none"> 1. Tyler Gage and MetaBrand 2. Shareholders, investors, Executive team, board of directors and consultants 3. USA distribution channels 4. USA (and Canadá, Germany, Italy and England) final product consumers 5. National and international suppliers 6. Energy drinks and RTD teas outsourcing manufacturers in New Jersey and Ohio. 	<ol style="list-style-type: none"> 7. Certifiers: Fair Trade, USDA Organic, B Corp, Non GMO. 8. Runatarpuna S.A. 9. Runa Foundation 10. Fundación Runa 11. Amazonian Forest
Runatarpuna Exportadora S.A. Ecuador	<ol style="list-style-type: none"> 1. Tyler Gage and Francisco Mantilla 2. Executive team, board of directors and consultants 3. Runatarpuna S.A. employees 4. Local suppliers 5. Value chain certified farmers 6. Peru Government 7. Ministerio Coordinador de la Producción, el Empleo y la Competitividad (MCPE) 1. Distribution channels in Ecuador 	<ol style="list-style-type: none"> 8. Ecuadorian guayusa tea consumers 9. Guayusa raw material buyers beyond Runa LLC 10. Certifiers: Fair Trade, USDA Organic, B Corp, Non GMO. 11. Runa LLC 12. Runa Foundation 13. Fundación Runa 2. Amazonian Forest
Runa Foundation USA	<ol style="list-style-type: none"> 3. Tyler Gage , Dan McCombie and Eliot Logan-Hines 4. Luke Weil 5. Executive team and consultants 6. Mac Arthur, Hampshire, 	<ol style="list-style-type: none"> 13. Amazon Conservation Association 14. Proworld Global Citizen Year 15. Other Universities, Foundations and International NGOs.

	<p>Rufford and Mulago Foundations</p> <p>7. GIZ</p> <p>8. Rainforest Action Network</p> <p>9. USAID</p> <p>10. Yale and Pretoria Universities</p> <p>11. ChromaDex</p> <p>12. Foreign Affairs Ministry of Finland</p>	<p>16. Certifiers: Fair Trade, USDA Organic, B Corp, Non GMO.</p> <p>17. Runa Foundation Employees</p> <p>18. Individual donors</p> <p>19. Plant Med , Ríos Nete and Naku</p> <p>20. Runa LLC</p> <p>21. Runatarpuna S.A.</p> <p>22. Fundación Runa</p> <p>23. Amazonian Forest</p>
Fundación Runa Ecuador	<p>1. Tyler Gage , Dan McCombie and Eliot Logan-Hines</p> <p>2. Executive team and consultants</p> <p>3. 3000 certified farmers</p> <p>4. Small farmers of the Napo Province</p> <p>5. 180 indigenous communities of the Napo Province</p> <p>6. Comité Ejecutivo de Productores (CEP)</p> <p>7. 10 certified producer cooperatives</p> <p>8. Peru Government</p> <p>9. Ministerio del Ambiente</p> <p>10. Ministerios de Agricultura, Ganadería, Acuacultura y Pesca</p> <p>11. Napo Province local Government</p> <p>12. Alcaldías de Tena y Archidona</p>	<p>15. San Francisco de Quito University</p> <p>16. Instituto Inter Americano de Cooperación en Agricultura (IICA)</p> <p>17. PlanJunto</p> <p>18. Amazon Conservation Association</p> <p>19. Proworld</p> <p>20. Global Citizen Year</p> <p>24. Other Universities, Foundations and local NGOs.</p> <p>21. Fundación Runa employees</p> <p>22. Volunteers, Tourists and stagist</p> <p>23. Certifiers: Fair Trade, USDA Organic, B Corp, Non GMO.</p> <p>24. Runa LLC</p> <p>25. Runatarpuna S.A.</p> <p>26. Runa Foundation</p>

	13.CAF	27.Amazonian Forest
	14.Indigenous communities	

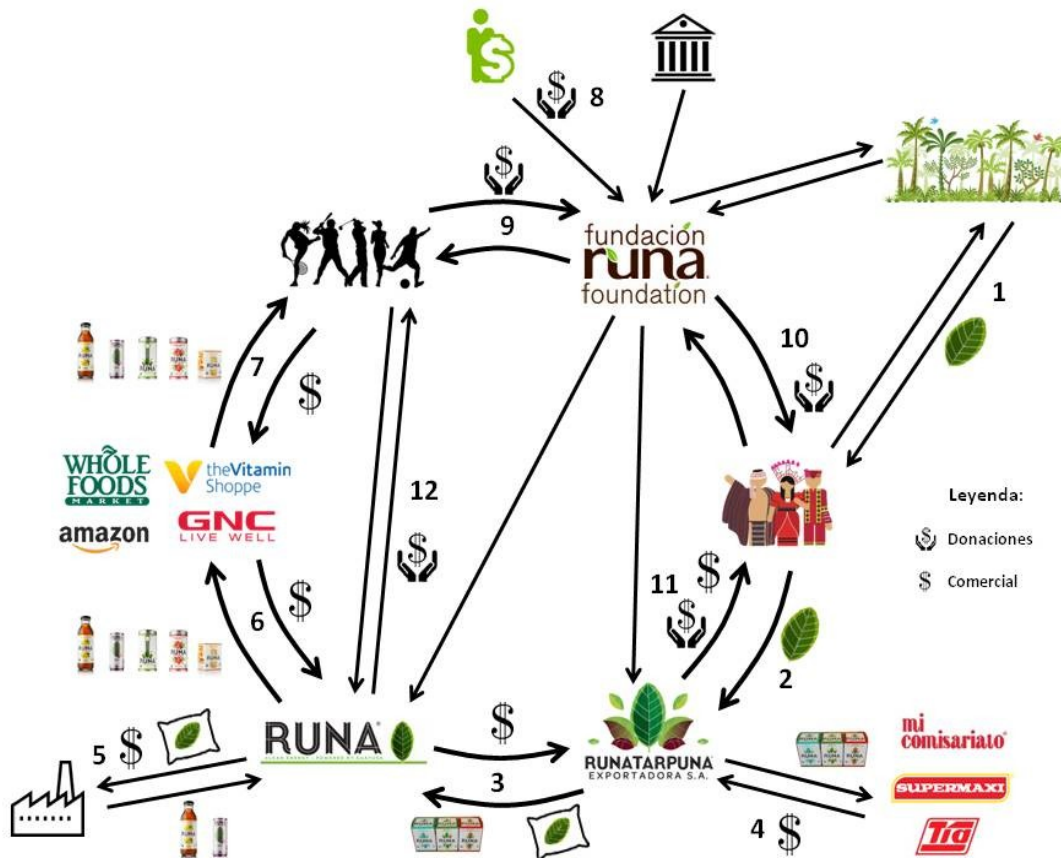
Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015), and Oriana Ferrer (2016)

Exhibit 11. The Ecuadorian Amazon



Source: <http://etniasynacionalidadesdelecuador.blogspot.com/2013/04/etnia-kichwa-amazonico.html>, consulted in March 26th of 2015. Source: “Runa: energía de la Amazonía para el mundo: documento analítico” (SEKN Annual Meeting, UNIANDES, Bogota, Colombia. May 21, 2015).

Exhibit 12. Runa Group: business model



Business model participants and roles:

1. Amazonian Forest provides the ecosystem
2. Kichwa farmers produce and provide guayusa leaves
3. Runatarpuna buys guayusa from Kichwa farmers and sells to Runa LLC in the USA
4. Runatarpuna sells guayusa tea to Ecuadorian channels
5. Runa LLC outsources drinks production in the USA
6. Runa LLC sells Ready-to-drink teas and Energy Drinks to USA channels
7. USA consumers buy Runa products
8. Donors, multilateral institutions, Universities and Government provide financial, operational and technical support to Fundación Runa and Runa Foundation
9. Runa LLC transfers a portion of sales revenues to Fundación Runa

Source: Oriana Ferrer, 2016.

Runa: Clean and healthy energy from the Amazon to the World¹⁴

Teaching Note

I. Case Summary

By December 2015, The Runa Group (RG) was a hybrid organization comprised by for-profit and nonprofit entities mainly located in Ecuador and United States, with incipient activities in Peru. This case focuses on the challenges and dilemmas regarding the operations in Ecuador and United States.

Runa was founded in 2009 by Tyler Gage and Dan MacCombie (both young north American Brown University students) who, during a trip in the Ecuadorian Amazonian region, came in contact with the indigenous *Kichwa* communities. They became interested in their culture and habits, as well as their consumption of a ritual energizing infusion made by *guayusa* (a plant with a high content of caffeine and antioxidants). Tyler and Dan started a commercial initiative that was from the beginning based on a sustainable business model, aimed at improving the livelihoods of the *Kichwa* communities and contributing to the sustainable development of the Amazon, through creating new markets for products based on native plants of Ecuador, particularly the *guayusa*.

The RG had a commercial for profit branch lead by *Runatarpuna Exportadora S.A.* (RTE) and Runa LLC Company (RLLC). RTE was based on the Archidona region in Ecuador and its value chain comprised the purchase of *guayusa* crops, its elaboration in a local plant and its export to the USA. RLLC, based in the USA, was responsible for the production, marketing and distribution of the Runa product portfolio, which comprised *guayusa* organic energy drinks and teas, which were sold in supermarkets, food. By 2015, RLLC reached U\$ 9.5 million in sales, doubling its revenues as compared to 2014.

Runa Group's nonprofit branch was composed by the *Fundación Runa (FR)* in Ecuador and the Runa Foundation (RF) in the United States. While the founding entrepreneurs jointly managed the for-profit branch, they invited Eliot Logan-Hines (a Yale School of Forestry graduate) to join them as Executive Director of both the foundations. RF and FR focused on

¹⁴ This teaching guide was prepared by Professors XXX from XXX. Teaching cases are intended to serve as the basis for class discussion and do not imply the endorsement of any individual or organization, neither do they illustrate the effective or ineffective handling of a management situation or serve as primary information sources. This case has been adapted from actual events –the names of organizations and people have been changed for confidentiality purposes. Copyright © 2016 XXX. To purchase copies of this case or to request permission to reproduce it entirely or partly, please contact XXX. No part of this document may be reproduced, stored in a database, used in spreadsheets or transmitted in any way (including electronic or mechanic means, photocopies, recordings or any other means) without a permission by XXX, holder of the copyright protecting this work.

community development, agricultural research, farmers training, and fair public policies promotion, aimed at the sustainable development of the Amazonian territories. Through FR and RF, the RG redistributed 15% of its sales profit to the Kichwa farmers, and funneled public and private donations into social and environmental initiatives aimed at preserving the Amazonian ecosystem.

The teaching case was placed on December 2015 and focused on sustainable business model creation and challenges. The main dilemma that Tyler Gage and Eliot Logan-Hine faced regarded the challenges of business growth while fine-tuning their sustainable business model.

The case discussion focuses on the evaluation of RG current business model and organization (considering its profit and nonprofit entities) focusing in the activities in Ecuador and United States. The discussion centers on the economic and social factors, while the environmental issues will be addressed in Runa Case B.

The business model analysis comprises RG value network where different stakeholders –suppliers, partners, communities, and customers – could co-produce economic and social value. While the commercial efforts in the United States had been effective with satisfying outcomes, the social and economic benefits to the Kichwas producers showed some stagnation since 2014. Their current concerns bring to the following question:

- Has the RG been able to develop a sustainable business model, creating economic and social value for their value network?
- What challenges needed to be faced to achieve profitability and growth in tandem with a greater social value?

II. Case usage and approach

Runa case can be used in advanced management courses as part of the MBA core curriculum. In particular, it could be useful in management, entrepreneurship, business strategy, innovation and social responsibility courses.

This case mainly deals with sustainable business model development and challenges. The key learning issues in the case center on how a sustainable business model, started as an entrepreneurial venture, can face the challenges of growth and competition in a sophisticated market as the USA, while coping with the challenges of social value creation. More specifically this teaching note focuses on the evolution from the traditional Business Canvas Model ([Osterwalder & Pigneur, 2010](#)) to the triple layered Canvas model proposed by Joyce et al. (2015), which takes into account economic and social stakeholders applications.

III. Learning Objectives

This case may enable the development of the following knowledge and skills:

Knowledge-concepts

- Sustainable business model as a way of creating, distributing and capturing economic and social value within a complex value network.

Skills

- To analyze the entrepreneurial team motivations and concerns regarding sustainable business.
- To examine and assess a sustainable business model identifying the focal firm's capabilities to deliver profitability in an overly competitive industry, in tandem with social value.
- To understand the challenges that a sustainable business model faces pertaining with growth and consolidation.

IV. Suggested assignment questions

Students should be asked to prepare for class discussion by developing a business model Canvas analysis ([Osterwalder](#) & [Pigneur](#), 2010) and answering the following questions:

- What are the main characteristics of RUNA business model analyzed through the Canvas model?
- What are the main challenges that Tyler and Eliot are facing?

V. Theoretical framework and suggested readings

The case analysis and discussion is supported by a number of theoretical references.

According to Stubbs and Cocklin (2008) a sustainable business model is the way in which firms create value by embedding economic, ecological and social values in the product or service; promoting equitable relationships amongst actors; and adopting a revenue model that represents a fair distribution of costs and benefits. Firms facing the

challenges of building a sustainable business model need to develop a sustainability mindset, connecting the organization's success with its stakeholders' success through engagement and collaboration.

The revision of the business model is based upon a triple layered Business Model Canvas (Joyce, Paquin & Pigneur, 2015) with a focus on the economic and stakeholders social value, which allows for a detailed analysis of the basic factors involved in value creation and delivery to the market and to society. Following Joice et al. (2015) approach we propose the use of the triple layered business model canvas for three purposes: "as a representation, to make sure that all the elements are taken into account and then to understand the whole; (...) as a generative tool by changing individual elements and cascading the consequences to render the whole still coherent with new avenues; (...) and as a validation tool to add up or balance the costs versus the revenues as well as the impacts versus benefits, (...) by looking at all the relationships to insure win-win situations for all those implied" (Joyce et al. 2015).

Suggested reading for students are:

- [Osterwalder](#), A., & [Pigneur](#), Y. (2010). The Business Model Canvas, in Business Model
- Joyce, A., Paquin, R., & Pigneur, Y. (2015). The triple layered business model canvas: a tool to design more sustainable business models. ARTEM Organizational Creativity International Conference. Nancy, France.

For a general academic understanding on Sustainable Business Models (for instructors), we suggest the following reading:

- Stubbs, W. and C. Cocklin (2008), "Conceptualizing a Sustainability Business Model." *Organization Environment* 2008: 21; 103.

VI. Class discussion and analysis

The case has been designed for a 90-minute class session.

The case focuses on sustainable business model development and challenges. The key learning issues in the case center on how a sustainable business model can face the challenges of growth, while creating social value. The students should analyze the challenges of designing a sustainable business model for Runa Group in 2016, based upon the economic and social Canvas.

Class discussion unfolds in questions grouped in four blocks, as seen in TN-Exhibit 1:

TN-Exhibit 1. Teaching plan

Question	Main topic	Time
Vote on Runa's model: Is Runa a sustainable enterprise?	Motivation question to engage students in class discussion	5'
What were the main motivations and concerns of the founding entrepreneurial team?	The Entrepreneurial Team	Block 1 10'
What was there in Runa's business model that call for your attention?	Runa's Economic Business model Canvas	Block 2 20'
To what extent does Runa business model allow business success and sustainable -social development? What other factors and actors would you consider to analyze Runa business model?	Runa's Social Stakeholders Business model Canvas	Block 3 40'
If you were Tyler and Eliot what would be your concerns regarding the current business model?	Sustainable Business Model main challenges	Block 4 10'
Closing: lessons learned (take away)	Sustainable Business Model main challenges lessons learned	Closing 5'

In order to engage students in class discussion the instructor may ask students to vote on the question: Is Runa a sustainable enterprise?

This vote will be reviewed at the end of the discussion and possible changes in students' opinion highlighted as a part of the conclusions and the take away.

A. Block 1: Entrepreneurial team

Class instructor may start with a descriptive question. Q. "What were the main motivations and concerns of the founding entrepreneurial team?" The objective is to analyze entrepreneurial team motivations and concerns in their initial start-up stage.

TN-Exhibit 2. The Entrepreneurial Team

Entrepreneur	Motivations	Concerns
Start-up stage The TEAM Tyler, Dan and Eliot	<ul style="list-style-type: none"> -Cultural and anthropological interest in Kichwas -Shared values of social and environmental commitment, transparency, authenticity and innovation - Promote sustainable development -Start their own business -Develop an innovative business 	<ul style="list-style-type: none"> -Unsustainable activities impact on the Amazonian -Lack of involvement of local stakeholders -Financing the venture -Designing a business model -Introducing innovative products

Source: Interviews of the entrepreneurial team, Runa and Runa Foundation reports and Youtube.

A student's comment may surface on the exit of Dan MacCombie (<http://www.bevnet.com/news/2015/runa-co-founder-dan-maccombe-steps-down>) which happened in coincidence with a major change in RG shareholders participation and managerial professionalization, through MetaBrand entry. The instructor can refer to Eliot's remarks on the ambiguity of having two acting CEO's and on the friendly agreement between Tyler and Dan, who stayed on the RG board abandoning day-to-day operations.

B. Block 2: Runa's Economic Business model Canvas

Having established that Tyler and Eliot have in common strong intrinsic motivation (ethical, value-based) and also extrinsic motivations (utilitarian and pragmatic) behind Runa's business model, class instructor may focus on the Canvas Model home assignment, asking students to share their analysis, and build a common Canvas on the blackboard (**TN-Exhibit 3**). This exercise should answer to the following question:

Q. "How does the RG Business model Canvas look like?"

TN-Exhibit 3. Runa Group's Business Model Canvas

Key Partners -Investors -Manufacturing outsource partners in the USA -Service providers -Kichwas communities -Kichwas farmers -Ecuadorian government -Multilateral Organizations -Donors -NGO's -Universities -International certifiers	Key Activities -RT Raw material sourcing -RLLC Production outsourcing -Marketing and sales -Organic and fair trade certifications -RF and FR initiatives -Kichwa farmers value chain development Key Resources -Founding entrepreneurial team -Hybrid organization -Investors' financial resources -Metabrand marketing knowledge	Value proposition -Sustainability rooted model and vision -Innovative organic and natural energy drinks and teas	Customer Relationship -Runa.org web site -Social media -Life-style and identity connection Channels -Over 5.800 supermarkets and specialty stores in the USA -Amazon.com	Customer Segments -Health conscious people who valued natural products -Millennials (aged 18-30) prone to organic products (42% USA market) - Extreme sports and environmental conscious "consumer tribes"
Cost Structure RT: guayusa crop purchase to Kichwa farmers, exports value chain costs RLLC: raw material imports, production, marketing and distribution costs RF and FR: social initiatives costs			Revenue Streams RT: guayusa tea sales in Ecuador and Guayusa leaves exports to RLLC in the USA RLLC: sales revenues RF and FR: donations and 15% of Runa LLC profits	

TN- Figure 1. Economic Business Model Canvas

After completing the exercise a discussion can be stimulated by asking:

Q. What was there in Runa's business model that called your attention?"

The instructor may guide the discussion to highlight the main peculiarities and tensions of the RG model, as for example:

- Its value chain unfolds in such distant and different business and social contexts as Ecuadorian Amazon (Kichwa community's needs) and the USA market (organic and natural consumer trends and high rivalry).
- Its value proposition combines innovative organic and natural products along with a sustainability vision and social cause.
- It operates with a hybrid organization composed by for-profit and nonprofit entities, which have different cost structures and revenue streams, and strive to achieve their main objectives –economic and social- in coordination.

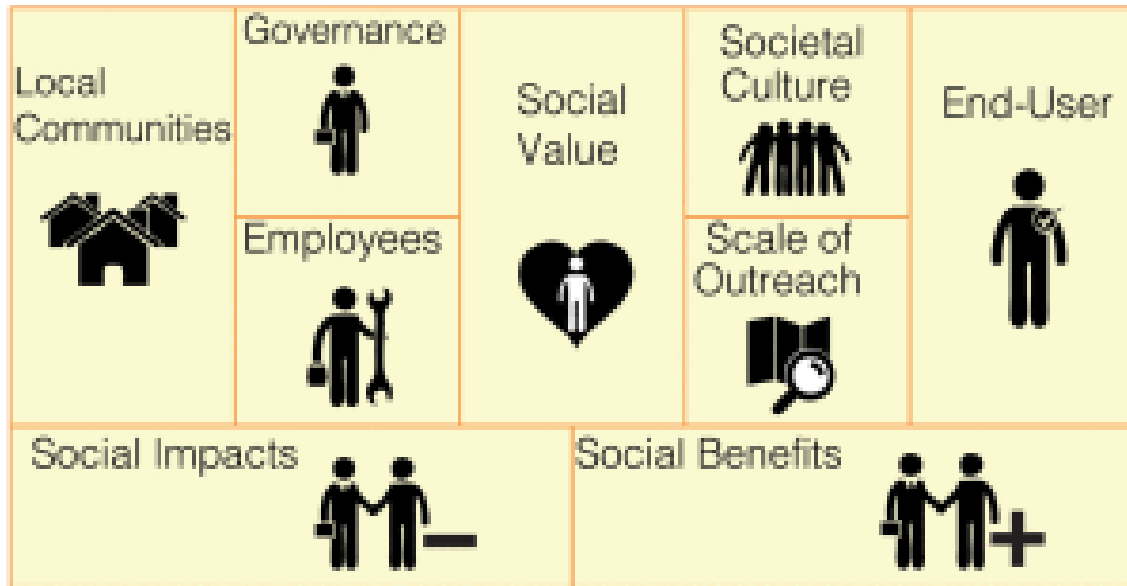
C. Block 3: Runa's Social Stakeholders' Canvas

The following discussion block builds on the Joice et al. (2015) Social Stakeholders Canvas model (TN-Exhibit 4), which filters the factors of the original Canvas through a stakeholders approach.

The instructor may ask the following questions:

Q. What is missing in this analysis in order to represent a Social Stakeholders Canvas? What factors and actors would you consider to analyze Runa sustainable business model?

TN-Exhibit 4 Social Stakeholders Canvas Social Canvas model



Source: Joyce et al. (2015)

We suggest that the instructor develop the nine factors of the model and we propose a definition of each factor, that the instructor may use at his/her discretion, prior to the discussion questions, as follows:

1. Social Value

Social value can be seen as the result of interaction of the RG with its main stakeholders, towards the creation of what Porter and Kramer (2011) describe as shared value: “the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”.

The instructor may ask the following questions:

Q. Who are RG main stakeholders? What is the social value that RG creates with them? How would you summarize that value?

A possible list of stakeholders and the social value they receive is contained in TN-Exhibit 5 (based on case Exhibits 9 & 10).

TN-Exhibit 5. RG stakeholders and social value

Stakeholders	Social Value
Kichwa Communities	-Improving the livelihood of Kichwa families in the Archidona Region
Kichwa Farmers	-Fair trade practices: price and volume -Producer associations support through Social Premium (15% on total guayusa sales) -Growers training and productivity improvement
Ecuadorian government	-Partnership to support government development policies -Private – Public sector relationship to improve communities well-being
NGOs and Universities	-Research, training and other areas of sustainable development -Partnership to focus on two specific target groups: Kichwa Community and farmers
Donors	-RF and FR initiatives -Sustainability and environmental protection goodwill
Shareholders and Investors	-Allowing for the sustainability vision to be achieved along with satisfying economic performance
RG Social Value	Supporting the livelihoods of indigenous Amazonian farmers, through core values of collaboration, transparency and authenticity, sharing a rich part of the cultural heritage of Ecuador with a global audience through RG products.

2. Societal Culture

The Societal Culture relates with the values that the organization stands for and that shape its relationships with its stakeholders.

The instructor may ask the following question: Q. What is RG societal culture?

From its very beginning the RG was based on a strong culture of collaboration, both inside the organization and with its external stakeholders, with deep respect of the Amazonian community's traditions and cultural heritage. Transparency, authenticity, accountability and innovation complement the collaboration value.

3. Scale of Outreach

The scale of the outreach regards the relationship flows of the organization with its stakeholders, considering space, time and cultural attachment.

The instructor may ask the following question: Q. What is RG scale of outreach?

The RG operates mainly in Ecuador and USA, with its main operation center in the Archidona region in Ecuador (see Case Exhibit 11. The Ecuadorian Amazon) where 60 thousand people of Kichwa ethnicity live. RG has a direct impact on 2,300 families in that community.

RG also interacts with an international network of NGO's (Mac Arthur Foundation, Rainforest Action Network), universities and multilateral organizations (CAF, USAID), all dedicated to fostering sustainable development.

4. End-Users

End-users are the people who consume the social value proposition and may differ from the customer segment in the economic business model canvas.

The instructor may ask the following question: Q. What are RG social value end-users?

RG social value has different target segments. The end-users are those that receive the benefits of RG beyond the traditional market value proposition. Among this groups students may mention:

- Consumers that choose Runa products, not for their functional benefits, but for their emotional benefits, related to a mission-driven brand, whose values and identity of sustainability call for consumer social involvement.
- Volunteers in Ecuador who participate in FR programs to support Kichwa communities and farmers in planting and cropping guayusa,

research projects and teaching English, among other initiatives. (<http://fundacionrunaesp.weebly.com/voluntariado.html>)

- Tourists that are interested in living the experience of the Guayusa Trail, being a part of the Kichwa communities by sharing their daily activities in their farms, the surrounding forests, as well as visiting RT facilities.

5. Governance

Governance refers to the organizational structure that the firm designs to pursue its mission and vision, as well as leadership and stakeholders participation in the decision making process.

The instructor may ask the following question: Q. How would you describe RG governance?

Students may comment on RG hybrid organization, which combines profit and nonprofit entities, which are intertwined but have differences in their governance (**TN-Exhibit 6**)

TN-Exhibit 6. Runa Group Governance

Runa LLC <ul style="list-style-type: none"> • Limited liability company • Board of Director composed by major shareholders and Advisory Board • CEO: Tyler Gage • Chairman of the Board: Richard Matusow (Metabrand) • Majority shareholders: Metabrand (26%), Tyler Gage (7,6%), Dan MacCombie (4,8%) • 180 investors including individuals and investment funds 	Runatarpuna <ul style="list-style-type: none"> • Limited liability Company • Majority shareholders: Runa LLC (65%), Ministerio Coordinador de la Producción, el Empleo y la Competitividad (MCPEC) (35%). • Managerial team in Ecuador
Runa Foundation	Fundación Runa

<ul style="list-style-type: none"> • Nonprofit organization registered in the USA under the 501C3 classification • Mission: international agricultural development • Tyler Gage (President), Dan MacCombie (VicePresident) • CEO: Eliot Logan-Hines with regional managers and programs coordinators 	<ul style="list-style-type: none"> • Nonprofit organization registered with the Ministry of Agriculture of Ecuador. • Mission: agricultural development • Tyler Gage (President), Dan MacCombie (VicePresident) • CEO: Eliot Logan-Hines with regional managers and programs coordinators
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Source: Case Exhibit 2A.

6. Employees

The employee factor regard the organization human resources policies including work place condition, career opportunities and advancement and other benefits designed to improve collaborator well-being.

The instructor may ask the following question: Q. What are RG policies towards employees?

RG employee profile aligns with the main organizational values established by the founders.

The local operation in Ecuador, composed mainly by Ecuadorian personnel, is based on a policy of inclusion and diversity. Personnel selection is based not only in value sharing, but also in high technical and professional qualifications.

A program of internship allows for training and on field experience.

7. Local Communities and suppliers

Local communities and suppliers consider the relationship of the organization with the communities where their main activities are deployed.

The instructor may ask the following question: Q. What is RG relationship with the local communities and suppliers?

RG has developed a special relationship with the Kichwa farmers suppliers of the guayusa leaves. According to Tyler: "The producers went from being mere suppliers to becoming partners with the Runa business". By 2016 RG

purchased guayusa from 2,300 certified farmers and promoted Fair Trade Guayusa Cooperatives. After an initial increase in the number of producers impacted, this number as well as the volumes suffered a stagnation in 2014, being this one of the main tensions identified in RG operations.

This farmers are a central part of the Kichwa community but do not represent all of it. Some of the FR and RF initiatives were designed to address their needs (see case Exhibit 9).

8. Social Impacts and Social Benefits

Social impacts go beyond the financial indicator of cost structures in the economic Canvas, considering all the negative outcomes of the organization operation on its main stakeholders. Social impact indicators may vary considering each stakeholder group.

Social benefits go beyond the financial indicator of revenue stream in the economic Canvas. They comprise improvements to the quality of life, such as health, education, living standards, emotional state, well-being and human right compliance, of individuals and communities.

The instructor may ask the following questions: Q. What is the RG social impact? What are the social benefits that the RG produce?

In order to have a clearer analysis of this two factors the instructor may use a table based on case Exhibit XX and stimulate the discussion on the various impact indicators (TN-Exhibit 7).

TN-Exhibit 7 RG Social Impact and Social Benefits (2014)

INDICATOR	SOCIAL IMPACT (-)	SOCIAL BENEFITS (+)
Certified organic farmers	-Time and transactional costs related with farmers training and organization.	-Over 2,300 certified farmers which represent a 70% growth compared to 2012, but a 3% decrease as compared to 2013.
Guayusa plants	-Learning curve and adaptation costs related to switching from logging and other short-term production.	-900,000 guayusa plants, which represent 10 times the number in 2012 and stayed stable since 2013. -US\$ 3,000 through the Ecuadorian National Development Bank for guayusa farmers to start the production.
Guayusa purchase	-Guayusa volumes purchased by RT in 2014, although still increasing did not correspond to the expectations creating	-US\$ 225,000 purchased by RT, which represents a threefold increase as compared to the 2012, and 9% increase as

	tension in the farmers and communities.	compared to 2013.
Farmers' family income (annual average)	-None	-3% and 35% increase in the year 2013 and 2014 respectively, for an average annual income of U\$ 1,640.
Farmers guayusa income (annual average)	-The guayusa contribution represents only a 7,3% of the total family income and it is presenting stagnation.	-U\$ 120 guayusa contribution to family income, doubling as compared to 2012, but with only a 2% increase as compared to 2013.
Fair Trade Social Premium	-Costs of cooperative organization -Time and transactional costs related with resource allocation and use and control of funds.	-U\$ 70,000 (in four years) invested by farmer cooperatives in community projects
Female participation in decision making	-Changes in Kichwa family culture	-42% participation as compared to 11% in 2012

D. Block 4: Sustainable Business Model main challenges

After developing both canvas the instructor may invite the students to compare the economic and social layers and identify the main tensions and challenges.

The instructor may ask the following questions: If you were Tyler what would be your concerns? If you were Eliot what would be your concerns? An alternative questions are: If you were Tyler would you be happy with Runa current outcomes? Why? If you were Eliot would you be happy with Runa current outcomes? Why? What tensions arise from the comparison of different logics (profit and nonprofit)?

TN- Exhibit 8. Current challenges and concerns

Entrepreneur	Challenges	Concerns
Tyler Gage	-Succeed on the sustainability vision -Achieve a viable business growth -Sustain product	-Building new markets for Runa products -Attract and maintain RUNA LLC investors and shareholders -Adapt to Metabrand

	innovation -Succeed in business professionalization and managerial shift	professional management -Metabrand professional management may change Runa culture and vision
Eliot Logan-Hines	-Succeed on accomplishing the sustainability vision -Achieve RF and FR objectives -Improving the livelihood of Kichwas communities	-Farmers and communities are unsatisfied with the current model -RG demand for raw material is insufficient to meet the expectations of the farmers and communities

E. Block 5 - Closing: Lessons learned

To close the class discussion, the instructor may elicit the student to reflect on the lessons learned and take away, as follows:

- Differences between a conventional business model and a sustainable business model
- It is possible to build a Canvas from the stakeholders perspective and not only from the shareholders point of view
- The difficulties in measuring the social impact in terms of quantifying costs and benefits
- The relevance of value rooted leadership and a shared vision in the entrepreneurial team
- The difficulties of managing a hybrid organization

VII. Blackboard plan (PENDING)

1. Vote

2. Entrepreneurial Team motivation and concerns

3. Economic Canvas

4. Missing factors and actors

5. Social Stakeholders Canvas

6. Challenges and concerns

7. Lessons learned

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