Sustainable business models and company-stakeholder collaboration: Implications for management

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Global leaders are increasingly facing the challenge of managing the expectations of a broad range of stakeholders, and sustainability is now a prominent topic on the top management agenda (Kiron et al, 2015). Some argue that there is a need for fundamental shifts in business practice, including in business models, both to drive necessary progress towards, and to unlock business value from, sustainability (see e.g. Stubbs and Cocklin, 2008; SustainAbility, 2014). Such shifts are all the more urgent and relevant given slow progress on building political consensus to sustainability challenges, and because sustainability is already giving ground for accelerating innovation and disruption in many industries. Collaboration across organizational boundaries raises new challenges when it comes to coordination and management.

Radical and systemic innovations such as a “sustainability shift” can arguably be more effectively created and studied when building on the concept of business models. A business model reflects management’s hypothesis about what the customer wants and how the firm best can organize to create, deliver and capture that value (see e.g. Teece 2010). Through the business model rationale, sustainability can be positioned as an integral part of the company’s value proposition and value creation logic (Schaltegger et al. 2012). As sustainable innovation to a large degree involves cooperation with new and different stakeholders, new challenges arise, and a business model perspective may open up new approaches to overcoming internal and external barriers (Boons and Lüdeke-Freund, 2013).

To succeed in developing sustainable value propositions, business-society dialogs must identify trade-offs between optimal product and service performance and improved social and environmental effects (Boons and Lüdeke-Freund, 2013). While shareholder maximization has long enjoyed status as the sole purpose of the corporation, this view is increasingly contested by prominent leaders and academics (Barton, 2011; Bower et al, 2011; Eccles et al, 2014; Handy, 2002; Isdell, 2010). Porter and Kramer’s concept of “shared value” highlights the strategic importance of catering to a broader set of stakeholders, arguing that business should focus its attention on areas of “win win” potential - solving societal problems and making money while doing it. However, applying a strictly win-win perspective oversimplifies matters. Developing new sustainable business models is a challenging endeavor. Managers are confronted with situations where they need to simultaneously address multiple desirable but conflicting economic, environmental and social outcomes at firm and societal levels that operate in different time frames and follow different logics (Hahn, Preuss, Pinkse and Figge, 2014). It is a management challenge to create societal engagement in a way that contributes to business and economic success (Schaltegger, Lüdeke-Freund and Hansen, 2012). The question then becomes: how do managers meet this challenge?

Following Strand and Freeman (2013), Scandinavian companies have a tradition of favoring a “cooperative advantage”, as opposed to competitive advantage, implying that a company’s stakeholders are initially considered as potential cooperation partners with whom to create value
Several Scandinavian companies have been portrayed as success stories of creating shared value partnerships in the development of new sustainable business models, such as Novo Nordisk and their efforts to improve diabetes diagnosis in e.g. Bangladesh, Yara International and their participation in a partnership for climate smart agriculture in Tanzania, and Telenor and their partnerships for inclusive business models (such as the development of Grameen Bank and their joint venture with MicroEnsure to provide insurance to the mass-market in Pakistan). Strand, Freeman and Hockerts (2015) argue that there is a Scandinavian tendency to use stakeholder cooperation as a strategic input factor resulting in superior value creation for the companies and their stakeholders.

Based on the above presented arguments we want to investigate if Scandinavian companies have an advantage when it comes to developing new business models in collaboration with other actors. The purpose of this paper is to uncover organisational implications of creating sustainable business models in collaboration with external actors. There is a knowledge gap both when it comes to practice and research on how to manage and lead collaborative sustainable business models. What are the business model principles underlying these new forms for collaboration? What are the different forms of organizing available, and what are the implications for control and coordination (e.g. the role of incentives, values, hierarchy, trust)? How are risks assessed when entering partnerships with actors that in other contexts would be considered competitors? We look into how selected Scandinavian companies are dealing with boundary-spanning issues related to business model change. A typology of different engagement models for partnerships for sustainable business models is developed. Further on, implications for management of sustainable business models (such as governance, coordination and control) is investigated.

References


