



# Associative Sustainable Business Models: Cases in the bean-to-bar chocolate industry



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## ABSTRACT

This study contributes to the growing literature of Sustainability Business Models (SBM) by introducing a new category coined as Associative Sustainability Business Models (ASBM). We theorize that this category encompasses firms with innovative business models that rely on partnership, association and collaboration to create value in the triple bottom line and address pressing sustainability challenges. Following an inductive research approach, we analyze four case studies of ASBM ventures in the chocolate industry. Our findings reveal the emergence of two key theoretical constructs (firm location and claimant identity) that help to identify differences across ASBM designs and lead to four different sub-categories of ASBM. In addition, drawing on the literature of Sustainable Business Models, we develop theoretical propositions that link our four subcategories of ASBM to the business case for sustainability. Therefore, we extend the literature on SBM by providing new insights on how business model innovations based on strong association and collaboration can generate solutions to social and environmental challenges.

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*“The sustainability issues we face are so big and the targets are so challenging that we cannot do it alone. When you look at any issue, such as food or water scarcity, it is very clear that no individual institution, government or company can provide the solution.”*

Paul Polman, Unilever CEO

## 1. Introduction

In recent years, we have seen the emergence of different types of innovations in business models. For example, some of these innovative business models, so-called sustainable business models (SBM), are prescribed as tools for firms to pursue long term social and environmental sustainability (Boons and Ludeke-Freund, 2013). Scholars have started to study the emergence of new SBM to understand their potential for creating not only economic but also social and environmental value (e.g., Joyce and Paquin, 2016;

Upward and Jones, 2016). Research has also explored the ability of SBM to adapt to dynamic sustainability challenges (e.g., Bohnsack et al., 2014). In addition, different special issues in scholarly journals have already been devoted to better understand SBM (see for example Arevalo et al., 2011; Schaltegger et al., 2016).

Even though some studies have already pointed out the importance of joined efforts to address corporate sustainability challenges in SBM and sustainable enterprises (Heinrichs, 2013; Matos and Silvestre, 2013) most of the studies have mainly focused on understanding how the business model of a single firm can address social and environmental impacts (e.g., Birkin et al., 2009; Joyce and Paquin, 2016). Likewise, although some entrepreneurship scholars have acknowledged that pressing sustainability challenges require collective entrepreneurship to be solved (Cato et al., 2008; Dean and McMullen, 2007), most of the research still remain focused on the actions of individual sustainable entrepreneurs (Dacin et al., 2011; Pacheco et al., 2010).

Although the actions of individual enterprises and entrepreneurs are useful and necessary to lead change, the severity of current social and environmental problems implies that a real transition towards sustainable development is only possible through collaborative actions between actors and organizations, especially in regions where resources and capabilities may be

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scarce (Montgomery et al., 2012). Our society is in need of innovations on a great scale and new SBM to ensure its evolution towards sustainable development. SBM designed in collectivity may be the solution to such pressing sustainability challenges. In fact, new SBM have emerged supporting the association of people. Some examples include the producers cooperative Bro Dyfi Community Renewables that generates wind power and targets a percentage of income towards energy efficiency investments in Wales (Cato et al., 2008), the Catalan workers co-operative La Fageda providing organic dairy products and therapeutic services to the 60% of their workforce with mental challenges (Casadesu-Masanell et al., 2011), and Divine Chocolate, a private partnership offering fair-trade and high-quality bean-to-bar chocolate (Doherty and Tranchell, 2005). These examples demonstrate a variety of associative behaviors implemented across multiple components of business model design. SBM with collaborative traits are very stimulating as they (i) alleviate many of the sustainability challenges and barriers businesses face when launching new products and services, and (ii) help businesses fulfill their sustainability goals. Indeed, the association of ventures can increase the chance of survival in the current globalized economy where larger global firms tend to control the market (Cato et al., 2008). However, it is only recently that scholars have started to study the need for collective action and partnerships for ventures to succeed in creating social wealth and solving sustainability problems (Montgomery et al., 2012; Pacheco et al., 2010). Therefore, the SBM literature lacks an in-depth understanding of how collective entrepreneurship and business collaborations relates to business model innovation. This creates a research opportunity to build theory on how these collective behaviors impact, predict, or explain the strategies and business models adopted by sustainable ventures, and their efficiency to address sustainability challenges.

To best study this variety of business model innovations with associative traits we propose a new subcategory of SBM that aims to create value through the adoption of associative approaches – Associative Sustainable Business Models (ASBM). We define ASBM as those business models deeply grounded in associative behaviors and partnerships to create value in the triple bottom line. Our notion of the “Associative” part of ASBM is broad as it encompasses different types of business models that can range from informal resource sharing with suppliers to firm ownership shared across a variety of firm stakeholders, and different association forms such as strategic alliances, partnerships, cooperatives or joint ventures. To this end we built a data sample of four ventures in the chocolate industry, that had demonstrated considerable utilization of associative behaviors in their respective SBM and that face both social and environmental challenges. The chocolate industry is reliant on agricultural commodities, an area that illustrates how traditional global business models have perpetuated inequalities between developing countries (the commodity producers) and developed countries (the manufacturers and consumers). From our data, we identified two key theoretical dimensions of ASBM that led to the emergence of four different subcategories of ASBM. In addition, linking our ASBM categories to extant literature on SBM we generated propositions regarding the business case for sustainability – “improving economic success through voluntary social and environmental activities” (Schaltegger et al., 2012, p. 97). These constructs built on previous work on business model archetypes and provide a solid grounding for future empirical research into ASBM ventures.

In the next section, we first provide our theoretical background related to SBM and collaborative approaches to business, from the emerging definitions adapted from the general business model literature to the normative prescriptions on desirable SBM types and components. In the third section of our study, we identify the

bean-to-bar chocolate industry as a relevant research setting and provide empirical evidence based on case studies. Narrative summaries of four bean-to-bar chocolate entrepreneurial companies are presented, focusing on how these enterprises use their innovative ASBM to address global supply chain challenges, that perpetuate economic inequalities, environmental degradation, and social ills. We follow an inductive approach to develop an understanding of how associative behaviors permeate the business models of ventures that contribute to social value creation, whether through economic growth, social welfare, or environmental preservation, and to identify two theoretical constructs that are key to understand the business model design of ASBM. In section four, we analyze the data from the selected case studies to generate theoretical categories, and then link these findings to recent theoretical frameworks of SBM innovation. The next section includes our discussion and the limitations of our findings. Finally, we provide some concluding remarks in section six.

## 2. Theoretical background

### 2.1. Sustainable business models

#### 2.1.1. Sustainable business model definitions

Scholarship has demonstrated a growing interest in sustainable business model (SBM) research as a new mechanism to achieve corporate sustainability. The early work linking business models to strategy and innovation (Chesbrough and Rosenbloom, 2002; Magretta, 2002) emerged after the dot-com bubble and the explosion of freemium product offerings (Schaltegger et al., 2016). Since then a variety of work has focused on linking the business models concept to sustainability. These efforts usually start by incorporating a business model definition from the general literature followed by adaptation to the sustainability context. Two main definitions recur in the current SBM literature. One stream of SBM literature (Bocken et al., 2014; Jolink and Niesten, 2015; Schaltegger et al., 2016) follows a definition of business models comprised of three elements; value proposition, value creation & delivery, and value capture (Morris et al., 2005; Teece, 2010; Zott and Amit, 2007). Value proposition relates to the service/product the firm proposes to introduce to the market, as well as the marketing and post-sale services. Value creation and delivery relates to the great number of activities, resources, and capabilities that are required to implement the proposed product or service. Finally, value capture refers to the cost system, revenue generation, and distribution of rents that result from the provision of the service or product. This broad three-element definition of a business model can become a model of SBM if the focus on value is broadened to incorporate social and environmental value, not just economic (Schaltegger et al., 2016).

A second stream of the SBM literature (Boons and Ludeke-Freund, 2013; França et al., 2017; Schaltegger et al., 2012) builds from a four-element business model definition including; value proposition, supply chain (also referred to as business infrastructure), customer interface, and financial model (Ballon, 2007; Doganova and Eyquem-Renault, 2009; Osterwalder, 2004). The value proposition element is categorized in the same terms as the previous literature stream, however, the other elements expand the business model definition to include stakeholders. The supply chain element focuses on the structure and management of supplier relationships (Boons and Ludeke-Freund, 2013). The customer interface element deals specifically with the relationship of the firm to the customer stakeholder group. Finally, the financial model element not only includes value capture; but also, specifically delineates both costs and benefits and how these are distributed across business model stakeholders (Boons and Ludeke-Freund,

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