

Re-conceptualising Sustainable Business Models

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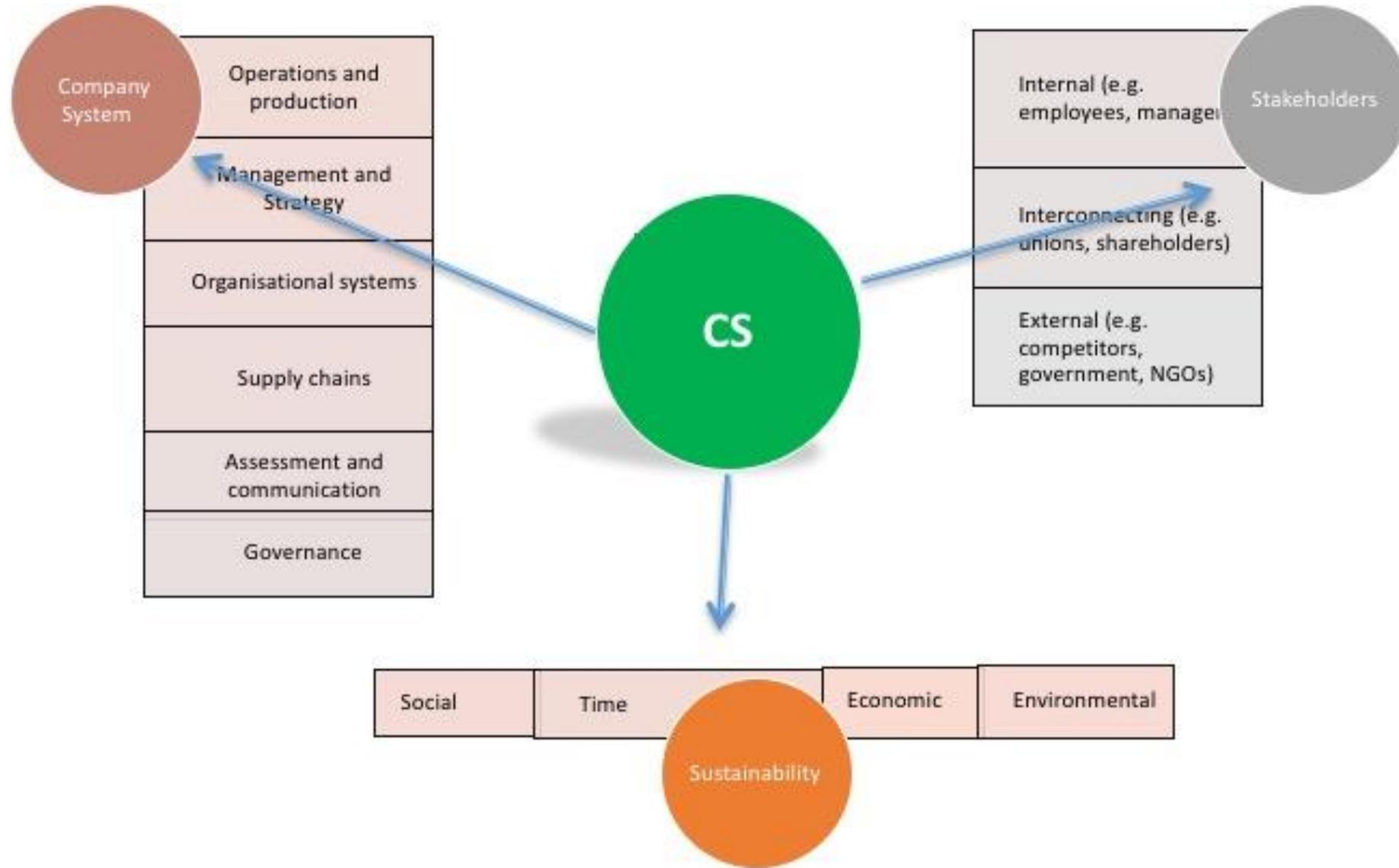
Introduction

- Companies have been considered as responsible for **many negative** impacts on the **environment** and on **societies** (Dunphy et al., 2003)
- In response, corporations have engaged in efforts to **integrate sustainability** into their operations and better contribute to making societies more sustainably (Elkington, 2002), and satisfy the needs of today's societies without compromising the needs of tomorrow's societies (WCED, 1987)

Corporate Sustainability

- “Corporate activities that **proactively** seek to contribute to **sustainability equilibria**, including the economic, environmental, and social dimensions of today, as well as their inter-relations within and throughout the **time dimension** (i.e. the short-, long-, and longer-term), while addressing the **company’s system** (Operations and production, Management and strategy, Governance, Organisational systems, Procurement and marketing, and Assessment and communication), as well as with its **stakeholders**”

Corporate Sustainability framework



CS and business models

- CS has **challenged** traditional business models (Lozano, 2012; Murray, Skene, & Haynes, 2015), which has fostered a shift from **selling products to providing service** solutions to customer needs (Lay, Schroeter, & Biege, 2009; Mont, Dalhammar, & Jacobsson, 2006) and better engaging with **stakeholders**, while creating competitive advantages to customers, the company, and society (Boons & Lüdeke-Freund, 2013; Porter & Kramer, 2011; Stubbs & Cocklin, 2008)
- A number of alternative, or sustainable, business models have been proposed to better contribute to sustainability (see Benn, Dunphy, & Griffit, 2014; Mont et al., 2006; Stubbs & Cocklin, 2008; Bohnsack, Pinkse, & Kolk, 2014; Schaltegger, Hansen, & Lüdeke-Freund, 2016a)

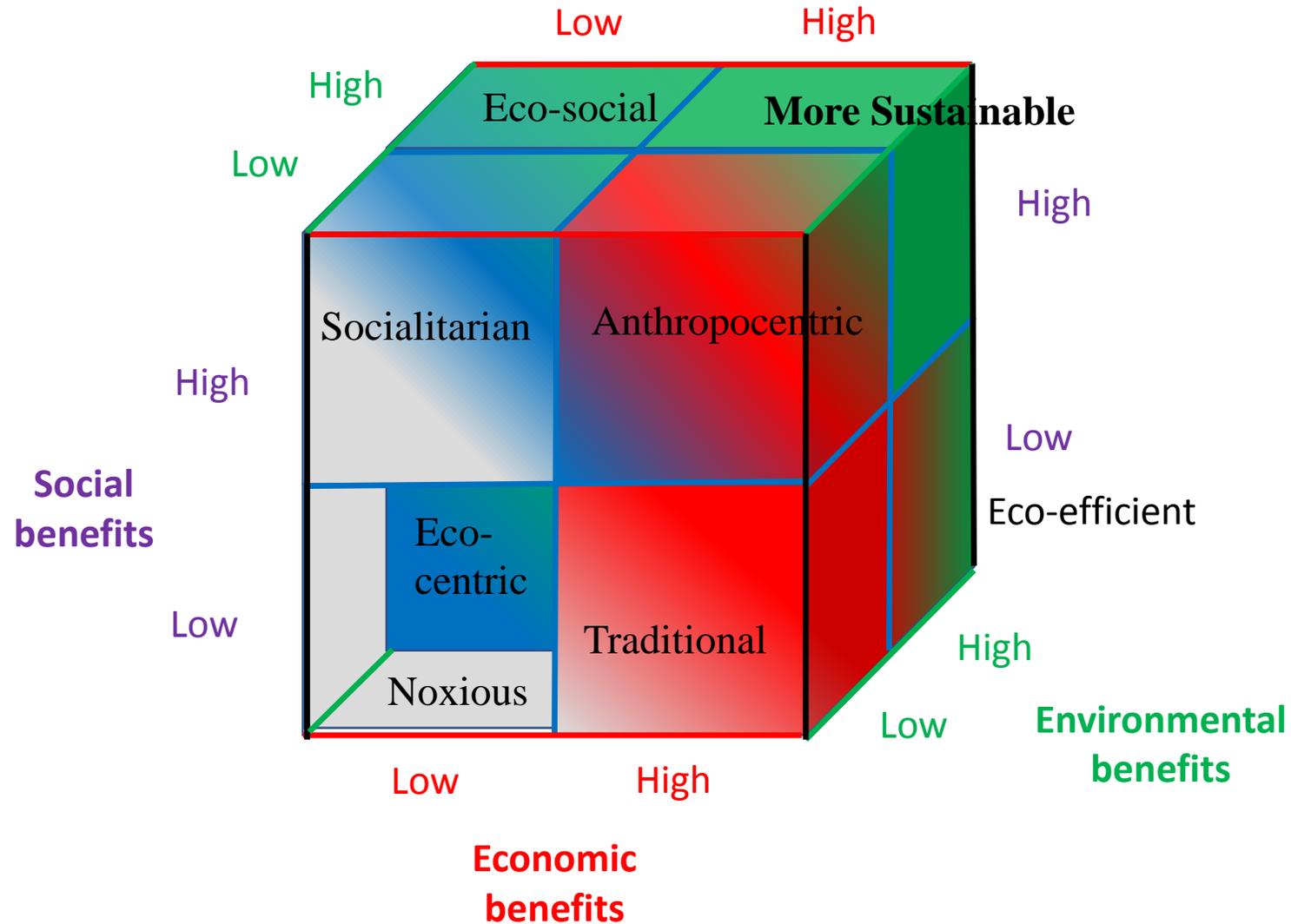
Business Models (BMs)

- A comprehensive understanding of how a company **does business** (Beattie & Smith, 2013; Teece, 2010) and how **value is created** (Afuah, 2004)
- They articulate the logic, the data, and other evidence that support a **value proposition** for the customer, and a viable structure of revenues and costs for the enterprise delivering that value (Teece, 2010)
- A BM has value **proposition** as the offer and the target customer segment, the value **creation** and **delivery** system, and the value capture system (Richardson, 2008; Boons and Lüdeke-Freund, 2013; Osterwalder et al., 2010)
- A BM clarifies the chosen position of the company within the **value chain**, i.e. what are the key assets to own and control in order to capture value (Teece, 2010)

Sustainable Business Models (SBMs)

- A number of alternative, or sustainable, business models have been proposed to reduce the environmental burdens, with a particular focus toward **switching** from product sales to a service approach (Dunphy et al., 2014; Mont et al., 2006; Stubbs & Cocklin, 2008)
- Lay et al. (2009) proposed **three alternative business models**: (1) leasing; (2) renting; (3) 'product pooling'
- Three examples of sustainability oriented business models are: selling the **function** that baby prams provide (Mont et al., 2006); **chemical leasing** (Lozano, Carpenter, & Satric, 2013); and **ridesharing** business models for sustainability (Cohen & Kietzmann, 2014)

Business Models categorisation



Stubbs and Cocklin (2008)

- A SBM uses a **Triple Bottom Line Approach** in measuring performance; a SBM considers the needs of all stakeholders rather than giving priority to **shareholders' expectations**; a SBM treats nature as a stakeholder and promotes environmental stewardship; Sustainability leaders, or champions, drive the **cultural and structural changes** necessary to implement sustainability; and an SBM encompasses the **systems perspective**, as well as the **firm-level** perspective

Boons and Lüdeke-Freund (2013)

- Four elements of a SBM:
 - **Value proposition** - providing measureable ecological and/or social value in concert with economic value;
 - **Supply chain** - involving suppliers who take responsibility for their own as well as the focal company's stakeholders;
 - **Customer interface** - motivating customers to take responsibility for their consumption as well as for the focal company's stakeholders
 - **Financial model** - reflecting an appropriate distribution of economic costs and benefits among actors involved in the business model and accounting for the company's ecological and social impacts.

Bocken, et al. (2014)

- Eight SBM archetypes, grouping them into:
 - **Technological** (maximise material and energy efficiency, create value from 'waste', and substitute products and processes with renewable and natural ones)
 - **Social** (deliver functionality, instead of having ownership; adopt a stewardship role; and encourage sufficiency)
 - **Organisational** (re-purpose the business for society and the environment, and develop scale-up solutions)

Abdelkafi & Tauscher's (2015)

- Four **partial models**:
 - The firm
 - The environment
 - The decision maker
 - The customer
- The BMfS is built on the **firm's value creation** capacity, value to the customers, value to the natural environment, and the value that the firm captures
- The **environment** is conceptualized by means of three main stocks:
 - Renewable resources
 - Non-renewable resources
 - Pollution and waste

Roome & Louche (2016)

- New business models for sustainability are developed through interactions between individuals and groups **inside and outside** companies, which are based on three elements:
 - Building networks and collaborative practices for learning and action around a new vision
 - Deploying new concepts drawn from outside the company
 - Elaborating and implementing structure within a reconfigured network

Schaltegger, Hansen, & Lüdeke-Freund (2016)

- “A business model for sustainability helps describing, analysing, managing, and communicating (i) a company’s sustainable **value proposition** to its customers, and all other stakeholders, (ii) how it **creates and delivers** this value, (iii) and how it **captures economic value** while maintaining or regenerating natural, social, and economic capital beyond its organizational boundaries”

		Stubbs and Cocklin (2008)	Boons and Lüdeke-Freund (2013)	Bocken, et al. (2014)	Abdelkafi & Tauscher's (2015)	Roome & Louche (2016)	Schaltegger et al. (2016)
Company system	Operations and production			Yes			
	Management and strategy	Yes	Yes	Yes	Yes		Yes
	Organisational systems					Yes	
	Supply chains		Yes	Yes			
	Assessment and communication	Yes	Yes				Yes
	Governance						
Stakeholders	Internal	Yes			Some	Yes	Yes
	Interconnecting	Yes					Yes
	External	Yes	Yes	Yes	Some	Yes	Yes
Sustainability	Types	More sustainable	More sustainable	Eco-efficient	Eco-efficient	Socialitarian	More sustainable
Approach	External resource	Yes	Yes	Yes	Yes	Yes	Yes
	Internal system	Yes				Yes	Yes
	Technical			Yes			
	Inputs		Yes		Yes		

Critiques to current approaches to SBMs (1)

- Although some discussions on SBMs claim to be based on the **TBL** (Bocken et al., 2014; Stubbs & Cocklin, 2008), the majority of them are heavily focused on the **environmental dimension**, such as ecological modernisation or through resource efficiency (see Bocken et al., 2014; DeSimone & Popoff, 2000; Holliday et al., 2002; Robèrt, 2000; Stubbs & Cocklin, 2008)
- Bocken et al. (2014) highlighted **some social issues** of sustainability, but these are mainly of the impacts of products for consumers
- The time dimension is **conspicuously missing** in SBMs discourse.

Critiques to current approaches to SBMs (2)

- Most definitions are based on a **narrow, business oriented** perspective of **value proposition, creation, and delivery** (see Abdelkafi & Tauscher, 2015; Bocken et al., 2014; Boons & Lüdeke-Freund, 2013; Schaltegger et al., 2016), which arises from the traditional BMs perspective, i.e. from a (mainly economic) value point of view
- Most authors use the term **'sustainable business model'**, with the exception of Schaltegger et al. (2016), who prefer the term **'business models for sustainability'**
- A better term would be **'more sustainable business models'**, where sustainability is embedded in the business model, and is based on sustainability as a dynamic ideal, and thus no business model will ever be fully sustainable.

Gap in SBM discourses

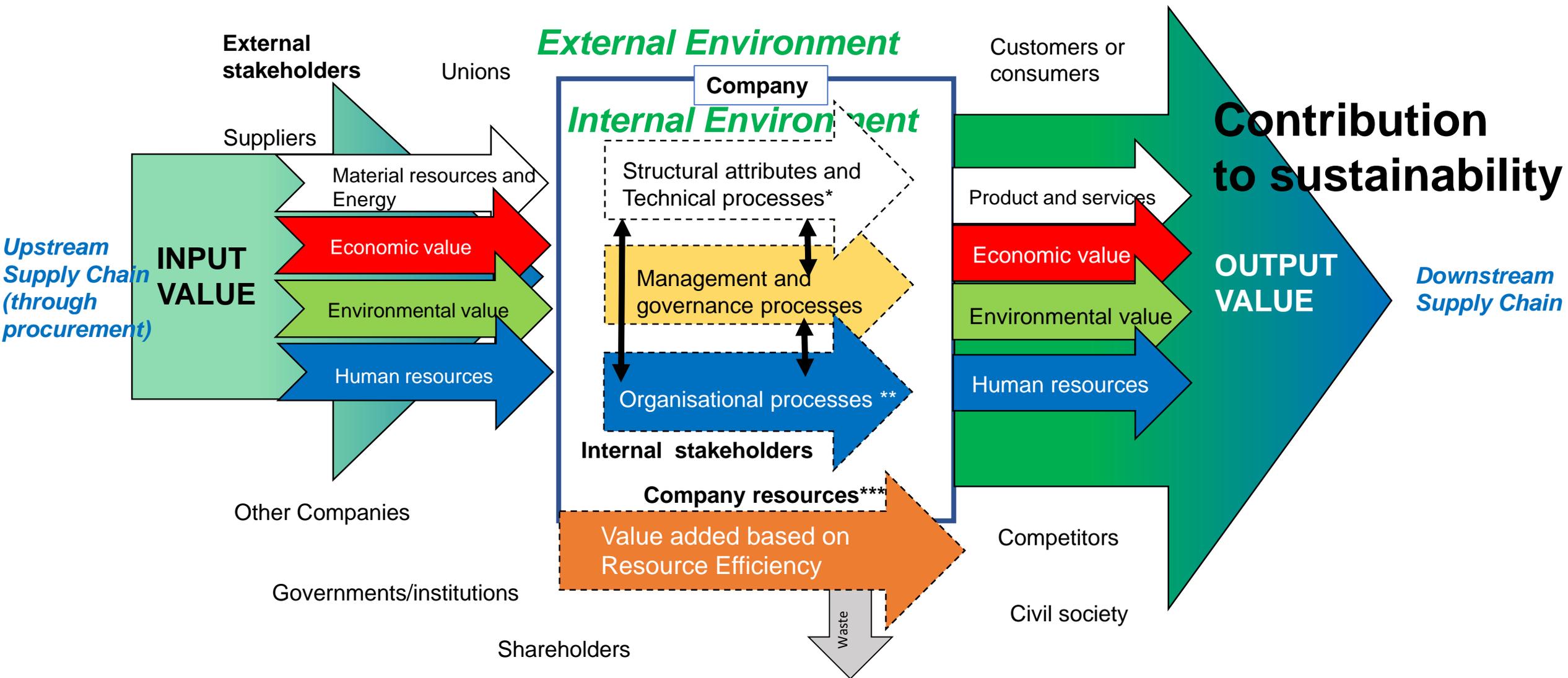
- Most definition tend to **neglect** the **Governance, Operations and production, and Organisational system** elements of the company system
- Jones's (2013) four main elements of an organisation can help fill these gaps:
 - **Organisation structure:** the formal systems of task and authority relationships that control how people coordinate their actions and use resources to achieve organisational goals
 - **Organisational culture:** the set of shared values and norms that controls organisational members' interactions with each other and with suppliers, customers, and other people outside the organisation
 - **Organisational design:** the process by which managers select and manage aspects of structure and culture so that an organisation can control the activities necessary to achieve its goals
 - **Organisational change:** the process by which organisations move from their present state to some desired future state to increase their effectiveness.

Proposed definition of A More Sustainable Business Model

- “A more sustainable business model is a **holistic and systemic** reflection of how a company **operationalises** its strategy and adds **value**, based on **resource efficiency** (through technical, management and governance, and organisational **processes**), to the **inputs** of the company, so that the **outputs** have more value and contribute more to sustainability than the inputs (in regards to material and resources that are transformed into products and services, economic value, human resources, and environmental value). The business model is affected by the company’s **resources** (tangible and intangible), and by the company’s **stakeholders**, including the environment (inside and outside the company)”.

TIME

Change



* Including operations and production, technical processes, organisational forms and structures, business practices, strategy and management, supply chain management, governance, and assessment and communication

** Relating to the organisational system (e.g. individual, groups, norms, values, behaviours, and their respective attitudes)

*** Tangible and intangible



Conclusions

- This paper is aimed at providing a different perspective to SBMs by **analysing** current definitions and incorporating principles of **organisational theory**
- The paper departs from the value proposition, creation, and delivery approach to one where **value is added**, based on **resource efficiency**, to **inputs** that results in products and services that **better contribute** to more sustainable societies

Companies have to **embed sustainability holistically**, systemically, and integrally into the elements of their business models on cultural, structural, firm-level, and systems-level **attributes** to **create value** for the company whilst considering its stakeholders, and not based, as in many SBMs discourses, on creating value **under the pretence** of sustainability.

Thank you!

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