






## RESEARCH ARTICLE

# Moving beyond “the” business case: How to make corporate sustainability work

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## Abstract

One of the most investigated research topics in the corporate sustainability literature is “the” business case. Long lionized for linking the profit motive to corporate environmental initiatives, the business case for sustainability is now vehemently criticized. These critics generally argue for a return to the state and stronger regulatory frameworks. Others counter that because the private sector's capabilities are uniquely suited to realizing effective sustainability innovations and outcomes, we must not abandon but further develop our business case understanding. In this view, firms' voluntary efforts are key for innovative solutions to sustainability problems. This article overviews and unites these seemingly disparate positions. We move the field forward by placing in context criticisms and also opportunities for more meaningful positive impacts from corporate sustainability. Specifically, we argue that an effective business case orientation requires shifting to a broader “all stakeholders win” approach. This entails impact orientation, collaborative approaches, and economic restraint.

## KEYWORDS

business case(s), grand challenges, net present value, stakeholder capitalism, stakeholders, win-win

**Abbreviations:** B, Corp: Benefit Corporation; BP, British Petroleum; CO<sub>2</sub>, Carbon dioxide; EV, electric-light vehicle; FSC, Forest Stewardship Council; IEA, International Energy Agency; IPBES, Intergovernmental Panel on Biodiversity and Ecosystems; IPCC, Intergovernmental Panel on Climate Change; NGO, Nongovernmental organization.

After the first author, names appear in last name alphabetical author.

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## 1 | INTRODUCTION

Private firms can have a major positive impact on safeguarding and even restoring the natural environment. But why would they voluntarily do so? The promise of profit proves compelling. Firms are enticed to become and remain environmentally responsible if it pays to be green (Ambec & Lanoie, 2008). So does it? Scholars from a range of disciplinary and interdisciplinary perspectives have investigated the relationship between corporate sustainability initiatives and financial performance. Though the results have been mixed, the massive literature offers substantial support for a positive relationship (Friede et al., 2015; Orlitzky et al., 2003).

Scholarly validation of “the” business case for corporate sustainability has coincided with and spurred on its widespread acceptance in practice. Publicly traded firms now commonly justify significant resource allocations to environmental initiatives by stressing their economic benefits. Consider e-commerce giant Amazon’s sustainability tagline: “We are committed to and invested in sustainability because it’s a win all around—it’s good for the planet, for business, for our customers, and for our communities.”<sup>1</sup> In a letter to shareholders, Jeff Bezos justified Amazon’s Climate Pledge in more explicit economic terms: “Not long ago, most people believed that it would be good to address climate change, but they also thought it would cost a lot and would threaten jobs, competitiveness, and economic growth. We now know better. Smart action on climate change will not only stop bad things from happening, it will also make our economy more efficient, help drive technological change, and reduce risks.”<sup>2</sup>

By framing environmental spending not as an agency loss but as a wise investment, now-common business case logic has helped corporate sustainability programs to diffuse globally. Almost every major firm now invests in a portfolio of sustainability initiatives. Nevertheless, the world remains far from sustainable. Despite a proliferation of corporate pledges and programs to tackle climate change, more than half of all CO<sub>2</sub> emissions since the industrial revolution have occurred within the last three decades and they show no sign of decline. The world’s biosphere is declining unabatedly (Barnosky et al., 2012; IPBES, 2019; IPCC, 2018), deforestation is expanding (Panwar et al., 2023), biodiversity loss is at an alarmingly high rate, oceans continue to be overfilled with plastics (Avio et al., 2017), and soil toxicity is rising (Loska et al., 2004).

Given these trends, the notion a business case for sustainability has come under attack recently. Though the business case approach has sparked widespread corporate interest in sustainability, for most firms, it has neither led to a radical overhaul of unsustainable business practices nor has it solved the major environmental challenges such as climate change and biodiversity loss that threaten the planet. Financial incentives of business cases seem insufficient to produce transformational change in industries that most need to achieve, particularly, those that rely on fossil fuels and other polluting activities. Consider that BP and Shell, amidst recent record high gas prices, have pledged only a tiny fraction of their windfall profits to scaling up low-carbon alternatives such as green hydrogen (Li et al., 2022) and have even backtracked on their climate pledges (Halper & Gregg, 2023). If pursuing a business

case prioritizes economic interests, environmental causes are necessarily relegated to being secondary considerations, or as means to an economic end, leaving little optimism that business case-motivated actions can ever produce sustainability (Hahn et al., 2014).

Yet, the current state of business case-driven corporate sustainability initiatives has also shown some silver linings. Under this framework, corporate climate action has become a widely accepted phenomenon, even in industries that once ridiculed it. For example, the forest products industry, which previously showed apathy toward environmental responsibility and dismissed climate activists, is now recasting itself as an environmental do-gooder (Dezember, 2023) that seeks to be seen as an ally in addressing the climate emergency. Further, the business case approach has spurred the development and scaling of many eco-innovations, such as the electric vehicle that has reduced carbon emissions in the transportation sector (Bohnsack et al., 2020). Moreover, developing business cases has drawn in substantive private sector finance, without which sustainability programs cannot be effective, particularly in less-developed regions (Banga, 2019).

This article first takes stock of the pros and cons of using a financial business case to motivate firms to be environmentally responsible and to contribute effectively to tackling major sustainability challenges. We present and unpack the case against and the case for pursuing the idea of “the” one and only business case. Building on these insights, we then argue that the debate about business case(s) for sustainability should not be viewed as an either-or choice. Instead, we should seek to build on the strengths of both business and government to devise an integrative framework wherein both trade-offs and alignments between business and environmental interests are recognized. We argue that for considering and pursuing business cases to be an effective managerial framework for sustainability, there is a need for transparency and honesty about inherent trade-offs to pave the way for synergies where they exist. Singular philosophies must give way to plural considerations, if we are to accomplish what must be done in this crucial *Decade of Action*.<sup>3</sup>

## 2 | THE CASE AGAINST “THE” BUSINESS CASE

In recent years, scholars have begun to criticize “the” business case for sustainability in a variety of ways. Barnett et al. (2021) summarize this criticism and argue that corporate sustainability programs conducted within the business case framework are failing to avert an environmental crisis because such programs (1) optimize rather than prioritize environmental problems, (2) are built on a techno-optimistic rather than a holistic approach, and (3) fuel consumerism.

### 2.1 | The suboptimality of optimization

Per logic of a financial business case, firms voluntarily undertake and grow their sustainability programs where there is money to be made in doing so. But profit is the priority. From this perspective,

environmental initiatives are a means to increase profit, and not the reverse. Accordingly, firms seek to optimize environmental initiatives in ways that create the greatest financial returns.

The waste reduction and energy efficiency programs that comprise the bulk of corporate sustainability initiatives are prime examples of optimizing environmental investments to maximize economic gains. When United Airlines switched to lighter paper for its inflight magazine, the resulting weight reduction in its cabins burned less fuel, saving United \$290,000 per year (Lazare, 2018). The choice of lighter paper made good economic sense—there was a business case. Walmart, Goldman Sachs, and Intel have partnered with General Electric on its Ecomagination project to decrease costs by reducing waste and increasing resource efficiency because they see a business case. Nike has implemented numerous innovative initiatives to cut waste across its production processes and increase the use of recycled material and manufacturing scraps in making new products because they determined that such investments pay off—again, there is a business case (Murray, 2016). The impetus to increase efficiency and reduce waste is prevalent among downstream suppliers, too. Chinese textile mills that supply to Levi Strauss, H&M, Target, and Gap report to have saved \$14.7 million annually by adopting efficiency measures in their production processes.<sup>4</sup>

Pursuing a financial business case works well in driving waste reduction and resource efficiency because these actions tend to create direct financial gains in the near term. But when the path to profitability is less direct and more uncertain, firms are less likely to invest in sustainability. For example, market-based solutions such as forest certification programs are commonly used to encourage firms to take actions to avert environmental problems such as biodiversity loss and deforestation. However, firms often have no clear way to gain direct financial benefits in the near term ample to countervail the high economic costs of conserving biodiversity or alleviating deforestation. Instead, financial gains from certification programs such as these are indirect, derived from their influence on consumer perceptions—a realm where symbolism rather than substantive investment may suffice. Consider that IKEA has long adopted forest certification and has a strong brand image for sustainable forestry practices but it has not ensured that all of its timber is certified with the non-governmental organization (NGO)-supported Forest Stewardship Council (FSC) nor has it been able to keep its supply chains free of illegal timber (Buxton, 2021). The evidence is plentiful that market-based mechanisms are ineffective at enticing firms to voluntarily act in ways that reverse large-scale forest degradation challenges, even if they do provide financial benefits to firms. Drawing from such examples, Barnett et al. (2021) conclude that beyond those environmental problems for which an intervention is directly and relatively quickly financially beneficial for firms, sustainability investments falter.

## 2.2 | The pessimism regarding techno-optimism

To optimize environmental interventions in ways that maximize financial outcomes, firms rely heavily on technological innovations.

Innovation is so central to corporate sustainability that the terms are often used interchangeably (Nidumolu et al., 2013). There are many examples of innovative technologies that have made products and processes more sustainable. An Italian startup, Krill Design, converts food chain byproducts into biomaterials through innovative technologies. One of their products, Ohmie, is a table lamp primarily made of orange peels.<sup>5</sup> Colgate-Palmolive is set to roll out a recyclable toothpaste tube in the United States. Technological breakthroughs are not limited to niche products or small scale. Eco-innovations in such large and high-impact sectors as energy and mobility abound. By 2026, global renewable electricity capacity is projected to grow by 60% from 2020 levels—equivalent to the current total global power capacity of fossil fuels and nuclear combined (IEA, 2021). Ford Motor Company considers eco-innovations so pivotal to their future growth that it may separate its e-vehicle operations from its legacy business to more effectively compete with Tesla (Naughton et al., 2022).

Technological innovations are making business operations more efficient at scale. However, they are often riddled with perverse consumer effects and unintended environmental consequences (Alexander & Rutherford, 2019; Carey et al., 2012; Tenner, 1997). The potential positive environmental effects of technological innovations are compromised by “Jevon's paradox” in which technology acts as a feedback loop to distorted human behavior, leading to consumption increases that exceed the benefits of improved efficiency. Moreover, the technologies themselves can have downsides. Consider electric vehicles. Their adoption reduces mobility-related carbon footprints but exacerbates soil toxicity through battery production that involves such “dirty” minerals as cobalt and other rare earths that exact severe environmental costs in mining (Arshi et al., 2018). Technology can also create unexpected increases in carbon, such as cryptocurrency's high energy use (De Vries, 2018). Similarly, transitioning to renewables from traditional sources of energy requires installing switchgears in transmission grids. This shift is associated with a leakage of sulfur hexafluoride, a gas with much higher global warming potential than CO<sub>2</sub> (Ottersbach, 2019). Technological breakthroughs can create business cases for doing *more* environmental harm, too, such as in forestry, where innovation has made it more cost-effective to harvest pristine forests that were previously not economical, including smaller and denser growing boreal forests (Burton et al., 2003).

Technological innovation is no small part of achieving sustainability, but it is not a panacea for abating environmental degradation. Pursuit of a techno-centric business case is fraught with whack-a-mole effects: Unchecked technological developments create newer and bigger problems while not fully resolving existing ones.

## 2.3 | The cons of consumerism

The financial business case measures the success of a sustainability initiative by how markets reward it. Market rewards are multidimensional but converge around consumer support, manifest in ways such as the emergence of new markets and willingness to pay premium prices. Evidence is plentiful that consumers support sustainability

efforts (Forrester Com., 2021), and markets for sustainable products are generally expanding.<sup>6</sup> Still, there is no evidence to suggest that the expansion of markets for sustainable products is leading to a contraction of markets for unsustainable products. Consider the automotive sector. Globally, electric-light vehicle (EV) sales as a percentage of total sales went from 0.6% in 2015 to 2.5% in 2019 (Gersdorf et al., 2020). EVs could make up one quarter of new US sales by 2035. However, they would represent only 13% of vehicles on the road because older vehicles will continue to be used for at least a decade more (Plumer et al., 2022).

In pursuit of profit, corporate sustainability efforts typically promote, rather than suppress, the rampant consumerism that is a root cause of environmental unsustainability (Fuchs et al., 2021). Patagonia's "don't buy this jacket" campaign is a glaring example. Even when *prima facie* this environmental message discouraged consumers from making a purchase, it resulted in a massive increase in demand for Patagonia products. Meanwhile, there does not seem to be evidence to suggest that this demand was a result of a reduction in sales of other brands. In other words, even if they might lead to improved eco-efficiency, corporate sustainability initiatives motivated by such a business case increase overall demand and consumption (Fuller & Ottman, 2004). The positive effects of eco-efficiency can quickly be swamped by increased consumption. Assuming that global middle-class spending grows as projected, from about \$37 trillion in 2017 to \$64 trillion by 2030 (European Commission, 2018), the goods produced to satisfy this growing demand will put extraordinary pressure on natural systems, even if all those goods are environmentally benign.

In fact, Patagonia is an outlier in that it dared to explicitly highlight this problem. However, most firms avoid this conundrum by suggesting that we can consume our way out of the environmental crisis by switching from a "bad" brand to a "good" one or by important but narrow efforts such as taking a "100% recyclable product" to a recycling bin. Consider the tagline of Quorn, the UK-based alternative meat manufacturer: "Quorn. Helping the planet, one bite at a time." This is intended to give the impression that "the more you bite [of this product], the more you help."<sup>7</sup> Clearly, the pursuit of profit compels firms to market increased consumption of their products as the cure of choice for environmental problems.

### 3 | THE CASE FOR BUSINESS CASES

For reasons outlined in the critique above, the prospects for business voluntarily solving environmental crises appear grim. The view of one single business case for sustainability that is limited to short-term financial gains appears too narrow in scope and too feeble in effect to address the daunting challenges we face. However, before we conclude too hastily that private sector-led initiatives are so hopeless that we should shun them in order to safeguard the planet, let us have a closer look into practices and address the scholarly support for distinguishing and creating different types of business cases.

Many studies see optimism and guidance in the basic philosophy of creating business cases for sustainability. Schaltegger and Burritt (2018) summarize this view by stating that criticism of "the" business case assumes an unreasonably monolithic and narrow understanding of what is a much broader and layered concept. They take a pluralistic and augmented view of different types of business cases, suggesting not a singular business case but multiple business cases for sustainability that can facilitate firms' transition to greater sustainability via three avenues: (1) sustainable entrepreneurship, (2) business model transformation, and (3) continuous renewal.

#### 3.1 | Sustainable entrepreneurship

Business is a social activity that commercial firms perform to supply goods and services that societies need. One key purpose of a business entity is indeed to create economic value and to gain profit from commercial activities, and in this pursuit, they often cause negative externalities that lead to environmental problems. However, firms can also create positive externalities and play a central role in developing solutions to environmental problems. Large firms in particular have the capacity and reach to influence consumer behavior and stakeholder expectations and to develop innovative products that can meet societal demands in an environmentally benign manner. While firms' negative impacts need to be reduced, it is also important to fully harness—and enhance—the potential for positive contributions firms could make toward addressing environmental problems (Dijkstra et al., 2022). Sustainability offers both a set of ecological, social, and economic restrictions *and* opportunities for managers and entrepreneurs. For a firm to maintain its legitimacy with stakeholders, secure a license to operate and to collaborate beneficially, it must make effective contributions to sustainability.

Take Lemonaid & ChariTea, which offers organic and fair-trade certified drinks with the following business purpose: "We started the Lemonaid & ChariTea project to incite and shape the process of social change."<sup>8</sup> In this vein, many sustainable entrepreneurs now adopt a legal status that codifies a social and environmental purpose as a primary aim. Ben & Jerry's, for example, clarifies as follows: "We are a certified B Corporation, which is recognized as the highest standard for corporate social responsibility. B Corps are a new type of corporation that uses the power of business to solve social and environmental problems."<sup>9</sup> LIXIL's Sato (Safe Toilet) provides an example of sustainable entrepreneurship with its affordable plastic products, designed to cover open pit latrines. With a counterweight trapdoor that allows waste to flow through while sealing shut to keep insects and odors out and providing safety for women who previously had to defecate in the open, LIXIL aims to reach 110 million people at the bottom of the wealth pyramid by 2025.

These examples illustrate how sustainable entrepreneurs can simultaneously create social, environmental, and economic benefits by introducing new products and services to the market. Without such efforts, many novel solutions to environmental problems would simply not exist. Hence, the issue is not to eschew these innovations

but to find a way to better link them to specific environmental challenges, so that firm innovativeness can be more impactful.

Firms are engines of innovation, but governments, regulators, and nongovernmental organizations play an important role in this context, too. Rather than independently pursuing eco-innovations, firms must work alongside governmental and other stakeholders. Together, they can co-create an environment conducive to sustainable entrepreneurship, in which they jointly design effective policy pathways and mixes (Scherer et al., 2013). When these actors coalesce rather than operate at arm's length, they can foster change in market conditions that favor effective sustainability outcomes that are either "good" for firms by embedding norms within markets or treat the costly impacts of policy outcomes in ways that incentivize a ratcheting up of public and private standards (Cashore et al., 2021). Unilever, for example, has called upon governments and firms to end "business as usual" as part of their Living Planet Initiative (Keating, 2020). In this pursuit, some firms engage in what has been dubbed "responsible lobbying".<sup>10</sup>

Sustainable entrepreneurship is not just a matter of making firms "less bad" but of creating products and markets that solve social and environmental problems while creating economic value. Particularly, ever more emerging forms of hybrid organizations pursue various goals simultaneously, profits, social, and environmental goals. The challenge then is not to eschew firm eco-innovations but to ensure that they help ameliorate specified problems and drive the development of new, effective approaches to sustainable development.

### 3.2 | Business model transformation

Traditionally, business models are tailored to private economic value creation. However, engaging with sustainability via a variety of business cases encourages firms to balance social, environmental, and financial outcomes. Thus, to have greater impact on sustainability, firms often need to transform their business models (Schaltegger et al., 2016). Contemporary research has shown that there is a wide range of different business cases with a large choice of underlying business models (Lüdeke-Freund, Carroux, et al., 2018). To be clear, business cases for sustainability encompass not only how a company creates and distributes economic wealth but also the different types of value it creates for different stakeholders, society, and the environment (Norris et al., 2021). From this perspective, managers and entrepreneurs can be engaging and enabling actors for sustainability by innovating, discovering, creating, and implementing products, services, and markets that contribute to sustainability. They generate not only public value for society and/or the environment but also private value for the company. This value can take different forms such as higher margins, an improved corporate reputation, higher employer attractiveness and wellbeing of employees, and better air quality for neighbors of facilities.

Prominent areas for business model transformation are corporate innovation for the sharing and circular economies (Boons & Bocken, 2018). Consider, for example, the many new car sharing models such as Share Now, BlaBlaCar, and Moia. Not only are the

prices significantly lower for customers, but the cars used in such programs are also often more fuel efficient or fully electric or in the case of BlaBlaCar and Moia prevent single occupancy through organized carpooling. Napapijri is an illustrative example of business model transformation for the circular economy. Napapijri has developed a pioneering series of fully recyclable jackets. The fabric is made of a yarn recycled from discarded fishing nets and other waste materials. Customers can return the jackets to Napapijri after 2 years, whereupon they will be transformed into new fabric. Examples such as these cannot be viewed in isolation, though. The savings that they create can be countered by increased consumption and further investment that produces new sustainability challenges. In sectors (e.g., coal, oil and gas, and mining) where business model transformations do lead to degrowth (Froese et al., 2023), economic challenges may arise, necessitating plans for just and fair transitions that do not place undue burden on and increase the economic vulnerability of disadvantaged communities.

The development of environmentally and socially acceptable new products and technologies is a necessary step in substituting away from unsustainable products and technologies (Schaltegger, Loorbach, & Hörisch, 2022). For example, green hydrogen can substitute fossil energy sources, leading to considerably more sustainable products, including steel, aluminum, and cement. Economic degrowth has a role to play in certain sectors, but since continued population growth will increase demand for goods and services, we also need a reimagining and transformation of business models (Schaltegger et al., 2015). For example, in 2006, the Danish multinational energy firm Ørsted was fully dependent on fossil fuels, but it has now cut coal use by 73%. Instead, the firm focuses on electricity from offshore wind parks: "Despite the progress, we believe that more can be done to reduce the consequences of climate change. More than a third of the global carbon emissions stem from energy generation. This huge figure made us do a complete rethink of our business strategy back in 2008."<sup>11</sup> From then on, they embarked on a radical business model transformation from a fossil-fuel-based to a renewable energy-based firm.

### 3.3 | Continuous renewal

Transforming a conventional financial business case toward sustainable business cases is a culmination of multiple underlying factors (Willard, 2012) which includes but is not limited to reducing costs and risks, increasing reputation and sales, enhancing employer attractiveness, spurring innovation, and enabling a firm to weave together perspectives and expectations of a wide range of stakeholders—all leading to improved well-being (including business cases for the focal company, customers, suppliers, employees, and local governments). These factors are not static, and their nature and interaction evolve over time and across contexts. To be able to continually create such diverse value through sustainability initiatives, firms need to develop a swift process for adaptation and renewal.

A swift adaptation and renewal process requires firms to first identify sustainability-related risks and opportunities specific to their

business and industry. The literature distinguishes between the inside-out and outside-in perspective (Winn & Kirchgeorg, 2005). While the former puts emphasis on overcoming negative externalities, the latter emphasizes mitigating potential adverse effects to the firm from changing environmental and social conditions.

The process of adaptation and renewal toward a distinctive sustainability reorientation can be multifaceted. Firms can establish a hybrid structure, for example, by becoming a B-corp or be based on a co-opetition business model that integrates competition and collaboration (Haigh & Hoffman, 2014). Co-opetition can embed collaboration between what is valued at the macro-societal level, the competitive industry-level missions, and agendas of business. For example, in the amfori Business Social Compliance Initiative, competitors cooperate in joint solving of social problems at suppliers (e.g., to improve working conditions) from whom various competitors source, while the competitors still remain in competition in the customer market.

Whichever structure firms implement, they then need to deploy measures to counter structural inertia. Such inertia typically results from different kinds of undesirable path dependencies, undue corporate influence, corruption, cronyism, and grandfathering, all of which resist change. There is also a need for ongoing analysis of the dynamic interaction between sustainability issues as well as between business and stakeholders. Governments and firms are key actors in creating change toward sustainability, but complex interactions between multiple actors in social-ecological systems need to be considered, too (Ostrom, 2009).

Besides, the concept of a “business case” is undergoing change. A first transformation is about the means for achieving profitability, a second involves determining whether business purpose is consistent with sustainability, and a third whether and how stakeholders are engaged. A stakeholder-oriented business development is an effective means for dealing with sustainability issues, by involving stakeholders in the journey to create solutions to existing sustainability problems (Hörisch et al., 2014).

## 4 | TOWARD A BROADER FRAMEWORK FOR CORPORATE SUSTAINABILITY

As we have shown thus far, a narrow perception of “the” financial business case for sustainability has proven ineffective in many ways. Enlarging the concept to differentiated types of business cases for sustainability, however, remains a critical need for, as well as reasons for optimism about, the role of business in solving sustainability challenges. Effectively moving forward requires redefining the concept of business cases. As commonly, narrowly defined in terms of seeking financial gains via sustainability initiatives, “the” business case is a self-serving strategy: enlightened self-interest at best and corporate hypocrisy at worst. Under this definition, firms will inevitably pursue only a narrow range of actions—only the ones with clear financial payoff. As such, it would make sense to eschew business case-motivated sustainability initiatives and explore carrot and stick

interventions instead to compel firms to take substantive action. However, a business case approach can also be defined in augmented terms in which a range of business cases are considered, comprising how firms create and distribute social, environmental, and economic value for a wide range of stakeholders. From this definition, the business case notion describes a plural concept—business cases for sustainability—which can be a way to generate economic gains for individual firms and value for a broader range of stakeholders, including communities and the natural environment. This augmented notion of business cases includes social and environmental value as well as different forms of economic value, such as lower consumer prices and higher employee wages. To further understanding of this latter definition, we next address three critical questions: (1) Is business case thinking useful?; (2) What is the role of regulation and governments?; and (3) What is the role of (de)growth?

### 4.1 | Is business case thinking useful?

A business case logic can be useful but risks being misleading or problematic, too. Managers who have a narrow understanding of “the” business case will not make the investments necessary to substantively advance sustainability. The central concern is that negative externalities will not be internalized, since taking responsibility would decrease profits. Changing this requires a shift in managerial mindset and innovation toward sustainability, or governments must step in.

Some problems can be addressed easily by businesses, but wicked and super wicked problems typically require a considerable degree of innovation, stakeholder engagement, and public-private policy mixes (Barnett et al., 2018; Cashore et al., 2015, 2019; Cashore & Bernstein, 2022). Often, the underlying business cases will not be obvious. Rather, new business models will be required to create the necessary radical change.

Moreover, realizing a business case for sustainability requires a certain level of market preparedness. Some countries and societies are better prepared than others. A narrow business case logic can only be expected to be effective in addressing environmental and social problems when a financial payoff is easily identifiable. For managers with a broader augmented view, scope is no longer such a binding constraint because business cases can be made for niche activities, too. However, for such sustainability investments to be effective in addressing issues like climate change and biodiversity, they must be linked to core business activities. Only when firms fully integrate sustainability into every aspect of their organizations will multiple business cases become clear that would not be noticeable otherwise.

### 4.2 | What is the role of regulation and governments?

Whatever the actual and potential usefulness of business cases for sustainability, there remains a clear need for government interventions if we are to adequately progress toward sustainability.

Governments act as conveyors, partners, interpreters of information, and risk takers. They often create the regulatory sparks that incentivize firms to innovate (Cashore & Stone, 2014; Vogel, 1997). There are also different levels of government that bring together a host of stakeholders to discuss systemic problems and develop solutions that are more comprehensive, synergistic, and adapted to local wants and needs. However, these government interventions need to be transparent and enforce mechanisms to prevent market manipulation (e.g., free riding, greenwashing, and other moral hazards).

When “the” business case is defined narrowly, market incentives provide established firms with insufficient incentive to radically change their business model. This is why some sustainable entrepreneurs have remained niche players so far. To make large-scale and transformative changes to established but unsustainable business models, government must step in. Better environmental regulation, not greater freedom from it, is required to motivate firms to make their critical contributions to sustainability.

When the business case approach is defined more broadly, regulation is no longer the central pillar but becomes one of many factors playing a role in a transition to sustainability. Sustainability innovations and entrepreneurship, including institutional entrepreneurship, are major levers for fostering sustainable development. Key for sustainability transitions in this case is the collaborative interplay between businesses, government, and myriad other stakeholders. Here, the power of innovative entrepreneurs is the main mechanism to transform the economic system and society (Cashore et al., 2019). When managers of incumbent firms see and can develop sustainability solutions as business opportunities, they can become drivers of sustainability transitions in markets—in some cases, even more so than governments—and they can indeed drive governments to change regulations.

### 4.3 | What is the role of (de)growth?

Transitioning to sustainability requires reduced consumption and waste of many critical resources. Such degrowth has proven difficult to achieve thus far, especially as populations and economies grow. When viewed from a narrow lens, technological solutions are unlikely to lead to a decoupling of economic growth and environmental damage to the extent that is necessary. The Environmental Kuznets Curve (Arrow et al., 1995)—which posits an inverted U relationship between pollution and economic development—does not always hold, and by the time it reaches its apex, most biodiversity will have been degraded and species extinguished (Raymond, 2004). For example, greenhouse gas emissions intensity can be reduced through innovation. But if, due to population and consumption growth, economic activities keep rising at a higher rate than reductions in emission intensity, then the progress through innovation will be insufficient to cut the absolute level of emissions. Thus, this view concludes that innovation does not provide an adequate pathway to sustainability.

When viewed through the broader augmented lens though, the relevance of innovation and the role of entrepreneurs in developing

and implementing transformative pathways emerge as important elements of a more targeted degrowth. That is, radical innovations can facilitate rather than impede degrowth, as evident in the Napajiri case. Napajiri has a degrowth-oriented yet profit-seeking business model. It strives to enhance income through servicing rather than growing sales. An increasing number of firms have adopted degrowth as a strategy that underpins such concepts as sharing and circular economy, upcycling and repurposing, swapping, and repairing. Yet, degrowth cannot be achieved without radical innovations from private actors. The magnitude of different business cases holds great potential to achieve targeted degrowth, including spurring regulatory reforms. The integrative view highlights the potential and capabilities of businesses to initiate and implement solutions to sustainability problems that may encourage and enable regulations to act accordingly. The development and dissemination of solar and wind power are prime examples. Based on the development of these renewable energy technologies in market niches, and entrepreneurs showcasing their viability at scale, policy-makers and the public have gained the confidence that change is possible and so introduced feed-in tariffs and other new regulations. However, their scaling up also needs to be coupled with a scaling down of unsustainable business practices. Renewables are more likely to thrive when governments start phasing out subsidies for fossil fuels. For example, EVs will diffuse more widely as more countries issue a ban on petrol and diesel cars. While degrowth might not be tenable across the whole economy, it could well apply to sectors that are particularly harmful for the environment.

## 5 | MOVING FORWARD: AN “ALL STAKEHOLDERS WIN” APPROACH

On the one hand, the narrowly defined “financial” business case has rightly faced criticism because the proliferation of corporate-led sustainability efforts has not produced desired results. The planet remains in dire condition. What to do? One could conclude that private sector-led initiatives are hopeless. We should shun them and hasten to thoroughly regulate business activities to safeguard the planet. On the other hand, one could argue that government failure is widespread, that we still have not seen the best of corporate-led sustainability efforts, and that we need to develop a vision which allows the emergence of impactful corporate efforts that fully harness the potential and capabilities of business in solving grand challenges. In this article, we explain the former and we push for the latter, as prospects for substantive regulatory intervention are rather slim and come with a range of side effects. As we explicate, there is more than just “the” business case. There is a need to develop an augmented, integrative, and problem-focused set of business cases for sustainability that recognize the very real drawbacks of a narrow business case logic, while manifesting the very real strengths of business to create and implement innovative solutions.

It is time to step beyond a juxtaposition of business versus sustainability and embrace the diversity of innovative options to create collaborative business cases for sustainability. Augmenting the

approach of business cases for sustainability requires a multidimensional and multifaceted approach. Considering different stakeholder views makes it possible to distinguish between a case for stakeholders to engage with firms on sustainability initiatives and a case for firms to engage with stakeholders for sustainability. Whether viewed from a stakeholder or firm perspective, both are cases of business for sustainability.

A business case logic that focuses solely on net present value benchmarks drives firms to narrowly view sustainability initiatives as any other business investment (McWilliams & Siegel, 2000), prioritizing them by profit potential. Following this logic, resource efficiency and waste reduction initiatives have dominated corporate sustainability efforts, while fundamental changes in business models have been relatively rare (Schaltegger et al., 2012; Stubbs & Cocklin, 2008). But greening around the edges and relying on profitable technological solutions to satisfy growing consumption trends will not bring us back from the brink. Corporate sustainability efforts need a paradigm change.

We call for an “all stakeholders win” approach whereby ventures that create shared value survive, while those that resist go into decline. The business case notion is not a singular concept. It is a multiplex notion with layered meanings at the core of which is an “all stakeholders win” ideal that firms can help to achieve through their unique resources and capabilities. The firm is not at the center of such a philosophy. The business case notion should not be viewed as a “firm first, society second” approach, even this distorted and unintended outcome is often all that we see. At the same time, we need to accept that some stakeholders might consider to leave the coalition that makes up a business—due to a variety of reasons. When management seeks to incorporate all stakeholders and their demands, this may only be feasible in a sequential manner where some stakeholders lose with regard to some aspects in the short term and others gain, but then sequential negotiations can help creating packages that foster sustainable development at a societal and planetary level. While moral hazards and opportunistic behavior remain critical concerns, in the long run, sustainable entrepreneurship rewards those firms that are authentic (Vedula et al., 2022). Tesla, for example, has made a major contribution to growing the market for EVs with an innovative business model that positions them as desirable rather than affordable cars (DeBord, 2020). Moreover, Tesla's success has produced a wave of start-ups across the world vying to make EVs at a lower cost than Tesla can. While EVs are not a perfect solution, and Tesla is not a perfect firm, few would deny the EV revolution's part in effectively addressing climate change (Ghosh, 2020).

The following three steps will move us in this critical direction: (1) impact orientation, (2) collaborative approaches, and (3) economic restraint.

## 5.1 | Impact orientation

Corporate sustainability initiatives must do more to sustain the environment and create a socially just world. But evaluating

environmental and social impacts of any given initiative is not easy, and a narrow interpretation of a financially driven business case has seldom demanded such evidence. Thus far, firms' statements of good intention have tended to suffice (Barnett et al., 2020). But “win-win” quickly defaults to “win-lose” if there is no validation that the verified financial wins for firms are driven by measured environmental and social wins for society. Instead of accepting loose, unverified promises, we need to develop a science-based, transdisciplinary framework to assess the environmental impact of corporate sustainability initiatives (Schaltegger, Christ, et al., 2022). Research in such fields as environmental and social impact assessment, environmental/ecological economics, industrial ecology, and employee exploitation provide a wide range of relevant and adaptable tools and methodologies that have not yet made their way into the major management journals, even those that publish extensively on corporate sustainability. For a basic structure, we can draw from the Science-based Targets initiative,<sup>12</sup> which has generated interest in the world of practice.

We also need to link business cases to very specific and clearly defined environmental and social challenges, rather than to abstract notions of “sustainability”. To provide broader impact assessment, a business case must consider temporal and spatial dimensions. It also must be integrated with macro-economic and behavioral variables such as the effect of a corporate sustainability action on changes in demand for a product, product substitution, changes in production sites, and total consumption. If we ignore or gloss over these complex questions of impact, then gimmicks and greenwashing will continue to crowd out substance in achieving sustainability. Addressing impact is necessary if we are to untangle initiatives that produce true “win-win” outcomes, such as promoting long-term timber and adopting fish yield agreements, from those resulting in “win-lose” outcomes, such as the negative effects of sustainable timber and fish harvesting in rendering noncommercial species and ecosystems endangered or extinct (Cashore & Howlett, 2007).

## 5.2 | Collaborative approaches

Significant global sustainability problems cannot be solved by firms acting alone. Cross-sector collaborations are needed to co-create the knowledge and momentum to deal with wicked sustainability problems (Pedersen et al., 2020) and to provide the setting in which to develop intersubjective agreement (March, 1994). These collaborations can generate innovative ideas and give voice to stakeholder groups whose needs and wants are often underrepresented in conventional business-led sustainability initiatives. For example, the importance of cultural diversity in the management of social-ecological system sustainability has given rise to indigenous peoples not only managing protected areas but also sharing their ecological knowledge with governments, scientists, and business (Hill et al., 2012; Reid et al., 2021).

By adopting a more collaborative perspective, firms can broaden their understanding of stakeholders and value creation—economic as well as environmental and social (Bocken et al., 2015; Lüdeke-Freund,



Gold, & Bocken, 2018; Schaltegger et al., 2015)—in ways that lead them to shoulder more of their environmental responsibilities (Anderson & White, 2009). Embracing the complexity resulting from considering multiple stakeholders and multiple forms of value creation simultaneously is an important step toward collaborative approaches to developing and managing firms around shared purposes and developing sustainable business models. This requires much more careful design of stakeholder deliberations than has been afforded to date, such that they focus on problem-solving and impacts, rather than reverting to “decoy” deliberations (Dimitrov, 2019) that foster compromise or incremental solutions incapable of addressing the ecological crises at hand (Cashore et al., 2019). This requires reimagining the vast majority of multistakeholder efforts that tend to emphasize “compromise” over design and hence shift away from difficult conversations about what to do when, say, endangered species conservation undermines the resource benefits of local communities and the firms whose very existence requires continued engagement in extraction.

### 5.3 | Economic restraint

Along with adjustments to the production systems previously discussed, consumers, governments, and institutions must make significant changes to transition from the accumulation of goods, money, capital, and power without end to a society dedicated to the common needs of humanity and Earth (Foster, 2011). Many proposals to create more sustainable consumption–production systems are based on degrowth and sufficiency (Bocken & Short, 2016). This means that drawing on research that indicates consumer needs for a full and happy life can be met with much lower environmental impacts (Csikszentmihalyi, 2000). Such an understanding of economic restraint underpins “sustainable degrowth”, aimed at “an equitable downscaling of production and consumption that increases human wellbeing and enhances ecological conditions at the local and global level, in the short and long term” (Schneider et al., 2010, p. 512).

Prioritizing environmental and social problems requires firms to view their actions within interdependent ecosystems and social systems. They must develop a more holistic understanding of the production, distribution, and consumption of their products or services on ecosystems (Whiteman et al., 2012) to develop broader sustainability initiatives, including the “redesign of products and processes to reduce environmental and social impacts, product stewardship, protection of habitats, operation within a region’s environmental carrying capacity, protection of the interests of future generations, as well as the equitable balancing of the interests of all segments of society” (Sharma & Henriques, 2004; p. 160).

The necessity, of course, is not to focus solely on designing these approaches but on carefully identifying a rationale as to why a proposed approach might be expected to ameliorate, rather than exacerbate, environmental, and social problems. A holistic approach should not be conflated with promoting false beliefs that there are synergies across all problems, but that integration of these interactions is key for assessing the conditions through which impacts occur (Hörisch

et al., 2020). What we do know is that the narrow view of the business case mitigates against such holistic understanding. Instead, decisions about environmental and social initiatives are reduced to near-term, business-level self-interest. We must move beyond a narrow view by accounting for impact, collaborating, and—where required—designing for degrowth. If we fail to do so, the environment, and all of us who exist within it, will lose under such a narrowly defined “win–win” paradigm.

The augmented approach of business cases for sustainability addresses these critical shortcomings while allowing us to derive a fuller range of values that firms are capable of creating that would help in mitigating environmental and social problems, generating wealth, and responding to the needs and demands of a wide range of stakeholders. At its core, augmented business cases are an “all stakeholders win” approach because this concept of business case is a conglomeration of multiple business cases for sustainability catering to multiple audiences. At times, this approach may lead to stakeholder friction and can also be manipulated by hypocrite firms, which are aplenty. One possible solution to this problem is hybrid governance of corporate sustainability, where voluntary actions are guided through and implemented under the oversight of regulatory bodies. The European Union’s ESG disclosure-related regulations, India’s corporate responsibility law, and the UK’s anti-modern slavery legislations are prime examples of this phenomenon. This is not supplanting corporate discretion with regulations; it is harnessing the power of business in enacting regulations that would prevent moral hazard and opportunistic behavior.

## 6 | CONCLUSION

Long-dominant financial business case logic cannot bring about rapid progress on sustainability, and we cannot afford to wait any longer for market mechanisms only to solve our existential crises. But we cannot wait for governments either, as they are mostly occupied with drawn-out political negotiations and tend to prevent radical solutions due to short-term re-election cycles. We need to move beyond enslavement to a narrowly defined singular business case and embrace an augmented view of business cases for sustainability to harness the full potential of the resources, capabilities, and reach of the business corporation in addressing environmental problems.

Moving away from “the” business case requires acknowledging and respecting that different stakeholders and managers may perceive business cases differently, as this article shows, and that these perceptions affect corporate social and environmental behaviors. Some managers may have a narrow utilitarian view of “the” business case, noting that business must maximize profit in order to fulfill its fiduciary duties and to survive in a dynamic, competitive market. Others may have a collaborative perspective, prioritizing duty to serve the vulnerable, such as underpaid employees. Still others may reside somewhere in between, recognizing the importance of both market competition and cooperation through partnerships and collaborations with stakeholders.

Moving away from “the” business case also requires having a holistic view of the purpose of business in a mixed economy, where markets, governments, and communities work in unison to serve many, not few—whether the poorest or the wealthiest. Therefore, an “all stakeholders win” orientation is imperative, even if the progress be slow.

It must be noted that the assumptions and approaches that we have outlined here may work better in some contexts (e.g., developed economies) than in others. The collaborative form of governance of corporate sustainability that we have put forth balances market incentives with regulatory interventions. Though there are many effective social and sustainable entrepreneurship ventures in countries with weak markets, where markets are not well-functioning, there will need to be stronger governmental intervention to offset this imbalance. Likewise, where governments are weak, markets will need to be strong enough to shoulder more of the burden if sustainability is to result.

We must also acknowledge the implications of our own role, that of scholars. Unfortunately, some academic research is not helping businesses to move toward more sustainable solutions. Corporate sustainability scholars should show flexibility in designs, definitions, outcomes, and analytical modes, fight against perverse financial and professional incentives, and beware of prejudices in the field. It is with such restraint and care that we can turn longstanding scholarly debates, such as this one about the business case, away from a dead end and toward shared understandings that enable discovery of inclusive solutions.

In conclusion, business leaders, academics and consultants, business associations, and governments need to identify the various business cases and balance or adapt them as they navigate idiosyncratic contexts in different regions of the world without being enslaved to the notion of a single business case appropriate for all circumstances. The corporation is a powerful institution embedded in a societal environment and its power expands well beyond the financial realm. Accordingly, the business case must be conceptualized in terms broader than mere financials. We need an “all stakeholders win” approach that is built upon a plural conceptualization of the business case and which embraces markets and regulators with equal fervor. If this article can stimulate such thinking, it will have achieved its purpose.

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## ENDNOTES

<sup>1</sup> <https://www.aboutamazon.com/planet>

<sup>2</sup> [https://s2.q4cdn.com/299287126/files/doc\\_financials/2021/ar/Amazon-2020-Shareholder-Letter-and-1997-Shareholder-Letter.pdf](https://s2.q4cdn.com/299287126/files/doc_financials/2021/ar/Amazon-2020-Shareholder-Letter-and-1997-Shareholder-Letter.pdf)

<sup>3</sup> <https://www.un.org/sustainabledevelopment/decade-of-action>

<sup>4</sup> <https://www.nrdc.org/stories/fixing-fashion-industry>

<sup>5</sup> <https://krilldesign.net/product/ohmie-the-orange-lamp/>

<sup>6</sup> <https://www.businesswire.com/news/home/20211014005090/en/Recent-Study-Reveals-More-Than-a-Third-of-Global-Consumers-Are-Willing-to-Pay-More-for-Sustainability-as-Demand-Grows-for-Environmentally-Friendly-Alternatives>

<sup>7</sup> <https://www.quorn.co.uk/whats-new/helping-the-planet-one-bite-at-a-time>

<sup>8</sup> <https://lemon-aid.de/en/about-us/>

<sup>9</sup> <https://www.benjerry.com/about-us/b-corp>

<sup>10</sup> <https://www.responsible-lobbying.org/>

<sup>11</sup> <https://orsted.com/en/about-us/about-orsted/our-vision-and-values>

<sup>12</sup> <https://sciencebasedtargets.org>

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