

# BUSINESS MODELS AND SUSTAINABLE DEVELOPMENT OF AN ENTERPRISE

Joanna Krzywda, Marlena Grabowska, Dariusz Krzywda

Częstochowa University of Technology

Faculty of Management, Institute for Logistics and International Management  
Częstochowa, Poland

## Abstract

*The subject of business models is an inseparable part of the management science and the area of interest among both researchers and practitioners. Literature offers many works that address this topic. A similar thing happens with the concept of sustainable development, which is analyzed in various aspects and referred to different areas of human activity. A common belief that sustainable development has autotelic value is an obvious premise for its implementation in various fields. In the realm of legislation the concept has become the part of many legal systems and taken the form of an imperative; it has also appeared in many strategic documents concerning various fields of activity. Therefore, the degree to which sustainable development is implemented in various spheres of economy is measured and the methods of such implementation in e.g. energy industry or transport are created. There are also numerous studies concerning various indices which should be applied to measure the degree of sustainable development. Implementing the concept of sustainable development at the level of an enterprise appears to be a little more problematic, as its consolidation in business models is. It is generally accepted that a business model is a plan created by an enterprise to generate income and maximize operating profit. From the perspective of sustainable development, the business model understood in that way should be complemented with social and ecological goals. The business model should, therefore, propose such development of an enterprise which would not only earn the expected financial profit but also help to achieve social and environmental goals. Thus, the question appears how enterprises should be motivated to modify their business models and actions to implement sustainable development. This paper is written in an attempt to review the methods of implementing sustainable development in business models. It is sometimes argued, for example, that a crucial role should be played by academic circles that should educate entrepreneurs. Other researchers believe that motivation could come from customer requirements; the customers representing a higher level of environmental awareness could force enterprises to take environmentally-safe actions as the part of their competitive strategies. According to others the implementation of sustained development needs to have its roots in legal regulations which, in a sense, do not leave enterprises much choice. Still, others think that the best stimulus is the organizational and social environment and its expectations.*

**Key words:** Business models, sustainable development, development of an enterprise

## Introduction

Both the theory and practice of the management of the last years accordingly confirm the necessity to verify the approach towards the functioning of business models of enterprises. In the conditions of increasingly intense competition and globalization it becomes necessary to search for new business solutions which will provide constant and flexible existence of the company on the market, enabling the creation of high rates of profits, profitability, effort and effectiveness of operation. On the other hand, it is not possible for enterprises not to notice that human activity contributes to degradation of resources and that they directly or indirectly affect the system of social forces. One of the most important modern concepts regulating different forms of human activity, including enterprises, is the concept of sustainable development. Having gained increasing popularity, it penetrates all spheres of life.

## The conditions for the implementation of the concept of sustainable development into business models

The issue of business models is permanently inscribed in management sciences and is of interest to both theoreticians and practitioners. The subject literature provides numerous studies addressing this problem. There has also been developed a range of definitions of the business model. According to one of them, the business model is the set of material and non-material factors whose appropriate configuration should serve the creation of the enterprise value (Jabłoński, 2010, p. 8). It is commonly assumed that the business model is the plan created by the enterprise to generate income and maximize operating profit.

It identifies the relationships between the participants of the market, informs on how enterprises operate, i.e. how they create value for clients, goods and services and where their profits come from. According to Timmers (1998, p. 3-8), the business model can be defined as the structure of the product, service, flow of information, including the specification of so called business actors along with their roles and description of potential benefits they gain, which means that the business model is identified with the source of income. According to Amit and Zott (2010, p. 222), the business model is the contents, structure and managing transactions designed to create value by taking business opportunities.

Considering the conditions for the implementation of the concept of sustainable development in business models, it should be noted that, since as early as the beginning of the nineties, it has gained significance in the disputes concerning the functioning of enterprises. The contemporary understanding of the concept of “sustainable development” comes from the documents with political provenience, in which the strategy of sustainable development was defined. The two most significant ones are “The Rio Declaration on Environment and Development” and “Agenda 21”, i.e. the documents being the operation program. They both were adopted in 1992 in Rio de Janeiro during so called Earth Summit. The idea of sustainable development is included in the first sentence of the report by WCED of 1987: “at the present level of civilization sustainable development is possible, i.e. development that meets the needs of the present without compromising the ability of future generations to meet their needs” (Report of the World Commission, 1987) The concept of sustainable development still has no precise definition. It is assumed, though, that this concept anticipates simultaneous development of three objectives: ecological, economic and social and humanitarian. The way of understanding this concept and its precise defining is, admittedly, very important, however to conduct the present analysis, it is possible to adopt a slightly simplified but very popular perspective, in which sustainable development is associated with ecology and the issues of the environmental protection with simultaneous development of economic and social goals.

### **The model of forces motivating to undertaking activities for the benefit of sustainable development**

The contact between both issues – business models and the concept of sustainable development – allows for the emergence of the problem of the implementation of the concept of sustainable development in the area of practical areas of the enterprises and, previously, its business model. It is the problem which can be defined as the classical problem of the concept operationalization.

This problem results from two reasons. Firstly, the concept of sustainable development requires the change in the paradigm of mainstream economics into the paradigm called the economics paradigm of sustainable development. In the paradigm of mainstream economics, dealing with market economy, it is assumed that all entities take decisions which are rational from the economic point of view and are oriented towards multiplying individual welfare. In contrast, the economics paradigm of sustainable development requires the consideration of the relationships taking place in the society-economy-environment macro-system (Poskrobko 2013, p. 22). Secondly, operationalization itself may be understood as the process of the selection of indicators which correspond with the definitions of specific phenomena and enable the specification whether and to what extent a specific phenomenon occurs (de Vaus, 2001, p. 24). In case of sustainable development, there have been developed the indicators which enable the measurement of degrees of implementation of the concept in different areas of economy. The introduction of the concept of sustainable development at the level of the enterprise and its consolidation in business models seems to be a slightly more problematic since this means – as it has been noted before – the change in the orientation of the enterprise from the profit-oriented perspective to the perspective oriented towards ecological and social goals. Some just believe that the supplementation of business models with social and ecological goals is not sufficient and that the business model, which is to develop the concept of sustainable development, if it is built according to neoclassical economics, must be subjected to significant transformation (Stubbs, Cocklin, 2008, p. 123 - 127) since the sustainable approach in business amounts to the change in the short-term objective which would be obtaining profit into the long-term objective meaning also the achievement of other values apart from economic profit (Drimmelen, 2013, p. 860).

The need to expand the goal of the enterprise and its strategy with the goals connected with sustainable development was noticed relatively long time ago (Garvare & Isaksson, 2001, p. 11-15). Immediately, there appeared the question if the need for the implementation of the concept of sustainable development would not impede the creation of value by the enterprise and how it would affect competitiveness (Rodríguez, Richard & Sanchez 2002).

Therefore, the question arises how to motivate enterprises to modify their business models and, most of all, how to motivate their behavior to make them implement the concept of sustainable development.

It can be assumed that the attitude of the enterprise which is to achieve the goals of sustainable development is the effect of attitudes and decisions of groups and individuals both inside and outside the enterprise. There are identified different types of forces which motivate enterprises to the behavior compliant with the concept of sustainable development: legal regulations, independent organizations and non-government institutions, stakeholders, economic stimuli and ethical motivation of individuals (Campbell, 2007; Rahbek, Pedersen, Neergard, Pedersen & Gwozdz, 2013; Margolis & Walsh, 2003). While building the model of the forces motivating the enterprise to implement the concept of sustainable development it is necessary to consider their division into the external and internal ones. The suggested model of the diffusion of the concept of sustainable development into business models assumes the existence of the following factors:

External:

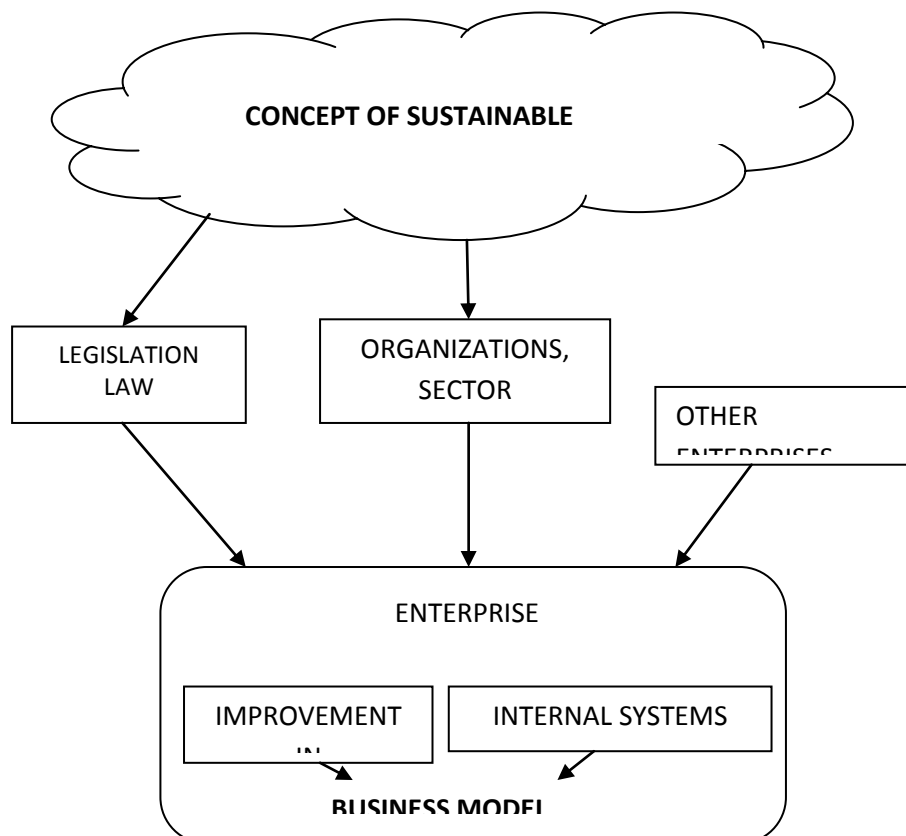
- absolute coercive measures: legislation
- normative coercion: organizations and social environment (including clients)
- mimetic coercion: other enterprises (the ones to follow)

Internal:

- resulting from the willingness to increase competitiveness of the enterprise, (at this point, there should be mentioned the concept of Drucker, recognized as the father of the idea according to which marketing should be based on social and moral leadership).
- resulting from individual attitudes of managers (internal moral norms, attitudes resulting from internal value systems of individuals (Lülfes & Hahn, 2014) – it should be noted that the way in which individual managers communicate the subject connected with the environmental protection in the enterprise is different, even if it refers to the same issues (Howard-Grenville, 2006).

Below, there is presented, in the graphic form, the model of the forces motivating the enterprise to the implementation of the concept of sustainable development.

Fig. 1 Forces motivating the enterprise to the implementation of the concept of sustainable development.



Source: Authors' own study.

Therefore, it can be assumed that the pressure on the enterprise to make it include the assumptions of the concept of sustainable development, originates from at least a few internal factors, coming from both the enterprise itself and its environment. External forces are characterized by the fact that the enterprise has no impact on them. As far as the internal ones are concerned, it is easier to control them.

In another distinction it is possible to discuss the awareness of the need and the awareness of consequences and, therefore, to answer the question if the demand for the implementation of the concept results from willingness and need or rather from the avoidance of the consequences of lack of implementation.

## Conclusions

Certainly, the subject of further studies could be the answer to the question which of the presented forces plays the most significant role and in what circumstances, since it can be assumed that the distribution of these forces may depend on the country, industry or, for example, the size of the enterprise. It also seems that an essential role can be played by cultural conditions and civilizational characteristics, such as the way of understanding the rules of the game. It seems that e.g. the impact of consumers can differ depending on the country. It can be expected that the level of ecological awareness of clients who, being ecologically aware and caring about the natural environment, prefer not necessarily cheap products or the ones of good quality but the environmentally friendly ones. However, although ecological transformations in the awareness of societies admittedly already take place in many countries in the world, where the issue of ecology gains significance, it still probably can be concluded that ecology is a type of fashion, phenomenon or cultural trend, not the main motive of consumers' decision-making. However, on the other hand, the market and producers promptly learn to use this transformation and some make an attempt to use ecology as an element of the competitive strategy. It is indicated by the studies carried out in the United States, which show that the improvement in the enterprise image, customers' satisfaction and distinction from competitors and building competitive advantage are the basic motives of the interest of enterprises in ecological issues. However, this trend is still relatively weak, the social awareness in this field is still too low, although it is also possible, in here, to discuss the differences referring to different countries and cultures and in the area of countries or societies there is also noticeable the variety in social or age groups. For example, In Poland – as it is assessed – the level of ecological awareness is not fully satisfactory. Generally, there is significant discrepancy between the declared attitude and knowledge and behavior in the field of ecology. Polish society, although they manifest their willingness and care about the issues of the natural environment, are not actually aware of the related problems and, in everyday life, show no reflection on the impact of their activities on the natural environment and potential pro-ecological activities are not supported by pro-ecological motivation (Raport TNS, 2011). Therefore, consumers, at least the ones in Poland, will not be the motivator for enterprises to take pro-ecological activities for some time.

Therefore, it can be assumed that the level of involvement of the enterprise in the implementation of the concept of sustainable development into the business model somehow depends on the size of the enterprise. In the subject literature, referring to the concept of sustainable development, there is a view that large enterprises are the ones which have the greatest potential of its practical implementation (Hülsmann & Grapp, 2007, p. 117), the leaders of supply chains that are able to dictate terms and enforce legal behavior, most of all, with reference to their suppliers. Pro-ecological attitudes can be represented by large business entities. Moreover, the studies indicate that the level of interest in the issues connected with ecology is directly proportional to the size of enterprises (Brdulak & Michniewska, 2009, p. 10). In such a case, between suppliers and a large client, there frequently occurs the "student-teacher" relationship, in which we deal with interorganizational learning. An example of such a situation can be the initiative of Wal-Mart network, which implemented the program of reduction in waste and fuel consumption among their 70 000 suppliers. In the United States, there were carried out the studies which indicate that 52% of the companies already introduced the elements of classification of suppliers based on the environmental criteria. In the USA, the activities such as keeping "a green scorecard" or publishing special rankings (e.g. the ranking of green electronics) are becoming common. Large companies producing food obtain gas from biodegradation of organic agents as fuel; companies manufacturing consumer electronics slowly implement certification programs for suppliers, including new environmentally friendly standards for their products.

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#### About the Authors

**Joanna Krzywda** is an assistant professor at the Institute of Logistics and International Management, Faculty of Management, Czestochowa University of Technology, Poland. Her research fields are sustainable development in enterprises, especially in logistics, reverse logistics and waste management.

**Marlena Grabowska** is an assistant professor at the Institute of Logistics and International Management, Faculty of Management, Czestochowa University of Technology, Poland. She received her PhD in 2007. Her major field of research is value creation, entrepreneurship and strategic management.

**Dariusz Krzywda** is an assistant professor at the Institute of Logistics and International Management, Faculty of Management, Czestochowa University of Technology, Poland. His research fields are logistics, green logistics, reverse logistics and sustainable development.