



Aalto University  
School of Business

# Sustainability innovation by businesses

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Aalto University  
School of Business

**compliance**

**“license to operate”**

**reputation management**

**risk management**

# **Why do businesses engage with sustainability?**

**competitive advantage**

**personal values: “the right thing to do”**

# How do societal challenges like climate change influence businesses?

**Reshaping value chains:** new distribution & transportation systems, new sources of energy, new organizational forms & relationships

**Technology**

**Shift in work & life:** new work patterns, employee skills, motivations, ways to collaborate...

**Resilience:** use of land, water, coasts..

**Societal shifts:** extreme events, changes in infrastructure, social movements...

**Entrepreneurship**

# Sustainable Development Goals and Sustainability

- development that meets the needs of the present without compromising the ability of the future generations to meet their own needs



**(Our Common Future – Brundtland Report 1987)**

# SDGs 2030 and strategic questions

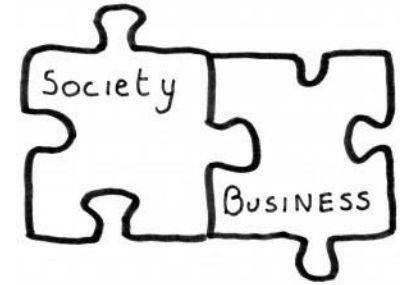
## for businesses:

- How to best combine ecological, social and financial goals?
- Does it pay to be responsible?

## for society:

- Do sustainability/responsibility actions of businesses deliver societal and ecological benefits?

# CSR & CSV: Corporate Social Responsibility or Creating Shared Value?



- **CR:** the responsibility of enterprises for their impacts on society (European Commission)
- **CSV:** choosing responsibility tasks with real impact and that are strategic opportunities for the company

HBR.ORG  
**Harvard  
Business  
Review**

HARVARD BUSINESS SCHOOL  
JANUARY-FEBRUARY 2011  
REPRINT R1101C

**THE BIG IDEA**

## Creating Shared Value

How to reinvent capitalism—and unleash a wave of innovation and growth by Michael E. Porter and Mark R. Kramer

Porter & Kramer 2006

# Who are stakeholders?

## Primary stakeholders:

- A group without whose “continuing participation the corporation cannot survive as a going concern” (Clarkson 1995).
- Typically: investors, shareholders, employees, customers, suppliers and communities

## Secondary stakeholders:

- “those who influence to, or are influenced by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival”

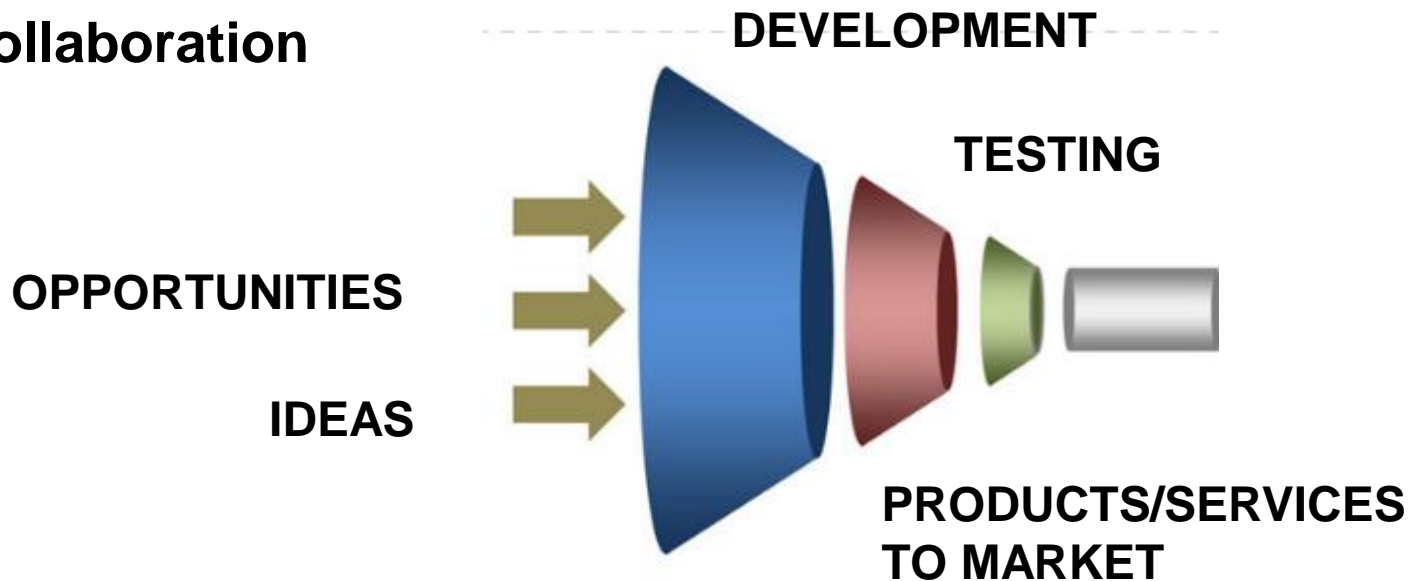
***“Any group or individual who can affect or is affected by the achievement of the firm’s objectives” Freeman 1984***



Typically include: media, special interest groups, government

# Collaborating with stakeholders

- Innovation for sustainability – engaging end users
- Collaboration with multiple stakeholders
- Importance of secondary stakeholders
- Deep collaboration
- Proactive collaboration





# Innovation ecosystems & stakeholder collaboration



Strategy making in an innovation ecosystem is iterative—it has to be, because there are so many interconnected pieces and players

(Adner 2006)

# Multitude of stakeholder roles in sustainability innovation

Stimulators

Innovation initiators

Brokers and mediators

Concept refiners

Legitimizers

Educators

Context enabler

Impact Extender

Where can we learn about projects?

Where can we get new ideas?

Who can help us work with stakeholders?

Is our innovation right for end users?

How can we reassure the public?

How can we best explain our solution?

What about regulations?

How can we make a bigger impact?

# Becoming sustainable: a 5 stage process

## STAGE 1 Viewing Compliance as Opportunity

### CENTRAL CHALLENGE

To ensure that compliance with norms becomes an opportunity for innovation.

### COMPETENCIES NEEDED

- >> The ability to anticipate and shape regulations.
- >> The skill to work with other companies, including rivals, to implement creative solutions.

### INNOVATION OPPORTUNITY

- >> Using compliance to induce the company and its partners to experiment with sustainable technologies, materials, and processes.

## STAGE 2 Making Value Chains Sustainable

### CENTRAL CHALLENGE

To increase efficiencies throughout the value chain.

### COMPETENCIES NEEDED

- >> Expertise in techniques such as carbon management and life-cycle assessment.
- >> The ability to redesign operations to use less energy and water, produce fewer emissions, and generate less waste.

- >> The capacity to ensure that suppliers and retailers make their operations eco-friendly.

### INNOVATION OPPORTUNITIES

- >> Developing sustainable sources of raw materials and components.
- >> Increasing the use of clean energy sources such as wind and solar power.
- >> Finding innovative uses for returned products.

## STAGE 3 Designing Sustainable Products and Services

### CENTRAL CHALLENGE

To develop sustainable offerings or redesign existing ones to become eco-friendly.

### COMPETENCIES NEEDED

- >> The skills to know which products or services are most unfriendly to the environment.
- >> The ability to generate real public support for sustainable offerings and not be considered as "greenwashing."
- >> The management know-how to scale both supplies of green materials and the manufacture of products.

### INNOVATION OPPORTUNITIES

- >> Applying techniques such as biomimicry in product development.
- >> Developing compact and eco-friendly packaging.

## STAGE 4 Developing New Business Models

### CENTRAL CHALLENGE

To find novel ways of delivering and capturing value, which will change the basis of competition.

### COMPETENCIES NEEDED

- >> The capacity to understand what consumers want and to figure out different ways to meet those demands.
- >> The ability to understand how partners can enhance the value of offerings.

### INNOVATION OPPORTUNITIES

- >> Developing new delivery technologies that change value-chain relationships in significant ways.
- >> Creating monetization models that relate to services rather than products.
- >> Devising business models that combine digital and physical infrastructures.

## STAGE 5 Creating Next- Practice Platforms

### CENTRAL CHALLENGE

To question through the sustainability lens the dominant logic behind business today.

### COMPETENCIES REQUIRED

- >> Knowledge of how renewable and nonrenewable resources affect business ecosystems and industries.
- >> The expertise to synthesize business models, technologies, and regulations in different industries.

### INNOVATION OPPORTUNITIES

- >> Building business platforms that will enable customers and suppliers to manage energy in radically different ways.
- >> Developing products that won't need water in categories traditionally associated with it, such as cleaning products.
- >> Designing technologies that will allow industries to use the energy produced as a by-product.

(Nidumolu, Prahalad, Rangaswami 2009)

# Stage 1: compliance as opportunity

- Not just compliance but meeting emerging norms (e.g. improved plastics' recycling)

(do you sort black plastics as recyclable? It ends up being burned, and here is why)

PAKKAUKSET

## Laitatko sinäkin mustaa muovia kierrätykseen? Se päättyy polttoon ja me kerromme miksi

25.4.2018 07:45 | päivitetty 25.4.2018 09:55

RUOKA

KAUPPA

LIFESTYLE

TEOLLISUUS

ELINTARVIKKEET



# Stage 2: making value chains sustainable

- Increasing the efficiency and responsibility of the value chain



[COMPANY](#) ▾ [CUSTOMER](#) ▾ [INVESTOR](#) ▾ [MEDIA](#) ▾ [CAREERS](#) ▾

## KESKO AGAIN RANKS THE MOST SUSTAINABLE TRADING SECTOR COMPANY IN THE WORLD

23.01.2018

Kesko has been ranked 31st on the Global 100 Most Sustainable Corporations in the World list, and as the most sustainable trading sector company in the world. Kesko is the only Finnish company to be included in the list every year since it was established in 2005.



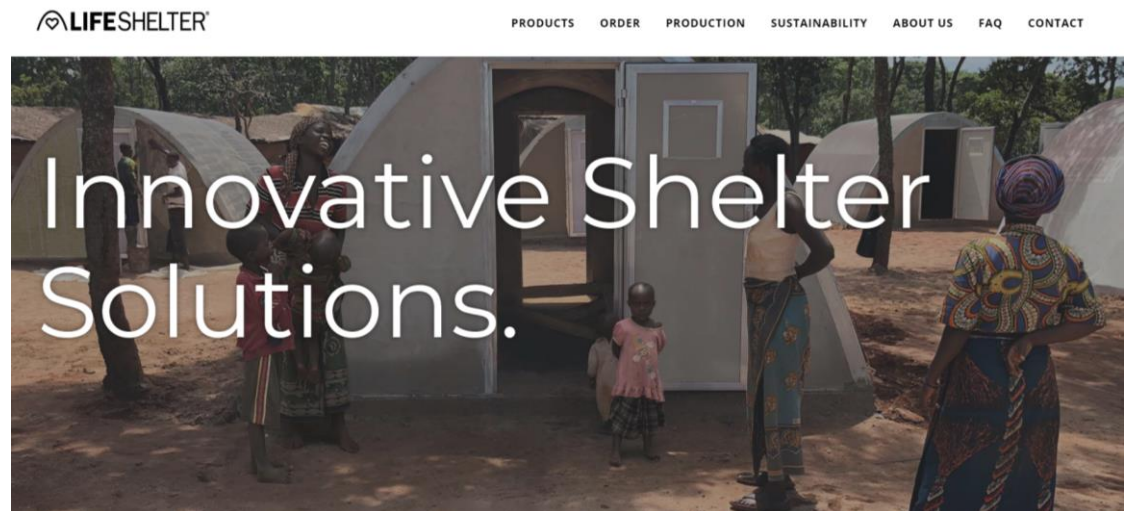


# Stage 3: sustainable products & services

- Collaboration across key stakeholders is crucial for achieving impact of the new products or services



[www.eu-innovate.com](http://www.eu-innovate.com)



# Stage 4: new business models

service oriented business models  
result oriented business models  
circular economy business models...



SURVEY

+



PROJECT / LIGHTING  
PLANNING

+



DELIVERY OF THE LIGHTING  
SOLUTION

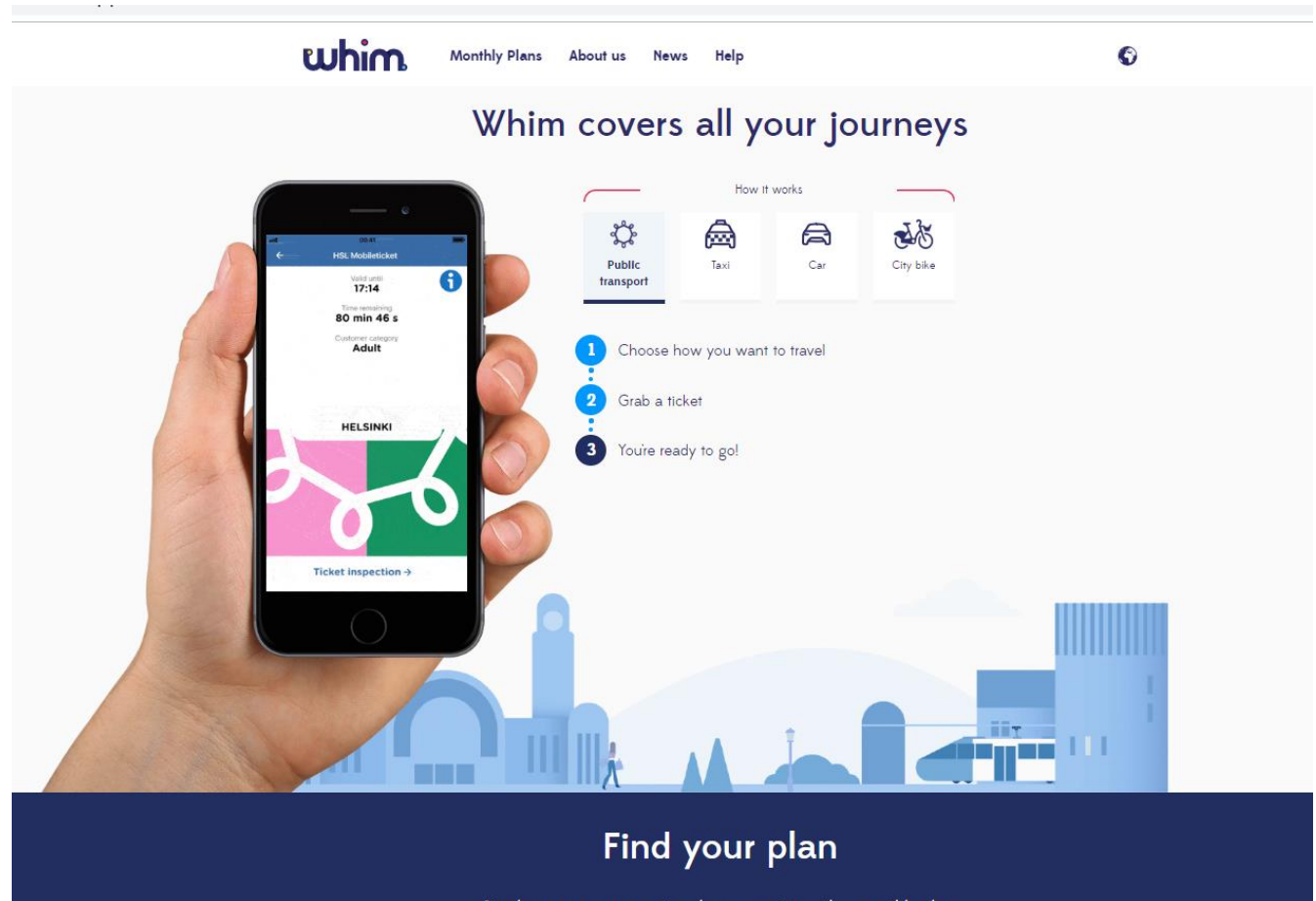
## GREENLED

Olemme energiaa ja ympäristöä säästävien  
valaistusratkaisujen kokonaistoimittaja

- **Smart lightning to offices, shopping centers, sport arenas**
- Monthly payments for light
- Energy-efficient – savings through less energy use
- Smart lightning: Adjusts itself according to use
- Lifecycle 100.000 hours (typical household units 20.000 hours)

# Stage 5: creating next practice platforms

**MaaS**  
**Global:**  
  
**mobility**  
**as a**  
**service**





# Seeing the Big Picture

- **Grand societal challenges are changing natural environment, societal attitudes, systems and the way businesses operate. These societal challenges can be a source of innovation for businesses:**
  - What are you trying to address? What has been done already? What can you do differently?
- **Collaboration across key stakeholders is crucial for achieving impact of sustainable products and services**
  - How would your innovation fit to the existing ecosystem?
- **Strategy making in innovation ecosystems is iterative, stakeholder roles may be shifting and adopting to the new needs of the ecosystem**
  - What actors do you need in the ecosystem? What would be their roles? Which actors are already present?

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