Sustainable business models in service? A study of Norwegian knowledge-intensive service companies

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Extended abstract

Sustainability is considered one of the main drivers of innovation in the contemporary economy (Nidumolu et al., 2009). Increasingly, business organizations are recognizing the potential for innovating business models in ways that integrate sustainability concerns (Eccles & Serafeim, 2013; Wells, 2013; Boons & Lüdeke-Freund, 2013). On the one hand, this involves designing value propositions that enable consumers to lead more sustainable lifestyles (B2C) or enable other companies to reduce their ecological footprint (B2B). On the other hand, it involves delivering these value propositions in ways that are more sustainable (Jørgensen & Pedersen, 2015; Porter & Kramer, 2011). Research is increasingly demonstrating that such business model innovations may promote financial performance (Eccles et al., 2014; Kiron et al., 2012, Khan et al., 2015).

Sustainability efforts appear to be particularly prevalent in goods-producing industries, wherein opportunities for greening the value chain are easily identifiable. However, knowledge is scarce about similar practices among service providers (Gulbrandsen et al., 2015, Bocken et al., 2014; Kiron et al., 2012). Such knowledge is highly desirable, since service companies constitute the majority of the economy both in the number of companies and as fraction of GDP; the world average value-added of the service sector as a fraction of a nation’s GDP was 58.1 percent in 2013 (World Bank, 2015).

The aim of this study is to investigate business model adaptations and innovations for sustainability in the service industry. We conduct a survey of Norwegian knowledge-intensive service companies (N=103). Thereby, we provide insight into their stated motives for investing in sustainability, which sustainability concerns they view as material, the concrete measures they implement in trying to address such issues, their perception of the success of those measures, as well as their intentions for further investments in sustainability. The paper thus gives insight into the prevalence and characteristics of business model adaptations and innovations, and how they relate to strategic leadership (Strand, 2014) and organizational design (Birkinshaw et al., 2014).
Our results shed light on how these concrete characteristics of service companies’ business model innovations are related to the degree to which companies claim to gain financial benefit from their sustainability efforts. Our results suggest that the firms that those companies are more likely to (1) anchor their sustainability measures in organizational support systems, (2) make substantial changes to services and processes, and/or to their relational work with stakeholders, (3) use resources right, rather than use more resources, and (4) have a coherent system of sustainability work, from strategy to control and reporting. Thus, we find systematic differences in the integration of sustainability concerns in business model design, both at the strategic and the operational level. Finally, our results suggest that service companies are increasing their investments in sustainability, which implies that current competitive advantages may become tomorrow’s hygiene factors.

Our study contributes to the understanding of current business model adaptations and innovations aimed at promoting sustainability, as well as how this varies with relevant characteristics of companies. This knowledge can contribute to the management of sustainability challenges in service firms, and to identify avenues for alignment between social, environmental and financial goals therein.

**Key words:**
Business model innovation; Service; Sustainability

**References**


