

Building Sustainable Value Propositions for Multiple Stakeholders: A Practical Tool

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Abstract

This paper presents a practical approach for helping innovation leaders to build value propositions that result in more sustainable businesses. The Sustainable Value Proposition Builder is a new tool developed to support the development and communication of value propositions to multiple stakeholders participating in the process of sustainable business model innovation.

Introduction

Value propositions are a fundamental premise in the business model literature (Massa *et al.*, 2017). Value is a core concept that underpins business model frameworks and multiple authors place the value proposition at the heart of the business model (Richardson 2008; Osterwalder and Pigneur, 2010). Most research on value propositions to date has focused on the narrow customer-firm perspective (Frow *et al.*, 2014; DaSilva, 2018). Value propositions have been described as “the

reasons a customer will value a firm’s (proposed) offering” (Richardson, 2008, p.139). Recent developments in the sustainable business model innovation space have led to the extension of the value proposition concept to integrate sustainability in its logic (Lambert, 2018; Raith and Siebold, 2018). For example, Baldassarre *et al.* (2017) refer to sustainable value propositions as the result of generating shared value for a network of stakeholders, while addressing a sustainability problem, and developing a product or service that tackles the problem.

Keywords: Sustainable value proposition, Sustainable business models, Business model innovation

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While there is an extensive academic debate and conceptualisation of value propositions, and lately sustainable value propositions, there is still a paucity of tools that can be used by industrialists to design and implement sustainable business models in practice (Evans *et al.*, 2017), and even fewer specifically focused on the design of sustainable value propositions. Business model tools are sparse and typically do not consider how sustainability concerns may be integrated into the value proposition. The Business Model Canvas (Osterwalder and Pigneur, 2010) and the Value Proposition Design Canvas (Osterwalder *et al.*, 2014) have become ubiquitous (Kyhnau and Nielsen, 2015). However, they focus on the single customer-firm relationship and do not consider sustainability in the creation of the value proposition.

In a recent review of tools for developing responsible business models, Hope (2018) identified a growing number of tools emerging in the field of sustainable business models that can help to design sustainable business models. Among these tools, the Cambridge Value Mapping Tool (Bocken *et al.*, 2013; Vladimirova, 2016) and the Sustainable Value Analysis Tool (Yang *et al.*, 2017) have extended the suite of tools that dig deeper into the concept of 'sustainable value' and yet the utility of these tools remains in ideation and analysis rather than construction of sustainable value propositions. Den Ouden's (2012) Value Framework explicitly considers larger impacts and it approaches business model design by developing value propositions for the user, organisation, ecosystem and society, and considers value from the perspectives of economy, psychology, sociology and ecology. However, the Value Framework remains largely conceptual and is difficult to apply in industry.

This study aims to address this gap with practical novelty and utility. The paper presents a new practical approach for helping innovation leaders to design better value propositions that result in more sustainable businesses. A new tool supporting the development and communication of value propositions to multiple stakeholders of sustainable business model innovation is presented. The tool can be used hands-on by industry practitioners who can follow the process and steps outlined in this paper.

Approach

This study adopted *engaged scholarship* as a research strategy. Engaged scholarship is a participatory form of research, which is designed to work across the theory-practice boundary (Van de Ven, 2007). The idea is to draw on the perspectives and understandings of key stakeholders in real-world problem situations to frame the research and, in turn, to leverage multiple theories and empirical findings to help address the problem situation (Mathiassen, 2017). This research was conducted in the form of a collaborative inquiry with industry practitioners that integrated their experience to generate useful knowledge (Barge and Shockley-Zalabak, 2008).

A structured method and a practical tool to facilitate the development of value propositions for multiple stakeholders of sustainable business model innovation in practice was built. The research process is shown in Figure 1. The first step was to formulate the problem with input from industry collaborators, which informed an initial concept for the tool. Second, multiple theoretical perspectives from various fields, as elaborated in the next section, were identified and synthesised to

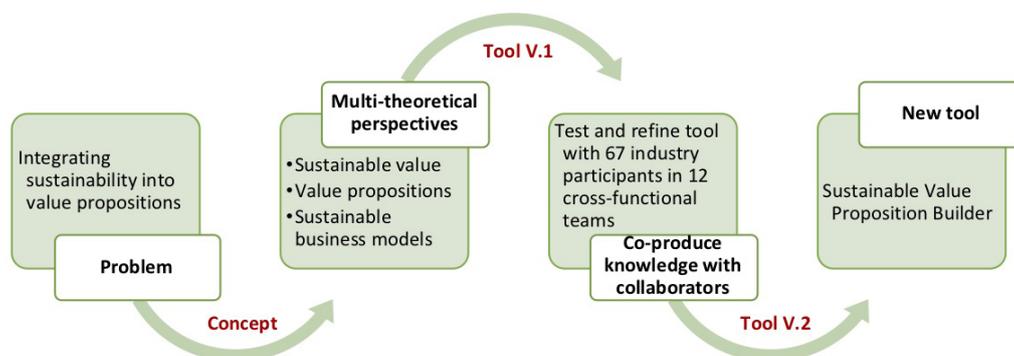


Figure 1: Research process

provide a robust theoretical foundation for the study, which led to the creation of the first version of the tool. Third, the tool and the facilitation process were tested, iterated and refined with a total of sixty-seven industry participants. Based on the feedback from participants and observations from using the tool in practice, the second and current version of the tool was developed.

The participants in the study were employees and managers working for the same organisation, a market leader in global digital services. The company was looking to encourage internal disruption and sustainable innovation, and to facilitate collaboration across globally distributed teams. The participants were organised in twelve international cross-functional project teams of up to six people who took part in workshops facilitated by the author. Each workshop lasted for 2 hours and 45 minutes and each team followed the step-by-step process outlined in Table 1. Participants provided verbal and written feedback on the utility of the tool and the process at the end of the workshop. In addition, each tool populated by the participants in the workshop was photographed and analysed after the event.

The outcome of this engagement for the participants was a set of targeted value propositions to their customers and other project-specific internal and external key stakeholders who were identified as critical to the success of the proposed innovation. The value propositions subsequently made part of the business cases presented to the top management of the company after the workshops seeking support and sponsorship for the innovation. In summary, the purpose of this engagement was to provide a method and a tool for structured and collaborative innovation to teams comprising co-workers from different functions based in international locations of the business and to facilitate the development of a business case for an innovation which takes sustainability into consideration.

Theoretical foundation

This study identifies and intertwines multiple theoretical perspectives in order to build a robust theoretical foundation. Namely, the Sustainable Value Proposition Builder draws on the concepts of sustainable value (Hart and Milstein, 2003; Yang *et al.*, 2017), value proposition (Ballantyne *et al.*, 2011; Frow *et al.*, 2014),

sustainable business models (Stubbs and Cocklin, 2008; Evans *et al.*, 2017) and stakeholder mutuality in a wider stakeholder network, which treats society and nature as primary stakeholders of the firm (Haigh and Griffiths, 2009; Argandoña, 2011).

Value is referred to as the benefits derived by stakeholders from tangible and intangible exchanges in a stakeholder network (Allee, 2008; Yang *et al.*, 2014). The scope of value, whereby, includes not only economic transactions but also relationships, exchanges and interactions conceptualised as value flows that take place among stakeholders in a network (Den Ouden, 2012). This study adopts the notion of sustainable value that “incorporates economic, social and environmental benefits conceptualised as value forms” (Evans *et al.*, 2017, p.601), whereby:

- i. Economic value forms could include cost savings, profit, return on investment and long-term viability;
- ii. Social value forms refer to the benefits created for various members/groups in society and could include job creation, secure livelihoods, health, wellbeing and community development;
- iii. Environmental value forms refer to reducing negative impacts, e.g. resource efficiency and pollution prevention of air, water and soil, as well as creating positive impacts for the environment, e.g. investing in renewable resources.

Value proposition is a core construct found across several bodies of literature on customer value, business models and sustainability. For example, in the Service-Dominant logic (a stream in marketing theory), value propositions are defined as “promises”, which integrate resources and align value creation mechanisms in a reciprocal manner, i.e. actors are operating and seeking an equitable exchange of value amongst themselves (Kowalkowski *et al.*, 2016). Sustainable value propositions have been recently defined as “a promise on the economic, environmental and social benefits that a firm’s offering delivers to customers and society at large, considering both short-term profits and long-term sustainability” (Patala *et al.*, 2016, p.144).

Ballantyne and Varey (2006) argue that value propositions should be considered as proposals of value, where

there is an expectation of reciprocity, which implies active roles for all actors. Argandoña (2011) argues that if the value created is of multiple forms, better ways of creating economic and non-economic value in a sustained way should be found, so that all stakeholders who help to create the benefits also become beneficiaries of value. This study adopts the notion of stakeholder mutuality in the creation of sustainable value propositions whereby stakeholders, who receive benefits from, also have responsibility for and provide contributions to the value creation system (Frow *et al.*, 2014). Moreover, treating society (Argandoña, 2011) and nature (or the natural environment) as non-traditional but primary stakeholders of the firm (Haigh and Griffiths, 2009) spreads a wider net for sustainable value creation.

Sustainable business models seek to go beyond delivering economic value and include a consideration of other forms of value for a broader range of stakeholders (Bocken *et al.*, 2013). Furthermore, a sustainable business model aligns interests of all stakeholder groups, and explicitly considers the environment and society as key stakeholders (Bocken *et al.*, 2014). Schaltegger *et al.* (2016) summarize that sustainable business models help to describe, analyze, manage, and communicate a firm's sustainable value proposition to its customers, and its other stakeholders: how it creates, delivers and captures economic value while actively maintaining or regenerating natural, social, and economic capital beyond the firm's boundaries. Sustainable business model innovation is defined as "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). Sustainable business model innovation can lead to the development of entirely new business models, the diversification into additional business models, the acquisition of new business models, or the transformation from one business model to another (Geissdoerfer *et al.*, 2018).

Identifying key stakeholder groups, the interests they represent, the amount of power they possess and determining if they represent inhibiting or supporting factors toward the business model innovation is critical for its success (Brouwer *et al.*, 2012). Engaging with the

stakeholders of the sustainable business model innovation process can help innovation leaders identify the key players, understand the value exchanges among them and keep interests aligned by developing sustainable value propositions for the key stakeholders.

Sustainable Value Proposition Builder

This section presents the new Sustainable Value Proposition Builder which comprises a 5-step process and a graphical tool (Figure 2) for creating sustainable value propositions for multiple primary stakeholders of the business model by internal and external stakeholders of the business. The Sustainable Value Proposition Builder was conceived to help companies to create value propositions to multiple stakeholders who play critical roles in the process of sustainable business model innovation. It adopts a qualitative approach to identifying different forms of value interpreted as *benefits* to and *contributions* from stakeholders. The primary aim of the Sustainable Value Proposition Builder is to support value proposition design and facilitate stakeholder engagement. It specifically helps to understand the positive and negative aspects of the value propositions for the stakeholder network, identify potential risks for key stakeholders so that timely action can be taken to address these, and identify opportunities for stakeholder engagement in the early stages of business model innovation.

The proposed use of the tool follows five steps. The process begins by defining the unit of analysis, typically a new value opportunity (Step 1). This could be a product, service, a new business idea, technology or sustainability innovation. Key stakeholders of the unit of analysis are then identified and placed in each segment of the tool (Step 2). Generic stakeholder groups are shown on the tool as prompts to facilitate the generation of ideas. These include customers, investors and shareholders, suppliers and partners, society and environment, but when used, the tool is populated by users with specific stakeholders related to the new value opportunity. A facilitated brainstorming is then carried out to populate each stakeholder segment with the various forms of value generated for that stakeholder. This starts with identifying positive benefits that stakeholders might receive (Step 3), followed by

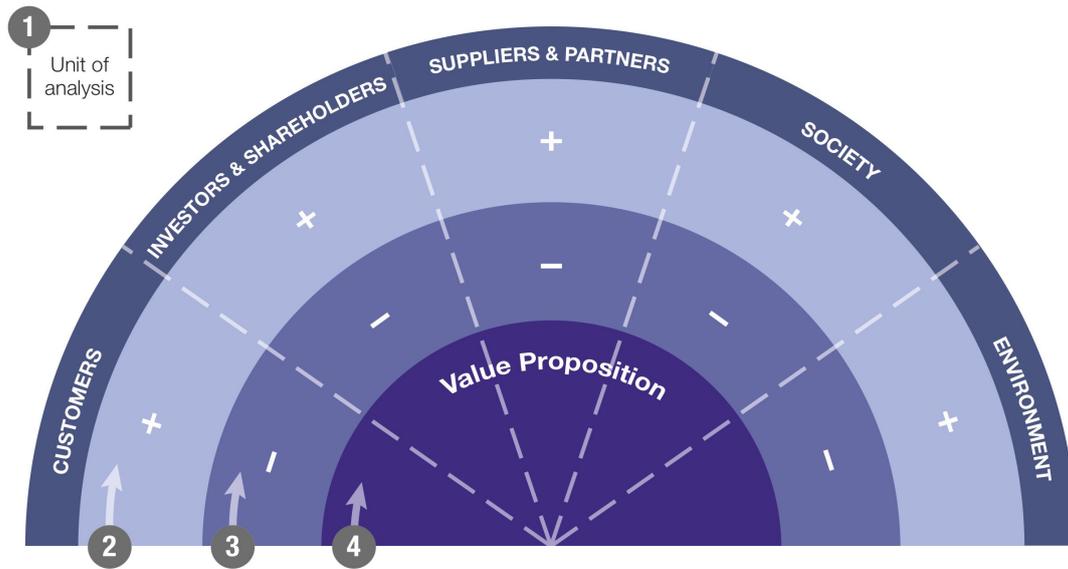


Figure 2: Sustainable Value Proposition Builder (Source: Own Figure)

identifying contributions that stakeholder need to provide in order to realise the new value opportunity (Step 4). Finally, a balanced value proposition is developed for each stakeholder identified in the process (Step 5). The tool is graphically designed and the process is logically devised for ease of use and limited need for expert facilitation.

Summary of the steps is presented next and the detailed workshop facilitation process is elaborated in Table 1.

- **Step 1:** Define the unit of analysis - a new value opportunity, e.g. product, service, project, idea, technology, which could lead to a change in the existing business model or to the creation of a new business model.
- **Step 2:** Identify key stakeholders of the new value opportunity, i.e. stakeholders who can enable or prevent successful change, which might include specific customers, decision-makers, partners, suppliers, representatives of society, proxies for the natural environment.
- **Step 3:** Describe the economic, social and environmental benefits of the new value opportunity for each of the stakeholders.
- **Step 4:** Describe the contributions from each stakeholder for the realisation of the new value opportunity.
- **Step 5:** Develop a sustainable value proposition for each stakeholder.

Conclusion

The paper introduces the Sustainable Value Proposition Builder, which assists industry users by providing a step-by-step structured approach for creating value propositions for multiple stakeholders of their business to support the process of business model innovation that integrates sustainability at the heart of the business. The contribution is twofold. First, the study strengthens the theoretical foundation of the emerging and reformist field of sustainable business model innovation by integrating concepts from multiple theories to inform a novel solution. Second, a new tool, which bridges academic research and industry practice, is developed.

Implications for industry practice. The tool facilitates organisations in better understanding the exchanges with their stakeholders and could help build and communicate targeted value propositions. It also enables industrialists to enhance competitive advantage through the economic, social and environmental attributes of sustainable value. This tool can be used by entrepreneurs and business managers to gain a more complete understanding of the current value proposition of the company, and to explore opportunities for transforming the value proposition towards more sustainable solutions. Overall, the Sustainable Value Proposition Builder provides a structured approach to a sustainability-focused approach to business model innovation.

Implications for research. It should be noted that the Sustainable Value Proposition Builder is intended to support value proposition design as part of a wider business model innovation process. It can be used as a standalone tool or together with other ideation, analysis and design tools to create a more comprehensive process. In future research, the Sustainable Value Proposition Builder can be applied in case studies

in different industrial contexts. Future research can reveal new ways of configuring new and existing tools to formulate a modular customized innovation process. The tool can also be developed into a digital tool. The workshop process can be gamified and tested in virtual reality environment to explore new ways of conducting innovation workshops.

Step	Activity	Prompts
Introduction to the tool and the workshop process.	Facilitator describes the underlying concepts and rationale of the tool and explains its purpose and use. Participants describe existing value exchanges in the company.	Who are your internal and external customers? Who are your suppliers / partners? What products / services do you offer to your customers? What benefits do you provide to your customers / suppliers / partners? What do you receive in return from your customers / suppliers / partners?
Step 1: Define the unit of analysis.	Facilitator explains how the unit of analysis scopes the enquiry. Participants debate and decide the unit of analysis, typically a new value opportunity.	What is the new value opportunity, e.g. new product / service / project / business idea / technology / start-up company?
Step 2: Identify key stakeholders for the new value opportunity.	Facilitator explains the concept and purpose of multi-stakeholder engagement. Participants debate and determine the key stakeholders that can facilitate or block the change associated with the new value opportunity.	Who are the key change stakeholders for this value opportunity? Who has the power to help realise the new value opportunity? Who is in a position to block implementation? Identify key stakeholders of the new value opportunity, e.g. customers / decision-makers / change sponsors / partners / suppliers / local community / environmental regulator.
Step 3: Describe the economic, social and environmental benefits of the value opportunity for each stakeholder.	Facilitator provides prompts. Participants explain the potential of the new value opportunity and identify economic, social and environmental benefits for the key stakeholders.	What are the positive benefits for the stakeholders? Describe economic, social and environmental benefits for each stakeholder. What problems does the new value opportunity solve for each stakeholder? What problems can the new value opportunity solve for each stakeholder? Identify 3 problems that might be solved.
Step 4: Describe the contributions from each stakeholder to the new value opportunity.	Facilitator provides prompts. Participants identify economic, social and environmental contributions required from each stakeholder to the new value opportunity.	What investment does each stakeholder need to make into the new value opportunity? What resources are needed in order to implement the new value opportunity? What responsibilities does each stakeholder have in order to realise the new value opportunity? What are the potential negative impacts for the stakeholders? What are the potential risks for each stakeholder?
Step 5: Develop a sustainable value proposition for each stakeholder.	Facilitator provides real world examples of sustainable value propositions. Participants develop constructs and build a set of new value propositions.	Define clear value propositions which communicate the benefits and desirable outcomes and outline reciprocity for the stakeholders. Write the value propositions up in short messages.
Closing the workshop.	Participants discuss further how to engage with the stakeholders and communicate the new value propositions effectively.	Simplify the value propositions. Highlight especially desirable outcomes. Plan how to mitigate potential negative impacts.

Table 1: Workshop Facilitation Process for the Sustainable Value Proposition Builder

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