

**Progressive Business Models: Creating Sustainable and Pro-social Enterprise**  
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### **Future of Business**

The future of business highly depends on its ability to renew its business models. The key problem is the nature, form and scale of business operations. The business models of today’s mainstream business do not fit in the reality of the biosphere. Business models vary but almost none of them are consistent with the flourishing life on Earth (including human, non-human and future life).

To achieve meaningful change in the humanity-nature nexus business organizations should reinvent the ways they function. How can business become ecologically conscious agent which operates within limits, that is, uses only its “fair earth share” and contributes to the richness of life on Earth?

#### **1 The Characteristics of Progressive Business Models**

As can be seen from the cases in this book, there are many ways to construct progressive business models that meet the criteria of pro-socialness, respect for future generations, and ecological sustainability. We bear in mind that the various progressive business models portrayed, like all business models, are based on strategic choices about markets, value propositions and particular organizational structures, processes and cultures (Smith et al., 2010).

Whilst the progressive business models may differ in their construction, yet they have many features in common which define their progressivity. These include

*Exponential* – New progressive business models entail radical change from incumbent models, i.e., the ambition should be exponential, rather than simple gradual improvement

(Volans, 2016). The contrast to what exists should be transformative (Haslam, 2016), involving a reframing and even disruption of fundamental beliefs, challenging conventional thinking (de Jong and van Dijk, 2015). This is double-loop learning that forces a transformation in fundamental assumptions to institute change, instead of single-loop learning which confines itself to change within an existing framework (Yunus et al., 2016). Exponential thinking can prompt various quintessential business model conversions.

Exponential business model conversions can take the form of major innovations in ownership, such as JLP which is owned by its staff through a Trust donated by the visionary Spedan Lewis. Lumituuli, owned by its customers as a co-operative, is unusual among energy companies. Exponential innovations in business models can also be reflected in changes in processes and value chains from the conventional. Triodos was a pioneer in addressing questions of human and ecological sustainability in banking, in stark contrast to the traditional indiscriminate concentration of banks on making money by trading money, rather than engaging with and supporting the real economy (Kay, 2015). illy coffee is another instance of a revolution in all its processes, throughout the value chain, from sustainable sourcing of beans, and innovations in its processing and distribution, alongside other complementary support activities, such as art and the University of Coffee.

Even after a progressive business model has been established, companies should not become complacent, as it still requires constant experimentation on a smaller scale to keep the model relevant to changing circumstances and mitigate risk. For example, JLP does this with its JLAB unit investments in accelerators or incubators, and its future viewing taskforce. Beres is continuously developing new products that fall within its progressive business model and values, thereby developing innovative, scientifically sound, high-quality products that meet consumer needs, and contribute to the preservation of health and prevent disease. DKV Integralia is another example of continuous progress experimenting with different forms of working and technology to advance the participation of handicapped people in the workforce.

*Sustainable/Circular/Frugal* – Sustainability in progressive companies is twofold. On the one hand is the sustainability of the enterprise itself, as it thinks long-term. Complementing this is that progressive companies integrate the sustainability of the planet into their business models. Long-term thinking in companies is exemplified by Unilever, which is shunning the typical quarterly earnings reports to shareholders, also recruiting investors who concentrate on

the long-term. In fact, seven in 10 shares of U.S. companies are owned by longer-term investors: individuals, index funds, and more sophisticated long-term investors, so companies which discard the traditional quarterly earnings merry-go-round are more likely to be given the breathing space to flourish sustainably (Koller & Darr, 2017) and it has been shown that a long-term approach can lead to superior performance for revenue and earnings, investment, market capitalization and job creation (Barton et al., 2017). The concentration in progressive companies is on an enduring timeline which appears to provide business advantages.

Other efforts at long-term sustainability are exemplified by continuous innovation, such as Beres' ongoing development of new medicines, illy's expansion with innovative products and formats, whilst maintaining its basic principles of perfectionism and integrity in its relationships, and JLP's forward looking innovations.

The corresponding side of sustainability is the ecological one, whereby progressive companies are future respecting through attempts to reduce pollution and preserve depletable resources. This is where frugality is important, so that resources are not wasted. All the progressive companies studied in the book have made serious efforts to tackle environmental issues. Armor is an example of this in its core business which recycles print cartridges, thereby reducing waste and pollution simultaneously. Armor is also a paragon of the circular economy, being restorative and regenerative by design.

In similar vein, Lumituuli's very mission is to advance wind power generation in Finland, thereby conserving resources, through its renewable energy business. In addition to frugality, wind power generation also has the effect of mitigating climate change.

Rezidor Hotels takes environmental challenges in the hotel industry seriously by various measures, emblematic of frugality, such as offsetting carbon emissions, engaging with the United Nations water stewardship program, invoking energy saving measures, and using green technologies in building new hotels. More than two thirds of Rezidor hotels received an independent third-party eco label. Rezidor's attitude is also emblematic of frugality, conserving resources. This is symbolized by the modest salary taken by the CEO, unlike mainstream business where top management greed and the need to consume is the norm. In the same spirit, Triodos' strict no-bonus culture is in stark contrast to traditional banks which

set profit targets for extravagant bonuses, showing a sense of frugality in its leadership practices.

Novo Nordisk was an early proponent of environmental responsibility with its triple bottom line reporting that gave equal status to environmental with financial and social sustainability, making itself publicly accountable to multiple stakeholders. Triodos was among the first banks in the world to take responsibility for the natural environment in dealing with its customers and other stakeholders, with 65 percent of savers' deposits invested in sustainable projects. illy coffee is also environmentally aware and has obtained various certifications - environmental certification ISO 14001 on its environmental management system; EMAS (Eco-Management and Audit Scheme) registration, and it was the the first company in the world to obtain the very demanding certification of Responsible Supply Chain Process. Sonnentor has also been recognized for its social and environmental commitment to its regional suppliers. A prominent tenet of the Society for the Common Good pioneered by Sonnentor is Ecological Sustainability.

*Embracing paradox* - By its very nature, progressive business embraces paradox, as it tries to pursue different goals simultaneously, some of which may appear to clash with each other. Often, corporate responsibility is seen to be costly to the bottom line, which may antagonize shareholders or even threaten the survival of the enterprise. However, progressive businesses frequently differentiate themselves and achieve competitive advantage by means of their progressivity itself. Embracing paradox means that instead of asking themselves whether to implement A *or* B, managers should be seeking ways to implement both A *and* B (Smith et al., 2010).

Integralia is such an example. At first glance, it would appear that employing disabled people would weaken productivity. But, contrary to this conventional belief, the productivity and proficiency of Integralia's disabled workforce has been proven to be so superior, that its staff are desired by peer companies where they find employment. Integralia also illustrates how engaging contradictions facilitates creativity, and dynamic capabilities flourish as the company tries to pursue simultaneous aims, creating a virtuous cycle, with spin-off activities that benefit the company, its workers, and associated stakeholders who use its services.

As a hybrid organization a co-operative which can encompass both private and public sector imperatives, Lumituuli is another exemplar of embracing paradox. Interestingly, Lars Rebien Sørensen, recently exited CEO of Novo Nordisk has declared that eliminating diabetes one day would destroy a large part of the company's business, but he would be proud of it, another instance of paradox.

*Integration* – It is quite a feat to embrace paradox, and yet be integrated, as the two concepts appear, at first glance, to be inconsistent with each other. However, the ability to adopt paradox successfully depends on effective integration. Integration means that activities are coordinated harmoniously and efficiently across the system, so systemic thinking is part of it. In this sense, the system is not only the internal company system, but incorporating its external system in which it is enmeshed. Szekely and Strebel (2013) emphasize that an integrated approach entails balance between three dimensions of environmental, social and economic emphases to avoid directional risk, so as to thereby achieve sustainability.

One manifestation of integration is integrated reporting, which covers not only financial statements, but reporting on progressive business criteria in an interrelated way. An early proponent and practitioner of such reporting was Novo Nordisk. Another manifestation is the integration of external partnerships and stakeholder arrangements into the everyday “modus operandi” of the organization, much like Unilever does. In JLP, the representation of all Partners at the governance level facilitates integration.

A unifying culture and set of ethical values may act as an integrating mechanism. This would appear to be the case in Rezidor, with the Carlson Credo. This is reinforced by its 4D strategy (Develop Talent, Delight Guests, Drive the Business, and Deliver Results). The Economy for the Common Good philosophy by which Sonnentor lives provides an integrating mechanism by its five integrated values: Human Dignity, Cooperation and Solidarity, Ecological Sustainability, Social Justice, Democratic Co-determination, and Transparency. Likewise, Triodos' principles of governance, based on conformity with law, valuing human rights, respecting the environment, promoting sustainable development, and a no-bonus culture act to unify the practices and activities of the Bank.

*Socially oriented* – Progressive companies are different to others in putting social impact at the forefront, specifying social profit objectives, and seeking pro-social owners (Yunus et al.,

2010). Lumituuli, as a community enterprise embodies this social orientation in its very purpose, formation and governance with its core activities in renewable energy generation. Its ultimate purpose is to advance renewable energy, and as a co-operative, it does not seek a financial profit. Unilever is also an example of the pro-social orientation, where shareholders are being educated that the company should strive for more than financial profit. Indeed, it should expand its ambition to make a profound social impact on people's lives, in both developed and developing countries and communities.

Austria-based Sonnentor is another community oriented enterprise, as it aims to lift the well-being of rural communities by providing quality employment for its employees as well as its farmer suppliers. DKV Integralia is another example of pro-social orientation, as it actively integrates disabled people as constructive workers, not only into its own operations, but by training the disabled for work in other companies. Similarly, the 'happiness of the Partners' is seen in the unique social collective of partnership at JLP. Triodos Bank was a pioneer in banking as it strives to serve society in contrast to traditional banking models. It is renowned for its support of microfinance projects.

*Stakeholder oriented* – The business model innovation literature specifies the need for cooperation and collaboration with partners. Yunus et al. (2010) suggest that social businesses are not involved in a competitive contest, but can learn from one another instead, thereby creating something bigger. Also, rather than protecting intellectual property, it is shared in the hope that best practices will become widespread. This is especially important in the achievement of social ends, where stakeholder networks extend well beyond the business value chain. Thus, the case companies portray the features of the "engaged" configuration in the stakeholder model. (O'Higgins, 2010) Firstly, the firm is integrated into social networks with variety of stakeholders, with stakeholder management based on fairness, interdependency, relationships, dialogue and trust. Decisions are based on discourse with stakeholders, balancing interests of the firm and legitimate stakeholders. In parallel, implementation of decisions take place in a context of long-term ongoing developmental partnership. The impact on the firm itself is positive, offering potential for substantial learning and internal development.

An example of the foregoing is Unilever with its NGO partnerships, such as with the Rainforest Alliance and government agencies for the cultivation of tea in a sustainable manner

that ensures the enhancement of the lives of tea plantation workers. Unilever was involved in the formation of the Marine Stewardship Council in the 1990s, which has since developed and expanded to become an established certification body for sustainable fishing. The Sustainable Food Laboratory in Indonesia, launched in 1999 is another Unilever partnership initiative.

Another win-win collaboration scheme is Lumituuli's partnership with Ekosähkö, a company which produces green electricity from hydro and biomass sources, but did not have a large customer base, while Lumituuli lacked the volume to administer its sales. Therefore, a partnership between the two organizations has offered mutual benefits for many years, allowing both companies to grow and flourish.

Sonnentor is another stakeholder oriented enterprise, as its five core values are addressed to five stakeholders – suppliers, investors, employees, customers/products/service/business partners, and the social environment.

*Committed leadership* – Progressive companies must be led from the top. This is essential in creating the enterprise in the first place or in sustaining progressivity in an existing company, even if the organizational practices are comprised of top-down and bottom-up processes in established companies. Leaders must have a clear vision and direction, galvanize necessary change and ensure implementation of the progressive measures (Szekely and Strebel, 2013). This is especially the case, since the necessity of embracing paradox often involves difficult navigation (Smith et al., 2010). Committed leaders must be at the forefront of connecting with internal and external stakeholders.

All the case examples of progressive companies have been led and inspired by visionary, determined leaders and teams. The vision of Paul Polman of Unilever is integrated and multi-faceted, encompassing the complexity inherent in running a giant multinational company with its diversified array of businesses and stakeholder engagements. The wholehearted adoption and pursuit of the Unilever Sustainable Living Plan has provided a focus from the top for all.

On the opposite end, on a small scale, at Sonnentor, Johannes Gutmann is the founder-owner of the business who personally inculcates his progressive company vision to the employees, consistent with the Economy for the Common Good movement.

In some cases, the leadership has come from a family vision. This is seen in the illy coffee company, as succeeding generations have carried on the progressive tradition originally established by a forebear. The radical idea of giving away the family company to a partnership trust was the brainchild of Spedan Lewis, and he embodied this vision in a Constitution. Although the Constitution has been adapted over the years, its fundamental principles around partnership, as enunciated by Spedan, are still the inspirational nucleus of the company. Thus, his leadership vision has continued, and indeed, Lewis family members were in the leadership team of JLP until the end of the twentieth century.

Other inspirational leaders in the progressive case companies are Josep Santacreu, President of DKV Integralia as well as CEO of DKV Spain, Curtis Leroy Carlson of Rezidor Hotels and Dr. József Béres of Béres Pharmaceuticals.

## **2 Challenges**

Progressive companies, like any other companies in business, face challenges. It is important to be cognizant of challenges so these may be addressed, to ensure sustainability of the organization. The challenges confronting the case example companies are delineated in each chapter, and break down into a number of categories – issues within the business model itself, implementation issues, competition from rivals with progressive business models, competition from mainstream competitors, and existential threats from the non-progressive world.

*Business model issues* – These are issues that arise from key elements of the business model that may be proving difficult to sustain or may no longer be appropriate. An example is JLP where there may be a feeling of Partner complacency, and the goal of the ‘happiness of the Partners’ may not be satisfied. The new ‘It’s Your Business’ drive reflects that Partners have not taken on the responsibilities of ownership to the extent required by the business imperatives facing the company, but, at least the problem is recognized and is being attended to.

Armor is challenged by original equipment manufacturers (OEMs)’ opposition to recycling altogether, since this represents a direct reduction of income for them, since OEMs can collect their empty cartridges and destroy them, thereby preventing them from being remanufactured.



However, so far, recycled cartridges have proved to be an attractive value proposition for customers. Of course, OEMs can enter the recycled cartridge market themselves. Thus, the threat from OEMs can be a survival issue for Armor.

Managing paradox can sometimes be tricky. For instance, Sonnentor's productivity is intentionally relatively very low, but for how long is such a position sustainable? In the same spirit, Sonnentor pays its managers below market value. Although it has had no problem attracting managers thus far, will this position change? In relation to managing paradox, Lumituuli has the problem of merging the operating logics of the political and business spheres of society. Added to this is Lumituuli's determination to remain a community company, even as it grows, and refusing to succumb to the pressure to be taken over by a mainstream operator. So far, Lumituuli has recognized the dangers to its mission as a co-operative and dealt with them. In contrast, Carlson Rezidor has been taken over by HNA, a large Chinese conglomerate which does not necessarily share the Rezidor values, and so, it faces an existential threat as a progressive company.

Many of the progressive businesses encounter the problem of balancing the short and long-term. Although the goal is to be sustainable in the long-term, it still requires profits in the short term to enable ongoing investment to carry out the progressive ambitions of the organization for the future of itself and the planet. For example, the challenge for Armor's societal innovation model is to balance short-term earnings to enable it to invest continuously in long-term innovation and CSR. Illy is an example of a company that appears to be able to balance the short and long-term imperatives.

In some cases, progressive businesses have been very dependent on a particular committed charismatic leader, such as Paul Polman at Unilever and Johannes Gutmann at Sonnentor. The question always arises as to whether the departure of these inspirational leaders will spell the end of progressivity. On the other hand, we have seen that JLP has been capable of surviving as a Partnership despite many changes of leaders for over a century and the replacement of Lewis family members with professional managers. This has been enabled by the integrated nature of the company and its ingrained Partnership culture, although, as indicated, the latter is due some refreshment.

*Implementation issues* – Although a progressive company may hold fast to its business model, it may encounter difficulties in continuing to implement it, due to the sheer ambition of its goals. Rezidor Hotels is such an example, since it operates in a high resources, energy and water consumptive industry with a great deal of waste, e.g., food, and spin-off pollution. The case shows, that for all its efforts in eco-sustainability, the nature of its industry sets limits on what it can do, although it leads the way among hotels worldwide. A similar scenario confronts Unilever which has had to query how realistic some of its goals are, especially with respect to the environment, as enunciated in its Unilever Sustainable Living Plan (USLP). Thus, the time frame for halving its environmental footprint while doubling sales has been pushed back from 2020 to 2030.

Sonnentor faces implementation problems on several fronts. One has to do with sourcing of organic herbs, against increasing competition for these products which are very time consuming to harvest. Another is ensuring the adoption of its progressive business model among new employees in a growing company, along with franchisees. This kind of support is absolutely necessary for effective implementation of the model.

Generally, while desirable, growth brings implementation problems, so that practices which are simple in a small organization become problematic in a larger one. This is acknowledged in DKV Integralia whose growth has presented challenges in maintaining its culture and continue to expand its social impact, whilst working with an increasing number of partners. In Triodos, unbridled growth may also present issues by way of keeping spiritual and material needs in balance, to avoid straying from implementation of its original purposes.

*Competition from other sustainable businesses* – As time goes on, it is encouraging to see more and more companies adopting progressive business models. However, for incumbent pioneers, this presents competition from often similarly differentiated competitors. Rezidor Hotels has encountered just such a situation, with the establishment of a rival hotel chain, the so far small but growing rapidly, Nordic Choice. Nordic Choice had taken up the same Nordic values and pro-social and pro-environmental practices as Rezidor. This has created a predicament for Rezidor in pursuing its differentiation strategy based on its special progressive positioning.

illycaffè was an innovative first mover in creating specialty high-quality coffee and sustainability at every step of the value chain. However, its differentiation is at stake as others copy its model, embodied in the ‘third wave’ of coffee transformation. This is seen in a proliferation of niche/local coffee roasters and specialized traders copying some aspects of illycaffè’s business model/value proposition, such as high quality coffee, and direct relationships with farmers.

*Competition from traditional companies* – Progressive companies have encountered competition from mainstream rivals copying and pursuing some features of progressive business models, as well as from traditional companies pursuing lower cost models which ignore issues of pro-socialness, respect for future generations, and ecological sustainability.

Companies like illy and Triodos are in the former category, subject to competition from traditional rivals. The ‘third wave’ of coffee, initiated by illy itself entails a demand for high-quality specialty coffee. Ironically, the relatively small scale of illy limits its scope to benefit from the kind of demand it has helped to create. Instead, the beneficiaries are the large mainstream companies which have adopted illy’s products. Examples are Starbucks, and Nestlé with Nespresso.

Likewise, Triodos has encountered competition from big commercial banks in the Netherlands which have taken on lending to and investment in sustainability projects.

Among companies that have come under intense competition directly from traditional rivals with mainstream business models are Armor, JLP, Novo Nordisk and Unilever. Armor’s competitors, especially from China, focused on achieving short-term profitability, provide strong rivalry, and can eat into Armor’s profits, since their business model is not based on long-term investment strategies, and customers may be more interested in the low prices such rivals can offer rather than Armor’s commitment to sustainable development.

Of course, JLP, which is a mainstream retailer, has come under pressure from other retailers, both in-store and online. This is especially intense in the grocery sector, i.e., JLP’s Waitrose shops. However, JLP has managed to differentiate itself quite well so far through its ethical image in the UK. At the same time, it has adopted new value formats and embraced online

trading to keep up and surpass its competitors – but it cannot afford to become too self-satisfied.

Meanwhile, Unilever, as a global company with a huge diverse product portfolio, has to please its customers in developing markets simultaneously with those in developed markets, creating different value propositions for the different demands. This may be a difficult juggling act, as it has to compete with more focused competitors in its diverse markets. These may be progressive or traditional rivals.

*Existential threats to progressive business* – We have seen that there is constant pressure on progressive companies to realize value by making money for shareholders in the short-term, even if short-termism has proved disadvantageous to the very shareholders seeking fast returns. It takes moral courage and determination not to buckle.

The example of the takeover bid from Heinz Kraft for Unilever is such a case. Although the bid was quickly abandoned, it has imposed pressure on Unilever to accelerate a 3-year profitability and growth plan ‘to capture value more quickly’, which could compromise its progressive business model. This is by way of warding off further unwanted approaches. This knee-jerk reaction by Unilever is despite its considerable outperformance in returns to investors over the FTSE 100 Index, sustained over 10 years, as it balances its economic returns with its broader social purposes.

Rezidor has already been taken over by Chinese conglomerate HNA. It is uncertain whether HNA will allow Rezidor to continue to develop as a progressive company, and even adopt some of Rezidor’s practices in HNA itself, or whether HNA will enforce a non-progressive model on Rezidor.

Pressure for profit has forced the resignation of the visionary leader of Novo Nordisk, Lars Rebien Sørensen in 2016 when the share price fell 22 percent from its peak in December 2015 after a profit warning due to pricing pressures especially in the USA. It is uncertain whether the successor, Lars Fruergaard Jorgensen, will continue Novo Nordisk’s progressive business, especially its triple bottom line philosophy and culture, given the commercial and market pressures now faced by the company.

### 3 The Journey Continues

In the late 1990s George Soros already predicted that the instabilities and inequalities of the global capitalist system could feed into nationalistic, ethnic and religious fundamentalism. (Soros, 1998) It is exactly what is happening today. If mainstream business will not change its underlying “market fundamentalism”, there will be little chance for humanity to survive in the Anthropocene. The hope is that progressive business models can make the anti-progressive short-sighted ways of doing business obsolete.

Our progressive business cases and other examples of innovative business models are just the first steps in the difficult trajectory of transforming business to fit in the reality of the Anthropocene. The much disturbed Earth-Human system requires organizations whose primary objectives and criteria of success include the “Commonwealth of Life”, that is, the flourishing of human, non-human, and future life on Earth. (Brown, 2015)

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