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Leveraging Sustainable Business Model Innovation Through Business-NGO Collaboration

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1 Introduction

A company's ability to innovate in the domain of sustainability represents a necessary business capability, whether through small incremental steps or radical, disruptive innovations (Adams et al. 2012). As a consequence, business model innovation (BMI) is emerging as a potential mechanism to integrate sustainability into business (Schaltegger et al. 2012; Jolink and Niesten 2015). However, adopting the existing business model frameworks into sustainability is not viable, as emphasized by Adams et al. (2012), who underline that sustainable business models (SBMs) and sustainable business model innovation (SBMI) requires more integrated thinking and the

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reconfiguration of several business aspects, such as capabilities, stakeholder relationships, knowledge management, leadership, and culture. This has led to an extensive supply of SBM typologies and definitions.

Although there is a growing body of literature discussing sustainability and sustainable development on the political and society level (Dryzek 2005), the operationalization of the concept in relation to business is still rather weak, as stressed by a number of researchers (e.g., Bansal 2005; Stubbs and Cocklin 2008; Zink et al. 2008; Carroll and Shabana 2010). Thus, the emphasis of this chapter is to explore this gap in research to understand and operationalize SBMs into corporate practices and performances in creating new business opportunities on the corporate level (Holling 2001; Newman 2005).

2 Sustainable Business Models and Sustainable Business Model Innovations

With the growing theoretical and empirical interest in SBMs, more and more definitions and frameworks are emerging in identification and mapping of the concept and its different characteristics (Aagaard 2016). Stubbs and Cocklin (2008) assert that SBMs use both a systems and a firm-level perspective, build on the triple bottom line approach to define the firm's purpose and measure performance, include a wide range of stakeholders, and consider the environment and society as stakeholders. Lüdeke-Freund (2010) describes SBM as a business model that creates competitive advantage through superior customer value and contributes to a sustainable development of the company and society.

However, throughout the chapter we will apply the following definition of SBM innovation in our elaboration of the topic: "Innovations that create significant positive and/or significantly reduced negative impacts for the environment and/or society, through changes in the way the organisation and its value-network create, deliver value and capture value or change their value propositions" (Bocken et al. 2014, p. 44).

In mapping the typologies of SBM, we have identified a number of different typologies describing new business logics that benefit both business and society. These typologies include sustainability business models (Birkin

et al. 2009), community development business models (Stubbs and Cocklin 2008), social business models (Yunus et al. 2010), triple bottom line business models (Osterwalder and Pigneur 2005), green business models (Sommer 2012), inclusive business models (Michellini and Fiorentino 2012), and the triple-layered business models (Joyce and Paquin 2016). The objective of this chapter is not to choose one typology over another, but to explore the breadth of the concept and how it is facilitated through business- non-government organization (NGO) collaborations.

In identification of SBMI, Schaltegger et al. (2012) propose three different categorizations: defensive, accommodative, and proactive business model innovations. The defensive strategies (adjustment) are explained as incremental business model adjustments to protect current business models focusing on risk and cost reduction often driven by the need for compliance. The accommodative strategies (improvement, integration) are modifications of internal processes and include some consideration of environmental or social objectives (e.g., environmental protection). The proactive strategies (full integration) concern the redesign of the core business logic of the firm for sustainable development. In addition, Bocken et al. (2014) introduce eight different SBM archetypes to describe groupings of mechanisms and solutions that contribute to the design of business models for sustainability. The archetypes are (1) Maximize material and energy efficiency, (2) Create value from “waste,” (3) Substitute with renewables and natural processes, (4) Deliver functionality rather than ownership, (5) Adopt a stewardship role, (6) Encourage sufficiency, (7) Repurpose the business for society/environment, and (8) Develop scale-up solutions. In the selected case examples, more or less all of the above categorizations will be presented, as business-NGO collaboration is applied across very different contexts and with different objectives, as explored in the next section.

In our review of the existing studies on SBM and SBMI, it appears that the studies are structured into intra-organizational, inter-organizational, and societal levels (Boons and Lüdeke-Freund 2013). In this chapter, we have primarily addressed the inter-organizational collaborations between private businesses and NGOs in mapping the objectives of different types of SBM through these collaborations. The literature review also revealed that SBMI in practice tends to be ad hoc and neither systematic nor systemic (Stubbs and Cocklin 2008). This challenges our inherent need

as academics to map and identify innovation processes and stresses the need for further research in the empirical SBMI processes and their managerial and organizational implications. In our investigation of SBMs facilitated through business-NGO collaboration, we have identified and observed a similar ad hoc and “trial-and-error” approach in establishing SBMs through these types of collaborations (Aagaard 2016; Lodsgård and Aagaard 2017).

In our assessment and operationalization of SBM and SBMI in this chapter, we emphasize the value created, delivered, and captured through the specific SBM to the customer, the business, and society (Aagaard and Ritzén 2018). From a traditional economic perspective, value is defined as value derived from value-in-use and value-in-exchange. This means that value-in-use relates to the customers’/end-users’ subjective perception of the value of a product or service, and value-in-exchange refers to the transformation of value into monetary achievement of the company (Bowman and Ambrosini 2000; Makadok 2001). Consequently, the business and its shareholders are able to capture a certain amount of exchange value determined by the competitive position and bargaining power of the customers (Bowman and Ambrosini 2000; Makadok and Coff 2002).

Thus, from the economic perspective, value capture refers to economic value gains and is tightly related to value measures and financial performance in the business logic. Through the elaborated multi-level perspective developed by Lepak et al. (2007), the classic company-centric understanding of value-in-use and value-in-exchange is extended into a holistic approach, which also captures the individual, business/organizational, and societal levels. This implies that value-in-use is extended from customer perceptions as target users into a broader context, where target users are found among multiple actors on the individual, organizational, and societal levels, and value beyond pure economic gains may therefore be captured on more levels as well (Lepak et al. 2007). In the context of SBM through business-NGO collaborations, more scholars reframe the value construct, extending the one-dimensional shareholder logic of profit maximization to more stakeholders and levels of attention (Upward and Jones 2016; Pedersen et al. 2016; Schaltegger et al. 2016).

3 Business-NGO Collaborations

In the rise of global awareness of sustainability issues, companies are met with increasing public pressure and have to deal with the risks of, for example, poor PR and boycott of products. One of the main drivers for companies to collaborate with NGOs in designing SBMs is therefore also to reduce these risks (Pedersen et al. 2011) and to improve the company's image and reputation, while shaping the industry standards, avoiding confrontations (Pedersen and Pedersen 2013), and maintaining and increasing legitimacy (Heap 2000; Yaziji and Doh 2009). Thus, collaborations with NGOs enable businesses to stay ahead of future sustainable issues and troubles (Yaziji and Doh 2009). Consequently, NGOs possess an extremely valuable but intangible resource in terms of legitimacy, which is required and requested by many companies in the context of developing a sustainable business and business model.

Since business-NGO collaborations rarely succeed by chance, more researchers have emphasized not only the drivers and benefits but also the challenges that invariably arise when such "odd couples" (Rivara-Santos and Rufin 2010) as "suits and roots" (Bowen et al. 2010) with different mindsets and values meet in common awareness in order to collaborate and create new SBMs together. More researchers have recognized the dynamics of trust as the most significant collaborative mechanism in generating a positive collaborative outcome (Ring and Van de Ven 1992; Morgan and Hunt 1994; Sarkar et al. 1997; Gulati 1998; Koza and Lewin 1998; Inkpen 2000; Ozman 2009). Trust is defined by Barney and Hansen (1994) as "the mutual confidence that no party to an exchange will exploit another's vulnerabilities." Following this definition, it could be argued that trust is present in a given collaboration when partners have positive expectations that the another partner is honest and reliable and when no partner behaves in opportunistic ways although it is possible because the other partner is in a vulnerable position, dependent on the other partner's resources or legitimacy (Madhok 1995; Aulakh et al. 1997). In the literature on inter-organizational collaborations, we have identified a number of relational dynamics and aspects related to trust, including:

1. Collaborative history and longitudinal aspects (Ring and Van de Ven 1994; Gulati 1995)
2. Familiarity, common sense making and cultural similarity (Gulati 1995; Johnson et al. 1997; Sarkar et al. 1997; Mandell and Steelman 2003; Leung and White 2006)
3. Vulnerability in resource contribution (resource dependence) and power distribution (Inkpen and Currall 1997; Johnson et al. 1997; Zaher and Harris 2006)

These dynamics and aspects seem to influence the degree and development of opportunism, commitment, common sense making, conflicts, and misunderstandings, and thereby the level of trust in between partners. Chesbrough et al. (2006) underline that in the developing world context, a coherent, locally relevant SBM is critical in meeting the goal of developing profitable, sustainable markets. They further emphasize that the successful implementation is highly correlated with the extent to which program managers thought through their implementation of their business model customized to the local conditions (p. 52). The social and ethical dimensions are especially relevant in the case of new, emerging low-income markets, where the world's poorest people, "the bottom of the pyramid" (BOP), are considered new customers (Charter and Clark 2007).

In providing a theoretical overview and discussion of SBM through business-NGO collaborations, mapping dominant institutional orientations, governance mechanisms, and managerial challenges across different institutional contexts, the academic literature was screened through databases using the following keywords and terms: collaboration between commercial actors and NGOs, partnerships and social alliances between business and NGOs, cross-sector social-oriented partnerships, and inter-sector partnership. As a result of the literature review, we identified four archetypes of SBM, and through the theoretical analysis of four case examples based on document studies of secondary data and interview sessions with business and NGO representatives we identify some of the significant characteristics and challenges within each of the archetypes.

As such, the cases do not capture the entire range of characteristics and challenges in creating SBM through business-NGO collaborations,

which would require a multiple case study, as intended for further research. However, the cases serve as an empirical illustration of SBM within different institutional logics and collaborative contexts, their characteristics, and key considerations that management of both NGOs and businesses must take into account in terms of governance mechanisms and managerial challenges.

In exploration of business-NGO collaborations, we apply one of the cornerstone contributions on the topic, the collaborative continuum, by Austin (2000). The collaboration continuum contains different degrees of integration and interaction between partners, including three stages:

1. *The philanthropic stage*, which is characterized by simple resource exchanges, typically through one-way donations toward the NGO in terms of either financial, material, or volunteer resources and an “arm’s length” approach to the collaboration.
2. *The transactional stage*, where collaborations move from unilateral resource exchange toward bilateral resource exchange of more complementary resources through activities such as sponsorship, cause-related marketing, events, information campaigns, and NGO-initiated codes of conduct (Austin 2000). These types of collaborations are very similar to normative regulations, symbolic actions, and so on, applied by companies in order to gain third-party endorsement through their Corporate Social Responsibility (CSR) (Matten and Moon 2008; Angus-Leppan et al. 2010).
3. *The integrative stage*, which is characterized by addressing more complex problems with a rather high level of knowledge exchange and a broader scope of common activities, for example, market development and innovative improvement in existing practices and products where capabilities and resources are put into play in new ways to create common value (Austin 2000; Austin and Seitanidi 2012). This last stage is characterized as strategic partnerships and highlighted as the most promising collaborative form in creating innovation (Jamali et al. 2011).

Recently, Austin and Seitanidi (2012) developed the original collaborative continuum by adding a fourth transformational stage. This stage of business-NGO collaborations builds on the integrative stage by

migrating the collaboration to higher levels of convergence and is characterized by large-scale disruptive social innovations improving the living conditions for the beneficiaries at the community and society level. Finally, Austin (2003) argues that when the level of organizational integration increases, it may develop into jointly governed entities very similar to equity partnerships and joint ventures in the hierarchy end of the collaborative continuum of inter-organizational collaborations.

The four stages of business-NGO collaborations by Austin and Seitanidi’s (2012) study, which this chapter builds on, are presented in Fig. 8.1.

The collaborative continuum was not developed with the purpose of studying SBMs. However, the continuum emphasizes the different characteristics and purposes of various forms of collaborations between businesses and NGOs, which we need to take into account when trying to understand how companies can leverage SBMs and sustainable value creation through collaborations with NGOs. As such, this chapter focuses on the company angle as to how value is created for the business side through these collaborations. Exploring value creation from the perspective of NGOs is also an interesting research path to pursue. However, this

| | Stage I | Stage II | Stage III | Stage IV |
|-------------------------------|--|----------|-----------|----------|
| NATURE OF RELATIONSHIP | <i>Philanthropic>Transactional>Integrative>Transformational</i> | | | |
| • Level of Engagement | <i>Low<----->High</i> | | | |
| • Importance to Mission | <i>Peripheral <----->Central</i> | | | |
| • Magnitude of Resources | <i>Small<----->Big</i> | | | |
| • Type of resources | <i>Money<----->Core Competencies</i> | | | |
| • Scope of Activities | <i>Narrow<----->Broad</i> | | | |
| • Interaction Level | <i>Infrequent<----->Intensive</i> | | | |
| • Trust | <i>Modest<----->Deep</i> | | | |
| • Internal change | <i>Minimal<----->Great</i> | | | |
| • Managerial Complexity | <i>Simple<----->Complex</i> | | | |
| • Strategic Value | <i>Minor<----->Major</i> | | | |
| • Co-creation of value | <i>Sole<----->Conjoined</i> | | | |
| • Synergistic value | <i>Occasional<----->Predominant</i> | | | |
| • Innovation | <i>Seldom<----->Frequent</i> | | | |
| • External system change | <i>Rare<----->Common</i> | | | |

Fig. 8.1 The collaborative continuum of business-NGO collaborations. Source: Austin and Seitanidi (2012, p. 736)

is not the objective of this chapter or study. As more and more companies are pursuing SBMs, we need to develop a better understanding of the characteristics, drivers, and potential challenges of the different collaborative forms for companies to best select, combine, and manage these collaborations with NGOs individually and in combination. It is important to note, when applying the collaborative continuum in this study of SBMs, that these collaborative types are not to be considered stationary or “pure” types, as in practice they will develop and overlap as new sustainable issues or circumstances arise, as emphasized by Austin and Seitanidi (2012). As many organizations engage in multiple collaborations with several partners on a continuous basis, it is only fair to assume that businesses may also engage in a number of SBMs through different business-NGO collaborations with different NGOs at the same time. Another interesting question is therefore related to the longitudinal aspects of how to manage and optimize across different business-NGO collaborations and across different contexts, projects, and over time; however, this is outside the scope of this chapter.

4 Different Types of SMBs Through Business-NGO Collaborations

In combining the collaborative continuum and levels of interaction with the value creation and value capture of the SBM, we have conceptualized four archetypal scenarios identifying drivers and challenges in creating SBMs through business-NGO collaborations. Thus, collaborative activities and case examples emphasizing cause-related marketing and common communication campaigns we identify as “marketing-focused sustainable business models.” The collaborative activities and case examples stressing NGO-initiated standards, codes of conduct, stewardship councils, and so on, we identify as “regulative sustainable business models.” And collaborative activities and case examples addressing emerging markets at the BOP (developing countries) and development of fair trade engagements we identify as “inclusive sustainable business models.” And finally, collaborative activities and examples regarding different types of welfare innovation at the community level we label “social investment

business models.” The four different archetypes of SBMs through business-NGO collaborations are explained individually in the next subsections.

4.1 SBM Archetype 1: Marketing-Focused Sustainable Business Models

Within this archetype of business-NGO collaborations, a growing body of literature examines these collaborations from a marketing perspective in studies of traditional philanthropy and cause-related marketing, where donations are tied to sustainable consumer choices (Austin 2003; Wymer and Samu 2003). Recently, cause-related marketing has become extremely popular as one of the fastest-emerging segments in corporate marketing (Austin 2000, 2003; Wymer and Samu 2003). A shift took place when former conventional checkbook philanthropy moved from corporate charity budgets to marketing budgets linking products with sustainable causes (Austin 2003; Vogel 2005). Additionally, NGOs have become more businesslike and have changed their philanthropic funding strategies into more marketing-driven strategies (Dees 1998; Millar et al. 2004; Saunders and Borland 2013).

The majority of research within this field of research uncovers the drivers related to the business case in terms of sales increase, consumer awareness, product differentiation, increased reputation, public relations, and so on. Especially within an Anglo-Saxon institutional context, the positive impacts of third-part endorsement and legitimacy on consumer purchase decisions are well documented (Austin 2003; Basil and Herr 2003; Novak and Clarke 2003; Millar et al. 2004). As such, these collaborations are mostly characterized by external legitimacy drivers and by symbolic transactional value creation rather than integrative or transformative value creation in terms of Austin and Seitanidi's (2012) collaborative continuum.

4.1.1 A Case Example of Marketing-Focused SBM

A recent example of these joint marketing campaigns is Coca-Cola and the World Wildlife Fond's (WWF) cooperation to save the polar bear in

the Arctic, where Coca-Cola uses its huge marketing muscle and communication skills to raise awareness of the problem. Similarly, as part of the campaign, Coca-Cola uses an image of a polar bear mother and her cubs on the Coca-Cola cans. Thus, it can be argued that the Coca-Cola product has added a symbolic and ethical element of sustainable innovation. Despite the significant benefits outlined above in terms of economic and branding values, more researchers point to the importance of managerial challenges, such as risk of over-commercialization, dangerous donations, negative attitudes toward company brand, and “greenwashing” (Basil and Herr 2003; García et al. 2003; Saunders and Borland 2013). It is not always easy for partners to predict possible consumer and stakeholder response (Austin 2003).

A huge managerial challenge within these collaborations is therefore to ensure a proper fit between missions, brands, market segments, products and sustainable causes and to ensure it is adapted among key stakeholders (Austin 2003; Basil and Herr 2003; Wymer and Samu 2003). Related to the dimensions of trust outlined previously, it seems that the power balance in these marketing-focused SBMs may be more to the benefit of the business partner, including risk that the NGO’s credibility will be jeopardized and their freedom to publicly express criticism will be limited and thereby their position to gain future funding will be damaged (Wymer and Samu 2003; Millar et al. 2004).

There is also some evidence that these collaborations are challenged by goal conflicts because the business partner wants more ambitious goals than the NGO partner because it will bring them in a more beneficial situation of external communication (Adderly and Mellor 2014). Furthermore, some critics emphasize that companies in general spend more resources on advertising and image building from a company-centric perspective than they do building awareness of the sustainable cause (Wymer and Samu 2003). Moreover, these partnerships are typically short-term contracts running for 1–2 years, which is why business partners constantly search for more “marketable” causes (Wymer and Samu 2003; Saunders and Borland 2013). This may prevent these collaborations from becoming vehicles fostering continuous innovative improvement, continual learning, and migrating to the next level of integrative and transformative collaboration.

4.2 SBM Archetype 2: Regulative Sustainable Business Models

Regulative SMB through business-NGO collaborations typically emerge from environmental or social codes of conduct and standards and from stewardship councils (e.g., the Marine Stewardship Council, MSC, and the Forest Stewardship Council, FSC) initiated or led by NGOs in order to move businesses toward more sustainable innovations and practices in products, production methods, supply chain, consumption, and so on (Heap 2000; Kong et al. 2002; Spar and La Mure 2003; Doh and Guay 2004; Potts and Haward 2006; Arenas et al. 2009; Kourula 2010).

There is some evidence that these innovative regulations push companies to comply in an attempt to gain legitimacy, third-party endorsement, ethical credibility, protection of corporate brand and interests at the industry level, and so on (Spar and La Mure 2003; Waddock 2008; Pelozo and Falkenberg 2009; Perez-Batres et al. 2012). To support this argument, since the FSC was initiated by Greenpeace, WWF, Nepenthes, and a huge part of the forest industry in the early 1990s, 28,303 companies worldwide have earned FSC certificates and the right to use the FSC logo on their products. Similarly, since the WWF and Unilever initiated the MSC in 1999, 34,000 companies worldwide have earned MSC certification. These insights lead to an understanding of business-NGO collaborations within this archetype as enablers for environmental and social regulative innovations at an industrial level rather than single strategies from a business-centric perspective. In this respect, more researchers argue that these collaborations typically move from dyadic partner relations at the company level toward more complex multi-party alliances and co-governance involving a wide range of partners at the industry level (Stafford et al. 2000; Doh and Guay 2004; Pelozo and Falkenberg 2009).

4.2.1 A Case Example of Regulative SBM

One example that illustrates the potentials and driving mechanisms of these NGO led regulative SBMs is the case of Greenpeace and the

German refrigerator company Foron. Prior to the collaboration, Greenpeace created a notable pressure and campaigned against the entire refrigerator industry in order to motivate companies to apply to their newly developed green-freeze technology. However, at that time, the green-freeze technology was considered quite controversial technology within the refrigerator industry, and all companies except Foron, a small company at the border of bankruptcy, rejected involvement. The two partners went along with the innovation process: Foron virtually overnight produced the very first prototype of the “Clean Cooler,” and Greenpeace simultaneously launched a massive advertising campaign (Stafford et al. 2000). Eventually, Foron’s “Clean Cooler” became a huge market success and very quickly generated over 7000 orders due to the grassroots publicity and product endorsement provided by Greenpeace (Stafford et al. 2000).

Furthermore, Foron’s “Clean Cooler” won several environmental awards (e.g., the “Blue Angel”). According to Yaziji and Doh (2009), advocacy NGOs in particular typically pressure either individual companies or an entire industry through activism or campaigns while simultaneously playing the role of catalyst, providing companies with new technical knowledge in order to institutionalize sustainable standards through, for example, product development or codes of conduct. Thus, NGOs dichotomy between confrontation and collaboration may function as a catalyst in order to institutionalize new SBMs at the corporate or industrial level (Guay et al. 2004; Yaziji and Doh 2009).

Based on the literature review and the case example outlined above, it is fair to assume that asymmetries in resource dependence and power distributions followed by loss of commitment and mutual trust easily could occur in these regulative innovations if one partner exploits the another partner’s vulnerabilities. Given that these activist NGOs and companies often have rather conflicting histories, it may be challenging to establish trust at the management and employee level without “selling out” the NGO partners’ credibility and without “selling out” companies’ interests in maximizing shareholder value and doing a good business (Argenti 2004). It may also be challenging for both parties to overcome former skepticism or possible “hidden agendas” (Heap 2000) and manage complex networks and collective governance practices among a

diverse range of stakeholders on the industrial level (Stafford et al. 2000). Although these collaborations seem to be very successful vehicles toward regulative SBMs, more researchers have discussed whether they really are substantial or just symbolic manifestations in order to increase legitimacy and third-party endorsement (Bowen et al. 2010; Perez-Batres et al. 2012). The level and depth of interaction, integration, and common value creation in terms of Austin and Seitanidis's (2012) collaborative continuum may therefore be questioned.

4.3 SBM Archetype 3: Inclusive Sustainable Business Models

This archetype of business-NGO collaborations is centered at new business opportunities and is tightly embedded within the stream of literature on inclusive business models, defined as “Business [that] includes the poor into a company’s supply chains as employees, producers and business owners or develop affordable goods and services needed by the poor. Here, human and business development goes hand in hand” (UNDP 2010). One important example of these inclusive SBMs is the exploration of new emerging low-income markets where the world’s 4 billion poorest people, “the bottom of the pyramid” (BOP), are considered as new customers and “blue oceans” with the opportunity for companies to gain new profits (Prahalad and Hart 1999; Esko et al. 2012; Venn and Berg 2013; Boons and Lüdeke-Freund 2013; Prahalad 2013). Inclusive SBMs aimed at the BOP are basically founded in what could be labeled the “access problematic” for citizens in developing countries in gaining access to fulfill their basic needs, such as clean water, electricity, communication and information technology, financial products, and fair trade (Fifka and Idowu 2013; Prahalad 2013). According to Porter and Kramer (2011), it is a matter of shared value, where economic value follows social value and vice versa, which is why these collaborations could be characterized as highly integrated in terms of Austin and Seitanidis's (2012) collaborative continuum.

4.3.1 A Case Example of Inclusive SBM

One of the most cited examples in literature on these inclusive SBMs is the case of micro-credit (Prahalad and Hart 1999) where pioneering companies in the financial sector take sustainable banking to the next level. For example, Grameen Bank, Tridos Bank, and Citigroup provide loans and financial services to people and small enterprises in developing countries that otherwise lack access to the conventional finance system (Fifka and Idowu 2013; Dossa and Kaeufer 2014). Another example in this stream of literature is the establishment of innovative SBMs through supply chain collaborations, for example, in the coffee industry where farmers in developing countries are included in supply chains by Western companies with the ability to sell their products through fair trade if they apply to certain standards (Argenti 2004; Linton 2005; Perez-Alemann and Sandilands 2008).

In supporting institutionalization of fair trade, companies indirectly reduce poverty and asymmetries between suppliers and retailers through sustainable consumption. Although the prerequisite for companies in developing fair trade engagements is access to NGO resources and capabilities related to, for example, training activities aimed at small local farmers in developing countries (Senge et al. 2006), there is some evidence in literature on business-NGO collaborations that these collaborations sometimes emerge from NGO pressures and activism similarly to regulative innovations (Argenti 2004; Linton 2005; Perez-Alemann and Sandilands 2008). It is therefore likely to assume that drivers for companies to enter into fair trade collaborations may comprise a mixture of both legitimacy drivers and resource-based view drivers.

Prahalad and Hart (1999) argue that BOP markets contain profitable business opportunities if companies are willing to adjust their business models and overcome problems in distribution, credit, communication, and education of customers. It is a matter of creativity and radical rethinking of conventional business models and companies often realize that they have to go far beyond incremental adjustment of existing business models used for high-income markets when they are trying to find their pathway through these new markets, combining sustainability, good

quality, and low prices (typically 90% price and cost reduction compared with Western markets) (Prahalad and Hart 2002; Schuster and Holtbrügge 2014).

Building trust can be a challenging issue in this archetype of business-NGO collaborations because the NGO partner oftentimes is suspicious of the commercial goals of the business partner (Venn and Berg 2013). Furthermore, business partners often push to move forward and do not want to spend much time on various discussions and dialogues (Schuster and Holtbrügge 2014). Although partners share the same overall mission, for example, providing poor or marginalized people with access to water, cell phones, and so on, there may still be some friction in creating shared value in the collaborative interface (Dahan et al. 2010; Venn and Berg 2013).

4.4 SBM Archetype 4: Social Investment Sustainable Business Models

In recent years, a small but growing part of literature rooted in disciplines of business and society and business strategy has emerged within this archetype of business-NGO collaborations. The most common focus has been to examine how conventional philanthropic collaborations could transform into different areas of business-inspired social investment innovations and community welfare innovations, such as preschool education, minority university education, public education, job training, health care, child cancer treatment, and special services and products aimed at disabled and vulnerable customers (Austin 2000; Warhurst 2005; Holmes and Smart 2009; Eweje and Palakshappa 2011; Jamali et al. 2011). Although this archetype primarily has been practiced in an Anglo-Saxon institutional context where the social welfare system is less developed, there is some evidence that it is on the rise in a global context, taking regulative innovations in terms of social codes of conduct and inclusive business model to the next level.

Competitive advantages gained through this archetype may be when the company is in a position to offer resources that no other companies are able to match (Porter and Kramer 2002). The purpose of these collaborations is therefore often to align local and regional innovative com-

munity investments with business strategy to extend the boundaries between core business and society (Warhurst 2005). These insights lead us to understand these collaborations as enablers for social business model innovation at the community level rather than innovation solely seen from a business-centric perspective. Although social investment business model innovations often emerge out of philanthropic community activities, there are differences, as philanthropy is a good and useful thing to do while social investment innovations are deeply embedded within the company strategy, identity, and mission (Austin 2000). Moreover, these business-NGO collaborations are characterized by high levels of integrative value creation, as they evolve toward mutual social goals and missions (Kanter 1999; Austin 2000). In essence, these collaborations could be viewed as highly advanced transformational social business models tightly aligned with the company core business and mission, functioning as catalyst for wider social innovations and solving long-standing problems at the societal level (Rondinelli and London 2003; Le Ber and Branzei 2010).

4.4.1 A Case Example of Social Investment SBM

One case example of social investment SBM is Bestsellers' collaboration with Save the Children, where young people in Bangladesh get access to education through the common Work2Learn project. This means that human labor codes of conduct are supplemented with investments in community educational programs. Another example is seen in the case of the retail chain Coop and their Savannah project, where Coop invests in local schools in collaboration with an NGO, Care, as a prerequisite of training farmers in their supply chain.

The most obvious drivers within these collaborations are based on the resource-based view, gaining access to NGO resources and capabilities in order to develop increased welfare, systemic change, increased community goodwill, and so on (Eweje and Palakshapp 2011), which indirectly may affect the corporate context in terms of better educated and healthier employees and in terms of increased purchasing power because of lower unemployment rates (Kanter 1999; Porter and Kramer 2002). In light of this evidence,

Porter and Kramer (2002, p. 68) argue there is a close link between the corporate competitive context and corporate contributions to society.

Due to the fact that this archetype typically emerges out of conventional philanthropy, it also implies that a range of managerial challenges should be considered to ensure success (Austin 2000). Building trust, eliminating mistrust of the other partner's motives, and transforming conflicts and confusion caused by cultural misunderstandings and differences in governance structures into organizational anchorage and relational capabilities seem to be important managerial challenges (Austin 2000; Googins and Rochlin 2000; Le Ber and Branzei 2010; Eweje and Palakshappa 2011). Employee engagement beyond previous philanthropic engagement is also crucial in fostering trust and learning capabilities at the community level (Austin 2000).

5 Discussion

The literature review and the empirical examples of this study reveal an extensive potential and empirical relevance of business-NGO collaborations in creating SBMs. This chapter builds on the cornerstone literature within business-NGO collaborations combined with the most recent research on SBM. Through the literature review and the case examples, we have identified, discussed, and mapped four different types of business-NGO collaborations and their unique drivers and challenges in creating SBM. A key player in the literature is James Austin (2000), who presented the three stages of business-NGO collaborative interaction, which were later developed into elaborated collaborative continuum consisting of four collaborative stages describing the nature of each of them in terms of level of engagement, co-creation, complexity, and so on (Austin and Seitanidi 2012).

Drivers for strategic decisions in pursuing different types of SBM through business-NGO collaborations are absent in Austin and Seitanidi's collaborative continuum. However, it could be argued from the case examples that different drivers may lead companies toward different types of business-NGO collaborations on the basis of a range of situational conditions. We therefore argue that companies' choice of NGO collabo-

rations within the archetype of regulative innovations is tightly related to NGO criticism and pressures, whereas companies' choice of inclusive business model innovation and social investment innovation is tightly related to access problems for citizens to gain equal access to basic products and welfare services such as electricity, water, information and communication technology, financial products, and fair trade.

By modeling the four archetypes based on Austin and Seitianidi's collaborative continuum, we link strategic options to different drivers and challenges in creating sustainable innovation through business-NGO collaborations. On this basis we put forward the following proposition. Based on the case examples, we therefore stress that companies' choice of marketing innovations and regulative innovations in collaboration with NGO partners is tightly related to legitimacy drivers in terms of third-party endorsement and reputation. On the other hand, companies' choice of inclusive business model innovation and social investment innovation in collaboration with NGO partners is tightly related to resource-based view drivers in terms of gaining access to NGO resources and competencies.

Furthermore, it appears that the business case of sustainable innovations through legitimacy-driven business-NGO collaborations is more visible and measurable in a short-term perspective than in business-NGO collaborations driven by the resourced-based view. The latter are therefore challenged to measure the outcome from a short perspective and from a long perspective. Thus, the complexity of long-term management practice in a short-term business world is a key challenge that needs to be addressed in these collaborations. We therefore argue that legitimacy-driven business-NGO collaborations are related to the managerial challenges of the business case of CSR from a short-term perspective, whereas collaborations driven by the resource-based view are related to the managerial challenges of the business case of CSR from a long-term perspective.

6 Conclusion

The contributions of this chapter constitute a mapping of the archetypes of business-NGO collaborations building on Austin and Seitianidi's collaborative continuum with a discussion of the key drivers and challenges

to be considered in generating sustainable innovation through the four different archetypes. The practical implications of this study constitute knowledge applied by companies in their selection, application, and integration of NGOs in SBM projects. The objectives of the companies and NGOs entering into these collaborations should therefore be applied in guiding a proper selection between the different collaborative types. Often, companies are engaged in more than one type of business-NGO collaboration, which may challenge companies in their day-to-day operations and handling of these collaborations. One scenario would be for the companies to handle all collaborations in the same way, which this study questions as the right solution, due to the difference in characteristics and different potentials.

The limitations of this study also reveal key avenues of further research to be pursued. Each of the four business-NGO collaborative types implies and constitutes differences in the way these collaborations should be managed, organized, and measured optimally. This is briefly addressed in the existing research and during the theoretical review. However, despite these early indicators, little theoretical understanding has been offered in exploring the managerial and organizational practices and challenges of how these innovative collaborations evolve and continue to stay innovative. In fact, these R&D processes are highly dependent on NGO capabilities in terms of, for example, on-the-ground legitimacy, knowledge of customer needs, consumer feedback, consumer education, infrastructure, access to local gatekeepers and networks, and so on (Dahan et al. 2010; Esko et al. 2012; Graf and Rotlauf 2012).

Furthermore, very limited research was found on the difference in how business-NGO collaborations are established and managed across national borders or across different industrial contexts. However, differences in national cultures and industrial settings have in other comparative management studies in other research fields revealed numerous differences in how management is carried out. The same differences may be expected and should be examined in an international case study across different industries. Another limitation relates to the fact that there is a general lack of widely accepted definitions applicable to sustainable innovation.

Sustainable innovation as a concept and practice is still evolving, which challenges the development of accepted definitions. However, further research should attempt to address this issue. Additionally, the concepts and definitions of business-NGO collaborations vary. This study attempts to answer the question of defining business-NGO collaborations through mapping and naming four archetypes. Yet the study does not discuss the variety of NGOs or the differences in definitions. The gaps and shortcomings in the existing literature present key areas within the research field in creating sustainable innovation through business-NGO collaborations. Empirical knowledge of how companies successfully manage issues of trust, organize, and measure each of the four archetypes is needed. This is also why the four archetype models and the derived results of the present study will be explored further in relation to the application, management, organization, and measurement of business-NGO collaborations in the four archetypes through a cross-industrial case study.

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