Assessing Corporate Sustainability Performance of Business Models

HOW BUSINESS MODEL INNOVATION DRIVES A SUCCESSFUL SUSTAINABLE BUSINESS STRATEGY?

Presented by Morris Fedeli, Department of Management & Enterprise, USQ, Australia

Third New Business Model Conference – Sofia, Bulgaria, 27-28th June 2018

Why this study (BMfS)

- **Sustainability matters!**

  - Convince Enterprises to reduce, reuse, recycle and re-engineer for sustainability.

- **Studies show that Innovation at the business model level can lead to improved sustainability performance (Nidumolu et al. 2009; Breiby & Wanberg 2011; Kiron et al. 2013; Pansera & Randles 2013; Morioka et al. 2016; Varadarajan 2017):**

  - What is the link between business model innovation (BMI) (Amit & Zott 2012) and corporate sustainability performance (CSP) (Searcy 2011)?

- **What if we could examine the business model (BM) (Teece 2017) and associated corporate sustainability performance (CSP) (Searcy 2011)?**

  - Maybe some business models (BMs) outperform others?

- **Can only manage what is measured (Bansal & Song 2017):**

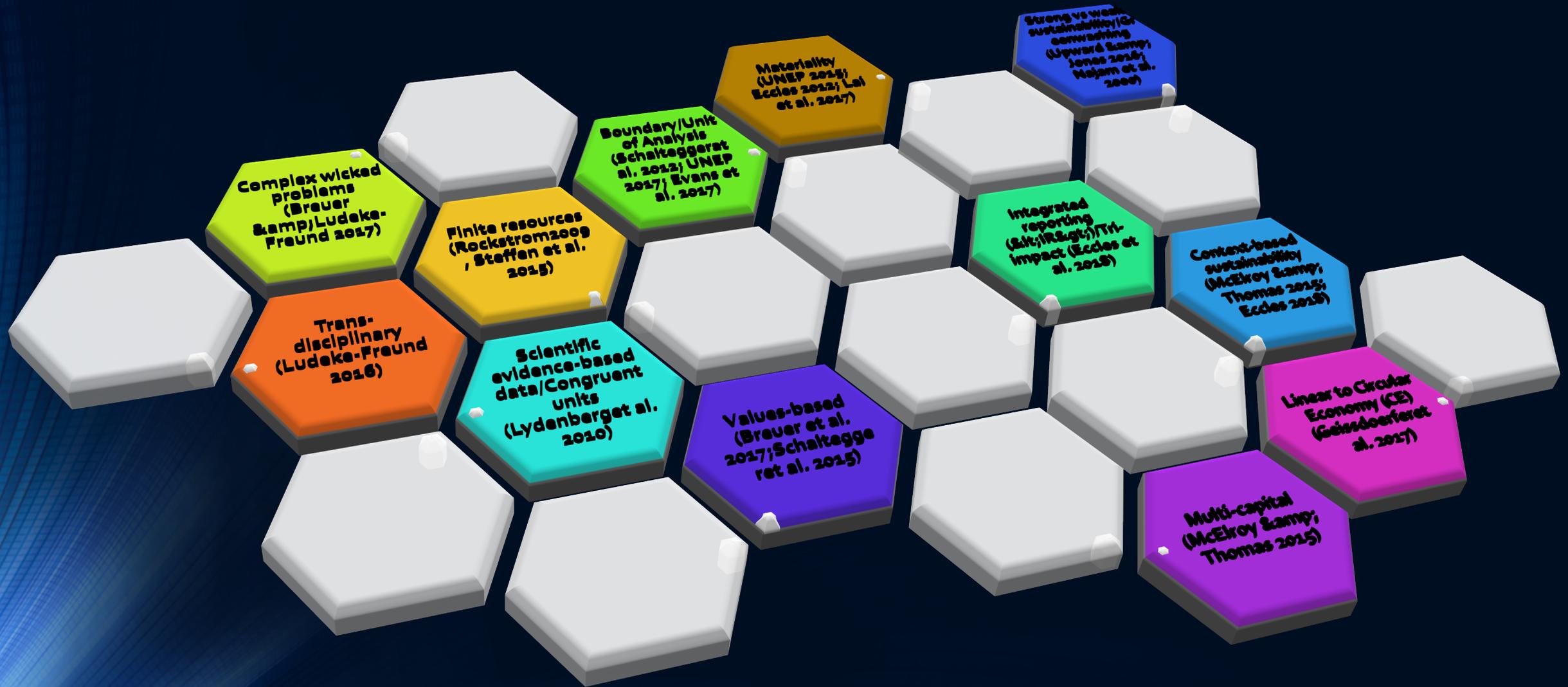 - Are we measuring what matters?

Research Design – Phase I

- Sustainable Business Models (SBM)
- Corporate Sustainability Performance (CSP)
- Business Model Innovation (BMI)

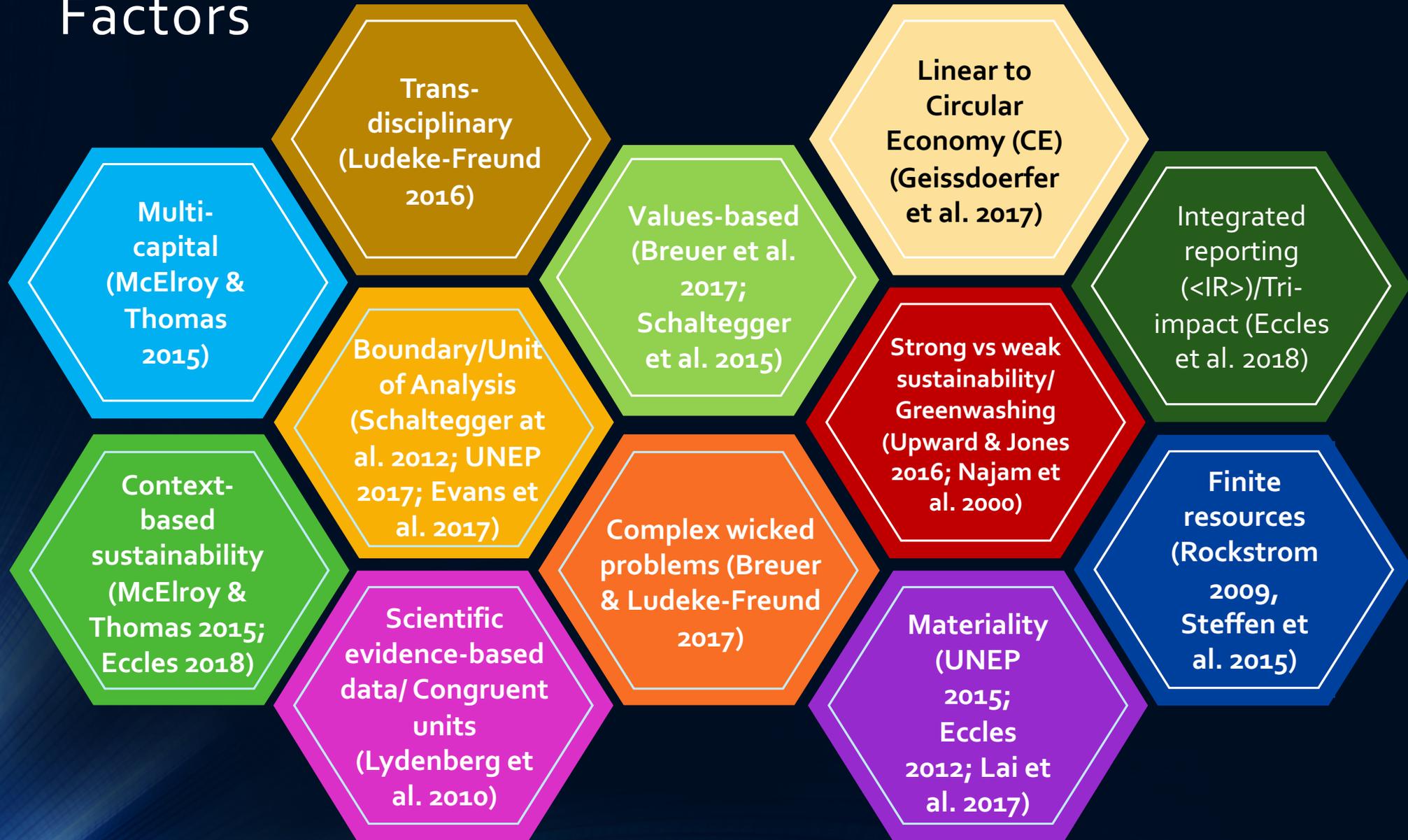Exploratory Systematic Literature Review using Thematic Analysis

Definitions

- **Business Model (BM):** Teece (2017) ("architecture to create, capture & deliver value")

- **Sustainable Business Model (SBM):** Schaltegger et al. (2012) ("sustainable business model patterns capture the similarities of business models for sustainability that are repeatedly followed ")

- **Business Model Innovation (BMI):** Amit & Zott (2012); Clauss (2016) ("systems-level thinking: modified activity system recombining supply/delivery chain resources")

- **Business Strategy:** Mintzberg (2007) ("business pattern in action")

- **Corporate Sustainability Performance (CSP):** Nicolăescu et al. (2015); Searcy (2011) ("inclusion of social and environmental concerns in business operations")

- **Sustainable Development (SD):** UNEP (2015) ("*Brundtland Report*") ("the ability to meet the needs of the present without compromising the needs of future generations")
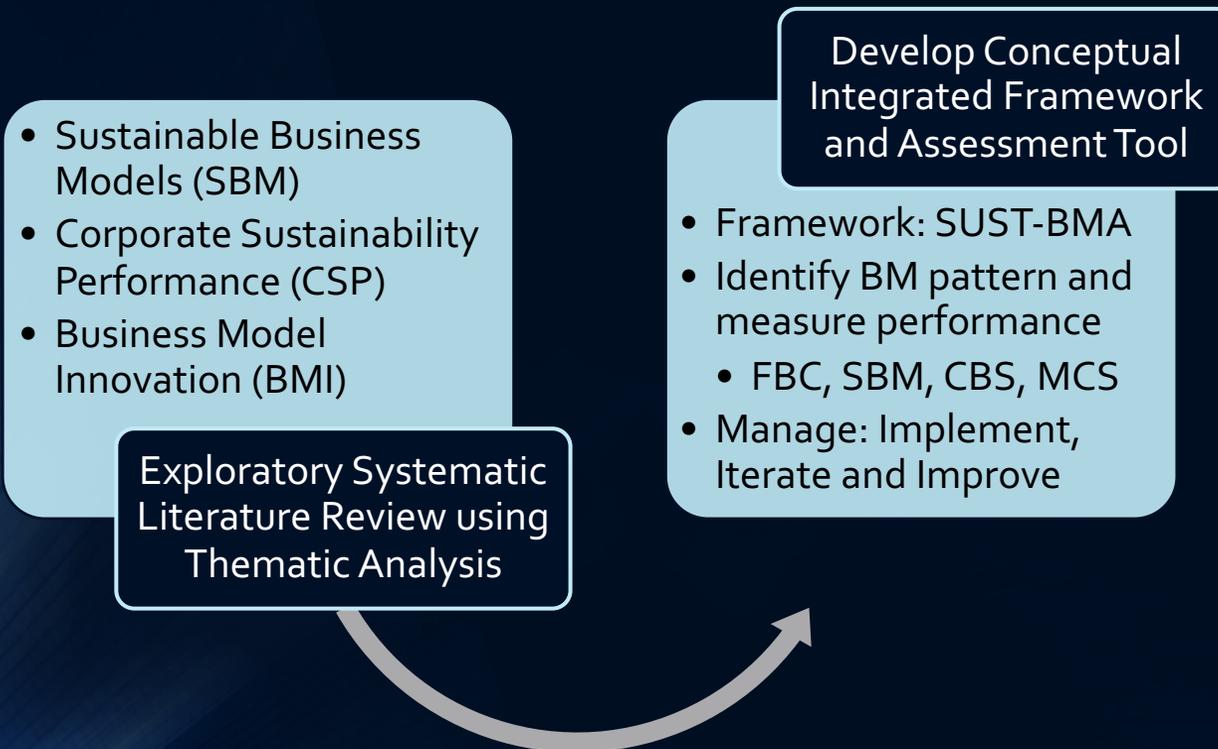
Factors

Factors

Research Design – Phase II

- Sustainable Business Models (SBM)
- Corporate Sustainability Performance (CSP)
- Business Model Innovation (BMI)

Exploratory Systematic Literature Review using Thematic Analysis

Develop Conceptual Integrated Framework and Assessment Tool

- Framework: SUST-BMA
- Identify BM pattern and measure performance
  - FBC, SBM, CBS, MCS
- Manage: Implement, Iterate and Improve

Frameworks

Upward & Jones (2016)

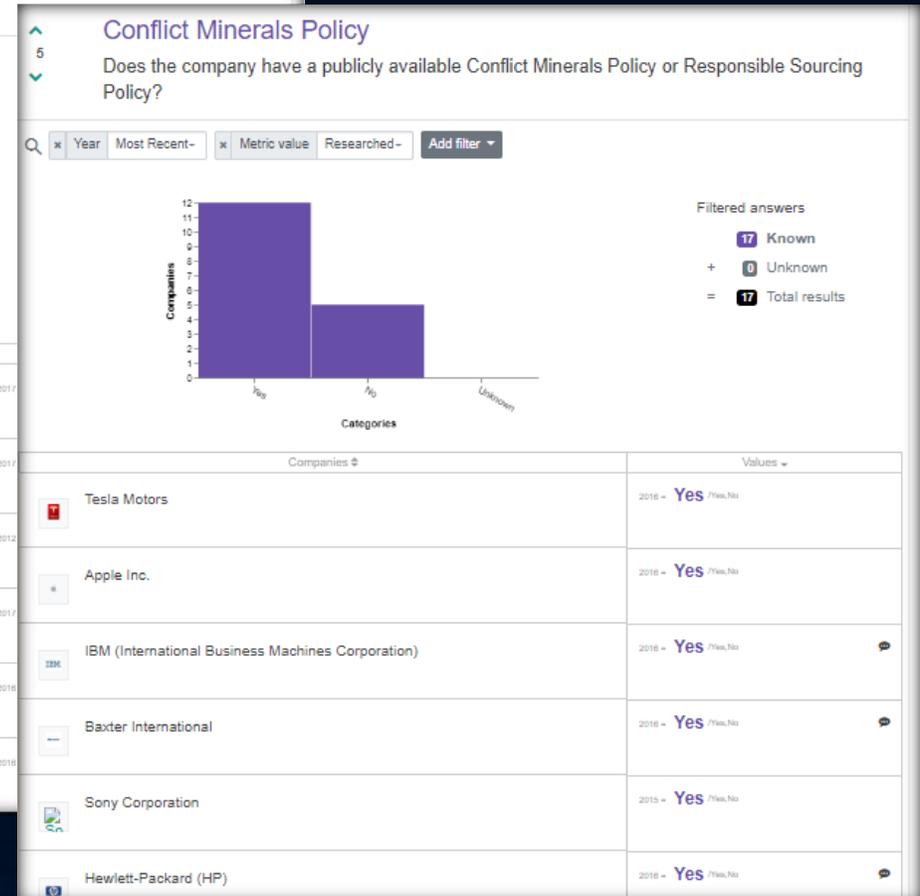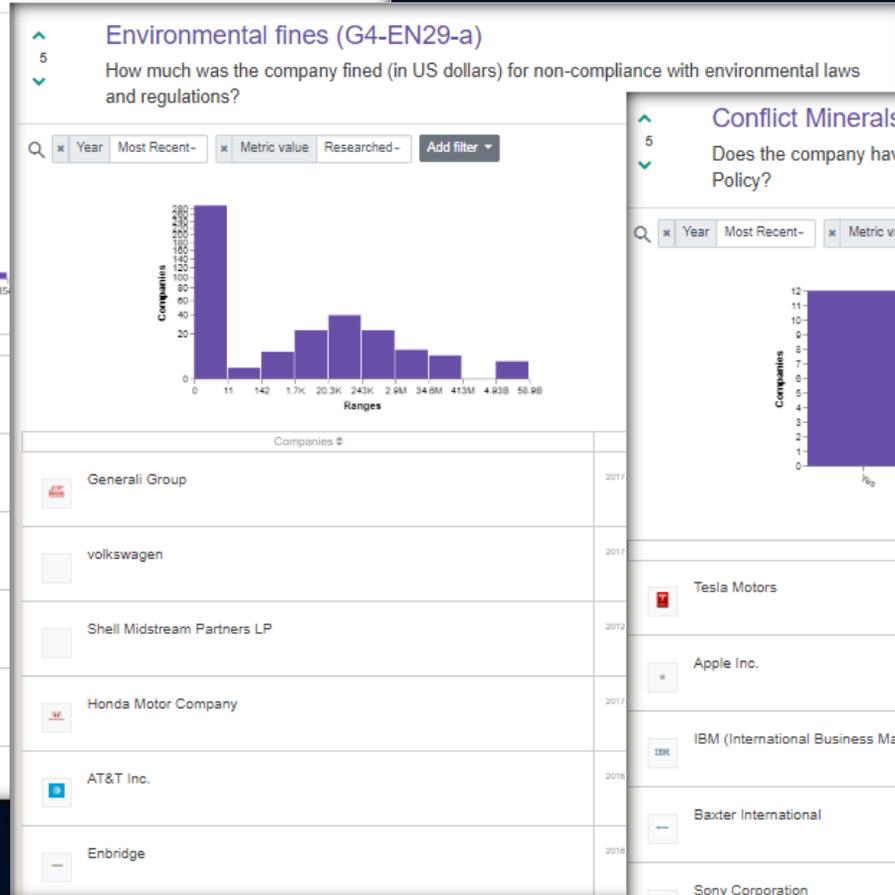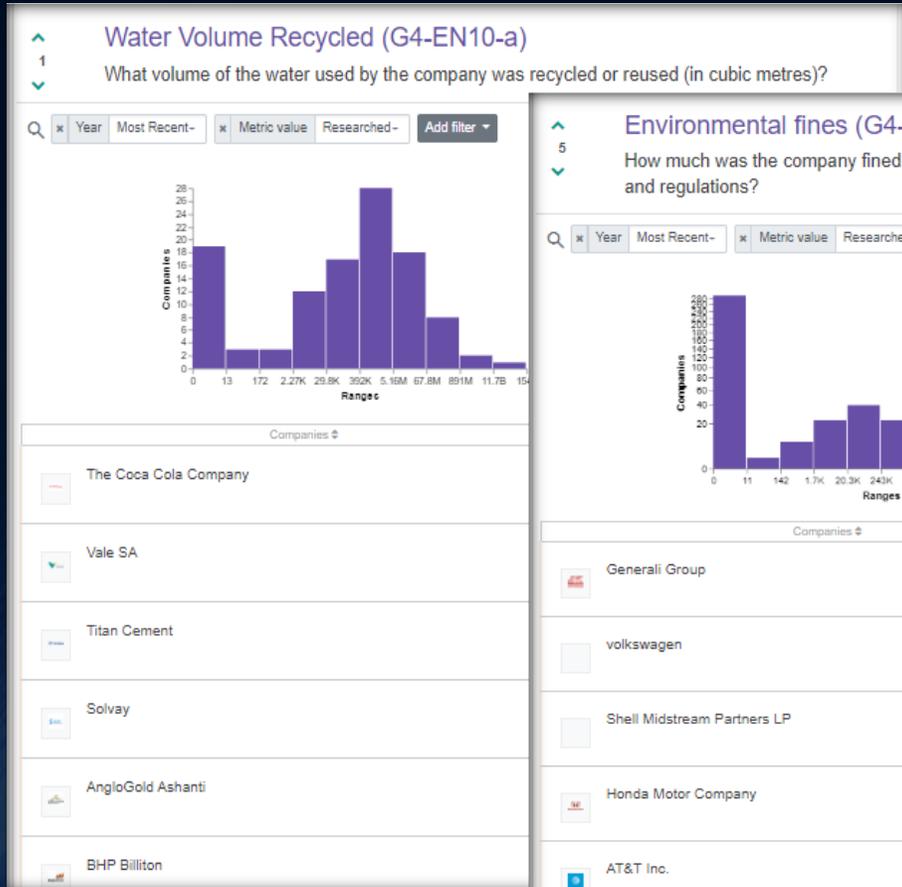| Ref	Pattern Name	
P1	"Building a Marketplace"	
P2	"Buy One, Give One"	
P3	"Commercially Utilized Social Mission"	
P4	"Cooperative Ownership"	
P5	"Co-Product Generation"	
P6	"Crowdfunding"	Clinton, L., & Whisnant, R. (2014). Model Behavior–20 Business model innovations for sustainability. *SustainAbility, London*.
P7	"Differential Pricing"	Clinton, L., & Whisnant, R. (2014). Model Behavior–20 Business model innovations for sustainability. *SustainAbility, London*.
P8	"e-Transaction Platforms"	Jenkins, B., Ishikawa, E., Geaneotes, A., Baptista, P., & Masuoka, T. (2011). Accelerating inclusive business opportunities: Business models that make a

Carroux (2017)

McElroy (2012)

Tools

WikiRate Website www.wikirate.eu (June, 2018)

Research Design – Phase III

- Sustainable Business Models (SBM)
- Corporate Sustainability Performance (CSP)
- Business Model Innovation (BMI)

Exploratory Systematic Literature Review using Thematic Analysis

Develop Conceptual Integrated Framework and Assessment Tool

- Framework: SUST-BMA
- Identify BM pattern and measure performance
  - FBC, SBM, CBS, MCS
- Manage: Implement, Iterate and Improve

- Transparent Public Data
- Audited Sustainability Reports (GRI/CDP)
- <IR> Integrated Reports
- Tri-Impact Reports
- Open Public Databases

Empirical Multi-Case Study

Example: ExxonMobil <IR> study

Constructing ExxonMobil's First Integrated Report: An Experiment

Robert G. Eccles and Michael P. Krzus

March 21, 2018

Abstract

While interest in integrated reporting is growing, the number of listed companies issuing such reports remains a very small minority. Common concerns expressed by companies include complexity, cost, and litigation risk. To address these concerns, we decided to conduct an experiment answering the question of "Is it possible and, if so, how difficult would it be to construct an integrated report for a company based on information from documents the company has placed in the public domain?" For our experiment we chose ExxonMobil. We were able to construct a decent integrated report for the year 2016 in about 40 hours. This suggests that the concerns companies have about integrated reporting are exaggerated. We are working to develop an "Integrated Report Generator Tool (IRGT)" that will use natural language processing and artificial intelligence technologies to produce an integrated report for any listed company in the world. These reports would be freely available. If we are successful in developing such a tool, an interim technology solution will solve the problem of the dearth of integrated reports. Ideally, these freely available integrated reports will encourage companies to produce their own.

Eccles & Krzus (2018)

Sustainability Performance Scorecard

Enterprise	Industry (ICB)	SBM pattern # [1..45]	SPI score [0..1]	Sustainable [Y|N]
Johnson & Johnson	Pharmaceutical	32	0.768	Y
Apple	Technology	14	0.625	Y
Unilever	Household Goods	07	0.891	Y
PepsiCo	Consumer Goods	27	0.503	Y
Pfizer	Health Care	45	1.106	N
Deutsche Bank	Financial Services	39	1.282	N

SPI Score: 0 < score <= 1 means sustainable enterprise [Y], score > 1 means NOT a sustainable enterprise [N].
Some Enterprises exhibit multiple business models. Comprehensive composite scores are possible across several material topics. Illustrative SBM pattern based on Carroux (2017) and SPI score based on MCS (McElroy 2014).

Conclusion – Where from here…the vision

- Investigate the link between BMI and SPM of an enterprise
- Encourage business to transform their business model for sustainable success
- Holy grail of modern business
- Leapfrog ahead bypassing high carbon emission industries

"Innovation is important. It's the only insurance against irrelevance."

- Morris D Fedeli

Thank you

MORRIS D FEDELI
UNIVERSITY OF SOUTHERN QUEENSLAND
E: MORRIS@FEDELI.NU   W: WWW.FEDELI.NU