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# PROGRESSIVE BUSINESS AS SOCIAL BUSINESS INNOVATION

## 实施社会商业创新的渐进式商业模式

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### ABSTRACT

This paper presents a series of brief case studies of exemplary companies identified as progressive businesses, understood as ecologically sustainable, future-respecting and pro-social enterprises. These companies follow progressive business practices and embrace social innovation methods in their business models. They represent a range of industries including ethical and sustainable banking, artisan coffee production and distribution, insurance, clean technology, retailing, and consumer goods. The analysis of these cases is meant to show readers that social innovation is practical for businesses seeking to flourish in the 21<sup>st</sup> century.

These enterprises featured here may help to dramatize the contrast with many mainstream establishments whose business models inhibit socially and environmentally sustainable practices.

### PROGRESSIVE BUSINESS FOR SUSTAINABILITY

**I**n our book *“Progressive Business Models”* (O'Higgins and Zsolnai, 2017) we collect and analyse progressive business cases where progressive business is defined as ecologically sustainable, future respecting and pro-social enterprise. Progressive business aims to serve nature, future generations and society while maintaining its financial profitability and robustness in an integrated way, employing

methods of social innovation that are consistent with the requirement of socio-ecological value creation (Ims and Zsolnai, 2014; Thompson, 2017).

We advocate the concept of progressive business models to achieve a sustainable relationship with the Earth, our common home, or at least advance toward it, adopting social innovation to produce values for society at large,

cultural change. Triodos' mission is translated into a set of business principles that all employees are expected to follow. The principles promote sustainable development, obedience to the law, respect for human rights and the environment, accountability and continuous improvement. The principles are paired with practical procedures, for example, internal and external auditing of, and reporting on the bank's environmental

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not just for selected stakeholders. In effect, the progressive business model explains the choices the enterprise makes (Casadesus-Masanell & Ricart, 2011). The progressive, sustainable and socially responsible nature of our exemplary cases are captured in the choices featured prominently in their business models:

- Value propositions – what are the benefits or values to be delivered to customers;
- Policies – how they choose to operate, across all their operations, involving internal and external stakeholders;
- Assets – what resources the enterprise chooses to own and operate;
- Governance – how power and decision-making are exercised.

#### PROGRESSIVE COMPANIES

Our selection of progressive companies include a variety of industries and countries as follows: Triodos Bank (ethical and sustainable banking, Netherlands/transnational), illycafé (artisan coffee production and distribution, Italy/international), DKV Integralia (health insurance, Spain), Lumituuli (clean technology, Finland), John Lewis Partnership (JLP) (retailing, UK), and Unilever (consumer goods, UK/Netherlands/global).

*Triodos Bank* is a Dutch bank with branches in four European countries. It was founded in 1980 with a mission to make money work for positive social, environmental and

performance. Bonuses are not part of the compensation packages. The bank believes that its employees act on their intrinsic, value-based motivation. A whistleblower policy supports compliance with its principles.

Triodos finances and invests in companies, institutions and projects that fall within the range of its ecological, social and cultural criteria. Triodos' principles are reflected in a thoroughly qualitative decision-making process in considering loan applications. In general, it excludes proposals involving products, services, or business processes that would hinder the development of a sustainable society. Specifically, Triodos does not lend to organizations, businesses, and projects whose activities products, services, or processes are more than five percent non-sustainable.

Highly transparent in its operations, Triodos' portfolio is disclosed on its website, enabling its depositors and investors to track directly where their money is put to work. Triodos also invests money through several green funds directly under its management. These funds provide an additional instrument to raise capital for responsible investments. The funds invest in different areas such as microfinance, sustainable trade, organic agriculture, climate mitigation, sustainable energy, real estate, arts and culture.

*illycaffè*, a family-owned company located in Trieste, Italy, produces and sells a unique single blend of premium-quality coffee in more than 140 countries on five continents. The success of this top-quality coffee blend is deeply rooted in the firm's strong, collaborative

relationships with farmers. illycaffè buys green coffee directly from the farmers that produce the highest-quality coffee beans in South and Central America, India, China, and Africa. It remunerates the efforts of local farmers by paying 30 to 35 percent more than the market price for Arabica coffee beans. illycaffè's long-term, mutually beneficial partnerships, comprise a virtuous cycle of sustainability based on four principles: (i) sustainable development and quality are an inseparable pair; (ii) 100 percent of illy coffee is bought directly from local producers; (iii) quality is a tool for improving the living conditions of farmers over time; and (iv) a fair price is always applied.

Supportive stakeholder linkages are key features of illycaffè's supply chain management, part of its overall value proposition, as it aims to develop and spread the culture of coffee through several initiatives, including a continual interaction with the world of contemporary art.

*DKV Integralia* is the Spanish affiliate of Munich Health, the leading European health insurance company. It has a wide network of offices and consultancies throughout Spain, serving 1.6 million clients. DKV's business model revolves around the central idea of "really interested in you", which is a value proposition based on the principles of open collaboration and participative, long-term relationships with its key stakeholders.

DKV has the highest percentage of disabled employees (29 percent) of any company in Spain. The goal is not only to hire disabled people, but also to train and help them obtain jobs in other companies, as well as to spread the culture of integrating disabled people in business. DKV Spain enacts its collaborative business model through four objectives: (1) being the best company co-responsible for the health of its clients; (2) giving a service that surpasses the expectations of its clients; (3) being an exemplary organization; and (4) being an innovative, open and responsible company.

*Lumituuli* is a customer owned wind power producer in Finland. Its main business operations consist of commissioning and operating wind generators and funding these

activities via share offerings targeted mainly at ordinary people. Electricity produced is sold to the firm's more than 1200 shareholders, mostly private citizens but also other firms, associations and municipalities.

Lumituuli's ultimate goal is to raise awareness about the possibilities and potential of wind power. Its activities help to decrease the use of fossil fuels, reduce carbon emissions, and facilitate a transformation to renewable resources in the economy. To broaden its scope of activities, the company has released public loans that enable people to make direct investments in building new wind turbines without using the electricity generated from them.

*John Lewis Partnership* (JLP) is an employee owned UK retailer that operates 42 John Lewis department stores across the UK, 328 Waitrose supermarkets, an online and catalogue business, a production unit and a farm. The company is owned by a Trust on behalf of all its 90,000 permanent staff, known as 'Partners', who have a say in the running of the business and receive a share of annual profits, which is usually a significant addition to their salary.

The firm's constitution states that the happiness of its members is the Partnership's ultimate purpose, recognising that such happiness depends on having a satisfying job in a successful business. It establishes a system of rights and responsibilities, which places on all Partners the obligation to work for the improvement of the business in the knowledge that they share the rewards of its success. The constitution defines mechanisms to provide for the management of the Partnership, with checks and balances to ensure accountability, transparency and integrity.

*Unilever* is a British-Dutch global consumer goods company whose Sustainable Living Plan includes three main goals: improving health and well-being; reducing environmental impact; and enhancing livelihoods. Unilever is working with multiple NGOs to arrive at solutions to various challenges, including ensuring safe drinking water, fighting viruses, better packaging, sustainable washing, storing renewable energy, and changing consumer behavior in a more balanced direction. Paul Polman, CEO since

2009, has eliminated earnings guidance and quarterly reporting, rejecting hedge funds as investors, thus changing the way business is done by Unilever. Polman redefined the role of the CEO as statesman – someone who runs his or her business responsibly and successfully, with integrity. Unilever does not know for certain that it will succeed in meeting its goals. Its biggest challenge is managing its relationship to current capital markets in light of its innovative business model.

#### KEY FEATURES OF PROGRESSIVE BUSINESS

Whilst the business models of progressive companies differ in their construction, yet they have many features in common which define their progressivity. We identify seven features in this section.

##### *1. Exponential*

Progressive business models entail a radical departure from conventional models, i.e., the ambition is toward exponential change, rather than simple gradual improvement (Volans, 2016). The contrast to what exists should be transformative (Haslam, 2016), involving a reframing and even a disruption of fundamental beliefs, challenging conventional thinking (de Jong and van Dijk, 2015). This requires double-loop learning that forces a transformation in fundamental assumptions to institute change, instead of single-loop learning which confines itself to change within an existing framework (Yunus et al., 2016).

Exponential business model conversions can take the form of major innovations in ownership, such as JLP which is owned by its staff through a Trust donated in 1928 by the visionary Spedan Lewis, son of the founder, John Lewis. Lumituuli, owned by its customers as a co-operative, is unusual among energy companies. Unilever has challenged the conventional capital markets.

Exponential innovations in business models can also be reflected in departures from the conventional in processes and value chains. Triodos was a pioneer in addressing questions of

human and ecological sustainability in banking. *illycaffè* has revolutionised all its processes, throughout the value chain, from sustainable sourcing of beans, through to innovations in its processing and distribution. DKV Integralia experiments with different forms of working and technology to advance the participation of disabled people in the workforce, meanwhile enhancing its value proposition.

##### *2. Sustainable/Circular/Frugal*

Sustainability in progressive companies is twofold. On the one hand is the sustainability of the enterprise itself, as it thinks long-term. On the other hand, progressive companies integrate the sustainability of the planet into their business models. Companies that discard the traditional quarterly earnings ‘merry-go-round’ are more likely to discover the breathing space to flourish sustainably. A long-term approach can lead to superior performance for revenue and earnings, investment, market capitalisation and job creation (Barton et al., 2017).

Long-term thinking in companies is exemplified by Unilever, which is shunning the typical quarterly earnings reports to shareholders, also recruiting investors who concentrate on the long-term. The emphasis in progressive companies is on an enduring timeline that appears to provide business advantages. Other efforts at long-term sustainability are exemplified by continuous innovation, such as *illycaffè*'s expansion with innovative products and formats, whilst maintaining its basic principles of perfectionism and integrity in its relationships, and JLP's forward looking innovations in outsourcing and distribution, using information technology.

Ecological sustainability is evident in the ways progressive companies attempt to reduce pollution and preserve depletable resources. All the progressive companies reported have made serious efforts to tackle environmental issues. Lumituuli's very mission is to advance wind power generation in Finland, thereby conserving resources through its renewable energy business. In addition to frugality, wind power generation also has the effect of mitigating climate change.

Triodos was among the first banks in the world to take responsibility for the natural environment in dealing with its customers and other stakeholders, with 65 percent of savers' deposits invested in sustainable projects. Illycaffè is also environmentally aware and has obtained various environmental certifications – Certification ISO 14001 for its environmental management system; EMAS (Eco-Management and Audit Scheme) registration; it was the first company in the world to obtain the very demanding certification of Responsible Supply Chain Process.

### *3. Embracing paradox*

Progressive businesses embrace paradox, as they pursue diverse goals simultaneously—some of which may clash with each other—thereby differentiating themselves and achieving competitive advantage. Embracing paradox means that instead of asking themselves whether to implement A or B, managers should be seeking ways to implement both A and B, thus achieving the seemingly unachievable (Smith et al., 2010).

DKV Integralia is such an example. At first glance, it would appear that employing disabled people would weaken productivity. But, contrary to this conventional belief, the productivity and proficiency of Integralia's disabled workforce has proven to be so superior that its staff are desired by peer companies where they may also find employment. Integralia also illustrates how engaging contradictions facilitates creativity, and dynamic capabilities flourish as the company tries to pursue simultaneous aims, creating a virtuous circle, with spin-off activities that benefit the company, its workers, and associated stakeholders who use its services. Lumituuli is another exemplar of embracing paradox, as a hybrid organization, a co-operative, which can encompass both private and public sector imperatives.

### *4. Integration*

Integration means that activities are coordinated harmoniously by invoking systemic thinking. The system includes not only the internal company, but also incorporates the external

environment in which the business operates. An integrated approach entails balance between three dimensions of environmental, social and economic emphases (Szekely and Strebel, 2013).

One manifestation of integration is the assimilation of external partnerships and stakeholder arrangements into the everyday modus operandi of the organization, as exemplified by Unilever's relationships with NGOs. In JLP, the representation of all Partners at the governance level facilitates integration. Triodos' principles of governance—based on conformity with law, valuing human rights, respecting the environment, promoting sustainable development, and a no-bonus culture—act to unify and harmonise the practices and activities of the Bank.

### *5. Socially oriented*

Progressive companies are different from others in putting social impact at the forefront, specifying social profit objectives, and seeking pro-social owners (Yunus et al., 2010).

Lumituuli, as a community enterprise embodies this social orientation in its very purpose, formation and governance. Its ultimate purpose is to advance renewable energy, and as a co-operative, it does not seek a financial profit. Unilever is also an example of the pro-social orientation, where shareholders are being educated that the company should strive for more than financial profit. It should expand its ambition to make a profound social impact on people's lives, in both developed and developing countries and communities.

DKV Integralia's pro-social orientation actively integrates disabled people as workers, not only into its own operations, but by training the disabled for work in other companies. Similarly, the 'happiness of the Partners' is seen in the unique social collective of partnership at JLP. Triodos Bank was a pioneer in banking as it strives to serve society, in contrast to traditional banking models. It is renowned for its support of microfinance projects that advance the flourishing of communities.

### *6. Stakeholder oriented*

Progressive companies portray the

features of the “engaged” configuration in their stakeholder model (O’Higgins, 2010). They are integrated into social networks with stakeholder management based on fairness, interdependency, relationships, dialogue and trust. Implementing decisions take place in a context of long-term ongoing developmental partnerships with

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multiple stakeholders.

An example is Unilever’s partnerships with NGOs, such as with the Rainforest Alliance and with government agencies for the cultivation of tea in a sustainable manner that ensures the enhancement of the lives of tea plantation workers. Unilever was involved in the formation of the Marine Stewardship Council in the 1990s, which has since developed and expanded to become an established certification body for sustainable fishing.

Another win-win collaboration scheme is Lumituuli’s partnership with Ekosähkö, a company which produces green electricity from hydro and biomass sources, but did not have a large customer base, while Lumituuli lacked the management skills to support its large volume of sales. Therefore, a partnership between the two organizations, whereby Lumituuli buys administrative services and some electricity from Ekosähkö, has offered mutual benefits for many years, allowing both companies to grow and flourish.

### 7. Committed leadership

Progressive companies are led from the top. This is essential in creating the enterprise in the first place and in sustaining progressivity in an existing company. Progressive leaders have a clear

vision and direction, galvanize necessary change and ensure implementation of the progressive measures (Szekely and Strebel, 2013).

All the reported case examples of progressive companies have been led and inspired by visionary, determined leaders and teams. The vision of Paul Polman of Unilever is integrated and multi-faceted, encompassing the complexity inherent in running a giant multinational company with its diversified array of businesses and stakeholder engagements. The wholehearted adoption and pursuit of the Unilever Sustainable Living Plan has provided a focus from the top for all.

In some cases, the leadership has come from a family vision. This is seen in illycaffè, as succeeding generations have carried on the progressive tradition originally established by a forebear. In JLP, the radical idea of giving away the family company to a partnership trust was the brainchild of Spedan Lewis, and he embodied this vision in a constitution that survives to this day. Other inspirational leaders in the progressive case companies include Josep Santacreu, President of DKV Integralia and CEO of DKV Spain.

## CONCLUSION

Our progressive business cases have, in their own different ways, shown that business enterprises can adopt socially innovative approaches in business models that depart from the traditional to achieve meaningful change in the critical nexus of humanity and Earth, our common home. They demonstrate how to become ecologically conscious, future respecting, pro-social agents in this era now regarded as the “Anthropocene” (Waters et al. 2016) where, operating within the limits of the biosphere we should contribute to the fullness of life for all species with whom we share this planet.

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