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ORIGINAL PAPER

A Stakeholder Theory Perspective on Business Models: Value Creation for Sustainability

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Abstract
Business models are developed and managed to create value. While most business model frameworks envision value creation as a uni-directional flow between the focal business and its customers, this article presents a broader view based on a stringent application of stakeholder theory. It provides a stakeholder value creation framework derived from key characteristics of stakeholder theory. This article highlights mutual stakeholder relationships in which stakeholders are both recipients and (co-) creators of value in joint value creation processes. Key findings include that the concept and analysis of value creation through business models need to be expanded with regard to (i) different types of value created with and for different stakeholders and (ii) the resulting value portfolio, i.e., the different kinds of value exchanged between the company and its stakeholders. This paper details the application of the stakeholder value creation framework and its theoretical propositions for the case of business models for sustainability. The framework aims to support theoretical and empirical analyses of value creation as well as the management and transformation of business models in line with corporate sustainability ambitions and stakeholder expectations. Overall, this paper proposes a shift in perspective from business models as devices of sheer value creation to business models as devices that organize and facilitate stakeholder relationships and corresponding value exchanges.

Keywords Business model · Stakeholder theory · Corporate sustainability · Value creation · Business models for sustainability

Introduction

Value creation is the centerpiece of business model research (e.g., Richardson 2008; Wirtz et al. 2016; Zott et al. 2011) and has been discussed from different perspectives. More often than not, business model concepts conceptualize value as a uni-directional flow between a business and its customers, emphasizing the creation of value for customers in exchange for economic value for the business. Other stakeholders, if considered at all, seem to be standing on the sidelines. This is evidenced in the well-known business model canvas by Osterwalder and Pigneur (2010), which places the value proposition for customers in the center and the monetary outcomes for the focal business as the key outcome or bottom line. A review of the business model literature leads Lambert (2012) to conclude that the value created for customers is more important than other types of value creation, as it is fundamental to the concept of a business model. This view of value creation results in a separation of stakeholders into those who receive value and those who contribute to creating it.

An alternative perspective on business models is based on the notion of value creation taking place in value networks with multi-directional value flows (Gordijn et al. 2000; Bouwman and van Den Ham 2003; Andersson et al. 2006). However, current research does not explain how such multi-directional value flows between a business and its stakeholders could be systematically analyzed in business model theory and practice.

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This paper provides a stakeholder value creation framework derived from key characteristics of stakeholder theory. It highlights mutual stakeholder relationships in which stakeholders are both recipients and creators or co-creators of value in joint value creation processes. As a first step towards closing the research gap, this paper examines value creation from a stakeholder theory perspective. Stakeholder theory proposes that value creation is a collaborative effort in relationships, ideally benefitting the focal business and all its stakeholders (Freeman 2010). This corresponds to the idea of multi-directional value flows and supports an in-depth analysis of what types of value a stakeholder relationship creates, with whom and for whom.

The view that value creation is a process resulting in different outcomes for different stakeholders is particularly prevalent in the sustainability-oriented business model literature (Bocken et al. 2013; Lüdeke-Freund and Dembek 2017; Schaltegger et al. 2016; Stubbs and Cocklin 2008; Upward and Jones 2016). One explanation is that solving sustainability-related issues necessitates multi-stakeholder collaboration to provide the needed expertise and other resources (Hörisch et al. 2014). Hence, such a perspective on value creation may be particularly helpful when analyzing the sustainability orientation of business models (Sommer 2012). In addition to developing a stakeholder value creation framework, this article therefore discusses the application of the framework to business models for sustainability. It thus offers a new relationship perspective on business models for sustainability.

This paper begins by examining the existing business model literature regarding value creation and related stakeholder contributions and outcomes (Section "Value creation from a business model perspective"). It then introduces key characteristics of stakeholder theory and derives a stakeholder theory perspective on value creation (Sections "Value creation from a stakeholder theory perspective" and "Implications for the Development of a Stakeholder Value Creation Framework"), based on which it develops a stakeholder value creation framework (Section "Developing a stakeholder value creation framework"). Propositions regarding business models for sustainability are derived and discussed in (Section "The case of business models for sustainability—BMfS"). Section ("Summary and conclusions") provides a summary and conclusions.

Theoretical Background: Business Model and Stakeholder Theory Perspectives on Value Creation

Conventional definitions of business models (Abdelkafi et al. 2013; Al-Debei and Avison 2010; Massa et al. 2017; Wirtz et al. 2016; Zott et al. 2011) emphasize the value created for the company and its customers as well as its underlying processes and activities. While the descriptions of these two aspects vary, it is common to consider created value (*what* is created?) and value creation activities (*how* is it created?) in business model descriptions and analyses (left side in Fig. 1). Although the literature also identifies the actors, such as partners (e.g., Osterwalder et al. 2005) or value networks (e.g., Al-Debei and Avison 2010), most discussions of stakeholders and their roles in value creation follow the prevailing emphasis on value flows between the focal business and its customers. Stakeholder theory, as a complementary perspective, asks, in line with Freeman (2010), *with* and *for whom* value is being created (right side in Fig. 1).

Both perspectives focus on value creation, and both are necessary for the rigorous description, analysis, and development of business models that consider the potential of multiple stakeholders to contribute to and benefit from value creation. The following sections introduce the business model and stakeholder theory perspectives on value creation (Sections "Value creation from a business model perspective", "Value creation from a stakeholder theory perspective", "Implications for the Development of a Stakeholder Value Creation Framework") as the theoretical foundations of the framework proposed in this article (Section "Developing a stakeholder value creation framework").

Value Creation from a Business Model Perspective

Created Value (*What*)

The core idea of value creation for customers is expressed in a variety of terms, including value proposition, value object, offering, and customer benefit (Al-Debei and Avison 2010; Chesbrough 2007; Gordijn and Akkermans 2001; Teece 2010). The term value proposition is predominantly used to refer to the bundle of products and services offered to customers to satisfy their needs and to create value for them,

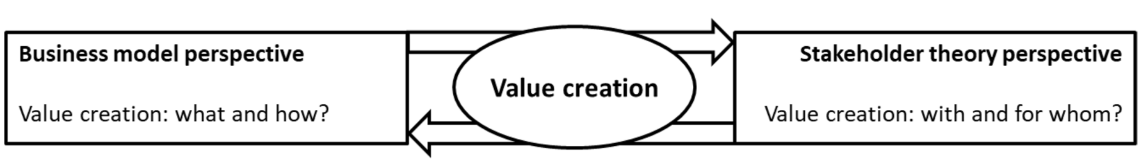

Fig. 1 Business model and stakeholder theory perspectives on value creation

whether it is value in use or symbolic value. Many business model frameworks also emphasize the value created for financial stakeholders (e.g., investors and shareholders) as a second major stakeholder group. Their benefits are often mentioned in conjunction with the financial model or the economic value created by a business. Hence, the financial outcomes of business models are also discussed under the umbrella of value created.

The literature on sustainability-oriented business models extends these concepts by highlighting the potential to create other types of value, ecological and social value, for example, through reduced use of natural resources or the provision of services to neglected social groups (Bocken et al. 2013, 2014; Lüdeke-Freund and Dembek 2017; Schaltegger et al. 2016a). It is argued that by contributing to ecological and social value creation, business models can create competitive advantages while contributing to the sustainable development of markets and society (Schaltegger et al. 2012, 2016b). In the triple bottom line approach (Elkington 2004), value is understood as the net outcomes of a business model with regard to ecological, social and economic performance. These outcomes can be a net reduction of negative effects or, ideally, net positive contributions to the natural environment and society (Upward and Jones 2016).

Therefore, while conventional frameworks focus on value created for customers and the focal business, sustainability-oriented frameworks also include ecological and social outcomes that benefit other stakeholders.

Value Creation Activities (*How*)

The business model literature amply documents the idea that the creation of value requires activities arranged in processes (e.g., Abdelkafi et al. 2013; Johnson 2010; Lambert 2012). However, Zott and Amit (2010) go one step further in describing business models as activity systems or sets of activities, such as creating value propositions and managing finances. This raises the question of who carries out these activities and processes (Spitzeck and Hansen 2010). Value creation processes involving multiple actors are known as joint value creation in the literature (Bridoux and Stoelhorst 2016), with its participants referred to as business actors (Timmers 1998) or stakeholders (Stubbs and Cocklin 2008).

It follows that value creation entails processes involving a variety of activities carried out by different individuals or groups in a business's value network. Therefore, value creation activities require a broader concept of stakeholders than customers alone. However, neither the conventional nor the sustainability-oriented business model literature fully acknowledges the importance of stakeholder relationships and motivations. Instead, stakeholders contributing to value creation processes are conceptualized as inanimate objects.

Value Creation from a Stakeholder Theory Perspective

Networks and Joint Purposes of Stakeholder Relationships

In stakeholder theory a company is characterized as a set of relationships, crucial to its functioning, among individuals or groups who affect or are affected by its business operations, (Freeman 1984; Freeman et al. 2010). These multiple stakeholders provide resources, influence the business environment, benefit from the company, and influence both its efficiency and impacts (Donaldson and Preston 1995). In this perspective it is thus the collective efforts of the stakeholder network that are at the core of value creation (Haslam et al. 2015) and the withdrawal of support from any stakeholder can threaten the viability of a business (Freeman 2010). This stakeholder perspective adds a new quality to the discussion by acknowledging that relationships form the basis for a functioning value creation network. It is thus impossible to operate a business model without sound relationships with both internal and external stakeholders.

Businesses are built around specific purposes that form the basis for stakeholders to cooperate and enter into relationships with them (Freeman et al. 2010), or refuse to do so. In a relational perspective stakeholders have a variety of motivations to engage in relationships with a focal business and its value creation and exchange processes (Bridoux and Stoelhorst 2016; Brickson 2007; Donaldson and Preston 1995). From a stakeholder theory perspective, a joint purpose should result from the shared values of a company and its stakeholders and thus serves as a strong and motivating reference point for joint value creation (Breuer and Lüdeke-Freund 2017a, b).

Value Creation *with* and *for* Stakeholders

In line with stakeholder theory, joint value creation proposes that the relationships between a focal business and its stakeholders need to be deeper than transaction-oriented encounters (Freeman 2010). In fact, value creation with stakeholders requires not only a joint purpose but also an appreciation of the stakeholders' active contributions (Dentoni et al. 2016). If value creation is not mutually beneficial for all parties, a business would lose its business partners and resources as well as its legitimacy. This means that value should be created both with and for different stakeholders.

Table 1 summarizes the outcomes of a literature review of the interactions between a business and its stakeholders as described in sustainability-oriented business model frameworks. The review identifies the different stakeholder groups in the literature and the discussion relating to the value created with and for stakeholders. However, the table also reveals the fragmentation of current research on this

Table 1 Review of representations of value creation in sustainability-oriented business model frameworks

Paper	Stakeholder groups considered explicitly	Value created (for stakeholders)	Value creation activity (with stakeholders)
Bocken et al. (2014)	Customers	Value in use	n.a.
	Network actors	Transaction value	n.a.
	Society	Societal benefits and impacts	n.a.
	Environment	Environmental benefits and impacts	n.a.
Boons and Lüdeke-Freund (2013)	Customers/users/consumers	Value proposition: measurable ecological and/or social value together with economic value; balanced fulfillment of customer needs	Customer relationships with recognition of sustainability challenges; value co-creation or consumer coproduction with customers taking responsibility for their consumption
	Suppliers	n.a.	Responsibility towards their own as well as the focal company's stakeholders and related engagement with the focal company on sustainable supply chain management
	Regulators	n.a.	n.a.
	Competitors	n.a.	n.a.
	Business model actors	Economic costs and benefits and their distribution	n.a.
	NGOs	n.a.	Business-NGO collaboration to create social value and maximize social profit
	Society	n.a.	Business-society dialogs that identify trade-offs between optimal product and service performance and improved social and environmental effects
Christ et al. (2018)	Key stakeholder segments (including society, natural environment, customers, suppliers, shareholders)	Environmental value (renewable resources, low emissions, low waste, biodiversity, pollution prevention), social value (equality and diversity, community development, secure livelihood, labor standards, health and safety) and economic value (profit, return on investments, financial resilience, long-term viability, business stability)	Economic transactions, relationships, stakeholder exchanges and interactions
	Policy makers	n.a.	Transformation of stakeholder behavior
Joyce and Paquin (2016)	Customer segments	n.a.	n.a.
	Business partners	n.a.	n.a.
	Clients	Functional value	n.a.
	Employees	Working conditions and personal growth initiatives	n.a.
	Local communities	n.a.	Communities harboring the organization
	Suppliers	n.a.	Business relationships
	Society as a whole	Promoting positive value	n.a.
	End users	Value propositions	n.a.

Table 1 (continued)

Paper	Stakeholder groups considered explicitly	Value created (for stakeholders)	Value creation activity (with stakeholders)
Stubbs and Cocklin (2008)	Board, management, staff, shareholders, and customers	Resources (people, profit, time, or natural resources)	n.a.
	Shareholders	Economic, social, environmental outcomes	n.a.
	CEOs	n.a.	A change process initiated and managed to shape the organizational agenda around sustainability
	Nature	n.a.	n.a.
	Future generations	n.a.	n.a.
Upward and Jones (2016)	Actors for whom the organization exists	n.a.	Defining what constitutes value in the context of the business model
	Actors affected	Value created or value destroyed	n.a.
	Actors involved	n.a.	Processes of value creation and destruction
Yang et al. (2017)	Multiple stakeholders (such as customers, end users, suppliers, shareholders, government, and business partners)	Monetary value as well as wider value for the environment and for society	Value exchanges between manufacturer and customer during beginning-of-life, middle-of-life and end-of-life stages of the product life cycle

issue. Value as something created both with and for individual stakeholder groups is rarely discussed in the literature, implying the prevalence of uni-directional conceptualizations of value creation.

In fact, some business model frameworks referenced in Table 1 appear to be based upon the assumption that while some stakeholders contribute to value creation processes (e.g., suppliers), other stakeholders benefit from the value created (e.g., customers). This assumption ignores the possibility of mutual value exchanges in which a single stakeholder both contributes and receives something of value. There has so far been little in-depth analysis of the mutuality of value creation for different stakeholders.

Integration of Business and Ethical Considerations

The integration thesis in stakeholder theory holds that most business decisions have an ethical content, and vice versa, many ethical decisions a business dimension (Freeman et al. 2010; Hörisch et al. 2014). Thus, ethical and business decisions are not two separate phenomena. How businesses engage with their stakeholders also affects the kind of value created. Although a discussion of ethical considerations is virtually absent from the literature on conventional business models, it is treated in sustainability-oriented business models (Stubbs and Cocklin 2008; Pedersen et al. 2018). In fact, the integration of ecological and social impacts into the notion of value creation is asserted by some authors to be a defining feature of sustainability-oriented business models (Bocken et al. 2014; Lüdeke-Freund and Dembek 2017; Schaltegger et al. 2016a). As part of the stakeholder perspective on value creation, the integration thesis is closely linked to the cultivation and maintenance of effective relationships with all stakeholders because unethical behavior may result in the withdrawal of stakeholder support, thereby threatening the viability of the business model. A stakeholder theory perspective invites a discussion of the underlying reasons for stakeholders to engage in business operations (Bridoux and Stoelhorst 2016; Garriga 2014) as well as their potentially differing views on what constitutes value and what is considered sustainable and ethical conduct.

Implications for the Development of a Stakeholder Value Creation Framework

In the context of stakeholder theory, value is defined in terms of the recipient stakeholder (Garriga 2014; Schneider and Sachs 2017). Since different individuals have different needs and hold different values (Breuer and Lüdeke-Freund 2017a, b; Freeman 2010), each recipient will have a different understanding of what constitutes value. In a resource-based perspective, businesses more narrowly define value as an attribute of firm resources that are necessary to achieve competitive advantages and therefore meet business needs (e.g., Barney 1991). In a more general perspective individuals (or groups of individuals) will consider something valuable if it is perceived to meet a (fundamental) human need (Max-Neef et al. 1991). We therefore propose that the value created through a business model is an outcome that meets an actor's business or personal needs. If stakeholders consider ecological and social outcomes valuable, then value creation processes need to reflect this.

According to the sustainability-oriented strand of business model literature, outcomes can be ecological, social, and/or economic in nature (Stubbs and Cocklin 2008; Upward and Jones 2016). Given that stakeholders with a legitimate interest in such outcomes expect to receive value from business operations (Casadesus-Masanell and Ricart 2010; Freeman 1984, 2010; Zott and Amit 2010), ecological and social outcomes must become part of the value created for stakeholders and, consequently, also be an integral part of the focal business' purpose (Kurucz et al. 2017; Stubbs and Cocklin 2008). What constitutes value is thus not only different for each stakeholder group (Garriga 2014; Schneider and Sachs 2017) but may also be a combination of different types of value.

Furthermore, as discussed above, stakeholders also make an active contribution to value creation activities. This conclusion from the business model literature is supported by current interpretations of Freeman (1984) stakeholder theory, such as Garriga (2014, p. 491) definition of stakeholders "as groups or individuals who contribute, whether substantially or not, to the value creation process of the business". Value in the context of business models—understood as a portfolio or blend of different forms of value—is therefore created jointly by and exchanged between the focal business and its stakeholders (Figge and Schaltegger 2000).

Developing a Stakeholder Value Creation Framework

Building on stakeholder theory, the following stakeholder value creation framework considers relationships as a key element of business models. Business models should be designed, developed, and realized in relationships between a business and its stakeholders. A theory-based stakeholder value creation framework therefore needs to analyze *relationships* as a theoretical foundation for the involvement of different stakeholders in business models. A further central element to the framework is a *joint purpose* behind which stakeholders engage in the business model. *These two elements constitute a major difference between business models based on a stakeholder theory perspective and those solely built around a (customer) value proposition* (as is the case for the emerging class of value mapping or value proposition development frameworks). The stakeholder theory perspective also entails considering *with* and *for whom* value is created (segments in Fig. 2), *what* constitutes value (arrows in Fig. 2) in each stakeholder relationship and *how* it is created. While the current literature is fragmented in viewing stakeholders as either contributors or recipients of value creation, the framework proposed in this article distinguishes value creation activities by stakeholder group and highlights the mutual character of relationships in which stakeholders are both recipients and co-creators of value (Figge and Schaltegger 2000). As a result, each dimension of the framework relates to one stakeholder group.

With the explicit consideration of value flows in both directions from the company to a stakeholder and from a stakeholder to the company, the framework accounts for interdependencies in stakeholder relationships and value created through a business model as a portfolio rather than a single outcome.

Stakeholder Relationships and Value Exchanges as Main Elements of the Framework

Each dimension (or wedge) of the framework depicted in Fig. 2 represents the relationship of a focal business with a particular stakeholder group and their related value exchanges. The focal business engages with its stakeholders in the form of different activities united in an overarching joint purpose. In each relationship, a mixture of different types of value (as represented by the arrow pairs pointing in opposite directions) can be created and exchanged. This value portfolio differs from one stakeholder group to another (examples of value created are given in each of the two rings the arrows point to). For example, while fair wages and job security may be offered to employees, collaboration and expertise in production may be offered to suppliers. In their review of research on stakeholder theory, Parmar et al. (2010) identify six key groups as members of a business's stakeholder network: customers, suppliers, employees, financiers, communities, and managers. In our framework we subsume managers in the employee stakeholder group, making five stakeholder groups. We use these generic categories with the extant literature on business models to develop a framework that can serve as an analytical tool to complement conventional business model frameworks.

In the following we discuss each stakeholder dimension in detail.

Customers

Customers are viewed as a key stakeholder group in much of the business model literature and are also referred to as, for example, customer segments, target markets or users (e.g., Abdelkafi et al. 2013; Al-Debei and Avison

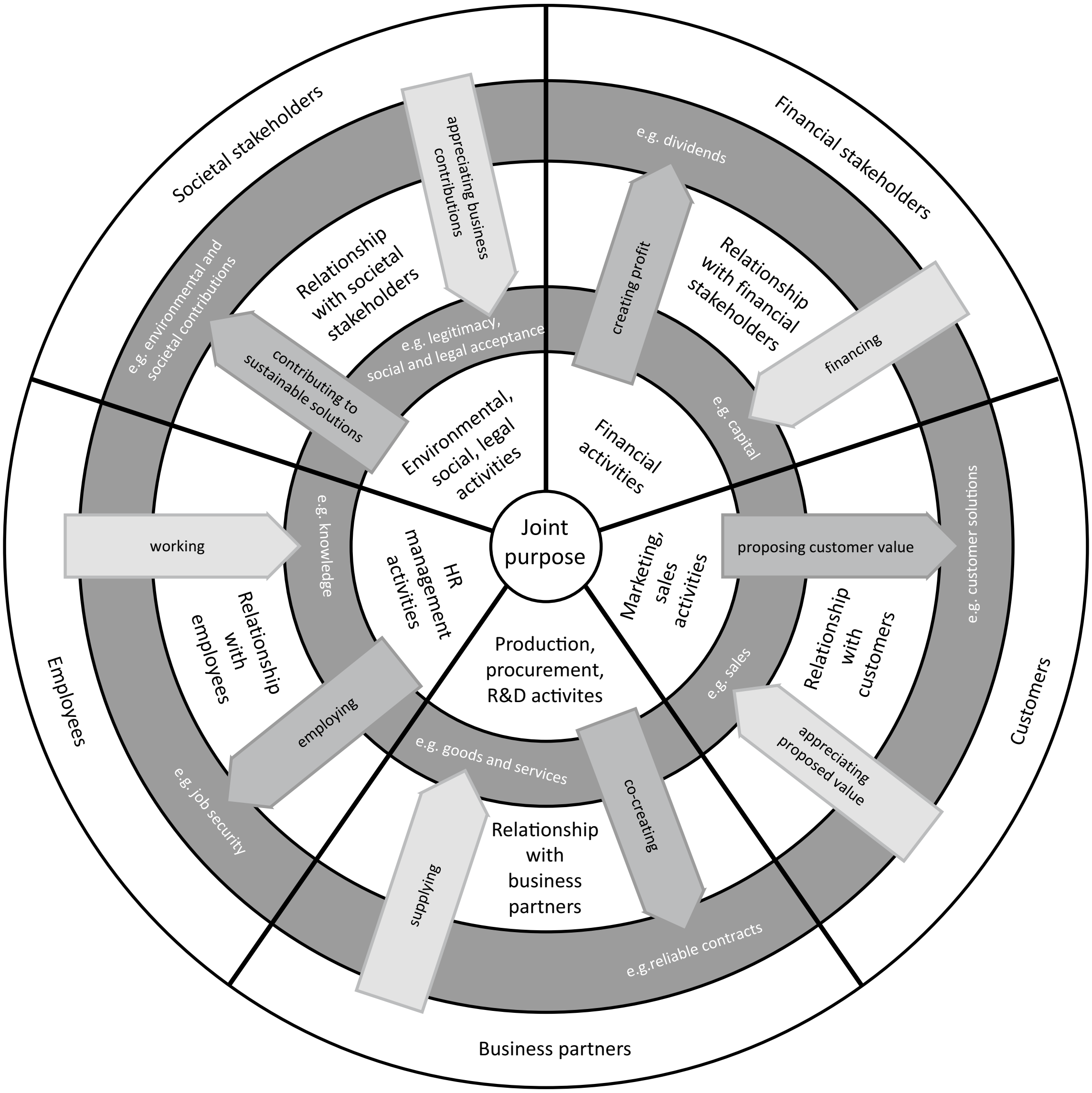

Fig. 2 Stakeholder value creation framework for business model analysis

2010; Ballon 2007; Osterwalder and Pigneur 2010; Teece 2010). This dimension comprises the relationship and value exchanges between customers and the focal business. Their relationship revolves around the products and services offered to customers as expressed by the customer value proposition (Woodruff 1997). Customers will only engage in a value exchange if they believe the product or service meets a business or personal need. This need is related to the value of the product in its use (e.g., a pullover will keep the customer warm) but also its symbolic value (e.g., the customer feels that a particular design or brand helps to satisfy the need of belonging to a specific social group). On the most basic level, customers pay an amount of money in exchange for a product and its associated value.

While customers are typically considered recipients of the outcome of value creation processes (e.g., Osterwalder et al. 2005; Zott et al. 2011; see also Table 1), stakeholder theory sees customers as active participants in a business model. They do not merely pay for a product or service (see Stubbs and Cocklin 2008) but also provide other values to the business, for example, personal data and information about consumption preferences, thus helping to meet a business need for detailed information about the target group. They may also be involved in value creation processes, for example, by individualizing product designs or participating in open innovation initiatives (e.g., Payne et al. 2008; Rauter et al. 2017).

Business Partners

Suppliers of goods and services are often identified as the value creation part of a business model (e.g., Al-Debei and Avison 2010; Osterwalder and Pigneur 2010; Upward and Jones 2016). We propose using the generic term business partners to include actors such as suppliers of production inputs or services, logistics partners, consultants, and operations providers.

This dimension includes all activities related to the creation of the product or service, including its research and development, procurement of inputs, and actual production processes. Stakeholder contributions fulfill business needs related to production processes in return for payment and also opportunities for recurring contracts or other non-monetary benefits they consider to be valuable (e.g., enhanced reputation).

Employees

Employees, including managers, are usually not considered in the business model literature a stakeholder group, even though their knowledge, capabilities, and activities are critical aspects of value creation (Lambert 2012; Shafer et al. 2005). In particular, employee capabilities are sometimes proposed as a separate concept under terms such as resources and capabilities or knowledge capital (e.g., Abdelkafi et al. 2013; Al-Debei and Avison 2010; Osterwalder and Pigneur 2010).

This dimension covers activities related to managing knowledge resources, also by matching suitable employees to jobs in the business. Employees are engaged in value creation activities in this dimension by providing their knowledge and capabilities to the focal business. In exchange, the business pays fair wages and salaries, training to help employees to improve their skills and expertise, as well as social benefits and holidays.

Societal Stakeholders

The term communities (Parmar et al. 2010) comprises a wide variety of actors with roles representing the natural environment, communities, the government, external agencies, media, and academia (Bocken et al. 2013). A more suitable term for this group is therefore societal stakeholders because it represents perceived needs in society and the natural environment. The relationship of members of this group to the focal business is not governed by contract. Societal stakeholders are also rarely discussed in the business model literature but exceptions can be found in the sustainability-oriented stream (see e.g., Bocken et al. 2013; Joyce and Paquin 2016; Schaltegger et al. 2016a; Upward and Jones 2016). However, Stubbs and Cocklin (2008) point out that, by acting as intermediaries for often marginalized groups and speaking for nature, societal stakeholders like NGOs contribute to value creation activities, particularly with regards to the ecological and social impacts of business activities.

The value provided by societal stakeholders includes the provision and maintenance of a stable operating environment for the business through regulations and social norms (Darnall et al. 2010; Lee 2011). As part of the value exchange in this dimension, the business contributes to societal stakeholders' ability to fulfill their roles, for example, by making its actions transparent to allow for their evaluation of the legality and legitimacy of its operations, by paying taxes, and by supporting NGOs through membership fees, donations or employee volunteer programs.

Financial Stakeholders

A key component in business model frameworks is financial value, which is often associated with terms such as revenue stream or cost structure (e.g., Abdelkafi et al. 2013; Al-Debei and Avison 2010; Johnson 2010; Osterwalder and Pigneur 2010). The importance of investment and financing is acknowledged in every framework, both conventional (e.g., Osterwalder and Pigneur 2010) and sustainability-oriented (e.g., Upward and Jones 2016). In particular, the importance of financial resources in relation to a business model is discussed (Bouwman et al. 2008; Wirtz et al. 2016), as well as how revenues are distributed (Ballon 2007; Bouwman et al. 2008). We follow Freeman et al. (2000) in grouping together those stakeholders providing financial resources, including investors, shareholders and creditors such as banks (see Garriga 2014). Financial stakeholders thus include both internal equity and debt capital providers (e.g., employees as stockholders, shareholder loans) and external (e.g., stock market shareholders, bank loans). Financial stakeholders are thus those stakeholders whose main relationships with a company are defined by their financial stakes and interests in a company. However, this does not preclude them from having sustainability-related interests as well.

This dimension is defined by activities related to financial management, including investment and financing, as well as accounting. The exchange between the company and its financial stakeholders is characterized by providing a share of the financial profit in exchange for the provision of financing solutions for maintaining or expanding its operations. Value creation in this relationship may also entail non-monetary aspects, such as the improved diversification of an investor's portfolio.

Implications of the Framework

The circular shape of the framework is a reference to the underlying idea of multiple reciprocal value flows, which replace common conceptualizations of uni-directional and customer-centric value flows. This perspective has three key implications.

Firstly, it provides a nuanced understanding of stakeholder relationships and of what constitutes value. Relationships are viewed as more than transactions based on self-interest and monetary benefits (Bridoux and Stoelhorst 2016). All stakeholder relationships in the framework are motivated by and tied to a joint purpose. It is an integral part of the business model and can be seen in its various outcomes. Moreover, stakeholder relationships are co-operative in nature (Freeman et al. 2000) and form the basis for joint value creation (Bridoux and Stoelhorst 2016) and mutually beneficial exchanges.

Secondly, each relationship and its related mutual value exchange contribute to overall value creation in the business model, which in turn leads to a portfolio of value. Correspondingly, the overall value creation includes both the value created for the business and the value created for all of its stakeholders. What constitutes value is defined separately in each relationship and may include various types of value. Therefore, the value created through a business model is a portfolio or a blend of different forms of value, rather than a single outcome, and all stakeholder groups as well as the focal business itself should, according to stakeholder theory, be recipients of value. The framework supports an analysis of this portfolio and its creation, based on relationships and their corresponding multi-directional value flows. The framework thus offers a new analytical approach to better understand value creation, a concept that is all pervasive in the business model discourse but is rarely defined or studied in detail.

Thirdly, the focus on all types of value, of which financial value is only one, provides a richer basis for developing business models for sustainability. This also allows managing contributions from a broad range of different stakeholders, which is crucial to finding robust and innovative solutions to business and society issues and effectively implementing them.

The Case of Business Models for Sustainability (BMfS)

The stakeholder value creation framework is generic in the sense that it does not define what constitutes value or which stakeholders should be involved in its creation. Instead it examines how stakeholders bring their expectations and contributions to bear as part of their engagement in value creation processes. Ideally, these contributions are linked to a joint purpose, which, in the case of BMfS, entails contributions to sustainable development (Bocken et al. 2014; Lüdeke-Freund and Dembek 2017; Schaltegger et al. 2016a, 2017; Stubbs and Cocklin 2008; Upward and Jones 2016). A BMfS is defined as a business model fulfilling these three criteria: (i) it offers multiple value propositions to customers and all other stakeholders, (ii) it creates and delivers the corresponding forms of value, i.e., a value portfolio, (iii) and it captures economic value for the business while it maintains or regenerates natural, social and economic capital beyond the boundaries of the focal organization (Schaltegger et al. 2016a, p. 6).

This section discusses how the framework can support analyses of value creation with and for stakeholders in BMfS. Firstly, we use stakeholder theory (detailed in Section "Theoretical background: business model and stakeholder theory perspectives on value creation") to formulate theoretical propositions about value creation with and for stakeholders as a key element of a BMfS. Secondly, questions are derived from these propositions that can serve to structure and focus an analysis of the extent to which a particular business model approaches such a BMfS. In addition to this assessment function, the managers of a focal business are provided with a tool to improve their performance.

Theoretical Propositions Regarding the Creation of Stakeholder Value Through BMfS

The first proposition derived from stakeholder theory relates to the fact that business models are realized in stakeholder relationships. To understand what a business model is expected to contribute to sustainable development and how this could be achieved requires understanding and considering the perspectives and expectations of all of the stakeholders (Hörisch et al. 2014). It is therefore crucial to create structures that allow all stakeholders to express their expectations regarding sustainability-related outcomes and encourage them to contribute to solving sustainability issues that may arise in value creation processes (Breuer et al. 2018).

Proposition I *All relevant stakeholders are engaged in identifying and solving sustainability issues as part of a business model for sustainability's value creation processes.*

Secondly, stakeholder theory emphasizes that there should be a specific purpose behind stakeholder cooperation. As sustainability problems are often complex and solutions are not immediately forthcoming, management can only develop sustainable solutions together with stakeholders. This requires all actors to have a shared understanding of how sustainability relates to the business model and what contributions the business model can make to sustainable development. Such an understanding allows stakeholders to make informed decisions about whether and how they contribute to the business model and the achievement of its purpose. While different stakeholders may have similar views on some sustainability issues, it may be necessary to develop and communicate a joint purpose to guide efforts toward more sustainable development. This purpose can motivate organizational transformation processes, as in the famous case of the US carpet manufacturer Interface, which aligned its business model's purpose with aspects of sustainable development and was then able to adapt its stakeholder network and value creation processes correspondingly (Stubbs and Cocklin 2008). The second proposition emphasizes this crucial role of a deliberately formulated joint purpose.

Proposition II *The joint purpose of a business model for sustainability is directed toward sustainable development and explicitly refers to stakeholder contributions to achieve this purpose.*

Thirdly, stakeholder theory asserts that stakeholders will support a company if they receive value in return (Bridoux and Stoelhorst 2016). This is also the case for sustainability projects and activities (Hörisch et al. 2014). The key task of the focal business is therefore to coordinate value creation with and for stakeholders in line with the joint purpose. This involves aligning the interests of different stakeholders, as far as possible, in pursuit of mutually beneficial outcomes, instead of ranking conflicting interests (Freeman et al. 2000). Management is thus challenged to avoid or minimize trade-offs in value creation for different stakeholders (Freeman 2010), especially when these trade-offs decrease or even destroy value creation (Bocken et al. 2013; Yang et al. 2017). A BMfS thus requires transparency to identify potential synergies and resolve conflicts among stakeholders. Such a value portfolio analysis allows a business to develop sustainability projects and activities in a way that creates value for the focal business and for each stakeholder involved. In particular, the ecological, social, and economic value stakeholders receive from the business model ensures their continued support.

Proposition III *A business model for sustainability aligns stakeholder interests to contribute effectively to sustainable development, in particular by integrating the ecological, social, and economic value stakeholders receive.*

Fourthly, the integration thesis of stakeholder theory emphasizes that most business decisions also have ethical consequences and vice versa (Freeman et al. 2000; Hörisch et al. 2014). It also maintains that how businesses engage with their stakeholders also affects the type and process of value creation. If businesses are to contribute to sustainable development, their business models must be rooted in a view of value creation as a contribution to sustainable development. Hence, a BMfS engages all stakeholders in a respectful and ethically sound manner, which allows the focal business to understand and integrate their interests to develop sustainable value propositions to customers and all other stakeholders (Patala et al. 2016; Schaltegger et al. 2016a).

Proposition IV *Business models for sustainability embody an integrated perspective of ethical and business considerations in their value creation with and for stakeholders.*

The findings of this analysis show that from a stakeholder theory perspective the concept of value created through BMfS thus needs to account for (i) different types of value (e.g., social, financial, ecological) and (ii) multiple value flows occurring between the company and each specific stakeholder. Analyzing the value flows in stakeholder relationships allows a business to determine whether a contribution to sustainable development is being achieved and whether all stakeholders are supporting this contribution.

Applying the Stakeholder Value Creation Framework to BMfS: Discussion and Implications for Future Research

The stakeholder value creation framework (Fig. 2) can be used to analyze how closely a business model corresponds to a BMfS. In a first step questions are derived from the four propositions regarding BMfS, before discussing how these questions can be used to assess the status of a business model and where a focal business can improve its performance.

Proposition I: Engaging Stakeholders

Question 1 *Who are the stakeholders in and beyond the five stakeholder groups identified in the framework?*

Identifying stakeholders is the first step in any analysis using the proposed stakeholder value creation framework. It is crucial to include all relevant stakeholder groups, even those who tend to create inconveniences and those who do not seem to fit any of the five generic categories identified in the framework.

Question 2 *To what extent are each of these stakeholders engaged in identifying and solving sustainability issues?*

Stakeholders are crucial to the development of innovative solutions to sustainable development (Boons and Lüdeke-Freund 2013; Stubbs and Cocklin 2008). For instance, products and services may be developed in collaboration with research institutes, facilitated by regulators, and refined in open innovation processes. (Rauter et al. 2017).

Proposition II: Joint Purpose

Question 3 What is the joint sustainability-related purpose of the business model, and how does it provide a basis for stakeholders to engage in value creation with the focal business?

For the BMfS to contribute effectively to sustainable development, the joint purpose has to emphasize creating ecologically and socially beneficial outcomes while maintaining financial viability (Stubbs and Cocklin 2008; Christ et al. 2018). In line with stakeholder theory, a business model analysis also requires an evaluation of the diverse stakeholder views of the purpose to determine whether it truly is a joint purpose and therefore engenders full and continued support from all stakeholder groups as outlined in the framework.

Question 4 How do stakeholders contribute to achieving the joint sustainability-related purpose?

A stakeholder's contributions to joint value creation in the business model are likely to be diverse (inward-pointing arrows in the framework in Fig. 2), and analysis needs to examine the different types of value to ensure that the findings are complete. This is particularly true with regard to societal stakeholders, who are an especially diverse group. Such an extended analysis goes beyond the discussions in much of the conventional business model literature. The recognition that societal stakeholders contribute to a business model's value creation leads to the understanding that companies must, as a key management task, explicitly engage in maintaining legality and legitimacy for companies.

Proposition III: Aligning Stakeholder Interests

Question 5 What are the individual sustainability-related expectations of each of the business model's stakeholder groups?

This question is necessary for a BMfS to envisage sustainability-oriented value creation for its stakeholders (depicted as outward pointing arrows in Fig. 2). A business model analysis needs to examine what each stakeholder group considers to be valuable in relation to sustainability.

Question 6 Where are potential conflicts or synergies among value creation activities in the business model?

Potential conflicts and synergies in the business model need to be anticipated to ensure that value is created for all stakeholders while the business model remains financially viable. Hence, the relationships, synergies and trade-offs between the different dimensions of the framework proposed in Fig. 2 require further research. This is important and much needed area of research, as the relationships and value exchanges between companies and their partners may have consequences for other stakeholder groups (e.g., other partners or customers).

Proposition IV: Integrating Ethical Issues

Question 7 What are the value propositions offered to each stakeholder group, and do they reflect the diversity of different types of value?

In the stakeholder value creation framework there is not a single value proposition for customers at the center of a BMfS (cf. Bocken et al. 2013; Patala et al. 2016), but instead there are value propositions made to each stakeholder group (shown in the outer gray ring in Fig. 2). These propositions include ethical values relating to society and the environment.

Question 8 Can each stakeholder relationships be characterized as respectful and ethically sound?

Can each stakeholder relationships be characterized as respectful and ethically sound?
The engagement of all stakeholders in a respectful and ethically sound manner allows stakeholder interests to be integrated into the BMfS and a value portfolio to be developed for all stakeholders. This is particularly important to the employee dimension, which has often been neglected due to the tendency of current business model frameworks to treat employees as passive actors, instead of active stakeholders in their own right.

Applying the Framework

This section illustrates potential outcomes of applying a BMfS analysis using the stakeholder value creation framework.

The Customer Dimension

An urban car-sharing mobility service, for example, creates value for its customers by offering convenient mobility alternatives to car ownership. In return, customer demand creates value for the company by enabling further investments (e.g., in a modern fleet of shared eco-friendly cars) to extend the company's outreach. Other stakeholders may be involved in creating sustainability solutions for customers, such as municipalities offering parking spaces for car-sharing services. The joint purpose of creating car-sharing services to replace individual car ownership may prevent, or at least minimize, trade-offs between ethical and business decisions.

The Business Partner Dimension

Business models for sustainability are often a response to the dominant consumption-centric ideology and aim at reducing material and energy consumption. Value is created for business partners by collaborating to develop sustainability-related solutions (Joyce and Paquin 2016). One much discussed solution to resource scarcity and waste is for business models to promote a shift from products to services (Tukker 2015). It should be noted, however, that service-based models in the sharing economy may also involve negative outcomes for business partners, for example, by shifting risks to private service providers (in the case of Uber, see Dreyer et al. 2017) or other negative trade-offs among stakeholders.

The Employee Dimension

Instead of representing employee capabilities as a resource to be procured in the marketplace according to supply and demand, the stakeholder value creation framework emphasizes the mutual exchanges and relationships between a company and its employees as human beings with human needs and expectations that go beyond the capabilities they bring to their work. This shift in perspective can be seen in how the standing of employees in a business model changes in co-operative businesses owned by their employees.

The Societal Stakeholder Dimension

A company can contribute to sustainable development by actively engaging in collaborative processes with its societal stakeholders to raise industry standards. This is illustrated by the case of Unilever working in a joint project with the WWF to create the Marine Stewardship Council, which has resulted in sustainability standards being applied to almost 10% of the annual global harvest of wild-capture fisheries (MSC 2017). Unilever's societal stakeholders made contributions to sustainability by achieving stricter ecological and social regulations, while benefitting themselves through, for example, extended media coverage of their campaigns.

The Financial Stakeholder Dimension

Although research on so-called hybrid organizations shows that it is possible to simultaneously pursue financial aims and address social and ecological issues (Haigh and Hoffman 2014), the influence of sustainability-related risks in financing has received increasing attention (Busch et al. 2016). For example, investments in fossil fuel-dependent industries are at risk from more stringent laws regulating CO_2 emissions. By reducing its dependency on fossil fuels, such a company can contribute to sustainable development and provide value creation for its investors in the form of reduced financial risks. In exchange, investors could reflect the lower risk levels by offering more favorable terms, thereby creating value for companies with a BMfS.

Future Research into a Stakeholder Value Creation Framework for Sustainability

This section offers an overview of critical issues concerning the development of BMfS that have so far received insufficient attention. Future research will be needed to address such questions.

- *How is value created for networks of stakeholders?* This includes the analysis of relationships, synergies and trade-offs between the different dimensions of the framework as well as how the relationships and value exchanges between focal companies and their business partners impact other stakeholder groups.
- *How can the stakeholder relationships in a business model contribute to sustainable development?* This covers the analysis of relationships with various stakeholders such as customers, and how the physical, symbolic, and social needs of customers can generate genuine value propositions that contribute to sustainable development. This question also includes how a BMfS can enable societal stakeholders to influence sustainability-related regulations governing the focal business's operating environment. For business partners the challenge is to co-develop more ecologically and socially beneficial production processes and to consider the associated negative and positive effects on other stakeholders.
- *What is the role of different business functions in managing stakeholder relationship for BMfS?* In addition to a focus on the relationship of individual stakeholders to the company, a relational view entails differentiating among the different actors in the company and how each of them

shapes stakeholder relationships. Thus, the role HR management can play in developing a BMfS, in particular with regard to viewing employees as stakeholders in their own right with their own motivation, is a key issue. Another issue needing further study is the relationship of the interests of the finance department with those of investors. For accounting and management control this leads to analyses of how sustainability-related financial risks and opportunities are connected to particular business models.

- *How can the stakeholder value creation framework be used as a design tool* in sustainability-oriented business modeling to create more stakeholder-sensitive and inclusive business model designs?

Although this is just an indicative list of starting points for in-depth analyses of BMfS, it becomes clear that it opens up new avenues for future research that are currently lacking in both mainstream and sustainability-oriented business model research. We discuss further contributions of applying stakeholder theory and our framework to these questions in the last section.

Summary and Conclusions

The proposed stakeholder value creation framework structures the relationships between a company and its stakeholders along five dimensions of a company's business model. These dimensions identify core value creation activities and associated mutual value exchanges, providing added transparency of the value created with and for different stakeholders. The framework can also be used in conjunction with the four theoretically derived propositions, and their related questions, about a BMfS to assess and help guide a company toward greater engagement with sustainability.

Value exchanges have been identified in the extant business model literature as an integral part of business models and value creation (e.g., Gordijn et al. 2000; Bouwman and van Den Ham 2003; Andersson et al. 2006). Most frameworks, however, support the view that some stakeholders are engaged in providing value, whereas other stakeholders receive value. This artificial dichotomy ignores the fact that contributing to and benefitting from value creation are interlinked processes—two sides of the same coin—embedded in stakeholder relationships. Moreover, stakeholders often have a dual role in many sustainability problems and solutions. Those actors who cause ecological and social problems are at the same time needed in the development of effective solutions and their implementation (Miller et al. 2014). Most frameworks do not ask what benefits stakeholders receive in return for their contributions. The value *for* these stakeholders remains obscured although it is essential to the development and implementation of effective sustainability solutions.

Frameworks that do acknowledge the dual nature of value creation tend not to differentiate among stakeholder groups and the specific types of value they create. Consequently, any analysis building on such frameworks remains incomplete. Stakeholder theory, with its emphasis on relationships and mutually beneficial processes of engagement, provides a useful theoretical basis for analyzing value exchanges in reciprocal relationships. If a framework is to be analytically useful, it needs to provide a more differentiated picture of the stakeholders involved in their specific mutual value exchanges with a focal business. The framework developed in this paper is therefore proposed as an extension of existing business model frameworks, although it can also be used as a stand-alone instrument.

At the same time such complex stakeholder networks must be simplified and categorized into a manageable number of groups, at least in the initial stages of analysis. Different stakeholder categorizations have been proposed in the sustainability-focused business model literature (Bocken et al. 2013; Joyce and Paquin 2016). We follow the categorization by Parmar et al. (2010) with minor adaptations. While this process of reducing complexity is essential in analyses and modeling, it is also crucial to recall that there is a significant variety of individual interests and values in each empirical context. In addition to the breadth of individual preferences, stakeholder theory also recognizes the different types of value (Freeman 2010), in stakeholder relationships beyond economic transactions (Bridoux and Stoelhorst 2016). In an analysis of the contributions of a business model to both stakeholders and sustainable development, social and ecological values join economic value (Breuer et al. 2018) together with cultural and symbolic values for both individuals and society as a whole (Upward and Jones 2016). Unfortunately, such a nuanced understanding of value is largely missing from much of the business model literature. The shareholder value creation framework goes beyond generic triple bottom line accounts and opens the black box of value creation to analyze the variety of mutual value exchanges between stakeholders and the focal business in a BMfS.

A purely transactional view of exchanges between a focal company and its stakeholders obscures an important fact, namely that mutual value exchanges are embedded in different kinds of relationship. Bridoux and Stoelhorst (2016) argue that the nature of stakeholder relationships is essential to value creation for the focal company, its stakeholders (Freeman 2010) and sustainable development (Hörisch et al. 2014). They point out that value-creating exchanges involving self-interested actors and market-based decision-making (transactional perspective) are facilitated by relationships that can be framed as communal sharing, authority ranking, or equality matching (relational perspective). Assuming that value exchanges just happen ignores the different qualities of relationships between social actors.

Relationships in the context of business model frameworks tend to describe how one element relates to another, for example, an element called value activity may have a relationship performed by the element actor (Gordijn and Akkermans 2001). In our framework, however, a relationship refers to the underlying socio-psychological bond that makes human interaction possible. The idea that these bonds between the focal company and diverse stakeholder groups are the very foundation for a viable business model adds a new layer to business model research and management. A business model is therefore defined not just as a rationale of organizational value creation (Casadesus-Masanell and Ricart 2010) but also as an approach to building and maintaining relationships.

This article contributes to business model research by its application of stakeholder theory to stakeholder relationships in a business model. Considering relationships as a core aspect of business models means acknowledging stakeholders as fellow human beings, instead of as elements in a model. This opens up new opportunities for ethical questions like "Do our managers really respect the employees of our company?" or "How can our business work together with those stakeholders speaking on nature's behalf?" Finding good answers to such questions is crucial for the success of business models, especially those designed to support sustainable development.

The framework developed in this paper acknowledges the active role that each stakeholder plays in value creation processes. It emphasizes that it is their perception of an outcome as being valuable that plays a key role in determining whether and how successful a business model will be in operation. Applying stakeholder theory thus shifts the focus from producing something customers consider valuable to creating multiple outcomes, each of which is perceived to be valuable in different ways by its recipient stakeholders. Our framework also reconceptualizes the role stakeholders play by highlighting their active contributions to sustainable development through their engagement in coordinated value creation processes aimed at achieving a joint purpose. The visual depiction of the framework in Fig. 2, however, does not capture the interrelationships among stakeholders beyond their relationships to the focal company.

Although the emphasis on stakeholders and their relationships and value exchanges distinguishes our framework from others, it can still be used together with the frameworks proposed by, for example, Joyce and Paquin (2016) or Upward and Jones (2016). We would go even further and propose that any analysis of a BMfS should be preceded by an in-depth analysis of its stakeholder network as proposed by the framework developed in this paper. Using our framework offers additional clarity in terms of *what* is created *with* and *for* whom. Such a stakeholder mapping allows for more thorough analyses of business models for sustainability, and thus of the *how* of ethical value creation.

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Compliance with Ethical Standards

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