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Sustainable Value Creation Through Business Models: The What, the Who and the How

Florian Lüdeke-Freund[1], Romana Rauter[2], Esben Rahbek Gjerdrum Pedersen[3], and Christian Nielsen[4]

Abstract

Purpose: We discuss traditional assumptions about value creation and confront these with current views on sustainable value creation (SVC). Against this backdrop, the articles contained in the special issue 'Sustainable Value Creation Through Business Models' are introduced, and their contributions to the exploration of SVC are highlighted.

Methodology: Assumptions about value creation are summarised and turned into an initial theoretical framework concerning the what, who and how of value creation. This framework is used to structure and discuss current views on SVC that have been presented in the sustainable business model (SBM) litterature.

Findings: The proposed framework identifies cornerstones for theorising about SVC in regard to the what, who and how of value creation. A main finding is that, although value creation and SVC are widely discussed in the literature, there are huge gaps in terms of the who, what and how of value creation, particularly in the SBM field.

Research implications and limitations: The major implication is that the SBM discourse still lacks clear SVC concepts, and closing this gap may enable the creation of a new multi- and interdisciplinary research programme. A major limitation of this paper is the mainly theoretical and preliminary nature of the presented discussion and framework.

Originality and value: There is a surprising dearth of definitions and concepts of value creation in both the traditional business model and SBM research. The originality and value of this paper lie in its potential to stimulate further research on the theoretical foundations of SVC. Various theoretical propositions are developed, including notions such as stakeholder-responsive and relational interpretations of value creation.

Keywords: Sustainable value creation, business model, sustainability, stakeholder, triple bottom line, framework

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1 ESCP Business School Berlin, fluedeke-freund@escp.eu
2 University of Graz, romana.rauter@uni-graz.at
3 Copenhagen Business School, ergp.msc@cbs.dk
4 Aalborg University Business School, chn@business.aau.dk

Introduction

The discussion presented in this paper, which also serves as a guest editorial for the special issue 'Sustainable Value Creation Through Business Models' (Journal of Business Models, 2019, Vol. 7, No. 1), was motivated by an observation that has kept us wondering for quite some time. The whole business model discourse, including both its traditional and sustainability-oriented streams, receives its legitimacy and urgency from its focus on value, which is proposed, delivered, created and captured through business models (Massa, Tucci and Afuah, 2017; Richardson, 2008; Stubbs and Cocklin, 2008; Upward and Jones, 2016; Zott, Amit and Massa, 2011). The notion of value creation is fascinating as it implies the emergence (or creation) of something valuable that did not exist previously.

But surprisingly, although it is a key concept in business model research, the notion of *value creation* remains a black box in most publications issued in the past two decades. It is remarkable that a whole field of research gains its legitimacy from the need to better understand how firms create value, but it neither offers nor uses clear definitions and explanations of this concept. At best, value creation is articulated as the 'value chain' part of a company, or the difference between revenues and costs. The same applies to the notion of *sustainable value creation* (SVC), which is increasingly used and discussed in the literature, but hardly defined and explained. Extensions of the concept of value creation to include sustainability considerations have been discussed in various fields, including corporate sustainability, sustainable and social entrepreneurship and marketing. However, this idea is of particular importance to *sustainable business model* (SBM) research (Dentchev, Rauter, Jóhannsdóttir, Snihur, Rosano, Baumgartner, Nyberg, Tang, van Hoof and Jonker, 2018; Lüdeke-Freund and Dembek, 2017), as SVC is its major reference point and the core of its identity. Despite the obvious interest in and increasing use of the notion of SVC, its definitions and theoretical foundations are still weak, possibly because of the variety of theories and concepts underlying discussions and explorations of SBMs in general and SVC in particular (e.g. Dentchev *et al.*, 2018; Stubbs and Cocklin, 2008). We are not saying that a single theory or concept – or some other form of monism – is what is needed, but we argue that starting to open up the black box of SVC is crucial for stimulating progress in SBM research.

Value creation is an inherently normative concept. Even though many scholars may think that they are working on 'values-free' or 'neutral' grounds, they are not and cannot. However, this is not problematic per se. The issue is whether 'the normative' is made transparent and accessible to criticism and systematic investigation (cf. Albert, 1985). Assumptions, such as that companies must make superior profits or that the economy must grow quantitatively, are neither neutral nor laws of nature. These assumptions reflect man-made properties of social systems that can be critically debated and designed, either in this way or another (cf. Mazzucato, 2018). Of course, the same holds true for SVC. The assumption that companies should consider stakeholders and the natural environment in their value-creating activities is grounded in certain normative positions, such as prioritising a just distribution of benefits (howsoever this is defined) or giving a voice to nature. Such assumptions can and should be critically debated, which requires making them transparent.

We therefore start by briefly acknowledging the inherently normative characteristics of value creation. This has two purposes: first, to clarify that not only sustainability-related concepts are grounded in certain norms, values and judgements; and second, to show that moving from traditional assumptions about value creation to SVC can be guided, for example, by 'triple bottom line' and stakeholder theory approaches. To address the research gaps and opportunities that exist in this area, we develop an initial theoretical framework for *the what, who and how* of sustainable value creation that enables us to propose cornerstones for future theorising about this concept. The articles contained in the special issue are introduced and their contributions to the exploration of SVC are highlighted against the backdrop of the proposed theoretical framework. This paper concludes with a brief summary of the theoretical propositions presented in this paper and suggestions for future research.

Value Creation as a Normative Concept

From a traditional strategic management perspective, customers' willingness to pay decides whether the value proposed by a company, which is embedded in the products and services it offers, materialises as benefits for customers and monetary earnings for the company (Bowman and Ambrosini, 2000; Garcia-Castro and Aguilera, 2015). However, this commercial logic of value exchange (customer benefits in exchange for monetary payments), which forms the underlying rationale of the strategy and business model literature (Laasch, 2018; Teece, 2010), is reducing the concept of value creation, typically, to value for customers and the company.

The field of SBM research (e.g. Dentchev *et al.*, 2018; Lüdeke-Freund and Dembek, 2017), which is the context of the special issue, tries to extend this traditional understanding of value and how it is created. Scholars from this field call for business models and business model innovation that incorporate sustainability principles (e.g. efficiency, consistency and sufficiency) (Geissdoerfer, Vladimirova and Evans, 2018; Lüdeke-Freund, Schaltegger and Dembek, 2019), sustainability concepts (e.g. social responsibility, stakeholder inclusiveness and systems thinking) (Breuer, Fichter, Lüdeke-Freund and Tiemann, 2018; Schaltegger, Lüdeke-Freund and Hansen, 2012, 2016) and broader notions of value creation that consider the needs and interests of various stakeholders (Bocken, Short, Rana and Evans, 2013). More recent works also highlight the different roles that these stakeholders can play. There can be important differences between value creation *with* stakeholders (e.g. making employees work for a company and contribute to its value creation processes) and value creation *for* stakeholders (e.g. considering and satisfying the needs of these employees) (e.g. Freudenreich, Lüdeke-Freund and Schaltegger, 2020).

One result of this normative call for SBMs is the extension of the financial bottom line of business towards ecological and social bottom lines (e.g. Boons and Lüdeke-Freund, 2013; Breuer *et al.*, 2018; Stubbs and Cocklin, 2008; Upward and Jones, 2016). Generally speaking, it also results in the requirement of mutual value creation with and for all stakeholders of a company (Freeman, 2010; Freudenreich *et al.*, 2020). While some authors offer examples of such forms of value creation (e.g. den Ouden, 2012; Evans, Vladimirova, Holgado, van Fossen, Yang, Silva and Barlow, 2017; Lepak, Smith and Taylor, 2007; Upward and Jones, 2016) and corresponding business model designs and patterns (Lüdeke-Freund, Carroux, Joyce, Massa and Breuer, 2018), our understanding of SVC is still very limited.

Typical definitions of this idea refer to 'a promise on the economic, environmental and social benefits that a firm's offering delivers' (Patala, Jalkala, Keränen, Väisänen, Tuominen and Soukka, 2016, p. 144), 'economic, social and environmental benefits conceptualized as value forms' (Evans *et al.*, 2017, p. 601) or 'stakeholder value creation' (Freudenreich *et al.*, 2020, p. 3). The notion of the triple bottom line, which considers the planet, people and profit (Elkington, 1997), is one of the most common foundations of current SVC definitions in the SBM field (e.g. Evans *et al.*, 2017; Stubbs and Cocklin, 2008). However, sustainable value creation, as dealt with in the SBM field, remains as unclear as the notion of value creation in traditional business model research.

All these definitions, including traditional utilitarian ones, are difficile as they are inherently – but often not explicitly or even knowingly – normative (cf. Hahn, Figge, Pinkse and Preuss, 2018; Santos, 2012). This is not problematic per se; values, norms and subjectivity are always elements of scientific, economic and other social processes. However, we must be aware of what normative and value-laden notions, such as 'sustainable' or 'stakeholder-inclusive', do to the theories and concepts we use, and vice versa.

Acknowledging this idea leads to a series of questions, such as the following: How can we define ecological and social value, and how can we distinguish these concepts from economic value? How can we define which form of value creation is desired and which is not, both currently and in the future? Does any form of economic value creation inherently lead to social benefits, as some authors argue? If so, why distinguish between economic and social value creation, and later argue that it has to be (re-)integrated?

The situation becomes even more complex when one claims that nature is a stakeholder. Which kinds of value does nature 'prefer': relative improvements in resource use and toxic waste or the absolute avoidance of both? How can business model designers make sure that their organisations save trees from being cut and animals from becoming extinct while contributing to gross domestic product and promoting social wellbeing? How can we account for all these forms of value creation? Even if we were able to associate all this with certain business model designs and had access to all the key performance indicators needed to measure and manage them (cf. Montemari, Chiucchi and Nielsen, 2019; Nielsen, Lund, Schaper, Montemari, Thomsen, Sort, Roslender, Brøndum, Byrge, Delmar, Simoni, Paolone, Massaro and Dumay, 2018), how would we know which kind of value creation is more or less relevant for a certain stakeholder group in a certain geographical or cultural context? The list of theoretical and practical problems goes on and on.

Towards the What, Who and How of Sustainable Value Creation

We have to face it: *so far, we have failed to properly define SVC.* It is clear that the complex, ambiguous and elusive nature of value creation becomes even trickier by adding the call for business contributions to sustainable development. In its current form, the discourse on SBMs and SVC is clearly facing the so-called Münchhausen trilemma (cf. Albert, 1985). Many definitions build on *circular arguments* (defining SVC by referring to something done 'in a sustainable way'), *infinite regress* (as the theoretical propositions underlying SVC require further supportive propositions, which require further supportive propositions, and so on) and *dogmatism* (when SVC is posited as a self-evident and ultimate necessity). The third aspect highlights the thin line between embracing the normativity of social issues in a constructive and systematic way on the one hand and simply declaring how things ought to be on the other hand.

Therefore, the aim of the special issue was to invite authors from various disciplines to improve our understanding of SVC and what it could mean in the context of business model research (Dentchev *et al.*, 2018; Lüdeke-Freund, Freudenreich, Schaltegger, Saviuc and Stock, 2017, Nielsen, Montemari, Paolone, Massaro, Dumay and Lund, 2019; Roslender and Nielsen, 2019) to contribute to several goals. First, to closely look at theories, concepts and cases that apply comprehensive notions of value creation to better understand *what* SVC entails (cf. Freeman, 2010; Freudenreich *et al.*, 2020). Second, to consider various forms of value (e.g. economic, ecological, social, cultural, relational, psychological), their underlying subjective and normative values (Breuer and Lüdeke-Freund, 2017) and *who* might benefit from these forms of value. Third, to explicitly connect comprehensive notions of value creation to business models and business model innovation in order to explore *how* SVC functions from methodical, instrumental and practical points of view (cf. Buser and Carlsson, 2020; Foss and Saebi, 2017; Massa *et al.*, 2017; Wirtz, Göttel and Daiser, 2016).

A major finding of the special issue is that our field has only just started to open the black box regarding the what, who and how of SVC. In addition, many new questions have emerged as a result of the research presented here. We therefore extended the scope of this guest editorial to contextualise the articles contained in the special issue and offer a more structured view of SVC guided by the following questions:

- What is value and what are its sources?
- For whom is value created?
- How is value created?
- Who captures value?

Traditional assumptions about value creation

Value creation is typically associated with how companies create and offer products and services for which customers are willing to pay and how they try to capture a share of the total value that is created in the corresponding economic exchange processes (e.g. Bowman and Ambrosini, 2000; Freudenreich *et al.*, 2020; Garcia-Castro and Aguilera, 2015). From the inception of business model research, certain streams of the literature have been concerned with how firms can increase customer satisfaction, develop a competitive advantage and achieve above-normal returns within changing business environments that

are characterised by, for example, the emergence of e-business and hyper competition (e.g. Amit and Zott, 2001; Zott and Amit, 2007). A major issue is how companies can maintain and improve their ability to create and capture value through business models (Foss and Saebi, 2017; Massa *et al.*, 2017; Wirtz *et al.*, 2016). As these streams of business model research address core topics and concerns of classic strategic management studies, it seems appropriate to use one of the most-cited strategic management articles to introduce the notion of value creation (Bowman and Ambrosini, 2000).

What is value and what are its sources?

The main forms of value are typically defined as value for customers (i.e. *use value and customer surplus*) and value for the company (i.e. *exchange value and financial profit*). If other stakeholders are considered, they are typically employees, who are paid wages, and capital providers and shareholders, who receive interest and dividend payments. To understand the sources of these forms of value, starting from the basic assumptions of resource-based theory, Bowman and Ambrosini (2000, p. 2; orig. emphasis) posit that 'resources have value in relation to their ability, *inter alia*, to meet customers' needs'. A resource that is valuable, rare, inimitable and organised (VRIO) allows a company to meet customer needs better or at a lower cost than its competitors, and it helps the company to exploit market opportunities and/or neutralise threats in its business environment (Barney, 1991). As a result, applying VRIO resources and corresponding capabilities (Teece, 2018) allows companies to offer valuable products and services and improve their market positions. Hence, *resources* and *capabilities* are traditionally seen as the sources of value.

For whom is value created?

Typically, two stakeholders are considered. First, customers are interested in obtaining use value, which is the usefulness of products and services offered by companies. Bowman and Ambrosini (2000) argue that use value is a subjective notion and thus can be referred to as perceived use value. The perceived usefulness of an offering is based on, for example, customers' beliefs about the offering, their unique experiences and expectations and their personal needs and wants. Perceived use value can be translated into monetary value by evaluating the price customers are prepared to pay (which is based on, e.g., their willingness to pay, their economic circumstances, awareness of competing offerings). The difference between the monetary value and the actual price to be paid leads to customer surplus ('value-for-money'), assuming that the actual price is lower than the monetary value assigned by customers.[1] Second, the company offering products and services is mainly interested in exchange value, which is the actual price paid by the customer to obtain the perceived use value ('money-for-value'). These or comparable definitions of value creation for *customers* and *companies* are typical of strategic management and business model studies (e.g. Garcia-Castro and Aguilera, 2015).

How is value created?

Value creation is defined as the provision of new use value resulting from the application of organisational resources and capabilities. The provision of new use value – and corresponding perceived use value – is a precondition of new or additional monetary value from the customer perspective as well as new or additional exchange value for the company (cf. Bowman and Ambrosini, 2000; Mazzucato, 2018). The exchange value resulting from the new use value can only be determined at the time of sale, when the new use value is actually appreciated by a customer and a certain price is paid. This is because 'we cannot assert that, in the process of new use value creation, "value" has [actually] been added. Different use value has been created which *may or may not* yield added exchange value' (Bowman and Ambrosini, 2000, p. 5; orig. emphasis changed). A company achieves financial profit if the exchange value, or price, exceeds the costs of, for example, resources, wages and opportunity costs. Profit can only be attributed to the labour performed by organisational members ('human capital resources', according to Barney, 1991), as their activities are the 'only input into the production process that has the capacity to create new use values, which are the source of the realized exchange value' and, hence, profit (Bowman and Ambrosini, 2000, p. 5). From a

[1] This conception of perceived use value, monetary value and consumer surplus holds true not only for private customers (B2C) but also for firms' purchasing decisions, in which managers assess various offers on behalf of their organisation (B2B).

traditional strategic management perspective, value creation refers to the provision of new use value to customers, which is a precondition for companies to yield a financial profit from exchange value. Resources, including certain types of labour, are required to create value for customers and companies.

Who captures value?

For a company, value capture involves obtaining exchange value (and thus profit) by realising a price (and thus revenue) at the moment of selling. The ability to capture value by appropriating a share of the total value created (the latter approximated by customers' willingness to pay) is determined by the perceived power relationships between actors on the market (Bowman and Ambrosini, 2000). Of major importance are the relationships between the company and its customers (who has the power to determine the price of the product or service?) and resource suppliers (who has the power to determine the costs of resources, including labour and financial capital?). Finally, due to the limited bargaining power of employees, a company can capture value by employing labour (ibid.). Typically, labour suppliers are paid a fixed amount for their labour power, without a specified number of outputs (although models with a specified number of outputs have always existed and might spread in the future due to the rapid growth of the 'gig economy'). This creates an opportunity for firms to benefit from employees' variable contributions to the creation of new use value. Variable in the sense that the amount of outputs can vary, e.g. increase, while the labour costs remain constant. Hence, due to increasing labour productivity, the value of labour suppliers' contributions may exceed the share of the exchange value they capture in the form of wages. However, the bargaining power of labour suppliers typically depends not (only) on their productivity, but on their ability to help a company achieve superior profits relative to competing firms. As a consequence, different types of labour suppliers have different possibilities to capture value (Bowman and Ambrosini, 2000). In summary, value capture has different meanings for different stakeholders (Freudenreich *et al.*, 2020). Traditionally, for customers, it means realising *new use value and customer surplus*; for the company, it means *obtaining exchange value and financial profit*; for labour suppliers, it means *being paid wages*; and for capital suppliers and shareholders, it means *receiving interest and dividend payments* based on a share of the exchange value created by the company.

This overview of traditional assumptions about value creation shows that, first, value creation is a complex and non-trivial phenomenon, and second, both value creation and SVC require conceptual clarity. Where do we stand in this endeavour? The following section gives a brief overview of some of the developments in the SBM field that have aimed to extend our understanding of value creation.

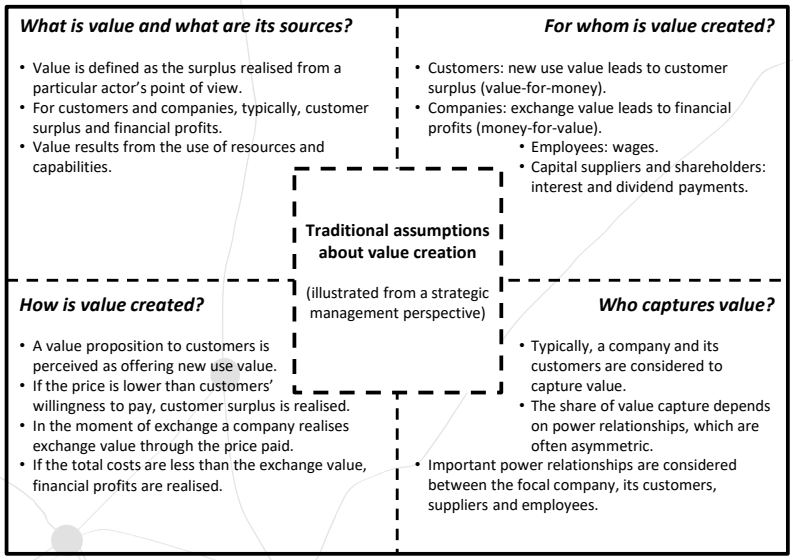

Figure 1: Traditional assumptions about value creation.

Extended assumptions about value creation: Triple bottom line and stakeholder theory perspectives

Although traditional business model research sometimes refers to value creation for various stakeholders (e.g. Zott and Amit, 2010), this notion is mostly limited to the value created for customers, business partners (such as suppliers) or investors. The aforementioned distinction of value creation *with* and value creation *for* stakeholders is also typically ignored. These limitations lead to correspondingly limited perspectives on business models and business model innovation, which are insufficient to deal with pressing sustainability issues (in particular, see the critique presented in Upward and Jones, 2016).

Following Stubbs and Cocklin's (2008) seminal article on their 'sustainability business model ideal type', the new field of SBM studies started to develop alternative approaches to framing business models and value creation. Researchers have used certain propositions to distinguish their research questions, theoretical approaches, ontologies and epistemologies from those of traditional business model studies (Lüdeke-Freund and Dembek, 2017, p. 1670):

> 'These features are (i) an explicit sustainability orientation, integrating ecological, social and economic concerns, (ii) an extended notion of value creation, questioning traditional definitions of value and success, (iii) an extended notion of value capture in terms of those for whom value is created, (iv) an explicit emphasis on the need to consider stakeholders and not just customers, and (v) an extended perspective on the wider system in which an SBM is embedded'.

Different approaches to defining SVC can be found in the SBM literature. First, some approaches build on the *triple bottom line (TBL)* or comparable concepts based on the argument that SVC requires contributions to all dimensions of sustainable development (typically, ecological, social and economic value). Second, some approaches have been framed by *stakeholder theory*, arguing that mutual value creation with and for stakeholders (i.e. considering and integrating all stakeholders' needs and interests) is a precondition for SVC. Third, some approaches *merge both arguments*, both explicitly and implicitly.

An emphasis on SVC resonates well with previous attempts to move beyond traditional assumptions about value creation and identify common features of the sustainability, stakeholder theory and business model literature (cf. Wheeler, Colbert and Freeman, 2003). A central underpinning of the SBM field is a more holistic understanding of value that goes beyond customers, companies and their owners and includes a broader range of stakeholders and TBL performance (Bocken, Rana and Short, 2015; Boons and Lüdeke-Freund, 2013; Pedersen, Gwozdz and Hvass, 2018). Indeed, Schwartz and Carroll (2008) explicitly highlight value as a core concept (along with balance and accountability) that ties together business and society in fields such as corporate social responsibility, business ethics, stakeholder management, sustainability and corporate citizenship. More specifically, the authors argue that

> 'the fundamental element underlying the entire business and society field appears to be the generation of value. Value is primarily created when business meets society's needs by producing goods and services in an efficient manner while avoiding unnecessary negative externalities' (Schwartz and Carroll, 2008, p. 168).

Below, we briefly discuss the TBL and the stakeholder theory perspectives as these are, according to our reading of the literature, the most developed and prominent approaches in the SBM field. The aim is to offer a first, although admittedly very rough, overview of the existing views on SVC within the SBM field.

Some authors argue for deliberate consideration of all stakeholders' needs and interests – often presenting non-exclusive lists of stakeholders that include, for example, customers, employees, investors, the natural environment (typically represented by other stakeholders), society, non-governmental organisations and so on (e.g. Bocken *et al.*, 2013; Evans *et al.*, 2017; Upward and Jones, 2016) (see Table 3) – and the resultant need to consider and integrate diverse forms of value creation and dimensions of

performance (Freudenreich *et al.*, 2020; Tapaninaho and Kujala, 2019). Here, the reference to stakeholders serves as a frame for identifying *who* should be considered in the context of value creation, both as beneficiary (value creation *for* stakeholders) and contributor (value creation *with* stakeholders). The more stakeholder-sensitive this notion, the more types of value – and their tensions and trade-offs – must be considered. As a consequence, the whole concept of 'business success' fundamentally changes (Upward and Jones, 2016).

The TBL perspective is based on consideration of different types of value and *what* is to be achieved (Elkington, 1997), specifically the ecological, social and economic performance of companies. Sustainable development (WCED, 1987) underpins the TBL approach, extending accounting systems to cover non-financial dimensions as well (Lamberton, 2005). While no singular theory serves as the backbone of sustainable development (and hence the TBL approach), the arguments for SVC by companies are often rooted in theories concerning the social responsibility of businesses (cf. Bansal and Song, 2017; Carroll and Shabana, 2010; Garriga and Melé, 2004). Related to these theories are strategic approaches, such as the natural-resource-based view of the firm (Hart, 1995); approaches that combine considerations of social justice and inclusion with new business opportunities, such as the base of the pyramid (Prahalad, 2005); or primarily instrumental approaches that reconcile corporate social and financial performance (cf. Busch and Friede, 2018). Some authors, such as Stubbs and Cocklin (2008), suggest that alternative paradigms, such as ecological modernisation, underpin SBMs and SVC. This diversity of theories offers various opportunities to merge two or more arguments in favour of SVC, as several authors have done (see Table 1).

It can be argued that, in the business context, the TBL and stakeholder theory perspectives present overarching views with different yet complementary foci. The TBL approach adds additional performance dimensions to traditional financial accounting and emphasises *which types of value* are created (the what), while the stakeholder theory approach focuses on *for whom* value is created (the who), which affects *the ways* in which value is created (the how).

In the absence of an integrative and holistic theory of SVC, bringing these propositions together in the form of multiple value creation (or TBL value creation) and value creation for stakeholders allows for further theorising about SVC. A future theory of SVC could embrace the TBL and stakeholder theories of value creation, but it might also go beyond these and merge them with further theoretical streams. This understanding of SVC, which implies different types of value as well as varying roles and expectations for different stakeholders, distinguishes SBM from traditional business model studies (Lüdeke-Freund and Dembek, 2017). In other words, from the point of view of SBM research, the notion of value creation is not limited to customer surplus or financial profits, but includes ecological, social and other types of non-financial value (cf. Schaltegger *et al.*, 2016; Upward and Jones, 2016).

As stated above, we must consider that both the traditional and sustainability-oriented views are normatively grounded (e.g. Agle and Caldwell, 1999; Breuer and Lüdeke-Freund, 2017). The most important difference between these views lies in their scope and the content of their normative underpinnings. While some may say that the sustainability and stakeholder-oriented view is normative and values-driven, the (implicit) decision to focus on certain stakeholders' interests (e.g. customers, companies and investors) and not others' (e.g. civil society, local communities, fringe stakeholders or organisations representing the natural environment) is *always* a normative decision. As Upward and Jones (2016, p. 101) state, 'no designed artefact, such as a business model or an ontology of business models, is value-neutral'. Even if an explicit normative positioning is missing from most of the traditional business model literature, this 'can be read as implicitly profit-normative' (ibid.) Studying SBMs and SVC is one way to make the inherently normative characteristics of business activities explicit and transparent and to use them in a systematic and constructive way.

Table 1

Sources (alphabetically)	Definitions, main assumptions and references to sustainable value creation (SVC)	Literature streams/origins	Theoretical foundation/scope of value creation
Bocken *et al.*, 2013	The scope of value creation results from the relationships, exchanges and interactions that take place among stakeholders (Allee, 2011), which are represented by value flows within networks of stakeholders (den Ouden, 2012). Developing sustainable value propositions includes considering the value that is destroyed (negative outcomes), the value that is missed (currently non-captured value) and new value creation opportunities.	Sustainable business model innovation	*Primarily stakeholder-based; the scope of value creation includes the value that is proposed, the value that is destroyed and missed and new value opportunities*
Brennan and Tennant, 2018, p. 622	'Sustainable value is created when tangible factors of production (structural resources), including processes, business models, products, services and infrastructure, are brought into particular combinations with *ideas* of sustainability impact and sustainability *values* (cultural resources). Sustainability cultural resources include important concepts such as net positive benefits and the creation of "common good" value (Dyllick and Muff, 2016) and sustainability values, which have recently been recognized as pivotal to sustainable business model innovation (BMI) (Breuer and Lüdeke-Freund, 2017)' (orig. emphasis).	Network-centric business model innovation	*Structural and cultural resources as origins of value; negotiating the strengths of different stakeholders and situational logics results in (un-) sustainable value*
Dembek, York and Singh, 2018	Implicitly, SVC is defined as value creation for multiple stakeholders and the natural environment, considering non-financial forms of value as well as the value that is destroyed and uncaptured (Bocken *et al.* 2013; Yang, Evans, Vladimirova and Rana, 2017).	Business models at the base of the pyramid	*TBL and stakeholder-based; the scope of value creation includes the value that is destroyed and uncaptured*

Table 1: Exemplary definitions of sustainable value creation.

Sources (alphabetically)	Definitions, main assumptions and references to sustainable value creation (SVC)	Literature streams/origins	Theoretical foundation/scope of value creation
Evans et al., 2017, p. 600	Similar to Bocken *et al.* (2013), Evans *et al.* (2017) propose that the scope of value creation results from relationships, exchanges and interactions that take place among stakeholders (Allee, 2015), which are represented by value flows within networks of stakeholders (den Ouden, 2012). This leads to 'a holistic view of sustainable value integrating economic, environmental and social value forms' (see also Figure 1, p. 600).	Sustainable business model innovation	*TBL and stakeholder-based; the scope of value creation results from value flows within stakeholder networks*
Lüdeke-Freund, 2020, pp. 668–669	Business cases for sustainability are co-constructed by diverse stakeholders, and thus they can take different forms (Schaltegger, Hörisch and Freeman, 2019). This implies that value portfolios can consist of different kinds of value (e.g. dividends, customer solutions, employment, reduced environmental harm). Additionally, 'business cases for sustainability leading to value creation with and for stakeholders should be synonymous with *sustainable value creation*' (orig. emphasis).	Sustainable entrepreneurship business models	*Primarily stakeholder-based; the scope of value creation results from different types of business cases for sustainability*
Upward and Jones, 2016, pp. 105-106	Upward and Jones (2016) propose that value can be defined as 'the perception by a human (or non-human) actor of a "fundamental need" (Max-Neef, Elizalde and Hopenhayn, 1991, p. 8) being met measured in aesthetic, psychological, physiological, utilitarian, and/or monetary terms' (p. 105). SVC should be measured as a 'single tri-profit metric [that] would be calculated as the conceptual net *sum* of the costs (harms) and revenues (benefits) arising as a result of a firm's activities in each of the environmental, social, and economic contexts in a given time period measured in units appropriate to each. A tri-profitable firm creates sufficient financial rewards, social benefits, and environmental regeneration, with sufficiency defined by stakeholders with the governance rights (power) to do so' (p. 106).	Sustainable business model innovation	*TBL and stakeholder-based; the scope of value creation results from stakeholders' fundamental needs and all harms and benefits of business activity*

Table 1: Exemplary definitions of sustainable value creation

Sustainable value creation through business models: The what, the who and the how

Current research directions: Articles in the special issue

The primary goal of the special issue was to motivate novel approaches to define and study SVC through business models, typically understood as the integration of ecological, social and economic value creation with and for stakeholders, as discussed above. Such approaches take into account the negative impacts on ecological systems and human societies, and, as a logical consequence, the tensions and trade-offs between different forms of value creation and different stakeholders (cf. Hahn, Figge, Pinkse and Preuss, 2010, 2018). This, in turn, leads researchers to extend the notion of value creation to include forms of value destruction. 'Truly' sustainable value creation is not only about reducing or avoiding harm by overcoming value destruction but also about achieving net-positive effects for a prospering natural environment and human livelihoods (Dyllick and Muff, 2016). This is a perspective that we can label as strong sustainability or strongly sustainable value creation (Upward and Jones, 2016). Last but not least, the challenge of surviving as a company (i.e. acknowledging the necessity of value capture at the level of organisations) would also be an element of SVC through business models.

As manifold research questions can be derived from these issues, we were open to any kind of theory, methodology or epistemology that could improve our understanding of SVC through business models. The articles contained in the special issue offer valuable insights into defining SVC more holistically through *value proposition design* (Vladimirova, 2019), studying SVC from a *process and social practice perspective* (Boons and Laasch, 2019), investigating the role of business models for *sustainable technologies in dynamic business environments* (Wadin and Ode, 2019) and motivating *sustainable organisational transformation* through circular business model innovation (Guldmann, Bocken and Brezet, 2019).

Doroteya Vladimirova (2019) presents a new tool and workshop facilitation process, the so-called Sustainable Value Proposition Builder, which has been developed and tested to support the development and communication of value propositions for multiple stakeholders. This tool builds on a definition of sustainable value that comprises ecological, social and economic forms of value and considers the positive and negative value perceptions of stakeholders. This paper contributes to the special issue by offering a more holistic view of how value propositions can be designed and communicated to multiple stakeholders. It points to possibilities of integrating various forms of value creation and various stakeholder needs and interests.

Frank Boons and Oliver Laasch (2019) propose a new way of seeing business models. Drawing upon theories of practice, an approach stemming from sociology, these authors develop a process-oriented conceptualisation of business models. In their theory, business models are assemblages of pre-existing social practices that are continuously perpetuated by inclusive processes of enrolment (e.g. by members of an organisation). Furthermore, business models constantly compete (e.g. for resources), and thus all business models have relationships with other business models, whether symbiotic, competitive or parasitic. This paper contributes to the special issue by preparing a new theoretical ground on which SVC can be studied and understood as an emergent process of social practices.

Jessica Lagerstedt Wadin and Kajsa Ahlgren Ode (2019) provide detailed insights into how business models for sustainable (i.e. solar photovoltaic) technologies can adapt to their dynamic environments. The authors use a contingency framework to study business model dynamics in terms of business model adaptation and innovation. Environmental contingencies, such as changing policies and customer expectations, are related to business model elements (e.g. value proposition and revenue model) and how these can be used to adapt to environmental contingencies. Rich insights are derived from studying two different contexts: California and Germany. Introducing and scaling new technologies, such as solar photovoltaic, and being able to sustain these in dynamic business environments is an important way of creating sustainable value through business models.

The fourth paper in the special issue, by *Eva Guldmann, Nancy Bocken and Han Brezet* (2019), introduces an empirically grounded framework to assist circular business model innovation. The authors provide in-depth insights into the use of design thinking and a number of tools that can be used for circular business model innovation within existing organisations. Important stages and activities of introducing such innovation process within organisations are identified. The ability of companies to engage in transformational innovations that follow alternative paradigms, such as moving towards the circular economy, is crucial to enhance their capabilities to leave 'business as usual' behind and contribute to SVC.

By relating these articles to the key topics proposed in the original call for papers (see Table 2), we see that adopting a relational perspective (e.g. stakeholder relationships, inter-organisational relationships and network settings) seems to be a common and fruitful approach. We also see that various theories (e.g. theory of practice and contingency theory)

Table 2

Topics addressed in the call for paper	Vladimirova (2019): Building Sustainable Value Propositions for Multiple Stakeholders: A Practical Tool (short paper)	Boons and Laasch (2019): Business Models for Sustainable Development: A Process Perspective (short paper)	Wadin and Ode (2019): Business Models for Sustainability: Change in Dynamic Environments (full paper)	Guldmann, Bocken, and Brezet (2019): A Design Thinking Framework for Circular Business Model Innovation (full paper)
What is sustainable value and how is it created?	X	n.a.	n.a.	n.a.
Which instruments can support sustainable value creation?	X	n.a.	(X)	X
How can sustainable value be created in relationships?	X	X	X	X
How can sustainable value creation be studied with novel approaches?	Theoretical considerations of value creation applied in *tool development* and *practitioner workshops*	*Theories of practice* used to develop a *process perspective* on business models for sustainable development	*Contingency theory* applied to *case studies* of business model change in dynamic environments	*Design thinking* framework for circular business model innovation derived from *case studies*

Table 2: Articles contained in the special issue.

and research methods (e.g. conceptual framework development, case studies, tool design and workshops) can be used to study SVC through business models. Less studied are more fundamental questions related to defining sustainable value and SVC and how it can be supported by certain instruments. Although our special issue offers innovative and rich insights into SVC through business models, there are plenty of open questions – and thus opportunities for future research.

Cornerstones of theorising about SVC

Based on our reading of the literature and the contributions to the special issue of *Journal of Business Models*, we discuss some cornerstones of theorising about SVC. This is not an attempt to offer one-size-fits-all definitions or to present a full-fledged theory. Rather, to address the research gap described in the introduction, we aim to think about how to structure a more systematic discussion of SVC through business models and how to prepare the ground for future theoretical work on this topic.

According to Lepak *et al.* (2007), some reasons for the lack of 'consensus on what value creation is or on how it can be measured' are the plurality of targets and sources as well as the fact 'that value creation refers both to the content and process of new value creation' (pp. 180–181). In response to these challenges, we propose, first, that it is necessary to acknowledge that the TBL and stakeholder theory perspectives are important foundations for the SBM discourse and, hence, SVC. Second, we propose thinking about the what, who and how of SVC using the four guiding questions introduced above. Third, as an underlying assumption, we propose embracing the inherently normative characteristics of value creation and using these in a systematic and constructive way.

The final proposal is more than just a philosophical exercise. It has become clear that the TBL and stakeholder theory perspectives require explicit acknowledgement of norms, values and subjectivity (e.g. that value *should* be defined in ecological and social terms and that all of a company's stakeholders *should* be considered). Going beyond these two streams in particular and accepting the implications of normativity in general leads to an approach in which a 'consensus on what value creation is' (ibid.) cannot be the primary goal of theorising – or at least performed at only a very high level of abstraction. A more appropriate goal would be to develop cornerstones that allow researchers to see and theorise about the pluralistic, relativistic and relational characteristics of SVC (e.g. the realist social theory-based approach to studying SVC proposed by Brennan and Tennant, 2018).

In the following, *SVC is understood as a process that is embedded in various stakeholder relationships and requires various stakeholders' needs to be satisfied in various ways* (cf. Upward and Jones, 2016). Thinking about SVC involves coping with plurality, relativism and relationships. More detailed guiding principles to define 'local truths' or 'local monism' (cf. Baghramian, 2004) can only be found in negotiations about, for example, the meaning of sustainable development, ecological and social justice and what is desirable. Therefore, the following discussion can offer only a general frame with which to think about the theoretical properties and process of SVC. Study of the actual content of SVC (i.e. the actual forms of value that are created) is left to other kinds of investigation that consider the local truths, norms, values and subjectivity of those involved as what they are: values-based expressions of what people really care about (cf. Breuer and Lüdeke-Freund, 2017).

What is value and what are its sources?

The notion of value has been subject to historical debates in philosophy, economics, psychology, sociology and many more areas (den Ouden, 2012; Ueda, Takenaka, Váncza and Monostori, 2009). It is one of those concepts for which, as a result of embracing its inherently normative characteristics, we must accept that 'it depends' is part of its definition. While more traditional approaches reduce the problem of defining value to concepts such as value for customers and the company, as mentioned above, the TBL and stakeholder theory perspectives demand a broader and more inclusive conceptualisation of value, which we term a *stakeholder-responsive interpretation of value.*

Such a conceptualisation is proposed by Upward and Jones (2016, p. 104): '[a] strongly sustainable

firm requires the central concept of value is revised from the current "thin" definition as a source of individual or organizational enrichment, measured uniquely in monetary units'. Building on Max-Neef *et al.* (1991), who argue for 'a sociological and human sciences conception of value and human values' (Upward and Jones, 2016, p. 104), Upward and Jones (2016) introduce two notions to the SBM discourse that have been hardly considered to date. First, there are *fundamental needs* that must be met in aesthetic, psychological, physiological, utilitarian and/or monetary terms. Second, so-called *satisfiers* are the means of satisfaction (e.g. a well-crafted product, a safe home) and are aligned with the recipient's worldview and needs. As an initial explanation, we can say that value is created whenever the activities of a company help to satisfy a fundamental need of a stakeholder or other beneficiary, which occurs when someone perceives a net benefit and, hence, additional utility, joy or so on.

The potential net benefit of a company's offerings is perceived from the customer's perspective, which is based on the customer's fundamental needs, values, beliefs, opportunity costs and so on. These net benefits result from the different kinds of value, such as exchange value, use value, experience value, sign value and ideal value, that a customer associates with an offering (Bowman and Ambrosini, 2000; Breuer and Lüdeke-Freund, 2017; Lepak *et al.*, 2007). Even if we limit the conceptualisation of value to customer value, it is a complex bundle of different forms of value, which in turn leads to perceived net benefits. These bundles and their perceptions can vary from customer to customer and from stakeholder to stakeholder, which calls for a stakeholder-responsive conceptualisation of forms and sources of value. This is a significant extension of the concept of value, which traditionally focused on mere surplus and considered a limited number of stakeholders.

Offerings to customers are just one of many possible starting points. If we follow the relational view of stakeholder theory (Bridoux and Stoelhorst, 2016), we can easily identify numerous other stakeholder relationships (e.g. with employees, suppliers, financiers, local communities and civil society organisations) in which companies are engaged (Freudenreich *et al.*, 2020; Upward and Jones, 2016). All of these relationships require specific forms and sources of value, or stakeholder-responsive ways of satisfying fundamental needs through satisfiers. Correspondingly, in the SBM discourse, different stakeholders are typically associated with different forms of value. These forms are often labelled as ecological, social and economic, roughly following a TBL-based approach. However, this is not an exclusive list, but a placeholder for the *value pluralism* that must be acknowledged when a stakeholder-responsive interpretation of value is applied (cf. Breuer and Lüdeke-Freund, 2017; Castellas, Stubbs and Ambrosini, 2018; Davies and Chambers, 2018). Much research needs to be done to really understand the plurality of stakeholder relationships and the forms and sources of value that lead to 'truly' sustainable value creation.

The Sustainable Value Proposition Builder proposed by *Vladimirova* (2019) in the special issue adopts a qualitative approach to identifying different forms of value, interpreted as benefits to and contributions from stakeholders. This view highlights the mutuality of stakeholder relationships and the notion of value creation with and for stakeholders (Freudenreich *et al.*, 2020). The aim of this new tool is to support value proposition design and facilitate stakeholder engagement to better understand the positive and negative aspects perceived by stakeholders and identify potential risks and opportunities for them in the early stages of business model development. Such an approach addresses the fundamental question of what value is and for whom it should be created.

For whom is value created?

In an early article on sustainable value creation, Hart and Milstein (2003) define SVC as maintaining and increasing shareholder value through business contributions to sustainable development. Their sustainable value framework considers time, management of current and future performance and management of internal and external stakeholders. However, it remains focused on benefits for the focal firm, which implies a rather narrow definition of the notion of sustainable value (for the firm) (cf. Hahn *et al.*, 2018). The current understanding of SBMs goes further and requires one to *consider the*

broader systems and stakeholder networks in which a company is embedded as well as acknowledge these as potential recipients of value (e.g. Abdelkafi and Täuscher, 2016). An SBM spans and is managed beyond organisational boundaries (Schaltegger *et al.*, 2016; Upward and Jones, 2016), which is a prerequisite for creating value for a broader range of stakeholders (Geissdoerfer *et al.*, 2018). Hence, the 'total value created' (Lüdeke-Freund, Massa, Bocken, Brent and Musango, 2016) by a company is a function of the boundaries of the value creation system under consideration (e.g. in terms of time, space and actors), which also determine which stakeholders are directly or indirectly involved and affected (Baumgartner and Rauter, 2017). When considering the resulting variety of stakeholders, it is important to also scrutinise different value creation processes and different forms of value at different levels (e.g. from local markets to global ecosystems).

While many have acknowledged this call to consider the plurality of stakeholders (Freudenreich *et al.*, 2020; Lüdeke-Freund and Dembek, 2017), the resulting necessity of a pluralistic (Brennan and Tennant, 2018) and relativistic approach to defining value creation has not been considered to the same degree. The same can be said for the various levels of analysis (e.g. individuals, organisations, networks and society). While there seems to be a general awareness for the need to reflect upon different analytical levels, substantial multi-level analyses of value creation are rare. Den Ouden (2012), for example, lists users, the organisation, the ecosystem and society as levels at which value creation can be studied. Likewise, Freudenreich *et al.* (2020) propose an analytical stakeholder value creation framework that includes various typical stakeholder groups, including customers, employees, business partners, financial stakeholders and societal stakeholders. However, in most cases, researchers still struggle to extend their investigations beyond typical stakeholders (see Table 3). Additionally, there is a general lack of detailed and theoretically informed analyses of whether and how value is created for typical and non-typical stakeholders. Such analyses require tools and metrics that most likely exceed the scope of traditional performance measurement systems.

Based on the above discussion, SVC is a *level-spanning*, *inter-temporal* and *spatially open notion* (cf. Hahn *et al.*, 2018) that requires a systems approach to define and measure which form of value is created for whom (Starik, Stubbs and Benn, 2016; Stubbs and Cocklin, 2008; Upward and Jones, 2016). Based on an analysis of multi-attribute utility functions, Tantalo and Priem (2016) demonstrate 'how value can be created for multiple essential stakeholder groups simultaneously' (p. 315). This highlights promising research directions for SVC studies to extend our ability to define and study value creation with and for 'all' stakeholders on 'all' levels.

Another important issue resulting from this systemic view of the recipients of value are tensions, trade-offs and paradoxes. These occur as companies have to cope with multiple and often conflicting goals simultaneously (Hahn, Pinkse, Preuss and Figge, 2015; Hahn *et al.*, 2010, 2018), which can lead to situations in which 'organizations promote their own economic growth at the expense of environmental and social goals' (Brennan and Tennant, 2018, p. 623). This means that the value captured by a focal company or another actor dominates all other needs and interests within a value creation system. Such situations are likely to occur as '[d]ifferent business models [...] bring partners together with differing access to resources and place them in particular power relations and situational logics' (ibid.). Therefore, 'organizations must direct time and effort toward recognizing and, to some degree, reconciling these differences' (Lepak *et al.*, 2007, p. 200). Continuing in a more proactive and constructive direction, a 'paradox perspective on corporate sustainability' has been proposed to overcome the typical subordination of sustainability goals to company goals (Hahn *et al.*, 2018). This is a new and inspiring approach that could inform future theorising about who can benefit from SVC. Approaches dealing with value destruction and ignored value creation opportunities (e.g. Bocken *et al.* 2013; Yang *et al.*, 2017) could be combined with a paradox perspective to better understand the tensions and trade-offs that occur with SBMs and SVC.

Table 3

Publication (alphabetically)	Stakeholder groups explicitly considered	Value created for stakeholder group
Bocken, Short, Rana and Evans, 2014	Customers	Use value
	Network actors	Transaction value
	Society	Societal benefits and impacts
	Environment	Environmental benefits and impacts
Boons and Lüdeke-Freund, 2013	Customers/users/consumers	Value proposition – measurable ecological and/or social value in concert with economic value; balanced fulfilment of customer needs
	Suppliers	n.a.
	Regulators	n.a.
	Competitors	n.a.
	Actors involved in the business model	(Distribution of) economic costs and benefits
	NGO	n.a.
	Society	n.a.
Evans *et al.*, 2017	Key stakeholder segments (including society, natural environment, customer, supplier, shareholders)	Forms of environmental value forms (renewable resources, low emissions, low waste, biodiversity, pollution prevention), social value (equality and diversity, community development, secure livelihoods, labour standards, health and safety) and economic value (profit, return on investments, financial resilience, long-term viability, business stability)
	Policy makers	n.a.

Table 3: Stakeholder groups and value creation for stakeholders considered in the SBM literature (Freudenreich *et al.*, 2020).

Publication (alphabetically)	Stakeholder groups explicitly considered	Value created for stakeholder group
Joyce and Paquin, 2016	Customer segments	n.a.
	Partners	n.a.
	Clients	Functional value
	Employees	Working conditions and personal growth initiatives
	Local communities	n.a.
	Suppliers	n.a.
	Society as a whole	Promoting positive values
	End users	Value proposition
Stubbs and Cocklin, 2008	Board, management, staff, shareholders and customers	Resources (people, profit, time or natural resources)
	Shareholders	Economic, social, environmental outcomes
	CEOs	n.a.
	Nature	n.a.
	Future generations	n.a.
Upward and Jones, 2016	Actors for whom the organisation exists	n.a.
	Actors affected	Value created or value destroyed
	Actors involved	n.a.

Table 3. Stakeholder groups and value creation for stakeholders considered in the SBM literature (Freudenreich *et al.*, 2020). (*Continued*)

Publication (alphabetically)	Stakeholder groups explicitly considered	Value created for stakeholder group
Yang *et al.*, 2017	Multiple stakeholders (such as customers, end users, suppliers, shareholders, governments and partners)	Monetary value as well as wider value for the environment and society

Table 3. Stakeholder groups and value creation for stakeholders considered in the SBM literature (Freudenreich *et al.*, 2020). (*Continued*)

What has not been considered so far is the processual nature of value creation, or how value creation emerges, unfolds, changes and disappears. Investigations of the paradoxes of value creation would benefit from a processual perspective, as the occurrence of tensions and trade-offs – and possible solutions – could be explored in processes; such a processual perspective would add the dimension of time and the possibility of different alternative trajectories. In the special issue, *Boons and Laasch* (2019) propose such a processual understanding of business models. Understanding value creation as a 'multi-stranded dynamic process' in which 'normative criteria for business models for sustainable development are inherently processual' (ibid., p. 10) offers not only a new way of seeing, developing and studying business models but also new approaches to SVC.

How is value created?

The traditional view, introduced above, posits that value creation implies the provision of new use value and customer surplus to customers as well as the realisation of exchange value and financial profits for companies (Bowman and Ambrosini, 2000). This view focuses on the moment of exchange – implying a mainly transactional interpretation of value creation – and the conditions under which this exchange leads to value creation. However, our discussion so far has revealed that theorising about SVC requires a *relational interpretation of value creation* as the notions of stakeholder-responsive value creation and the embeddedness of business in systems and stakeholder networks require a much stronger focus on the relationships between those involved in value creation (Freudenreich *et al.*, 2020).

The way in which value is created is often associated with processes in which new value is generated and in which stakeholders play different roles (cf. Lepak *et al.*, 2007). Different theories and concepts are used to describe and analyse these processes. Massa and Tucci (2013, p. 9), for example, describe a business model as a 'systematic and holistic understanding of how an organization orchestrates its system of activities for value creation'. This view emphasises the activities underlying certain business processes as well as the notion of the value chain (DaSilva and Trkman, 2014; Porter, 1985; Ritter and Lettl, 2018). Rooted in traditional theories of value creation, supply-side value creation is based on the available resources (Barney, 1991; Wernerfelt, 1984) and the dynamic capabilities of a company (Teece, 2018). More recently, new perspectives offer insights into demand-side value creation (Massa *et al.*, 2017; Priem, Wenzel and Koch, 2018), a process in which value is created 'by customers and other members of their ecosystems' (Massa *et al.*, 2017, p. 92). Thus, the how of value creation can be studied from both the supply and demand side, with a focus on resources, capabilities, activities and business processes and how these are orchestrated in value chains and whole stakeholder networks. The moment in which value is created (i.e. a fundamental stakeholder need is met by an appropriate satisfier) cannot be limited to the moment in which new use value and money are exchanged or the employment of resources and capabilities to create a product or service. Rather, value

creation must be understood to include a *plurality of moments and processes in which new value can be created* (cf. the 'situational logics' of value creation discussed by Brennan and Tennant, 2018). This is an immediate consequence of the various stakeholder relationships in which a company is engaged and the various forms of value it can create with and for its stakeholders.

In the special issue, *Wadin and Ode* (2019) well illustrate the need to understand the plurality of moments and processes in which value can be created. By analysing cases in which companies adapted their solar business models to dynamic business environments, the authors found that different adaptations are needed for different business model elements. While a company's whole business model is subject to environmental dynamics, adaptations may be necessary in some of its elements (e.g. the value proposition and revenue model) but not others. In other words, maintaining the ability to create value requires differentiated adaptations of business model elements and stakeholder relationships to situational dynamics.

In addition to how value is created, it is important to consider who creates value, as those involved and their respective roles partly differ from the traditional view. In the context of SVC, an understanding of stakeholders as both contributors to and beneficiaries of value creation seems to be appropriate 'since the source that creates a value increment *may or may not* be able to capture or retain the value in the long run' (Lepak *et al.*, 2007, p. 181, italics added). There might be discrepancies between those stakeholders who contribute to value creation processes, those who are defined as beneficiaries and those who are able to capture a share of the total value created. Thus, processes of value creation need to be understood as collaborative and mutual processes in which stakeholders are not only recipients *or* providers of something valuable, but *can* be both co-beneficiaries *and* co-creators (Freudenreich *et al.*, 2020; Khmara and Kronenberg, 2018). The relational interpretation of value creation proposed above, which suggests a pluralistic perspective on value-creating processes, is thus complemented by the notions of *co-beneficiary and co-creator* and *collaborative value creation*. Acknowledging the multiple roles played by different stakeholders is supposedly a major shift in perspective compared to traditional assumptions about value creation, which are typically based on narrow (but non-trivial) cost-benefit considerations.

Who captures value?

The traditional view typically assumes that a company and its customers are those who capture value. All other stakeholders, such as employees, suppliers, owners and other financiers, are often indirectly considered as costs (cf. Bowman and Ambrosini, 2000). This approach would suffice if financial value were the only relevant value. In this case, the costs of labour, supplies and capital would represent the value captured by the respective stakeholder. However, employees, suppliers and others are not only interested in financial income. Employees, for example, may also feel the need to belong to a group of people and to identify with an organisation's purpose, mission and vision. This fundamental need cannot be satisfied with a paycheck. Likewise, suppliers might wish to not only deliver goods to a customer but also cooperate with admirable companies. Reviewing the list of stakeholders and their potential non-financial needs and interests clearly shows that value capture cannot be limited to a company and its customers while the rest is seen as costs. Rather, thinking about value capture from a stakeholder-responsive, systemic and collaborative perspective requires one to think about *value capture from each single stakeholder's point of view*. It requires one to consider the particular forms of value that particular stakeholders wish to capture.

This way of looking at value capture has been partly established in the strategic management literature. Garcia-Castro and Aguilera (2015), for example, propose a model to analyse total value creation and the shares of this value that different stakeholders can appropriate. Their model considers value in economic terms (e.g. willingness to pay, price, costs and opportunity costs) and allows researchers to study the total value created (defined as the difference between willingness to pay and opportunity costs) and how it is allocated amongst those involved in value creation (e.g. customers, capital providers, management and employees). It also allows trade-offs between

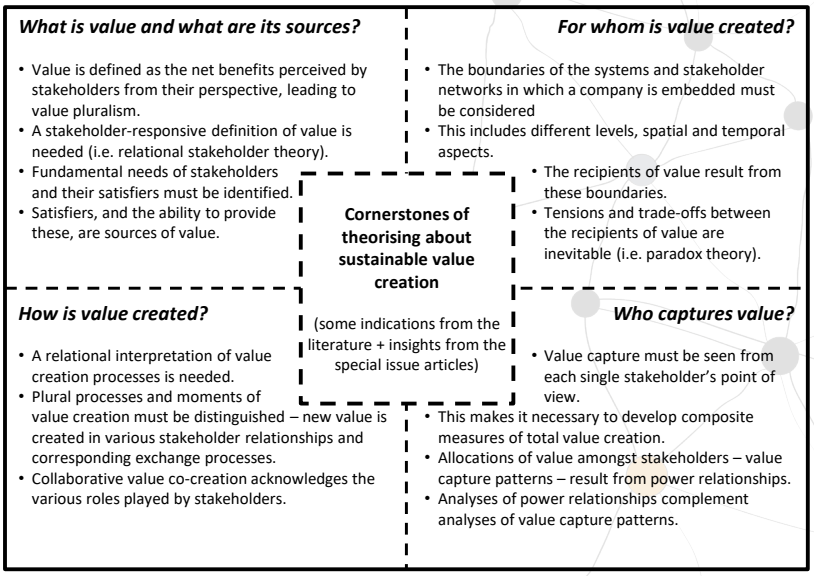

Figure 2: Theoretical framework of sustainable value creation.

stakeholders to become visible. Although this model is clear and stringent, due to many simplifications, it shows that even analyses in economic terms 'only' are already quite complex. Extending such models in line with the aforementioned principles of stakeholder-responsive, systemic and collaborative value creation will inevitably lead to even more complex analyses. However, if developing a theory of SVC and methods for its analysis are deemed important, this complexity must be accepted.

Finally, it has already been mentioned that the share of value capture by a particular stakeholder depends on the *power relationships* in which this stakeholder is involved and that these power relationships are typically asymmetric. Any analysis of value creation and capture should therefore be flanked by an analysis of the power relationships that lead to certain *patterns of value capture* (i.e. certain allocations of value within a stakeholder network). The normative principles that guide any theory and analysis of SVC, be it TBL-based, stakeholder theory-based or framed in any other way, will inevitably indicate which patterns of value creation and capture are more desirable and which are not.

The circular economy is such a case. Here, ecological value creation is typically seen as one of the main goals of changing the way in which business is done. However, in the special issue, *Guldmann, Bocken and Brezet* (2019, p. 47) argue that it is 'clear that CBMI [circular business model innovation] involves challenges at the employee, organisational, value chain and institutional levels [...] [and that] [t]hese challenges relate to lock-ins in terms of value creation logic and structures and result in organisational inertia'. This often results from vested interests and established power relationships (cf. Chesbrough, 2010) regarding who captures value from 'business as usual.' Changing this is a very difficult task, but as shown by Guldmann *et al.* (2019), new ways of developing business models may help new value creation and capture patterns to emerge.

Summary and outlook

The notion of value creation is fascinating for various reasons. Not only does it imply that something valuable is newly emerging, or that needs are satisfied in a way not seen before, but also is it a key concept in domains such as strategic management and business model research. Sustainable value creation, which is an extension of the traditional understanding of value creation developed in fields such as corporate sustainability, sustainable and social entrepreneurship and SBM research, is no less fascinating. However, it seems to be less clear and understood.

Although SVC is increasingly used and discussed in the literature, there are huge gaps in terms of the who, what and how of value creation, particularly in the SBM field. This was the motivation for the 'Sustainable Value Creation Through Business Models' special issue of *Journal of Business Models (2019, Vol. 7, No. 1)*. This paper serves as a guest editorial for the special issue, and it attempts to offer an initial theoretical framework of sustainable value creation based on our reading of selected publications from the SBM field as well as the articles contained in the special issue.

We discussed traditional assumptions about value creation from a strategic management perspective and confronted these with current views on SVC in SBM research, particularly the TBL and stakeholder theory perspectives. To open up the black box of SVC, support the development of conceptual clarity and facilitate future theories of SVC, it is proposed that traditional and sustainability-oriented views on value creation be contrasted and linked. The first result of this paper is an initial theoretical framework of SVC whose key themes are the what, who and how of value creation. By offering four dimensions along which SVC can be systematically studied and defined, the framework can structure the discussion of SVC. The following four guiding questions represent these theoretical dimensions.

What is value, and what are its sources?

While more traditional approaches reduce the definition of value to concepts such as value for customers and the company, the TBL and stakeholder theory perspectives demand a broader and more inclusive definition, which we term a *stakeholder-responsive interpretation of value*. Furthermore, different forms of value (e.g. relational or psychological value) at different levels (e.g. individuals, ecosystems) need to be created if multiple stakeholders are to be considered and their needs are to be satisfied. This shifts the focus from a company's resources and capabilities as sources of value to so-called satisfiers as necessary for responding to stakeholders' needs (e.g. products, social relationships or infrastructures).

For whom is value created?

As a direct consequence of the TBL and stakeholder theory perspectives, a greater variety of stakeholders need to be considered and partly engaged in value creation. This results in an understanding of SVC as a *level-spanning, inter-temporal and spatially open notion*, which in turn requires a *systems approach* to defining and measuring which forms of value are created for whom. Such a conceptualisation of SVC will inevitably require researchers to deal with tensions, trade-offs and, in some cases, paradoxical situations. Future research is needed to better understand the attributes of the created value that are required to speak of 'sustainable value'. How can we know that the new value created, i.e. the value added perceived from various stakeholders' points of view, has positive ecological, social and so on impacts?

How is value created?

As argued above, theorising about SVC requires a *relational interpretation of value creation* that places more attention on the systems and stakeholder networks in which companies are embedded as well as the relationships between stakeholders. Value creation, therefore, needs to be understood from each stakeholder's point of view (value creation *with* stakeholders), acknowledging the multiple ways and moments in which new value can be provided to them as well as the various roles played by stakeholders (*collaborative value co-creation)*. An important question that was only indirectly discussed in this paper and calls for further research is whether and how value creation as such, i.e. the processes needed to satisfy certain stakeholder needs, can be designed in more sustainable ways. How can value creation – from a process perspective – become more sustainable?

Who captures value?

Again, as a consequence of the aforementioned assumptions, thinking about value capture from a stakeholder-responsive, systemic and collaborative perspective requires one to think about *value capture from each single stakeholder's point of view.* This requires consideration of the specific forms of value that particular stakeholders wish to capture (value creation *for* stakeholders) as well as the power relations among various stakeholders. *Power relationships* – a topic addressed by a small number of authors only – may be critical for understanding the

what, who and how of value creation in general and the resulting *patterns of value capture* among stakeholders in particular. As a result, it is necessary to develop composite measures of total value creation in conjunction with methods to analyse power relationships among stakeholders.

As a conclusion, we summarise some of the main propositions contained in the theoretical framework introduced in this paper. Sustainable value creation requires (i) a stakeholder-responsive definition and understanding of value; (ii) a systems approach that includes spatial and temporal aspects to identify the recipients of value; (iii) a relational interpretation of and collaborative approach to value co-creation; and (iv) measures of total value creation that consider power relationships and value capture patterns that occur among stakeholders.

With the propositions and theoretical framework outlined in this paper, we hope to inspire various avenues of future research on SVC, especially critical studies that replace our initial thoughts with more refined assumptions about SVC through business models. Our work so far is, and will remain, just preliminary.

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About the Authors

Florian Lüdeke-Freund is Professor for Corporate Sustainability at ESCP Business School, Berlin, Germany, where he holds the Chair for Corporate Sustainability. He is a Research Fellow at ESCP's SustBusy Research Center and Leuphana University's Centre for Sustainability Management (CSM). He is Editorial Review Board Member at Organization & Environment and Journal of Business Models, and Guest Editor of several journal special issues (e.g., Business & Society, Organization & Environment, Journal of Cleaner Production, Int. Journal of Innovation Management, Journal of Business Models).

Romana Rauter is Assistant Professor at University of Graz, Austria. Her research and teaching interests include sustainability innovation, new and sustainable business models as well as strategic sustainability management. Romana has (co)-authored numerous scientific publications in these fields, and recently became co-chair of the New Business Models Conferences Board.

Esben Rahbek Gjerdrum Pedersen is Professor at Copenhagen Business School. His research focuses on new business models and the operationalization of corporate sustainability. His work has appeared in a variety of journals, including Journal of Business Ethics, Management Decision, Business & Society, Supply Chain Management, and International Journal of Operations and Production Management.

Christian Nielsen, Ph.D., is Professor at Aalborg University in Denmark. He currently serves as Head of Aalborg University Business School. Christian is a global thought leader in the design of disruptive and scalable business models. His work combines business model design with corporate performance and benchmarking. He is also the Founding Editor of the Journal of Business Models as well as Editorial Board member of Accounting, Auditing and Accountability Journal and Journal of Behavioural Economics and Social Systems.