Sonnentor, - a name which translates directly as “Gate of the Sun” - is an Austrian company which produces and sells about 800 items, of which 85 percent are organic teas and spices. The firm was established in 1988 and is still privately owned by its founder, Johannes Gutmann. The company’s headquarters are in a small village in an economically disadvantaged region in Northern Austria with a subsidiary in the Czech Republic.

In recent decades the annual turnover of Sonnentor has risen steadily, 10 to 20 per cent annually, to € 35.9 million in the financial year 2015/16. One of Gutmann’s main aims has been to create employment in quality work in the region (Gutmann and Gnaiger 2013). The number of employees in Austria has increased from 23 in 2001/2 to 285 in 2015/16. In November 2016, the firm had 304 employees in Austria and 110 in the Czech Republic. Moreover, it employed 74 people in the region for packaging jobs. Also, 205 organic farmers in Austria and 10 in Germany were engaged in direct production for Sonnentor (Standard 2016). Today, Sonnentor, with an estimated market share of 50 percent, is the market leader in organic spices and teas in Austria. About 65 percent of the turnover is exported. In the German market, Sonnentor has a 25 percent share and is one of the top three firms (Sternad 2015a).

Sonnentor aims to maintain the small rural structures of its region by fair trade and ecological, certified farming. It has received several awards, including the Austrian TRIGOS award for CSR, in acknowledgment of its social and environmental commitment to its regional suppliers. Sonnentor was also a pioneer in the Economy for the Common Good (ECG) movement. As the aim of this case study is to examine Sonnentor as an example of the ECG, we will describe this movement in the next section, before we then outline the business model of Sonnentor.

1 Economy for the Common Good
Christian Felber, who coined the term Gemeinwohlökonomie (Economy for the Common Good) in 2010, argued that the “meaning of the Common Good concept is that everyone’s well-being counts” (Felber 2015: xvi). Therefore, the success of a business should not be assessed by how much profit it makes, but by its contribution to the Common Good. The ECG has three major focuses: The first is to align the values of business and society. The second is that the values and goals laid down in company constitutions should be systematically integrated into business practices. The third is the premise that the main purpose of all business should be to promote the Common Good and not to maximize profits. The ethical return of investment should be more important than its financial return (Felber 2015: xvii).

The ECG movement advocates an alternative economic business model, requiring companies to abide by five values, which are: Human Dignity; Cooperation and Solidarity; Ecological Sustainability; Social Justice; Democratic Co-determination and Transparency. Although it promotes some ambitious long-term utopian principles such as income caps, limitations on private wealth and the nationalization of natural resources, its short-range activities are more pragmatic (Watson 2014). Nevertheless, this type of sustainability, which Dyllick and Muff (2016) call “truly sustainable,” goes beyond refined stakeholder value management or the pursuit of a triple bottom line approach followed by most businesses with a sustainability strategy.

The movement has received widespread recognition. Arguably most important is the adoption of the ECG by the EU’s European Economic and Social Committee. The Committee proposes that the ECG model should be included in EU legal frameworks. According to the Committee, the ECG “can contribute to a transition towards a European Ethical Market which will foster social innovation, boost the employment rate and benefit the environment” (EESC 2015).

The ECG movement has developed a concept for measuring whether companies contribute towards the Common Good. The core of this concept is the Common Good Matrix. It consists of the five core values described earlier and defines five stakeholders, namely: Suppliers; Investors; Employees; Customers/ Products/ Service/ Business Partners; and the Social Environment. When the values are applied to the stakeholders, they meet in 17 so called Common Good Indicators. For example: If the value “Human Dignity” is applied to the stakeholder “Employees” this results in the Common Good Indicator workplace quality and affirmative action, which includes “employee-oriented organizational culture and structure, fair employment and payment policies, work-place health and safety, work-life balance, flexible work hours, equal opportunity and diversity”. (Table 6.1).
Table 6.1 *The Common Good Matrix*

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Value</th>
<th>Cooperation and Solidarity</th>
<th>Ecological Sustainability</th>
<th>Social Justice</th>
<th>Democratic Co-determination and Transparency</th>
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<tbody>
<tr>
<td><strong>A) Suppliers</strong></td>
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<tr>
<td>- Ethical Supply Management</td>
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<td><strong>B) Investors</strong></td>
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<td>- Ethical Financial Management</td>
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<td><strong>C) Employees, including business owners</strong></td>
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<td>- Working quality and working conditions</td>
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<tr>
<td>- Long-term contracts, occupational stability, and structure, for employees and customers</td>
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<td><strong>D) Customers / Products / Services / Business Partners</strong></td>
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<tr>
<td>- Ethical customer relations, ethical business location, and co-determination, joint product development, high-quality service, high-product transparency</td>
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<td><strong>E) Social Environment: Region, community, future generations, civil society, fellow human beings, animals and plants</strong></td>
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<tr>
<td>- Value and social impact of products and services</td>
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<td>- Products and services fulfill basic human needs or are humanized, society-focused</td>
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<tr>
<td>- Contribution to the local community</td>
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<tr>
<td>- Mutual support and cooperation through financial resources, services, products, logistics, time, know-how, knowledge, contacts, influence</td>
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<tr>
<td><strong>F) Social Responsibility</strong></td>
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<td>- Relative to the common good</td>
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<td>- Reduction of environmental impact</td>
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<tr>
<td><strong>G) Social Responsibility</strong></td>
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<td>- Relative to the common good</td>
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**Negative Criteria**

- Violation of ILO norms (international labor standards/human rights) = -200
- Products detrimental to human dignity and human rights (e.g. child labor, forced labor, sexual exploitation) = -200
- Outsourcing to or cooperation with companies that violate human dignity = -150
- Hostility towards employees = -200
- Discrimination against employees = -200
- Misuse of environmental pollution = -200
- Gross violation of environmental standards = -200
- Planned obsolescence (premature obsolescence of products) = -100
- Unequal pay for women and men = -200
- Job cuts or moving jobs overseas despite having made a profit = -200
- Subsidies in tax havens = -150
- Equity yield rate < 10% = -150
- Excessive income inequality within a business = -150
The objective of the **Common Good Balance Sheet** is to assess where a company is in relation to the Common Good. Whereas other sustainability standards such as the global reporting initiative (GRI) only tell adopters what they have to report, the ECG Balance is a qualitative assessment. The maximum scores achievable for one Common Good Indicator are between 30 and 90 points. The total sum achievable for one business is **1000 points**. However, the ECG movement states that no company is perfect in every aspect and that expectations should not be stacked as high as expecting that companies achieve very close to or even the total of 1000 points, as points are only awarded for voluntary achievements or services by businesses, which exceed minimum legal requirements. In addition, there are also negative criteria, which, if applicable to a business, result in **negative or penalty points**. Examples are: unequal pay for women and men (-200 points), prohibition of a works council or a non-union strategy (-150 points), hostile takeover (-200 points); and outsourcing to or cooperation with companies, which violate human dignity (-150 points). According to the ECG movement, the companies audited by them with the highest scores achieved between 550 and 675 points. The ECG movement calculates that a company not explicitly oriented towards the Common Good would achieve between -100 and +100 points (ECG 2016).

The **Common Good Balance** with the Common Good Matrix at its core can be used by any kind of organization, independent of its size, industry and legal form. There are three different ways for companies to participate in the ECG movement: The first is becoming a supporter of the movement and creating a Common Good Balance, which does not have to be published or externally audited. The second is creating a Common Good Balance, which is peer rated in cooperation with other companies. The third is creating a Common Good Balance, which is externally audited by the ECG movement. At present, in Europe and Latin America, 250 organizations have published a Common Good Balance Sheet, which is audited by external auditors and another 250 organizations are in the process of doing so (Gemeinwohlökonomie 2017).

The ECG movement was founded in 2010. It acknowledges that there are many examples of enterprises that have in the past pursued the Common Good. Felber (2015) points to the banking cooperative model developed by Friedrich Wilhelm Raiffeisen and other well-known examples including Mondragon, Sekem, Semco and the John Lewis Partnership. Austria in particular, has a number of small and medium-sized firms such as the shoe producer GEA, the printing firm Gugler, and the sweet producer Zotter, that in 2010 were recognized as pioneers of the ECG movement. One of these firms is Sonnentor, which in 2011 was one of the first
companies to be ratified by the Common Good Criteria and was awarded 635 Points in 2013 (Sonnentor 2015: 5).

Before we describe the business model of Sonnentor and how it relates to the ECG in the following section, we want to briefly acknowledge that there are many influential opponents of the ECG, particularly in Austria. There are academics who argue that it is not a scientifically developed economic theory (Gemeinwohloekonomie 2016) and those that argue that an introduction of the ECG would lead to a major disruption of the economy culminating in political chaos (see for example Fürst 2016).

The aim of this case study is not to argue for or against an ECG or to discuss whether it could work for the whole economy. We intend to examine the business model of a company that is a best-practice example of the ECG movement. This is particularly interesting since an explicit assumption of the ECG movement is that there will only be a decisive change in the attitudes of businesses, if governments actively support companies oriented towards the Common Good. For example, they could introduce tax reductions for those with very high scores in their Common Good Balance and impose additional taxes on those, which do not contribute to the Common Good and only maximize profits. Nevertheless, the question here is whether Sonnentor has developed a business model for the Common Good that could already be adopted by other companies without major changes in the current economic system. In the following we will therefore examine Sonnentor’s value proposition, market segment, cost structure, value network and competitive strategy.

2 The Business Model of Sonnentor

The definition of the Sonnentor value proposition includes a description of the products and services offered by a company to its customers. There are two Common Good indicators related to the value proposition of a company: The first is the ecological design of products and services, The second is ethical customer relations.

The ecological design of products and services includes “offering ecologically superior products/services; awareness raising programs and consideration of ecological aspects when choosing customer target groups”. This is one of the major features of Sonnentor’s value proposition, as all its products are organic, free from artificial flavors, color additives or chemical flavor enhancers and the company does not use plasticizers or aluminum in product packaging. In addition, Sonnentor does not use palm oil. Sonnentor spends 1 percent of its turnover on voluntary quality tests in addition to officially required tests regarding its organic
certification. Furthermore, most activities during harvesting and packaging are performed manually without the aid of machines, which is supposed to increase the quality of the products (Sonnentor, 2015: 49).

Sonnentor also practices *ethical customer relations*, which promotes “ethical business relations with customers, customer orientation and co-determination, joint product development, high quality of service and high product transparency”, by striving to build long-term customer relationships. This includes allowing longer times for payments if its customers encounter difficulties and with offering interest free loans or support for its customer’s company development. Furthermore, Sonnentor realizes customer wishes - half of its product range can be tracked back to customer wishes. Sonnentor places an emphasis on offering more information about its products to its customers than required legally on product packaging and its website and guarantees 100 percent transparency for the origin of its products to its customers. Sonnentor spends only 5 percent annually of its turnover on marketing, including development of new products, product re-launches, marketing activities and sales activities. This marketing strategy includes not using mass media for advertising and refraining from using loss leaders or multiple purchasing offers (Sonnentor, 2015: 39-44).

Last but not least, Sonnentor’s value proposition includes its philosophy and the impression of its products. Its brand is associated with promoting organic farming, respect and care for nature, social responsibility and supporting small local agricultural structures. The positive feeling about Sonnentor products is enhanced by an emphasis on the farmers who produced the herbs and spices. Pictures of them and summaries of their stories are used in promotion activities and on packaging. Sonnentor increases this emotional attraction by giving their products sentimental names such as “Mystical Witch”, “Spring Kiss”, “Fortune”, “Let It Be”, or “Guardian Angel” (Sternad, 2015a).

The Common Good matrix defines two indicators that are relevant for the market segment a firms covers. One calls for a *socially oriented design of products and services*, the other asks for the *value and social impact of products and services*.

Sonnentor’s targeted market segment is the market for organic products. Sonnentor does not distribute its products via large mass-market retail chains, as it does not want to support what Sonnentor perceives as non-transparent and unfair price policies. Instead, their distribution channels are organic shops, pharmacies and the internet (Sonnentor, 2015: 39). Furthermore,
Sonnentor has created flagship stores, which target those customers who want to experience the whole Sonnentor philosophy and its range of 800 products.

By 1991 Sonnentor began exporting to Germany, as the Austrian market is so small. Today more than 70 percent of its sales are in these two countries and a further 20 percent to neighboring countries. Altogether exports go to 50-plus countries. Examples are: Switzerland, Czech Republic, Bali, Japan, Malaysia, Hong Kong, Korea and New Zealand. (Sonnentor, 2015: 51).

The Common Good indicator socially oriented design of products and services, which includes “information, products and services for disadvantaged groups and support for value-oriented market structures”, is, according to the Common Good balance sheet, only fulfilled to a minor extent by Sonnentor. Nevertheless, the company argues that concerning product design as well as its buildings, it does take care of handicapped people. Also it looks after people who are or have to be conscious about food choices like those with allergies (Sonnentor, 2015: 53).

Compared with the indicator socially oriented design of products and services, it is easier for Sonnentor to achieve value and social impact of products and services, which means producing “products and services fulfilling basic human needs or serving humankind, society or the environment”. Most importantly, Sonnentor supports organic farming by producing organic products. A particular focus is on working with small farms and making a contribution to regional development. The production process emphasizes hand craft and the company is proud to have generated more than 700 jobs across the world. Of these, 334 are directly employed by the Austrian and Czech Republic firms. The remaining jobs were created in the supply chain and distribution channels (Sonnentor, 2015: 9, 57-59).

There are two Common Good Indicators that are related to cost structure and profit potential, which are ethical financial management and investing profits for the Common Good. Ethical financial management focuses on consideration of social and ecological aspects when choosing financial services and Common Good oriented investments and financing. In this regard, Sonnentor has a high equity ratio of 55 percent (financial year 2015/16), which means that the majority of assets are financed by the owner and not by creditors. Investments are mainly covered by equity capital and are supplemented by funding from the Austrian federal development and financing bank AWS and by loans from regional banks. Short-term excess of financial resources is invested in conservative investment forms with the lowest possible
risks. Sonnentor prefers sustainably responsible partners like the “GLS Bank” (which wants to preserve and develop the natural resources of humanity e.g. by supporting organic farming), fair-finance Vorsorgekasse AG (which puts social responsibility first, ahead of profit maximization) or the “Bank für Gemeinwohl” (can be translated as: “bank for the Common Good”, which was founded by Christian Felber) (Sonnentor 2015: 24).

*Investing profits for the Common Good* advocates reducing or eliminating dividend payments to shareholders, thus increasing equity and social-ecological investments. Sonnentor’s Common Good balance sheet suggests that this indicator is fully achieved. More specifically, Sonnentor does not distribute dividends to external shareholders who do not work in the company. Johannes Gutmann with shares of 99 percent (financial year 2015/16) receives only a salary (Sonnentor 2015: 68). Gutmann also stated publically that he will not accept takeover bids or float the business. All profits are fully reinvested, as short-term profit maximization is the ultimate goal; rather, long term overall development is prioritized. Gutmann is convinced that the full reinvestment of profits into the company will benefit all stakeholders, in particular customers, farmers and employees (Sternad, 2015a). In 2015, €8 million were invested in additional production facilities and in 2016 an organic model farm opened next to the company premises; this will cost almost €0.5 million over a three year period (Sonnentor 2016).

The business model proposed by Chesbrough and Rosenbloom (2002) only requires a firm to define the structure of its value chain and the assets needed to support its position. The *ethical supply management* proposed by the Common Good matrix goes beyond this and requires an active examination of the risks of purchased goods and services, as well as a “consideration of the social and ecological aspects of suppliers and service partners.” Sonnentor´s Common Good balance sheet suggests that the firm has achieved 80 percent of the ethical standards required.

Generally Sonnentor aims to establish long term high trust relationships with its suppliers while fulfilling fair trade requirements. One way of doing this is by buying directly from farmers and paying them fair prices. This is Sonnentor’s preference and thus 80 percent of all raw materials are sourced directly without the inclusion of intermediaries such as traders. The rationale for this is to have more control over the supply chain and also to leave more of the value added for the producers as well as Sonnentor. Moreover, given that regional aspects are important, the aim is to source raw materials from farmers in the region or from other parts of
Austria. Examples are garlic and chili, where Sonnentor initiated production in Austria (Sonnentor, 2015: 17).

Austrian farmers get a cultivation and delivery contract from Sonnentor, in which the cultivation area and the expected size of the harvest are set out. If the expected size of the harvest is exceeded, Sonnentor will buy the excess harvest as well. No consequences apply if farmer’s do not achieve the expected size of the harvest. The prices for the herbs and spices are fixed with the organic farmers in yearly meetings and do not depend on accessibility, so that price stability is guaranteed. Every organic farmer gets the same price for the same raw material as every other organic farmer. Thus, no competition between them ensues and collaboration is fostered. The farmers are assisted by Sonnentor employees with their technical knowledge. In order to maximize the value chain of the farmers, further steps in the production process such as drying and even packaging are done at this level. Interestingly, a significant part of the marketing focuses on the farmers, for example, showing pictures of them performing harvesting.

Only four years after the firm was founded, in 1988, Gutmann established a joint venture with a local partner in the Czech Republic. In 2013/14 the Czech subsidiary employed 88 employees. In addition Sonnentor has founded (partly with development agencies) partnerships with farmer cooperatives in Nicaragua, Kosovo, Albania, India and Spain. The working conditions at the producers’ farms have to fit with Sonnentor’s philosophy, which emphasizes employment creation, fair prices and organic quality. (Sonnentor, 2015: 18-22) In addition to its core supply chains, Sonnentor also aims at supporting regional and sustainable suppliers with other products. For example, regional carpenters produced more than 90 percent of the furniture of a new production hall whilst electrical energy is bought from renewable energy producers (Sonnentor, 2015: 23).

Normally companies try to avoid large amounts of stock in order to reduce costs. However, at Sonnentor large amounts of raw material (average of 900 tons) are stored at headquarters, as raw material is bought with cash flow when its quality is very high and also in order to avoid out-of-stock situations. Most of the final processing steps, like mixing herbs or spices and final packaging, are completed at the Sonnentor premises.

On the distribution side, Sonnentor’s original principal selling points to their final customers were organic food stores, health food stores and pharmacies, which were supplied with Sonnentor products by organic wholesalers. In addition, Sonnentor has launched a franchise
system of branded flagship stores in order to have a direct point of contact with the customers and because competition for shelf space in the organic food sector has become fiercer. Sonnentor’s franchise system encourages long term partnerships with 10 year contracts, requiring enthusiasm from the franchisers with an agreement that they will sell in their franchise stores in person.

Further, Sonnentor has set up an online store. However, this does not undercut retail prices in fairness to Sonnentor’s partners. When exporting, Sonnentor normally has one local distributor but sometimes more, as there are no exclusive contracts. Sonnentor’s exports are a major factor in their consistent growth of 10-20 percent annually (Sterngard, 2015a).

The position of a company in its value network is one of the main elements of the Common Good economic model. In the Common Good matrix, employees as stakeholders are particularly relevant, alongside the social and ecological environment. For stakeholder employees, five indicators are defined along the five core values (see Figure 1). These are: workplace quality and affirmative action; just distribution of labor; promotion of environmentally friendly behavior of employees; just income distribution and corporate democracy and transparency. All of these propose Human Resource Management (HRM) policies and practices that serve the Common Good. In addition we will examine three indicators of the social (and ecological) environment, namely contribution to the local community, reduction of environmental impact, as well as social transparency and co-determination. Linking these indicators to the business model of Sonnentor, we start with the employees’ position in the value chain.

The Common Good indicator workplace quality and affirmative action aims at applying human dignity to HRM. Sonnentor aims to offer a healthy workplace by providing free organic lunch, fruits and tea, as well as health and yoga classes for its employees. There is also an extensive provision of further training and the firm deliberately employs handicapped employees. In regard to affirmative action, 63 percent of managers are women. A company-owned kindergarten offers extended and flexible opening hours. There are many different part-time models, not only for workers, but also taken up by managers. This results in sickness-absence and labor turnover rates that are below the industry average. The company also takes pride in offering most of these benefits not only to those directly employed, but also to independent contract workers (Sonnentor, 2015: 25-33).
The Common Good indicator *just distribution of labor* aims at linking HRM to the value of cooperation and dignity. In this regard, Sonnentor emphasizes the extensive provision of part-time work options, which are taken up by one third of the workforce. Furthermore, the company points to its impressive record of employment creation. Its sustainability report explicitly states that the aim of Sonnentor is not only to secure employment, but also to increase it. In 2013/14 the workforce at its main plant and headquarters was increased by 59 people and in 2014/15 by 60 people, which is an increase of about 25 per cent each year (Sonnentor 2015: 34). One way in which the company achieves this is by relying heavily on manual labor on the farms as well as in its production facilities. Because Sonnentor tries to avoid replacing people with machines in order to create employment, the output per person is deliberately below that of competitors. For example, whereas in 2015 Sonnentor with a turnover of €35.9 million employed 285 people (€125,000 turnover per employee), their main German competitor Lebensbaum with a turnover of €63.6 million only employed 207 people (€307,000 turnover per employee) (Lebensbaum 2016). The owner Gutmann emphasizes this aspect when on their first day in the company he welcomes each employee by saying: “Great that you are here. Please do a good job, so that we can employ the next person!” This emphasis on creating jobs may look economically unsustainable, but with the strong growth of its business over recent decades, Sonnentor has shown that this strategy works. However, this might work only because profits are not the main goal, but the means to create new jobs.

The third HRM related indicator, *promotion of environmentally friendly behavior of employees*, links ecological sustainability to people management and asks organizations to promote environmentally friendly behavior of employees. In regard to this indicator, Sonnentor encourages an ecological lifestyle of its workforce by providing free organic food and subsidies for eco-friendly electricity. Furthermore, the company encourages employees to travel to work jointly by sharing cars and tries to limit work related travel (Sonnentor 2015: 35).

Over recent decades, there has been an intensive public debate about management pay. For example, in the US the ratio of the pay of average CEOs to an average employee increased from 20:1 in 1965 to 354: 1 in 2012 (Kiatpongsan and Norton, 2014). Bringing social justice and HRM together, the Common Good indicator *just income distribution* demands low-income inequality within the company. For this indicator, Sonnentor reports that the highest salary in the firm is only 3.4 times higher than the lowest. Furthermore, two-thirds of the workforce receives more money than stipulated in the collective bargaining agreement of the
industry and there are no gender differences (Sonnentor, 2015: 36). Nevertheless, salaries in
general are not much higher than those in the region and particularly in senior management
positions below the market value. Also bonuses are not paid. According to the owner
Gutmann, people do not come to earn a lot, but to support the company (Lammer and Stern
2014). Because the employer brand is so strong, the company has no problems finding well
qualified employees. One indicator is that the company receives around 800 unsolicited
applications every year (interview with HR Manager).

The Common Good indicator linking HRM and democratic co-determination and
transparency is corporate democracy and transparency. This Common Good indicator
demands “comprehensive transparency within the company, election of managers by
employees, democratic decision-making on fundamental strategic issues and transfer of
property to employees”. This is only likely to be achieved by employee-owned firms, but
more difficult to achieve by a privately owned company such as Sonnentor. Therefore it is
perhaps not surprising that out of all Common Good indicators, the achievement of Sonnentor
as judged by the Common Good audit is the lowest here with only 30 percent achievement.
One reason is that the firm has no works council yet, which can be established with the
initiative of employees in any Austrian firm with more than five employees. Nevertheless, the
firm claims that there is extensive two-way employee communication and that all managers
are involved in strategic decision making (Sonnentor, 2015: 37). An example was mentioned
in a newspaper article where the owner Gutmann mentioned the company policy that all
strategic decisions are taken by him in a joint monthly meeting with his twelve most senior
managers. He has veto power, but had not used this yet. For example, in 2014 a majority
decision was taken not to produce for brands of large retailers where Gutmann was in the
minority, but accepted this decision (Lammer, 2014).

Besides the previously-mentioned employee-related standards, there are also three standards
linked to the social and ecological environment, which are relevant for Sonnentor’s position
in its value network. Starting with the social environment, one Common Good indicator asks
firms for contribution to the local community, the other for social transparency and co-
determination. For the first indicator, Sonnentor lists various social causes and NGOs, which
it supports financially. In addition, its management and in particular its owner Gutmann
provides advice for start-ups and actively supports the Common Good movement with talks
and speeches. For the second social indicator social transparency and co-determination,
Sonnentor suggests that it contributes to this goal by publishing its sustainability report as well as being in constant contact with its local community (Sonnentor, 2015: 60-2, 70).

The final Common Good indicator linked to Sonnentor’s position in its value network is reduction of environmental impact. Sonnentor regards the earth as an important stakeholder and thus works hard to reduce CO2 emissions. Its production process does not generate any direct carbon emissions, whilst the carbon emissions from transportation are controlled and continuously reduced, and those remaining are offset by supporting forestation programs. Moreover, Sonnentor’s headquarters have a climate-friendly, zero energy design with photovoltaic modules on the roof and additional electricity from renewable energy providers (Sonnentor, 2015: 64-67).

There are two major features of Sonnentor’s competitive strategy and positioning vis-à-vis competitors. The first one can be explicitly linked to the Common Good Indicator cooperation with businesses in the same field which proposes the “Transfer of know-how, personnel, contracts and interest-free loans to other business in the same field, participation in cooperative marketing activities and crisis management”. Sonnentor’s efforts in this regard will be outlined in the following paragraph.

The indicator cooperation with businesses in the same field mirrors Sonnentor’s competitive strategy, which does not focus on putting other competitors out of business. Abiding by its motto “live and let live”, Sonnentor does not register any patents and does not enter into exclusive contracts with suppliers or other business partners. Sonnentor supports local and regional businesses by entering into product cooperation. Working with its competitors, Sonnentor has initiated a round table for their industry, where knowledge is exchanged and cooperation is planned. An example is the topic of pyrrolizidine alkaloids, which are hepatotoxic, that is, damaging to the liver and may find their way within weeds into the production chain. Furthermore, Sonnentor places an emphasis on giving its knowledge to society: Sonnentor has a visitor centre, which receives about 40,000 visitors annually, and offers guided tours through its premises. Also tours are conducted for students, plus discussions with staff and Johannes Gutmann. Moreover, Gutmann offers his support and knowledge to young entrepreneurs (Sonnentor, 2015: 46).

However, even without an explicit competitive strategy, Sonnentor has kindled enthusiasm and loyalty in its consumers and has achieved a connection between positive emotions and its brand. This is due to its socially and environmentally responsible behavior in addition to
selling high quality organic products with a transparent origin. This successful corporate branding may be attributed to corporate social responsibility, which is embedded in the deepest core of Sonnentor’s philosophy. Thus, this is perceived as genuine, not as green washing which can often be the case with corporate social responsibility approaches (Sternad, 2015b).

Another important factor in Sonnentor’s position versus competitors is its charismatic founder Gutmann. In order to keep the company for its stakeholders, he holds 99 percent of Sonnentor Austria and 80 percent of the sister companies in the Czech Republic, Romania and Albania. This strategy allows Sonnentor to make decisions independent from outside shareholders, creating a competitive advantage in being able to act intuitively and independently. In addition, Gutmann is an iconic figure, with his grandfather’s lederhosen and red brimmed glasses, holding speeches at conferences, being interviewed or appearing in radio talk shows frequently talking about his philosophy behind Sonnentor. These public relations activities of Sonnentor’s founder are another important factor in the firm’s advantageous position vis-à-vis competitors (Sternad et al. 2016). At this point it is worth mentioning that, according to their HR director, Sonnentor has no explicit growth strategy and no turnover targets.

3 Problems and Challenges

Sonnentor is a pioneer in the ECG because of its founder Johannes Gutmann. He created a business model that was already in line with the ECG philosophy before the term was established. “When they introduced me to this idea,” Gutmann recounts, “I told them, that’s the way we’ve have been working right from the beginning!” (Watson, 2014). It is also worth re-emphasizing that he is a very charismatic leader who is able to create an authentic story behind his rather uncommon approach running a business. Therefore one challenge in this particular case, which is similar to those faced by other Austrian ECG pioneers, is whether it can ever survive without the close involvement of the founder.

So far, Gutmann has run his company as a family. It is expected that employees value and respect each other and that every employee is an ambassador of the firm. However, given that the company has seen a rapid growth of employee numbers the question is whether the rather informal leadership style and commitment of the workforce to the ECG principles may not work anymore if this medium sized firm becomes a large company. A critical role in this regard is played by middle-management that has to embed the culture in the organization.
As explained earlier, there were **26 Sonnentor stores** in Austria as well as in Germany in 2016. Ten of these are owned by Sonnentor and the others are run by franchise partners. One challenge is to integrate those not owned by Sonnentor with the rest of the business. Given that a large part of the business is outside Austria and as an important part of its business case is to emphasize the embeddedness of Sonnentor in its region there is a challenge to sell this to foreigners who have no knowledge about this particular part of Austria.

A further issue that may become problematic in the future is the sourcing of herbs. The organic quality needed involves a lot of manual work. It is more and more difficult to find farmers who are prepared to invest the time and physic effort needed. Related to this point may be a stronger price pressure from consumers. Currently most Austrian and German supermarkets are increasingly targeting the market for organic food. The low prices they can offer are only possible, because they are able to put pressure on farmers to offer their products relatively cheaply. So far the organic market is growing strongly enough, so that both large retailers as well as independent producers such as Sonnentor can survive. However, it is uncertain whether this may not change in the future.

4 Conclusions

The main question the present study has tried to answer is whether there is a real life business model compatible with the ECG? Gutmann developed his company without the guidance of a prewritten concept like the ECG. However, Sonnentor shows that a business model, which works towards the Common Good and is based on cooperation, can work and even thrive.

The example of Sonnentor also shows that the ecological, economic and social aims of the triple bottom line are not contradictory. Economically the firm invests all profits in creating employment and sustainable growth in the regions where it operates. Furthermore, it refrains from automatic production and emphasizes manual work in order to give stakeholders (employees and farmers) a greater part in the value chain. Ecological aims are achieved by reducing energy consumption in the production process, environmentally friendly products and the reduction of chemicals in packaging. Among the social goals are fair working conditions throughout the supply chain, using social enterprises as suppliers as well as donations to NGOs.

One argument of the ECG movement is that it needs tax interventions and subsidies in order to thrive. Sonnentor shows that this may not be needed, but given the high quality high price
organic product it sells, it may well be that without state support this model may not be transferable to other industries in the private sector.

5 Questions to Address

- Why has Sonnentor been economically successful so far? What is the contribution of its unique business model and what is the impact of its charismatic founder and owner?

- How can a company that deliberately restricts productivity survive economically? Can a business model that emphasize job creation be transferred to other for-profit organizations that have at least the size of Sonnentor?

- Sonnentor is selling products where the unique business model contributes positively to the image of the company. Can commercially oriented businesses that do not produce explicitly sustainable products directly for end-consumers follow the business model in cases where competition is fiercer and/or where buyers are not interested to pay a premium for sustainable products? In other words, do companies that work for the common-good depend on a supportive framework by the state or ecologically minded consumers?

References


Watson, B. (2014). *Can we create an Economy for the Common Good’?* The Guardian 06.04.  