

SUSTAINABLE BUSINESS MODEL FOR THE COMMON GOOD

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Abstract: This paper aims to propose a new business model that emphasizes sustainability and stakeholder-centric approaches for creating the common good. The traditional focus on maximizing shareholder value has led to an imbalance between business rights and responsibilities towards society and the environment. To address this issue, a paradigm shift is needed in strategic management. The proposed business model advocates for comprehensive value creation by integrating sustainability principles and stakeholder theory into core business strategies. The framework integrates multiple theoretical perspectives, including Stakeholder Theory, Resource-Based View, Corporate Governance, Real Options Theory, Institutional Theory, Systems Theory, Triple Bottom Line, and Diffusion of Innovation Theory. By considering the long-term impact of actions, fostering stakeholder collaboration, and recognizing the interconnectedness of economic, social, and environmental dimensions, organizations can contribute to a more equitable and sustainable future. This research highlights the importance of a future-oriented approach to strategy design and aims to guide organizations in becoming agents of positive change. By embracing comprehensive value creation, businesses can play a crucial role in shaping a better world for present and future generations.

Key words: common good, comprehensive value creation, contemporary strategic management model, corporate governance, corporate sustainability, real options theory, resource-based view (RBV) of the firm, stakeholder theory, strategy.

Introduction

The purpose of this study is to propose a new business model that aims to achieve a contemporary balance in strategy for creating the common good through a sustainable business model. The traditional approach of maximizing shareholder value has led to an imbalance between the rights and responsibilities of businesses towards society and the environment. To address this imbalance, there is a need for a paradigm shift in strategic management towards comprehensive value creation. This paper aims to propose a new business model that embraces sustainability, stakeholder theory, and a future-oriented approach to strategy design. By aligning business strategies with the common good and integrating sustainability principles into core capabilities, organizations can contribute to a more equitable and sustainable future. This study highlights the importance of considering the long-term impact of actions and decisions, fostering stakeholder collaboration, and recognizing the interconnectedness of economic, social, and environmental dimensions. By proposing a new business model that emphasizes comprehensive value creation, this research aims to guide organizations in becoming catalysts for positive change and shaping a better world for present and future generations.

The old story of business: Neglecting responsibility towards society and nature

The traditional business approach of maximizing shareholder value has led to a misbalance between rights and responsibilities. The classical strategy balance, deeply rooted in traditional business practices, plays a central role in shaping the old story of business. It creates a framework where businesses prioritize their rights and interests over their responsibilities towards society and the environment. This approach is built on the premise of maximizing shareholder value as the primary objective, with an emphasis on short-term financial gains. The classical strategy balance concentrates decision-making power at the top, benefiting shareholders and executives. This limits the involvement of stakeholders, including employees, customers, communities, and the environment. The old story of business views

relationships as transactional, prioritizing revenue generation over stakeholder interconnectedness. It fosters a short-term mindset focused on immediate financial gains, neglecting long-term sustainability and shared value. This imbalanced approach ignores societal and environmental concerns, leading to negative impacts and reputational risks. The classical strategy balance perpetuates a self-centered perspective, prioritizing financial gains over stakeholder welfare and environmental sustainability, contributing to inequities and challenges in traditional business practices. Overall, the classical strategy balance shapes the old story of business by perpetuating a narrow and self-centered perspective, where financial gains take precedence over stakeholder welfare and environmental sustainability. This paradigm has contributed to the inequities, social and environmental challenges, and reputational risks associated with traditional business practices.

The new story of business: Embracing sustainability for the common good

Edward Freeman's argument about the new story of business emphasizes the significance of considering the interests of all stakeholders, going beyond shareholders. This stakeholder-centric approach recognizes the interconnectedness of various parties in creating sustainable value. To fully embrace the broader interests of stakeholders and the planet, the concept of comprehensive value creation is proposed as a future-oriented approach. It integrates sustainability value creation, integrated value creation, shared value creation, and more, emphasizing harmony among all stakeholders, all species, and the planet's needs. Comprehensive value creation serves as a means of strategic design that recognizes the interdependence of economic, social, and environmental dimensions, with a "future is now" approach.

The new business paradigm prioritizes sustainability and stakeholder theory, going beyond shareholder-centric approaches. Key value creation approaches include Integrated Value Creation, Shared Value Creation, and Sustainability Value Creation. Integrated Value Creation aligns business goals with societal needs, generating economic value while addressing social and environmental challenges. Shared Value Creation emphasizes aligning business goals with societal needs, creating economic value while addressing social and environmental concerns. Sustainability Value Creation integrates sustainability principles into all business operations, creating stakeholder value while promoting long-term viability.

Comprehensive Value Creation encompasses a future-oriented approach that integrates sustainability value creation, integrated value creation, shared value creation, and more. It goes beyond short-term gains and emphasizes harmony among all stakeholders, all species, and the planet's needs. This approach recognizes the interconnectedness of economic, social, and environmental aspects, shaping a more equitable and sustainable future. Key features of Comprehensive Value Creation include a long-term perspective, stakeholder harmony, and a strategic design that considers the needs of all species and the planet. By adopting a "future is now" mindset, organizations proactively address the urgent challenges faced by society and the environment, paving the way for positive change.

In summary, the new story of business extends to embrace comprehensive value creation as a future-oriented approach to strategy design. It integrates sustainability value creation, integrated value creation, shared value creation, and more to foster harmony among all stakeholders, all species, and the planet's needs. By considering the long-term impact of actions and decisions, businesses can proactively contribute to a more sustainable and equitable future. With its "future is now" approach, comprehensive value creation emphasizes the urgency of addressing environmental and social issues while recognizing the interconnectedness of all stakeholders and species. By embracing comprehensive value creation, organizations become catalysts for positive change, shaping a better world for present and future generations.

Developing a sustainable business model for the common good: A contemporary strategic management approach

In the context of the new story of business and the new paradigm of conducting business, Bakoğlu (2010) discussed the inadequacy of the traditional balance focused on profit and short-term outcomes in strategy and proposed a Contemporary Strategic Management Approach. This approach, which emphasizes the need for a new balance in strategy, has been further developed by Bakoğlu (2014) and is represented in Figure 1 as a revised version for this study. The new balance model, based on addressing the needs and expectations of all stakeholders in strategy can be seen as a design proposal for the contemporary strategic management approach aimed at creating the comprehensive value for the common good. This section has been designed to scrutinize the theoretical foundations of the new model and the fundamental features it entails.

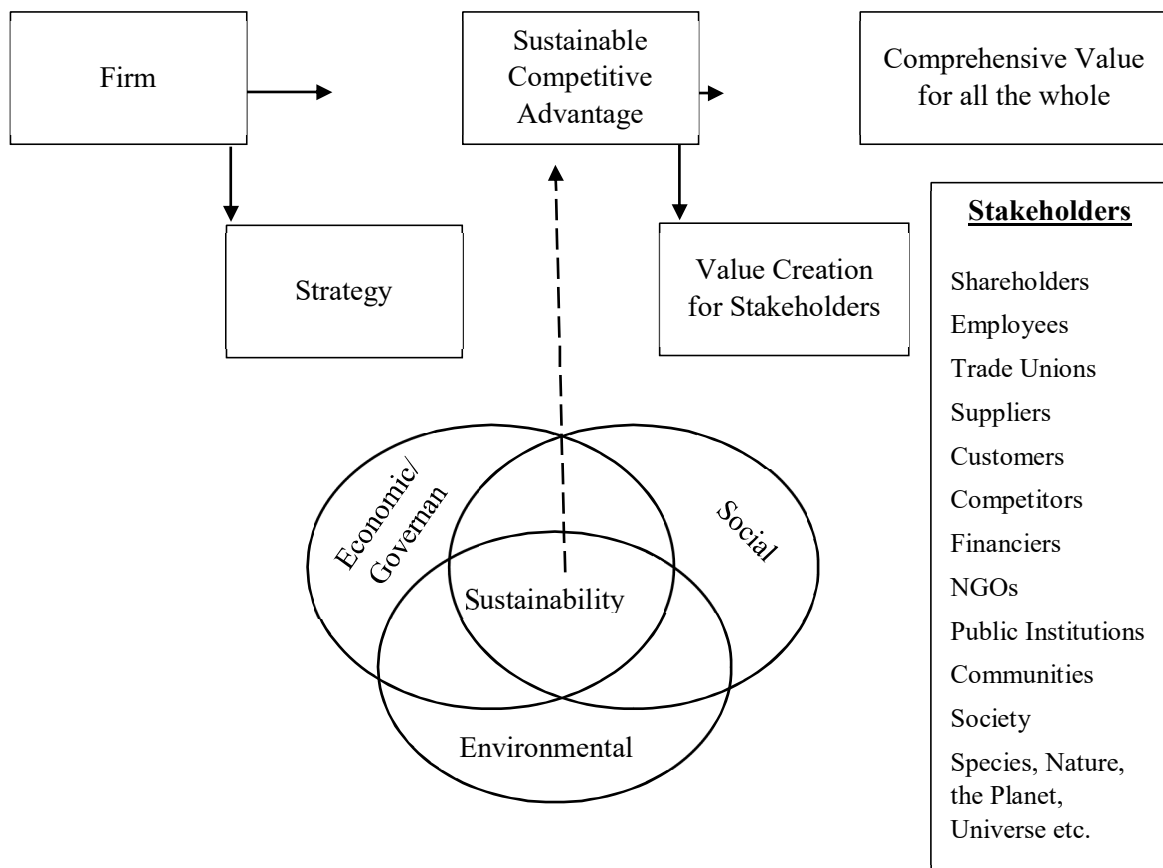


Figure 1. A contemporary strategic management approach: Strategy for comprehensive value creation

Source: own figure

To create a comprehensive framework that integrates theoretical perspectives and contributes to the common good through sustainable business models, organizations must integrate multiple theories, address urgent social and environmental needs, engage stakeholders, align with the common good, embed sustainability, ensure effective governance, adopt a forward-looking perspective, consider social and cultural norms, apply systems thinking, measure holistic impact, and accelerate the adoption of sustainable practices.

Contemporary Strategic Management Model: Strategy for Comprehensive Value Creation

In today's rapidly evolving business landscape, the need for a comprehensive framework that aligns with contemporary strategic management and the new story of business has become paramount. Businesses are recognizing the importance of adopting a strategy for comprehensive value creation that goes beyond traditional profit-centric approaches. This comprehensive framework encompasses various dimensions, including business strategy and leadership, environmental sustainability, social responsibility and impact, governance and accountability, collaboration and partnerships, innovation and technology, and policy advocacy and external engagement.

At the core of this framework lies business strategy and leadership, which play a pivotal role in driving sustainable business practices. Organizations are embracing a sustainability-focused strategy that integrates the triple bottom line, considering the economic, social, and environmental aspects of their operations. This shift acknowledges that businesses have a new role to play in society, one that goes beyond profit maximization to actively contribute to the well-being of people and the planet. By adopting an integrated resource-centric competitive advantage and an inside-out approach to strategy, businesses can leverage their resources effectively to create shared value and address stakeholder expectations.

Environmental sustainability is another critical dimension in this framework. With increasing environmental challenges, businesses must prioritize resource efficiency, waste reduction, circular economy practices, and the adoption of green technologies and renewable energy. They need to conduct life cycle assessments to minimize their environmental impact and restore the ecosystems they operate in. By actively pursuing these initiatives, businesses can contribute to a sustainable future and mitigate the adverse effects of their operations on the environment.

Social responsibility and impact are equally vital components. Businesses must uphold ethical labor practices, prioritize employee well-being and development, embrace diversity and inclusion, and engage in community development initiatives. Through philanthropy and social investments, they can address social challenges and promote human rights and fair trade. By taking on these responsibilities, businesses not only enhance their reputation but also build sustainable relationships with stakeholders and create positive social impact.

Effective governance and accountability mechanisms are crucial in ensuring the success of this framework. Businesses should establish sustainable governance structures, promote transparency and reporting, engage in responsible supply chain management, adhere to voluntary standards and certifications, and seek ethical investment and financing options. By implementing anti-corruption measures, businesses can uphold integrity and ensure responsible business practices.

Collaboration and partnerships are key enablers of sustainable business practices. Businesses should actively engage in multi-stakeholder collaboration, participate in industry-wide initiatives, foster supplier engagement and sustainable procurement, and take on extended producer responsibility. Social entrepreneurship and impact investing can also drive positive change and contribute to sustainable development.

Innovation and technology play a vital role in this framework. Businesses must invest in research and development for sustainability, promote sustainable product and service innovation, adopt clean technologies, foster continuous learning and improvement, and develop technological solutions to address social and environmental challenges. By embracing innovation and technology, businesses can enhance their competitive advantage while driving positive change.

Finally, policy advocacy and external engagement are essential for shaping a sustainable business landscape. Businesses should advocate for sustainable policies, collaborate with policymakers and other stakeholders, actively participate in industry associations and networks, engage with governments and non-governmental organizations, promote public awareness and education, and benchmark best sustainable business practices. These efforts will help create an enabling environment for sustainable business practices and drive systemic change.

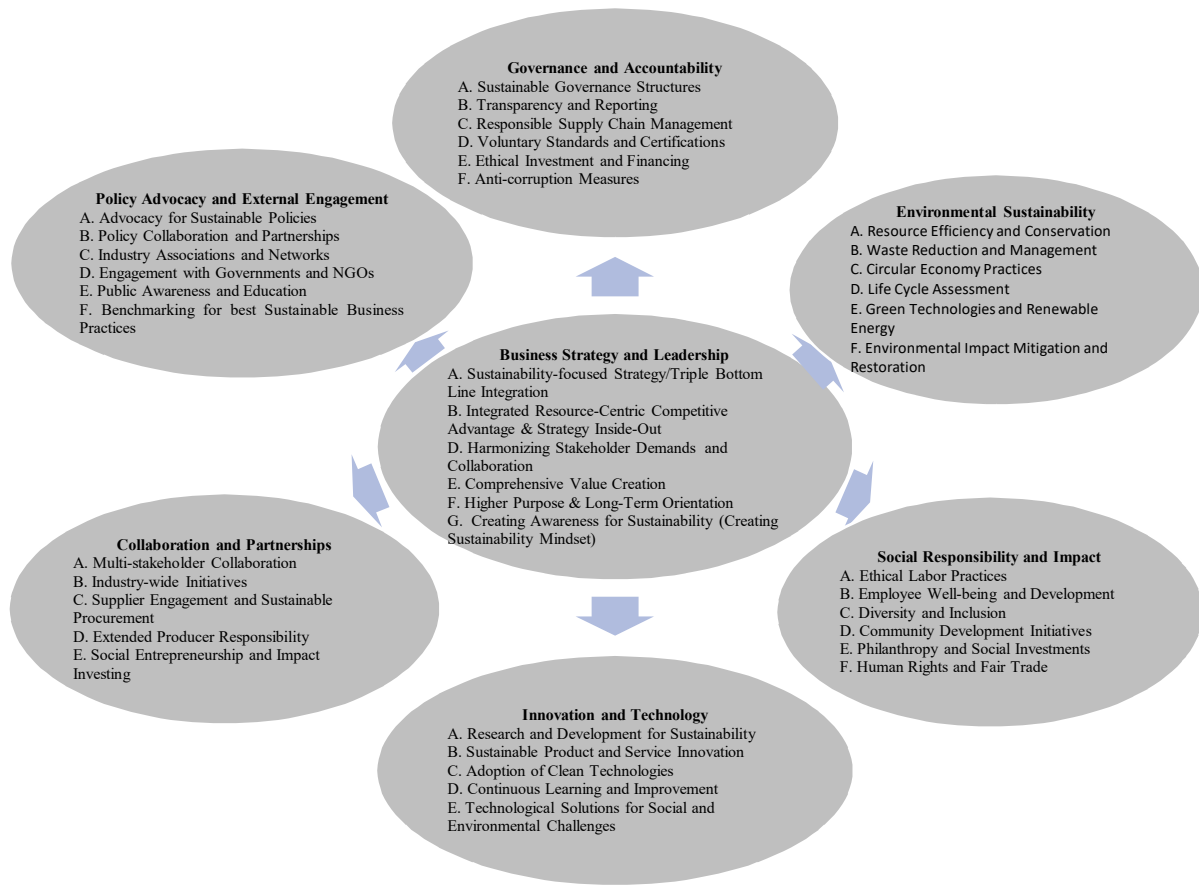


Figure 2. Comprehensive framework for the contemporary strategic management model: strategy for comprehensive value creation.

Source: own figure

In conclusion, the contemporary strategic management model presented by this comprehensive framework (Figure 2) signifies a new paradigm for businesses. It recognizes the evolving role of businesses in society and the need for comprehensive value creation that encompasses economic, social, and environmental dimensions. By embracing this model, businesses can become agents of change, contribute to the common good, and build a sustainable and equitable future for all.

The core features of the Contemporary Strategic Management Model contribute to the creation of the common good. By embracing a higher purpose, organizations acknowledge their role as agents of change and align their objectives with societal well-being and environmental stewardship. Harmonizing stakeholder demands promotes collaboration, trust, and sustainable relationships, leading to win-win solutions and sustainable outcomes. The integration and optimization of all available resources within the organization foster comprehensive value creation, benefiting both the organization and society. A strategy inside-out approach ensures that organizations align their values, culture, and resources with their strategic objectives and societal well-being. Comprehensive value creation across economic, social, and environmental dimensions promotes a more equitable and sustainable future.

To further enhance efforts in promoting the common good and fostering a sustainable and inclusive future, organizations can incorporate additional elements into the strategic management model. These supportive features, including governance systems and accountability, a long-term orientation,

collaboration and partnerships, innovation and research, employee engagement and well-being, responsible supply chain management, circular economy practices, community development and engagement, advocacy and policy influence, transparent communication and reporting, education and awareness, impact measurement and evaluation, resilience and risk management, ethical leadership, and a culture of continuous improvement and learning, reinforce the core features of the model and contribute to the betterment of society as a whole.

While the proposed Contemporary Strategic Management Model offers a new perspective and framework for organizations, it is important to acknowledge its limitations. Implementing this model requires a significant shift in organizational mindset, culture, and practices. It necessitates overcoming resistance to change and navigating complex challenges inherent in the pursuit of comprehensive value creation. Organizations must also recognize that the model's effectiveness may vary depending on industry-specific factors, regional contexts, and stakeholder dynamics. However, by embracing the new paradigm and leveraging the core and supportive features of the model, organizations can strive towards creating the common good and shaping a more sustainable and equitable future.

In conclusion, the proposed Contemporary Strategic Management Model provides a compelling framework for organizations to develop sustainable business models that serve the common good. By embracing a new narrative and paradigm, integrating stakeholder expectations, leveraging resources, adopting an inside-out approach, and generating comprehensive value, organizations can make a positive impact on society and the environment. Through collaborative efforts and a commitment to continuous improvement, businesses can contribute to the betterment of society, foster sustainability, and create a more inclusive and prosperous future for all.

Conclusion

In conclusion, the presented comprehensive framework for the contemporary strategic management model reflects a new paradigm for businesses, aligning with the principles of the new story of business and the new paradigm of conducting business. This framework emphasizes the importance of developing a sustainable business model that goes beyond traditional profit-centric approaches and focuses on comprehensive value creation for the common good.

Developing a sustainable business model for the common good requires integrating multiple theoretical perspectives, prioritizing urgent social and environmental needs, engaging stakeholders, aligning strategies with the common good, integrating sustainability into core capabilities, implementing effective corporate governance, and embracing innovation diffusion. By considering these necessities, organizations can create comprehensive value, navigate challenges, and contribute meaningfully to a more equitable and sustainable future.

A future-oriented approach is proposed as part of the contemporary strategic management to develop a sustainable business model for the common good. This approach integrates various theoretical perspectives, including Stakeholder Theory, the Resource-Based View, Corporate Governance, Real Options Theory, Institutional Theory, Systems Theory, the Triple Bottom Line framework, and the Diffusion of Innovation Theory. By incorporating these perspectives, organizations can address urgent needs, navigate challenges, and drive positive social and environmental impacts. The proposed framework encompasses dimensions such as business strategy, environmental sustainability, social responsibility, governance, collaboration, innovation, and policy advocacy. By embracing this comprehensive and future-oriented model, businesses can become agents of change, contribute to a sustainable future, and build long-term success. This transformative approach enables businesses to align their strategies with the common good and shape a better world for future generations.

While implementing the proposed model may present challenges and effectiveness may vary depending on industry-specific factors, regional contexts, and stakeholder dynamics, organizations can strive towards creating the common good and shaping a more sustainable and equitable future. By embracing a future-oriented approach that emphasizes the consideration of long-term impact while acting, businesses can align their strategies with stakeholder expectations, leverage resources, and adopt an inside-out approach to generate comprehensive value. Through collaborative efforts and a commitment to continuous improvement, organizations can contribute to the betterment of society, foster sustainability, and create a more inclusive and prosperous future for all, both in the short term and the long term.

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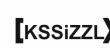
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