THE PERSPECTIVE OF TRIPLE BUSINESS’ COMPETITIVENESS: THE “BUSINESS SUSTAINABILITY MODEL”

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ABSTRACT

The topic of competitiveness is widely analyzed by the managerial literature, but most authors have focused primarily on economic performance in terms of revenues and costs. Today “competitiveness” is shifting toward “sustainability”: companies need to change their business model in order to obtain not only economic performance, but also social and environmental results.

The relevance of this topic has been highlighted even by the Pope in the last encyclical “Laudato Si’” where he criticizes consumerism and irresponsible growth, laments environmental and social degradation and calls all people, firms and scientific researches to take "swift and unified global action". Consequently the economic-environment-social sustainability became a hot topic.

The aim of this paper is to integrate triple sustainability into the theory of business model and so to enrich the literature: the paper first introduces the concept of triple sustainability and reviews all managerial studies on this topic and then it analyzes in depth the existing literature on business model.

This study provides a new and more complete definition of business model that includes the concept of triple bottom line.

In particular the most important contribution is a reconfiguration of “business model canvas” by Alex Osterwalder. This tool is more effective and widely used both by start-up and mature firms, but it is incomplete to help companies to capture the new challenges.

So we provide a new management tool for business sustainability management called “business sustainability model” that allows firms and practitioners to create more value by integrating social, environmental and business activities.

Keywords: business model, triple sustainability, social value, business sustainability model, business model canvas.
INTRODUCTION

Today the culture of sustainability is more widespread than it was a few years ago. Firms, realizing the negative effects of their actions, have paid more attention to social and environmental aspects. Resource scarcity, social tensions, the financial crisis showed that the short-term objectives and strategies can lead firms to economic, ecological and ethical crisis. As for the other side of a coin, crisis is also an opportunity; the current economic crisis can be a great opportunity to structural economy’s change. The situation is mature to draw a new growth; it will be the result of innovative models, which combines environmental aspect with the individual and social one.

This gives rise to the interest in the prospect of triple sustainability and the search for synergic policies between ecology and economy, and the need to turn sustainability into process and/or product innovation, to gain a competitive advantage.

The importance of this topic has been emphasized by the Pope in his latest encyclical, that criticizes consumerism and irresponsible development, environmental and social degradation: citizens, firms, academics and researchers must take action to make a change. The objective is to reduce the structural causes of economic dysfunctions in order to respect the environment and society (Pope Francesco – Encyclical, 2015).

The USA President Obama, also, has indicated the green economy as a wait-out of the last global crisis: the Clean Power Plan is firstly a stimulus to change the mentality (Vaughan, 2015).

Therefore, it is necessary that firms, major economic players, should review the way to act and consequently change its business model (Boons et al., 2013). So it seemed correct to analyze, in this paper, the concept of business models.

From the study of the literature, we found that the traditional business model concept presents any limitations; even if the authors refer to sustainable, they consider only the economic dimension without reference to the environmental and social aspects.

This study aims to fill this gap and to provide a more complete definition of business model that includes all aspects of competitiveness. Consequently, we will try to answer the following research question:

*Is the traditional business model is able to represent the three dimensions of sustainability (economic, social and environmental) in order to improve the economy?*

By answering these questions, we contribute to the literature and to extend the previous knowledge of the mentioned topic.

In particular, first, we provide insight into the ways in which the sustainability has been analyzed by managerial literature. In the second section of this paper, we analyze in depth the existing literature on business model in order to understand if the concept of triple sustainability has been included into the business model’s studies. Thirdly we incorporate the issue of sustainability in the literature on business models and finally we propose a reconfiguration of “business model canvas” of Alex Osterwalder in order to provide a new management tool.

The link between the topics of sustainability and business model is relevant both for researches and practitioners because business model help to understand how to act in order to create customer and social value and consequently to increase the competitiveness in the market getting not only economic results but also high environmental and social performance.
THE TRIPLE SUSTAINABILITY IN MANAGEMENT LITERATURE.

The concept of economic sustainable development is now widespread in the management and scientific-academic culture. The topic of sustainability and the urgent need for change in corporate management are the results of a mentality change. In order to overcome the current crisis it is necessary to promote a sustainable inter-sectoral and interdisciplinary approach to be able to ensure a sustainable product and process.

This topic has its roots in 1987 with the Brundtland Commission Report "Our Common Future" of the United Nations and before that in 1980, with the World Conservation Strategy. According to this definition, sustainability is seen as "development that meets the needs of the present generations without compromising the ability of the future generations to meet their needs and aspirations" (UNWCED, 1987).

The general idea was to have a qualitative concept that include ideas of improvement and cultural, social and economic progress (Abrahamson, 1997). Firms are understanding that a good financial and economic performance can ensure the short-term survival, but may not necessarily guarantee good long-term results (Barnett, 2007); not consider the impacts on the environment and the social issues could be an obstacle to long-term firms’ survival (Doane & MacGillivray, 2001; Crane & Matten, 2007); it’s important to highlight that the environmental and social sustainability is compatible with the firms’ performance (Melville, 2010; Starik et al., 2012; Savitz & Weber, 2006).

In the mid '90s John Elkington coined the term "triple bottom line" (TBL) to indicate the need for companies to consider the three main dimensions of their performance: economic, social and environmental (Elkington, 1997). In other words, to generate success, a firms must set his action considering 3P: Profit, Planet, People (Elkington, 2004).

The definition of "triple bottom line" has become a reference point in studies on sustainability (Adams et al., 2004; Henriques & Richardson, 2004). According to this model, firms that adapt the levels of profitability to value of individual and community, respect the conditions of Corporate Sustainability, creating a Sustainability Revolution (Edwards, 2005; Quaddus & Siddique, 2011).

From the social point of view, studies of strategic management introduced a concept of corporate social responsibility in order to adopt socially responsible behaviors (Carroll, 1993), that respect the expectations of all stakeholders (Freeman, 1984).

Carroll, with its pyramid of responsibilities (Fig. 1), highlights the importance of ethical and discretionary responsibilities concerning the activities carried out by the company in favor of the community. (Carroll, 1979). He wants to establish a new corporate structure in which the economic, environmental, social and ethical / philanthropic dimensions delineate always the essential features (Dahlsrud, 2006).

![Carroll’s Pyramid](image-url)

Fig. 1 – Carroll’s Pyramid
The solution is not to put into conflict the Corporate Social Responsibility and firms’ objectives and move from "corporate social responsibility" to "social integration" and “shared value” (Porter & Kramer, 2006). The shared value represents the value for all stakeholders; this concept replaces the topic of "shareholder value" (Porter & Kramer, 2011). Alongside the managerial studies in social issue, there are studies related to the green economy. It seems appropriate to point out that the green economy does not replace the concept of sustainable development, but it becomes a necessary step: sustainability remains a key long-term goal (Hart, 1997).

The model of green economy today is overcome by the concept of blue economy, a new business model that represent the base of “circular economy”. This new concept finds inspiration in the imitation of nature in order to generate a really sustainable (Gunter, 2010). We speak about the so-called "cradle-to-cradle", which replaces the old model pick-use-throws (Braungart & McDonough, 2002; Braungart, 1990).

It is not just a dream but a transition already in progress because, according to latest estimates, the circular economy, only in the market for consumer products, could save $ 630 billion annually, approximately equal to 3.5% of European GDP (Report "Towards the circular economy", McKinsey, 2013).

BUSINESS MODEL AND SUSTAINABILITY

Once established the relevance of the topic of sustainability, it becomes necessary to put our attention on methods that allow to apply theoretical concepts on the management area in order to help the implementation of a truly sustainable business.

In a business area, indeed, the firms that decide to invest in sustainability must not lose the goal of increased competitiveness and profitability. So to reach this target it is necessary to adopt a different business models that consider the needs of a new complex context. In this section of the article we briefly review the main definitions that literature on business models offers, in order to highlight the possible interest shown by the authors.

Starting from more synthetic definitions, we can mention Linder and Catrell who claim that the business model is "the organization's core logic for creating value" (Linder & Catrell, 2001), or Magretta who speaks about "a story that explains how an enterprise works" (Magretta, 2002) or we find the definition of Bienstock, "the way we make money" (Bienstock et al., 2002). We can show that in these early definitions there isn’t reference to the objectives of triple sustainability, but only in general they talk about the need to create value, that means "making money".

Then we analyze a broader definition of the term "business model"(BM). Let's start with the definition provided by Timmers who say that the BM is "an architecture for the product, service and information flows, including the various business actors and their roles; a description of the potential benefits for the various business actors and a description of the sources of revenues" (Timmers, 1998). This definition seems to highlight the constituent elements of a business model, rather than its purpose. There isn’t any connection with environmental problems. The same gap exists in the definition of Amit and Zott that emphasize only value creation and exploration of business opportunities (Amit & Zott, 2001). From the late ‘90s to the early 2000s, the interest of the authors is directed generally to the structure of the BM and its components (Hamel, 2000; Rayport & Jaworsky, 2000; Kalling & Hedman, 2002).
In 2002 Chesbrough and Rosenbloom speak about economic value: "The business model is the heuristic logic that connects technical potential with the realization of economic value" (Chesbrough & Rosenbloom, 2002). The authors emphasize the economic objectives and profitability that the firms must achieve to survive.

In 2005, Osterwalder introduced a definition of business model that is actually the most used in the academic world. He defines them as "a conceptual tool that contains a set of elements and their relationships and expressing allows the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, to generate profitable and sustainable revenue streams" (Osterwalder, 2005). The author emphasizes the purpose of the BM to generate revenue streams. It is clear that he considers only economic dimension.

The same problem exists in the definition by Teece where the business model clearly indicates “the logic, data and other evidence supporting the value proposition for the customer, that is a sustainable structure of profits and costs for that company that offers that value” (Teece, 2010).

Small efforts towards a different aspect of sustainability come from the definition of Seelos and Mair who conceptualize the BM as “a set of capabilities configured to allow the creation of value consistent with strategic objectives or economic and social.” (Seelos & Mair, 2005). These authors seem to want to go beyond the purely economic logic, but they cannot face the problem in its strategic complexity, both from an economic standpoint in general and specifically from social/ethics point of view. The environmental dimension is absent.

In 2012 Boons and Freud try to combine sustainability with the concept of the BM, but do not provide any definition. They just talk about technological and social innovation (Boons & Freund, 2012).

From our analysis of the literature, therefore, it appears to show that the achievement of economic value today is the main purpose of the business model.

**BUSINESS SUSTAINABILITY MODEL**

After our analysis, we consider necessary to enrich the literature by providing a new definition in the perspective of triple sustainability.

In our opinion, it is correct to describe the business model as

"an instrument characterized by a set of elements interconnected, which allows the company the realization of economic, social and environmental value that is sustainable over time."

We must recognize the importance of the environmental and social aspect in achieving a sustainable long-term competitive advantage. Consequently, it seems necessary to create an instrument that expresses this new value of business model.

Among the various tools proposed over the years, such as the Value Chain (Porter, 1985), the Balanced Scorecard (Kaplan & Norton, 1996), the Business Model Canvas (Osterwalder, 2010), we chose the latter because we consider it very innovative and able to explain effectively the firms’ business logic. In our opinion the advantage of this tool is the logic of “visual thinking” ("think in pictures"). The visual thinking favors the use of images to convey messages and concepts; through the senses, especially sight, man is able to process and better organize information (Arnheim, 1969).
But in the perspective of triple sustainability, the tool as proposed by Osterwalder seems to be incomplete and not exhaustive. Consequently, we feel the need to move towards a “broader vision”: we create what we might call the business sustainability model.

We begin the analysis of the elements of the new framework. The content of the value proposition is expanded and it becomes the "triple sustainable value proposition". It represent the value, the meaning, the message that sustainable firms want to communicate to their customer segments. You can identify in greater attention to the environment. The firms put an ethical choice and show the importance of transparency and trust. They want to communicate that products respect the 3P: people, planet, prosperity.

The value proposition cannot be analyzed separately from “the right side” of the tool, the side of the customer. Customers play an important role because their choices can reward or punish the producers; certainly we reward those firms that have a “triple sustainable value proposition” and that transfer this new value to new product/service.

The customer is interested in how the product is done and then he is taken to evaluate and discriminate in its consumption choices between different companies. From marketing statistical research (Eurisko, 2010), customer segments that show greater sensitivity to environmental issues are those with greater economic and cultural resources.

All activities relating to CRM should highlight the firms’ green value, avoiding the risk of “greenwashing”.

Turning to the blocks on the left side of the tool, the company moves to a new sustainable perspective to establish relations with partners who share the same values; it is useless to be green in a process step and to buy raw materials from a supplier who does not consider important the environmental issue.

The partnership, in general, can involve national and international organizations, private or public such as research centers or universities. The building block of Canvas that Osterwalder calls Partnership, could be renamed "Cooperation / Partnership" and will include, over all business relationships, even the set of actions carried out in collaboration with public and private stakeholders in order to enhance economic and social progress, such as cooperation with public bodies in order to promote reforestation.

To reach the sustainability aim, the company could control their key activities, for example using "the analysis of the life cycle", in order to see which steps generate significant impacts on the environment and take action to improve and define the degree of sustainability of products or services. Starting from this point the company could schedule tasks of eco-design. All this is connected with the need to rationalize the choice of key resources that in this business model are water, food and energy.

Near the cost and revenue blocks that include the traditional economic performance, we add two new blocks, not present in the Canvas of Osterwalder, concerning social-economic costs and benefits.

Social-economic costs are virtual elements that make up part of the quantity that a firm will be forced to pay in the next years as a result of their unsustainable actions. Obvious examples of eco-costs are those related to CO2 emissions that we are already starting to pay, or the costs of energy and those related to the depletion of raw materials. Social costs can result from improper care of the employees who are experiencing a failure to respect rights could slow the rhythm of the work, with repercussions on the productivity.

Next to eco-social costs we find the social-economic benefits for which are valid the opposite considerations; for example the use of alternative sources for the production of energy or...
think of production processes that use more efficiently the resource "water", in other words the benefit resulting from eco-innovative products or processes.

Now we analyze two blocks which represent the novelty: "Environment" and "Society" blocks. The block “Environment” includes any possible effect that the business model of the company has on the environment. In other words, the consequences in terms of increased pollution, increased drought, changing climate. The elements placed inside will have an impact primarily on the choice of partner, on the key resources and on costs. Therefore the block is placed on the left side of the tool. The block “Society” represents the change of social values for example change in technology or politics, the creation of new needs and the macro trends. All this will affect aspects related to customers. For this reason the block is placed on the right side of the diagram. We decided to represent everything with a circular instrument to recall the idea of the planet. (Fig. 2).

The block Environment is connected with the block Company in order to highlight that the two elements cannot be considered individually. For the same reason the boundaries of the inner blocks become dashed lines.

The circular shape is also useful to underline the fact that all elements are interconnected to each other and that the “green” dimensions influence the “core” firms’ organization.

Fig. 2 - Business sustainability model
DISCUSSION

This study has shown that the triple sustainability is becoming a real "business paradigm" (Elkington, 1997; Edwards, 2005). Even the Nobel Prize Munasinghe, founder of the branch of studies called "sustainomics", said that environment, society and economy are key elements that must be harmonized (Munasinghe, 2010).

So the sustainable development calls for a change in patterns of production and consumption, which encourages the development of processes in which the number of ecosystem’s resources generated are equal to the number of those employed by the many processes (E. Daly, 1994; Hart 1995; McDonough & Braungart 2002, Birkin & Woodward, 1997). The plan “Europe 2020” pushes the transition to a more "regenerative" economy, based on substantial and lasting improvements in the use of resources. But the success of the transition will depend primarily on the ability of the private sector to adopt and develop new business models (EC, 2010).

These considerations lead to the growing interest of management scholars to the topic; for many years it remained the prerogative of philosophers, sociologists or macro-economists. Nevertheless the management literature on sustainability is not very developed and it is almost absent that one relating to sustainable business models. This article provides a contribution to the literature on business models, making the concept closer to current reality and it offers a new tool for the practitioners in order to reconfigure the way to firms operate.

Limitation and future researches

The article has the aim to make understood that the sustainable idea does not refuse the logic of growth which is always present, even in its green form. It is also true that philosophers, first, (Latouche, 2004) and economists then (Schneider et al., 2010 Jackson, 2009), brought the debate of sustainability towards a concept of “degrowth” in order to move forward. These are two opposing views which might be the basis of future researches that can highlight, also in an empirical way, the correctness of one or the other vision.

Future studies may also validate the model that we proposed, with empirical methods; for example, using a case studies approach (Eisenhardt, 1989; Yin, 1981). Real data can show the achievement of positive results, even going beyond the economic logic. The manager, indeed, are more prone to changes when they see real opportunities for their firm.

Managerial implications

The prospect of the BM allows managers to act in order to create a social, environmental and business, through the identification of its components.

Specifically, "sustainability business model” that we proposed provides a great help to managers. This new tool becomes a strategic framework; for the first time the firms are able to compare the value of a product/service with its environmental cost/benefits.

Thanks to an innovative approach, it is possible to assess the current state of the firms’ portfolio, defining a degree of economic, social and environmental sustainability. This allows to get core information in order to define the future strategic plan more effectively, useful to innovate their business towards more sustainable systems; both for start-ups and mature firms.

We see the business model as an important tool for researchers, practitioners and managers in order to understand how to develop this sustainable innovation.

Managers will have to consider new elements and change it, with the evolution of society. The "business sustainability model" can help facilitate these processes of reconfiguration.
CONCLUSION

Starting from the study of the evolution of the concept of sustainability, we have shown that the triple bottom line is becoming a competitiveness factor.

Any significant alteration of the dominant economic logic involves the application of new BM by actors who promote more sustainable ideas, which may also lead to different types of sustainable innovations. This new model can be the result of simple evolution of the previous one or it is a radical change; the value proposition needs to reflect the value for society and the performance should be defined by other indicators.

At this stage it’s important to analyze the literature in order to evaluate if any authors who have shown interest about this topic. From our research, we have recognized as the traditional business model have some limitations; even if the authors speak about “sustainable business model”, they consider only the economic dimension, without any reference to the environmental and social aspects.

Consequently, the literature that combines the concept of BM with that of triple sustainability is almost absent. This can be explained by the fact that the change in attitude is a process in place that academics and managers are slowly assimilating.

The first contribution of this article is to provide a new definition of business model that it is not different from previous ones, but that is extended in order to include the new concept of competitiveness.

Later, we found that the gap highlighted in the literature is also reflected in the existing management tools. The second contribution, therefore, was to provide a practical tool that represents a new way of organizing and acting business, from the operational dimension to marketing.

Consequently there is a clear answer to our research question: the traditional business models do not consider the three dimensions of sustainability all together.

However, other aspects are yet to be defined, it would have opened the way to a process of development of managerial studies that emphasize the strategic importance of the business model in the perspective of sustainability.
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