**Business model design for sustainable society:
Therapy for the consumerist mindset**

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Abstract

We address the problem of unsustainable business in the consumerist society with a reframing of the purpose of business, in recognition of the power of higher purpose for the company and contribution to society as the primary stakeholder. In this, the business model operated is crucial, but is generally under-invested, both conceptually unclear and usually more implicit than explicit, and thus lacking in guiding influence on the way a company performs. Despite the apparent significance of why and how a business operates, business model design is only in its infancy. A framework for business model design is outlined. We conclude with a discussion and proposed research agenda.

Keywords: value creation, business model, sustainable marketing

Unsustainable business in the consumerist society: the purpose of power

The orthodox managerialistic micro-economic mind-set views marketing as a technology for competitive profiting, with sustainability issues now increasingly supplanted, either as challenge or opportunity for extended or more profitable business. Some would say this business purpose needs reframing as we hurl ourselves towards a brick wall because the socio-economic system is ever more badly designed for society's needs in the present and for a sustainable future (see, for example, Speth, 2008; Schmidheiny, 1992; Belz & Peattie, 2010; Haque, 2011; Mainwaring, 2011; Hollender & Breen, 2010; Sisodia et al, 2007; Cunningham, 2008).

The consumption way of life is central to modern thought for survival (needs), for enjoyment (wants, desires), and for identity (display, competitive positioning). The problem for society is that of consumption-in-excess-of-sustenance and biophysical carrying capacity. Such consumerism is criticized for both environmental devastation and the displacement effect, in which leisurely enjoyment in satisfying or pleasurable individualised consumer choice is substituted for devotion to family, community, and social justice. Prosperity is accomplished in two forms: Wealth is the condition where social arrangements are conducive to focal practices and communal celebrations, and Affluence is the social condition that encourages extravagant material 'paradigmatic' consumption (Borgmann, 2000) (as distinct from focal engagement) - through technology. The purpose of marketing is reproduced in the commonplace understanding of marketing as the bringing about of persuasion and seduction of less-than-willing consumers to buy ever more things.

The business management agenda remains largely focused on micro-level commercial strategy-making analysis, planning and control for profitable corporate competitive advantage. This is a dangerously myopic company-centric stance which ignores the total system context (here ‘company’ means a group of people working in purposeful co-ordination – in itself, a form of community). Mainstream managerial marketing is still widely assumed to be an amoral technology for creating profitable exchanges of ‘resources’, yet implicit in this is the values of infinite material supply, market rightness (growth-driven competitive profit-maximisation), consumer sovereignty, and need satisfaction, without regard for the value(s) of consumption, consumption consequences or the interests of those excluded from the market by poverty. In a consumerist society, with an acculturated “desire to acquire” (Smart, 2010, Benett & O’Reilly, 2010), people look to the market to purchase material possessions as solutions to life problems, to satiate needs, and to construct identity in their expression of preferences and social signalling, in pursuit of personal happiness. Consumption is seen as a necessary to how we define ourselves, and an indicator of prosperity, yet has intrinsic liabilities as well as attractions. Benefits are overestimated, whilst costs are underestimated.

Marketing has evolved within the evolving orientation of business from a focus on production to consumption, and more recently towards addressing society’s needs (Belz & Peattie, 2010; Martin & Schouten, 2012). Yet, there is a world of difference (or a different world!) in looking better (greener) and doing better (enhancing well-being). Consumption and production (including marketing) have reflectively discernable ends as well as means (Varey, 2010).

The orthodox business and marketing mindset evolved in conditions of scarcity for the purpose of generating wealth. In today’s affluent society, this thinking is outmoded and counterproductive because it wastefully produces too much and much of the wrong things, and the costs-benefits ratios are less desirable than anticipated. Our very wealth creates habits and expectations – of both individual people and institutions – that constitute a pathway to social disintegration, even eventual collapse. Historically, many instances are recorded in which a society’s response to affluence exhibits an irrational lack of care about usefulness or waste (the decline and fall of the Roman Empire is the archetype, although this interpretation is not unchallenged). In conditions of abundance, an addiction to affluence is manifest in ignorance or denial over excess, waste, and the determination to continue expanding the affluence with a “deep belief that the only acceptable way is more of the same and even more of more” (Lovins, 1977, p. xiv), even as the result is waste and destruction. Lovins also points out the common root of the terms “thrifty” and “thrive”.

The power of purpose

The sustainability imperative, that is the shifting of the moral foundations of society towards other-centredness, is popularly expressed in the so-called ‘Bruntland Commission’ statement on “meeting the needs of the present generation without compromising the ability of future generations to meet their own needs” (Brundtland Report, 1987). A spirit of generativity – a disposition to help the next generation to mature and flourish and to not knowingly rob them of natural and human capital, as well as economic capital – moderates materialistic appetites (Erikson, 1959). This shift to corporate social responsibility and beyond is well documented in Sisodia et al (2007) and Hollender & Breen (2010), and others. A growing body of companies recognises society as the ultimate stakeholder of business, and operates in stakeholder relationship management mode explicitly to align stakeholder interests around a common purpose that generates emotional, experiential, and social value, as well as financial value. They ask “Why are we in business?” and “What do people want us to do for them?”, and are rewarded for being good at doing the right things that contribute to society. Higher principles guide the goals, decisions and choices made to accomplish market outcomes that improve stakeholder well-being, rather than primary pursuit of profit (at any cost). Such purpose-driven marketing recognizes that when measuring performance, conclusions differ when only partial or all costs are accounted for. Much negative impact from business is unintended consequences of not recognising the whole system and/or of a poor system design.

The advancement of stakeholder relationships as the basis for value creation requires clarification of the business purpose, commitment to sustainable relationships, authentic connections, and treatment of customers as partners in engagement that expands and extends both trust and transactions. But, well-being is not the top priority for most companies, and sustainability principles have yet to be integrated into business purpose and form. Indeed, the problem facing society is to integrate business into sustainable society. Alignment, not trade-off, of stakeholder interests co-creates value, so there is a need for the core business model to transcend profit (at any cost) and crowd out the bad with the good for positive impact. In an era of ethical sensitivity, *evil is the absence of good*.

The sustainable business ethos sets out clearly, and with commitment, what constitutes good gain (end) and what is the right means for dignity and quality of life and the enhancement of well-being. The role of the leader is emphasized in creating purpose and defining what is valuable (Sisodia et al, 2007; Hollender & Breen, 2010). On the other hand, the role of institutions is also critical. The dominant measure of performance - shareholder value - drives unsustainable business models, rewarding managers for increasing shareholder dividends in the short-term. This reductionist thinking is typical of financial analysts, who are uncomfortable with unconventional (i.e. non-neoliberal) business models. The triple bottom line framework is an attempt at broadening and deepening what is understood as desirable business outcomes by considering together economic, environmental, and social sustainability. The otherwise intense focus only on bottom line profits often leads to poor performance and may be the worst long-term position for all stakeholders because long-term value isn’t created (Sisodia et al, 2007).

Business model is crucial, but under-invested

Perhaps surprisingly, the business model construct has not yet received wide-spread attention in the marketing literature, even though the construct could considerably enrich the discussion on sustainable value creation. Although some business model definitions have recently been proposed (cf. Osterwalder et al, 2005; Chesbrough, 2010; Nenonen & Storbacka, 2010; Zott & Amit, 2008), business model research is only just emerging with no commonly agreed definitions. Nenonen and Storbacka (2010) define business models as constellations of interrelated design elements. Business models define how companies operate in four dimensions: *market*, *offering*, *operations*, and *management*. Furthermore, a business model contains three types of components: *design principles*, *resources* and *capabilities*.

The first component is *design principles.* According to Baldwin and Clark (2006), designs are created through purposeful human effort and only through the agency of designs can knowledge become the basis of real ‘valuable’ goods and services. The design principles guide the organizational capabilities in such a way that resources can be optimally integrated in order to fulfil the purpose of the company. The second component is *resources*. In the service-dominant logic the application of operant resources, i.e. service, is the fundamental basis of exchange, and all social and economic actors are resource integrators (Vargo and Lusch, 2008a). Building on Vargo and Lusch (2008b), operand resources are usually tangible, static resources that require some action to make them valuable, whereas operant resources are usually intangible, dynamic resources that are capable of creating value in interaction. The third component is *capabilities*. Drawing on Day (1994) and Morgan and Hunt (1999), we define capabilities as a company’s ability to utilize its operant resources effectively (to achieve goals).

Table 1. Business model framework

	Design principles	**Resources**	**Capabilities**
Market	Market & customer definition	Customers & brand	Market & customer management
Offering	Offering design, value proposition & earnings logic	Technology & Intellectual Property Rights	Offering management & R&D
Operations	Operations design	Infrastructure, suppliers & partners	Sourcing, production & delivery
Management	Management system design	Human, Information & Communication Technology & financial resources	Management & leadership

All of the proposed constituents of the business model are present in four dimensions: *market*, *offering*, *operations*, and *management*. Thus, the business model framework consists of twelve interrelated elements, i.e. design principles related to market, resources related to market, capabilities related to market, and so forth. The proposed business model framework is outlined in Table 1.

Business models define the resources that an individual market actor possesses and/or can use and the ways that the market actor can interact with other stakeholders – and their resources. Therefore, all interactions between market actors are in fact interactions between actors’ business models, and a market actor’s business model defines its practical integration within a particular market. This definition makes the business model a central construct in explaining how companies apply marketing strategies, and, thus, a purpose focusing on a sustainability imperative is translated into practice through business model design.

Discussion and research agenda: Business model design

In the paper we develop a design process for designing business models for a sustainable society. Business model design is guided by some meta-level ideas on the purpose of the company. The purpose (and the underlying, explicit or implicit values) guides the definition of the design principles, which in turn influence the valuation of various resources and control the development of capabilities relevant for the management of the business model. Hence, various assumptions about the role of marketing (such as concluded by Varey, 2010 (see Table 1) and Varey, 2011 (see Table1)) will significantly alter the emphasis of the business model. The ecocentric mindset recognises that the natural world has intrinsic values. This requires an attitude of respect and obligation of stewardship to enhance human welfare. This depends on our relationship to the natural world and to each other and on inner attitudes, as well as on consumption. Humans are treated as citizens as well as consumers and producers, thus it is recognised that decisions about resource use and quality of life are best made in the political arena and local communities as well as in markets. There is a complex ‘sociology’ of organisation, loyalty-based community, and individuals as societal constituencies.

A business model design process must start with a common agreement on the overall purpose of the company: what are the goals that are pursued, and how can sustainable business be built on these premises? After this the “logical” design of the business model can start, using the purpose as a reference point for all design decisions. We thus wish to investigate the connections between “business purpose” – “business model” (as a design or blueprint) – “business practices” (everyday practices in relation to other actor-stakeholders). This orients to a systemic design of stakeholder relationship management beyond either producer-controlled ‘productionist’ consultation or customer-controlled participation in the value chain, to ensure direction and support of generative co-development (see Grabher et al, 2008).

For the requisite holistic understanding, we adopt the Viable System approach which understands that every business is a system, immerged relationally in a higher system and seeking viable competitive profiles (way of being and doing) through interaction with other actors (Golinelli et al, 2002). The Viable System Model (VSM) was first proposed and developed by Stafford Beer (Beer, 1972, 1979, 1985) as a means of dealing with the minimum functional criteria by which an organization can be said to be capable of independent existence. Here we are concerned with persistent existence in a sustainable society. The Viable System Model is a model of the organisation structure of any viable or autonomous system, that is, a viable system is any system organised in such a way as to meet the requirements for surviving (and prospering) as part of the changing environment. One of the prime features of systems that survive is that they are adaptable.

From this work, the developed design process will be illustrated with examples of post-industrial business models of sustaining innovative businesses that are “far-seeing enough, flexible enough, and wise enough not to undermine either the physical or social systems of support” (Meadows et al, 1992, p. 209).

Conclusion

Business model design is firmly on the agenda as society’s expectations, in the context of the sustainability imperative, shift to higher purpose and contribution to society. This is becoming a highly significant and flourishing area for research in marketing.

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