The Doing Good Business Diamond

Going beyond the triple bottom line for sustainable business modeling

Charlotte Bruun[1,*], Jan Kyhnau[1],

[1]University College of Northern Denmark

*chb@ucn.dk

Abstract

Economies are always in transition, yet for some historical periods, transformations have been more revolting than for others. There are periods where changes in how we create value have caused changes in how we perceive ourselves as human beings, our behavior, and, how we organize our societies. This was the case when we went from being hunter-gatherers to becoming farmers, and when our economies were industrialized. Each historical period found ways of dealing with the issue of sustainability – ways of preventing those in power from exploiting Planet and People such as the sharing rules of hunter-gatherers, the religious demands of feudalism, and the competitive markets of capitalism.

When sustainability of our societies is threatened, it may be a sign that we are living in a time of revolting transition – that we are entering a post-industrial era and need to adjust our behavior and governance systems. Businesses are driving the transition and should also take responsibility for People and Planet. Sustainable business models, like the Triple Layered Business Model Canvas (TLBMC), are one method for systematically evaluating the impact of businesses on People and Planet – but using such tools is like treating symptoms without knowing what is wrong with the patient. We suggest a framework, Doing Good Business (DGB), for addressing underlying problems in how Value Creation, Governance, and Behavior interconnect. In the Doing Good Business Diamond (DGBD) this framework is integrated with the TLBMC to get a full patient checkup.

Keywords

Sustainable business models, triple bottom line, societal transformation, market economy, governance.

Introduction

Frameworks for developing sustainable business models are presented as methods for helping businesses thrive, not at the cost of People and Planet, but with People and Planet. Much effort has concentrated on the growing consensus on the combination of environmental, social, and economic goals, but there has been less discussion of "how to get there" (Scoones, 2016). Since no theory claims causal relations between the three bottom lines, they should be considered individual goals, leaving us without a theoretical understanding of how the goals may be reached. We have no method for discussing coherence between the goals or weighing off one goal against the other. Taking a business model perspective indicates a method for considering sustainability but does not on its own give a direction. Within sustainable business modeling a systems approach is often called for: businesses must be aware of their part in global ecologic and social systems and take into account their impact on the aggregate system (Peter&Swilling, 2014; Mason, 2007)). However, when sustainable business models rely on Triple Bottom Line (TBL) thinking, it appears to create confusion between means and ends, which a systems approach should address: how does a given business model, reducing carbon footprint, feed into e.g., global inequality?

Our Doing Good Business framework (DGB) takes its starting point in the claim of Neoclassical Welfare Theory that markets are capable of optimizing human welfare, given rationality and industrial production. We generalize this theoretical construct by deconstructing its three theoretical elements; the production function, the market mechanism, and rational economic man, categorizing the elements as; Value creation, Governance, and Behavior, and naming neoclassical theory "a special case" where almost all governance rests upon markets. This special case reigned during industrialization, but need not be a good fit for a post-industrial society.

We argue that sustainability is to be found in coherence between GOVERNANCE, BEHAVIOR, and VALUE CREATION (DGB) rather than PEOPLE, PLANET, and PROFIT (TBL). We do this because it is between the three aspects of DGB that societies historically have coped with issues of sustainability, i.e., made sure that common goods were not overused, that weak inhabitants were taken care of, and that power was not misused to exploit People or Planet. How these issues have been dealt with depends on how value has been created. This argument is not unique as at least part of it may be found in discussions on Marx's transformation problem (Morishima & Catephores, 1978), Crouch's work on capitalist

diversity (2005), Polanyi's "Great Transformation" (1944), and Harari's bestseller "Sapiens" (2011). What, to our knowledge is new, is putting GOVERNANCE, BEHAVIOR, and VALUE CREATION together and relating their interplay to TBL sustainability.

In the following, using a problematization method (Baldassarre et al., 2023; Alvesson & Sandberg, 2011), we challenge TBL thinking as it does not question the underlying assumption of business economics: that markets are fair and do not interrupt sustainability agendas. We develop a framework (The Doing Good Business Diamond) where TBL is still present, but where the sweet spot of sustainable business models is sought in the interplay between the mode of Value Creation, the Behavior of stakeholders, and the Governance of resource allocation. We argue that this new triad may help find the coherency between Planet, People, and Profit so often called for.

Challenging Triple Bottom Line thinking

Whereas sustainability research started with the ecological system at its center with economists such as Georgescu-Roegen and Daly as central figures, it is hard to discuss sustainability today without mentioning the Triple Bottom Line (TBL), in business literature popularized as Planet, People, and Profit. The origin of TBL thinking is, however, hard to pin down. Within business, it was Elkington (1997) who originated the TBL, but in their search for the conceptual origins of the three pillars of sustainability, Purvis et al. (2018) found that "*there is no single point of origin of this three-pillar conception*". Furthermore, they note that "*nowhere have we found a theoretically rigorous description of the three pillars*". This means that the three pillars, spheres, or bottom lines come in myriad interpretations.

Elkington (1997) introduced his triad from an accounting approach, where Profit is the well-known bottom line of business. Thus, People and Planet must also be understood as bottom lines where positives can outweigh negatives. This also indicates that the three bottom lines may be summed, and e.g., negatives for the planet be outweighed by positives for people – or even for profits. Elkington did not present his bottom lines as three intersecting circles – an illustration that today is widely used (Fig. 1a). Intersecting circles suggest a Venn diagram, i.e., a number of sets with logical relations. However, the intersections between the three spheres are rarely assigned any meaning in TBL thinking. Instead, the meaning of the overlapping circles appears to be that there is a "sweet spot" where the interests of People, Planet, and Profit are considered, suggesting substitutability between goals. This approach to sustainability is known (or criticized) as weak sustainability (Neumayer, 2010).

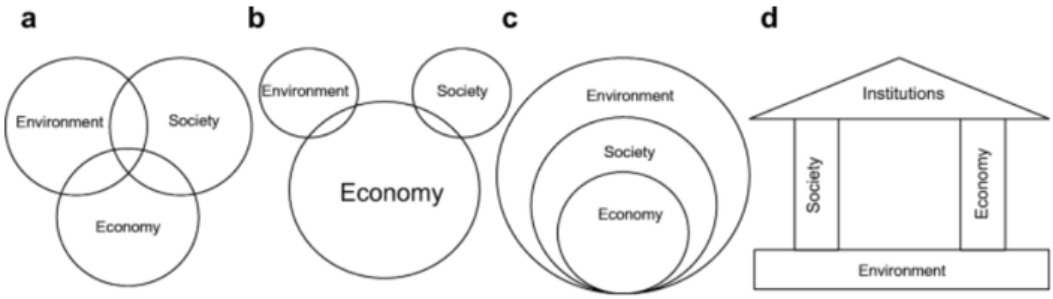

Figure 1. Environment (Planet), Society (People), and Economy (Profit) in different formations. Source: Pelletier et al., 2012.

Other writers, e.g., Block & Paredis (2019), Bosselman et al., (2008), present the three spheres as nested concentric circles (See Fig. 1c) indicating that the three spheres are not substitutable. This approach is known as strong sustainability where proponents prioritize Planet over People, and People over Profits (Neumayer, 2010). The planet delimits a set of sustainable solutions, people a set of sustainable and desirable solutions, and finally profits determine the set of solutions that are both environmentally sustainable (feasible), humanely desirable, and economically profitable (viable). Another way to illustrate strong sustainability is by pillars of People and Profit resting on the foundation of Planet (Fig.1d).

In the literature, there is some critique of profit as a goal in its own right, and Elkington himself suggested replacing profit with prosperity in TBL thinking (Elkington, 2018). We do not follow his recommendation since it is not clear what the difference between people and prosperity should be. Doing good for people should be providing as much prosperity, fairly distributed, for people as the planet can handle. Profit, then, is allowing for a capitalist logic with private ownership and a belief in the benefits of private initiative. What is good for profit is what is driving economic development under capitalism. Prosperity, in our understanding, is the sweet spot of TBL, traditionally referred to as welfare in economics.

Within sustainable business models, a popular approach to TBL thinking is Joyce & Paquin's (2016) Triple Layered Business Model Canvas (TLBMC) building on the BMC of Osterwalder & Pigneur (2010). Joyce & Paquin refer to Elkington (1997) as their inspiration for working with the three "layers", and do not use a Venn diagram, but discuss vertical coherence as an alignment between their economic, environmental, and social layers. An alignment is different from a simple summing up of bottom lines, but it is hard to see, how businesses should work with their vertical coherence. Joyce & Paquin (2016) allow for a tradeoff between the three goals, but with no theoretical foundation for TBL, and thus no unified consistent model, businesses get little help in weighing off the three concerns.

Another popular tool is the Flourishing Business Canvas of Upward & Jones (2015), also building on Osterwalder's BMC and TBL thinking but favoring strong sustainability over

weak sustainability. This means that the model has a nested set of layers giving priority to environmental sustainability.

Triple bottom line thinking within business models often comes with a declared intention of taking a systems view. Faroli et al. (2018) trace the theoretical foundation of the sustainability concept and argue that the systems perspective adds to the understanding of sustainability. They criticize the reductionist approach that leads to endless discussions of measuring the three layers and eventually finding a method of measurement that may be applied to all three layers. Instead, they focus on the dynamics of interaction between the layers by studying "the virtuous dynamic of interaction". They apply the verification of sustainability, not to the individual layers, but to the evolutionary process emerging from the interaction between layers.

Taking a systems approach and a complexity perspective means giving up on establishing and controlling simple causal relations. Linear causal thinking where A causes B and B causes C cannot be established if C feeds back into A or even changes the nature of the causal link between A and B. As constituents of a global system, the activities of business change the system in ways that are not easily predicted but need to be taken into account, rather than relying on theories that assume the system's level away.

Reviews of sustainable business models reveal two major issues: The question of coherency between Profit, Planet, and People, and the question of theoretical consistency (Bocken et al., 2014; Boons & Lüdeke-Freund, 2013; Breuer et al., 2018). These problems are inherited from the dominant definition of sustainability. Elkington's Triple Bottom Line has dominated sustainability research within management. There is nothing wrong in focusing on TBL in search of sustainability – but there is nothing relating the three bottom lines. Thus, no theory can be developed that can weigh off or relate the three bottom lines. Placing the responsibility for sustainability on the interplay between layers does not solve the problem, without a theoretical, or at least a conceptual, understanding of how the three layers interact.

Challenging the market as a fair governor of resource allocation

Surprisingly there is not much literature within sustainable business discussing Neoclassical economics and the role played by markets in New Welfare Theory. Surprising since business operates on markets and since sustainability is exactly about welfare for all – including our grandchildren. In a perfect world, markets may not secure strong sustainability – but they are designed to handle weak sustainability: the tradeoffs between different goals.

The key concept of New Welfare Theory is the idea of Pareto optimality which, in its essence, claims that markets work! In a Pareto optimum, markets have allocated resources optimally without disturbing the initial distribution, i.e., there are no winners or losers (Arrow, 1969; Boulding, 1952). Pareto himself was well aware that his proof also implied that one could redistribute wealth and still use markets for allocation. Given that the conditions of Pareto optimality are fulfilled, this also means that the market should take care of sustainability. If people are not given fair wages they are free to find new employers, and if planet resources are overused they will become more expensive, stopping the overuse. Of course, there can be problems with goods for which there exists no market, i.e., public goods that are non-excludable and non-rivalry, and there is the problem of externalities (e.g., negative externality where impacts on the planet are not accounted for by markets). But there are accompanying solutions to the problems like the provision of public goods by the state or putting a price on pollution.[1] A more general issue related to value creation, however, remains: How does Neoclassical theory get the supply and demand curves upon which governance by markets rests?

Neoclassical theory sees the creation of value as a transformation of labor and capital into goods via a certain technology – a production function. Production is assumed to take place at increasing marginal costs, and this condition is what gives us the positive slope of the supply curve. For industrial or agricultural production this condition may appear reasonable – but in our post-industrial economies, the condition no longer holds for a major part of goods and services brought to market. Rifkin (2015) wrote a whole book about the consequences of this fact: “The Zero Marginal Cost Society”. In theory, zero marginal costs should lead to free goods – but if suppliers of these goods have market power, this power will allow them to earn monopoly profits. Monopoly profits constitute a loss to society, but today it is hard to survive in the business world without some degree of market power.

Besides market power arising in the left side of a BMC due to natural monopolies or granted patents, market power may also arise in the meeting with customers. This happens when consumers voluntarily give market power to suppliers because they prefer a branded product over competitors' products. It also happens if there are network effects, i.e., because the value of a good to a consumer increases as the number of other people using the same good increases. This is the case for a lot of digital goods. Another reason may be that we tend to follow the behavior of our peers. Bandwagon effects are ruled out by the neoclassical trick of methodological individualism: we are born with our preferences and do not take the behavior of others into account. Thus, herd behavior is inconsistent with

[1] Of course there is the theorem of the second best stating that you cannot be sure to reach a Pareto optimum if you only remove 9 out 10 market failures – you must remove them all for the theorem to hold. This problem, however, is not what we shall address here.

the assumption of rationality in neoclassical theory. Once we cannot take preferences for given, the neoclassical demand functions with their nice negative slopes disappear.

These developments on the supply as well as the demand side made Stiglitz complain about the state of competition in the American economy:

Over the past four decades, economic theory and evidence have laid waste to claims that most markets are by and large competitive and the belief that some variant of the "competitive model" provides a good, or even adequate, description of our economy. Perhaps long ago, the picture of innovative, if ruthless, competition, of myriad firms struggling to better serve consumers at lower costs, provided a good description of the American economy. But today we live in an economy where a few firms can rake in massive amounts of profits for themselves and persist unchecked in their dominant position for years and years. (Stiglitz, 2019)

Stiglitz suggests that competitive markets may have worked once, but today the Neoclassical model is becoming increasingly challenged in three areas; (1) how value creation is modeled as production functions with increasing marginal costs, (2) how agents are assumed to be isolated and rational and, (3) how competitive markets work without the presence of market power. Worldwide GDP is no longer dominated by industrial production at increasingly marginal costs. Consumers are not isolated individuals but react on each other, turning the economy into a complex adaptive system rather than a predictable Newtonian system (Bruun, 2007; Stacey, 2007). Furthermore, research within the area of behavioral economics demonstrates that human behavior is dominated by a number of biases and tends to be myopic. Finally, markets are no longer characterized by many suppliers and demanders of whom no one holds market power[2]. Natural monopolies as a consequence of economies of scale and zero marginal costs have caused an asymmetry of power between people and businesses operating at markets. This means that wealth may be gained and lost at markets.

Does the fact that we cannot rely on markets to secure a social optimum mean that we should not rely on markets at all? Certainly not. It just means that we should not blindly trust markets to be fair. Schumpeter, with his concept of creative destruction, realized that monopoly profits were made. But rather than turning monopoly profits into a tale of social loss, he turned them into a tale of new adventures (Nakamura, 2000). At perfect markets, no one is interested in innovating and investing, since there is no way to get the investment back. What drives development towards prosperity is the fact that some entrepreneurs see a chance for profits by trying something new. Thereby they force others out of the market (Bruun, 2003). Monopoly profits are not bad if they are used to make a better world. What

[2] Ponte (2021) elaborates the relation between business power and sustainability in global value chains.

created the problem was when belief in markets was taken to the extreme as was done with Friedman's "shareholder optimization".

Doing Good Business (DGB): where Value creation, Behavior, and Governance meet

For thousands of years we have used markets with their *quid pro quo* logic for allocating valuables, both when it comes to human and natural resources, goods and services produced with these resources as well as financial instruments. But it is only for the last hundred years that we have exalted markets to be fair welfare optimizing devices. The power we have assigned to markets may be a serious threat to sustainable prosperity or welfare. We shall argue this point by taking a historical perspective on how different types of societies have handled the dilemma of securing prosperity for people without harming the planet, i.e., without harming common resources. A self-organizing dynamic process seems to have taken place, although it has not been between the three spheres, People, Planet, and Profit, as suggested by Faroli et al. (2018), but between societies dominant mode of Value creation, Governance mechanisms at play deciding who gets what, and acceptable ways of Behavior.

Reading contemporary management literature on sustainability, one is left with the impression that historically businesses were all about profits, disregarding concerns for People and Planet. However, this impression is wrong. In medieval times merchants of the Hanseatic cities developed a moral codex, still in use as "Der gutes Kaufmann" (The good merchant). Traces of this moral codex were still to be found in economic textbooks of the early 20th century. As an example, the word "moral" was very much present in Marshall's renowned economic textbooks, whereas it was absent in the textbooks of his post-WWII successor, Samuelson (See e.g., Henderson, 1990; Kuhn, 1992).

Doing Good Business is a theoretical conceptualization of societal sustainability (Bruun, 2021). It places Value Creation, Behavior, and (societal) Governance in a Venn diagram and argues that historically, what is perceived as acceptable behavior, and how we have governed the overall question of who has rights to which resources and goods, has adapted to the way value has been created. The question of sustainability is not new. Hunter-gather societies had their methods for taking care of nature and people along with nurturing behavior that supported the governance structure, and so did agricultural societies. When sustainability is a challenge today it may be due to a misfit between our modes of Value Creation, our Governance structure dominated by markets, and our Behavior praising selfishness.

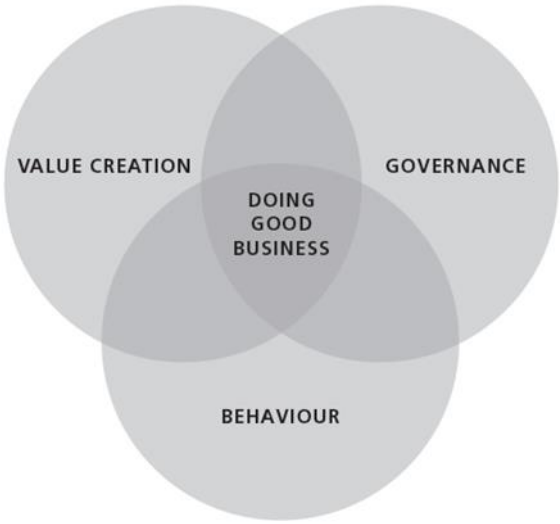

Figure 2. The Doing Good Business triad, Bruun (2021*).*

Taking a historical perspective on the triad of Value Creation, Behavior, and Governance it becomes clear that whereas Neoclassical Welfare Theory may have been a decent approximation of what took place in the period 1870-1970, the theory is hardly generalizable outside this period. Before 1870 production was often protected by laws of guilds and the state played a large role. In Medieval times feudal lords were protected by the state to exercise power outside the market. In hunter-gatherer societies, there were no markets, and resource allocation took place through sharing rules based on moral obligations. By studying economic history, we learn that each epoch has had its own combination of Value creation, Governance, and Behavior, and only in the industrialized epoch has selfish behavior and governance by markets, been allowed to dominate.

Value creation

We already suggested what we mean by value creation and the changes value creation has undergone e.g., from the neoclassical production as a transformation of labor and capital to goods, to the modern interpretation in business model literature, e.g., Osterwalder's value proposition. However, we need to take value creation one step further than Osterwalder and go beyond the value created for the customer.

For readers interested in historical interpretations of value, Mazzucato (2018) is the place to go – also for a critical discussion of the way we interpret value in modern societies. It is very hard to discuss the topics of value creation and welfare without an objective theory of value – which is also why there is no method for adding bottom lines. We have no objective theory of value, and there are strong arguments that we will never be able to agree on an objective concept of value.

For our purpose, we concentrate on the mode of value creation and its implications. Some forms of value-creating activities entail large fundamental uncertainties in payoffs (hunting

or providing digital platforms), while others are more predictable (industrial production). Some have high fixed costs but low variable costs (digital products), while others have the opposite combination (restaurant meals). This is important for the way value creation is governed (Bruun, 2020) and for the way management decisions are best made (Simon, 1987; Mintzberg, 1994).

Governance

Governance is any mechanism that governs relations between constituents in a system. Since it is somewhat disguised in most economic theory, it is important to note, that it is within the sphere of governance that it is decided who has and who has not, i.e. the issue of distribution is a question of governance.

For the last century discussions on governance at a societal level have concentrated on state versus market. The theoretical argument for the superiority of markets as opposed to the state is based on a top-down mechanism (the auctioneer) and the idea of methodological individualism, but these theoretical markets appear to be very different from real markets. The state was regarded as a governor with great potential in the first half of the twentieth century, but with globalization, lack of international governance, and the breakdown of the Soviet Union, not much confidence is placed in the state as the dominant governor today. With Elinor Ostrom receiving the Nobel prize, a third governance form is getting more and more attention, namely governance of commons based on morals and ethics, or just on the concepts of sharing – governance without sticks or carrots (Ostrom, 1990). How social norms may emerge and provide collective systems with intelligence, i.e. reach desirable outcomes at the aggregate level from interacting agents with micro-motives, e.g. profit, is a subject much discussed within agent-based modeling, e.g., Nametame (2006).

The governance structure of any society or organization consists of different weights of the three pure forms of governance: State, Market, and Commons (Fig.3).

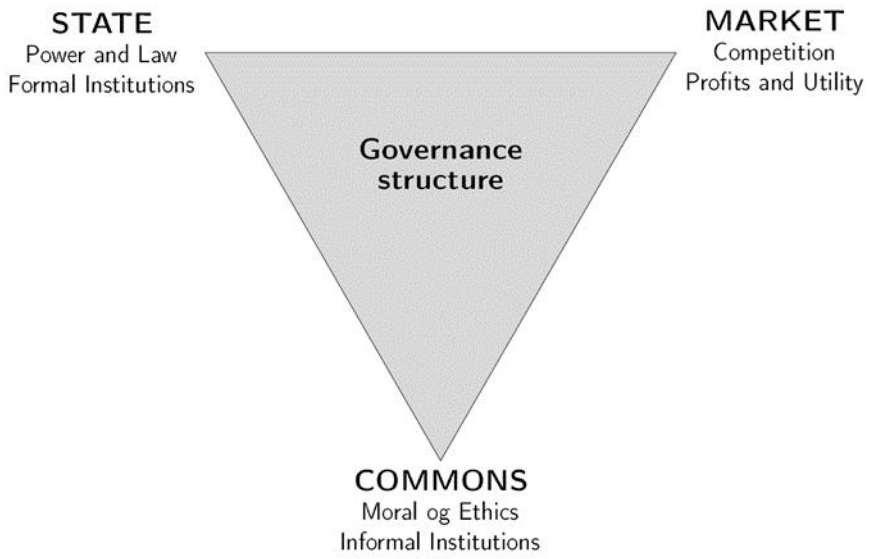

Figure 3. The Three Pure Forms of Governance with their dominant mechanisms. Any governance structure relies on a combination of the three pure forms.

Behavior

To understand what motivates us to create (or extract) and exchange valuables we need some idea of what guides and limits human behavior. We need to consider behavior when we discuss value creation since only humans can tell what is valuable to them, and we need to consider behavior when we discuss governance since it is human behavior that is governed or, in the case of commons, evolves social norms. Thus, any governance structure must relate to what motivates human behavior and how humans deliberate and act.

Behavior should not be seen as static – there need not be one truth about human nature. Behavior should decide what value is created and how distribution is governed - but changes in technology and organization may also change human behavior. There is a difference between the morals of the pre-industrial good merchant and the morals of modern financiers. Hodgson (2013, 2014) argues that moral standards and empathy is part of human nature – but that does not mean that we cannot have different moral standards. The group of people involved in the recent financial trading scandal CumEx-Files, robbing European states of billions of Euro, had a copy of Ayn Rand's ``Capitalism: The Unknown Ideal'' circulating among them, teaching them that their moral obligation was to free as much money as possible from the unproductive hands of the public sector. Rather than acting without morals, they adapted their moral standards to circumstances. Empathy, on the other hand, appear to be one-dimensional (Kirman & Teschl, 2010).

Behavior and decision-making have changed with the nature of the external environment, or more precisely the predictability of the external environment. The luck of hunters is hard to predict, just as the success of startups operating in winner-takes-all markets is unpredictable. On the other hand, the success of businesses operating in industrial production supplied to perfect markets is easier to predict since here success depends upon the ability to minimize production costs. As pointed out by Mintzberg (1994), the attention paid to strategic planning was high in the 1960s and 1970s, whereafter it was replaced by strategic thinking which is more intuitive and fit for handling fundamental uncertainty.

Welfare is sustainable prosperity

Any theory of welfare or sustainable prosperity must consider all three aspects; how value is created, how it is governed, and what motivates and limits human behavior. Furthermore, it must concentrate on how the three play together to promote welfare – to create *the good society*. Requiring businesses to be good need not make society better, just as leaving governance to markets need not leave society at a social optimum – it all depends on what goes on in the other spheres. Value Creation, Governance and Behavior must confluence in a welfare-promoting way to create the good society.

The fact that our dominant mode of value creation has changed from producing physical objects at increasing marginal costs to creating intangible valuables and services, not only affects the way market works – it affects the overall governance of our societies (Bruun, 2020; Pazaitis et al, 2022). Neoclassical theory had a clear vision of what creates sustainable prosperity, and we built our societies and businesses around this ideal – but now we need to find a new way of approaching a situation of sustainable prosperity. Living in a globalized world without a global state in power means that we cannot rely on any legal apparatus to protect People and Planet from opportunistic behavior of those with power. Revisiting our governance triangle, with markets and states unable to meet the challenge of sustainable prosperity, we need to rely on moral behavior. But what kind of morality should businesses rely on? Morality and a desire to *do good* does not in itself promote sustainability. Businesses need a compass to guide them in the right direction. The Doing Good Business Diamond is our suggestion for such a compass.

The Doing Good Business Diamond – in search for coherence

Realizing that we cannot expect the triple bottom lines to interact directly and take society towards a sustainable self-organizing process, we need to discuss how our Behavior and our Governance structure can adapt to our new modes of Value Creation. If we maintain Triple Bottom Line as our goal, creating coherence between Value Creation, Governance and Behavior is our means of reaching the goal. Thus, our diamond model is created by two

sets of triads; the Triple-Layered Business Model Canvas (TLBMC) and the Doing Good Business (DGB). Value is the one concept entailed in both triads; in the form of the value proposition of BMC and value creation of DGB. This creates our Doing Good Business Diamond (DGBD), Figure 4.

Besides the two crossed triads the DGBD has the following boxes: (*i*) the external drivers, primarily referring to technological and societal transformations affecting value creation; (*ii*) remuneration of contribution, primarily making sure that resources originating from outside markets or resources with no power are also given attention; (*iii*) ethical aspects of value offer, to focus attention on the fact that consumption is not only a subjective and private matter but also a concern for society at large, and finally; (*iv*) sum of bottom lines where also feedback from the outcome of a given business model to the external drivers is taken into consideration.

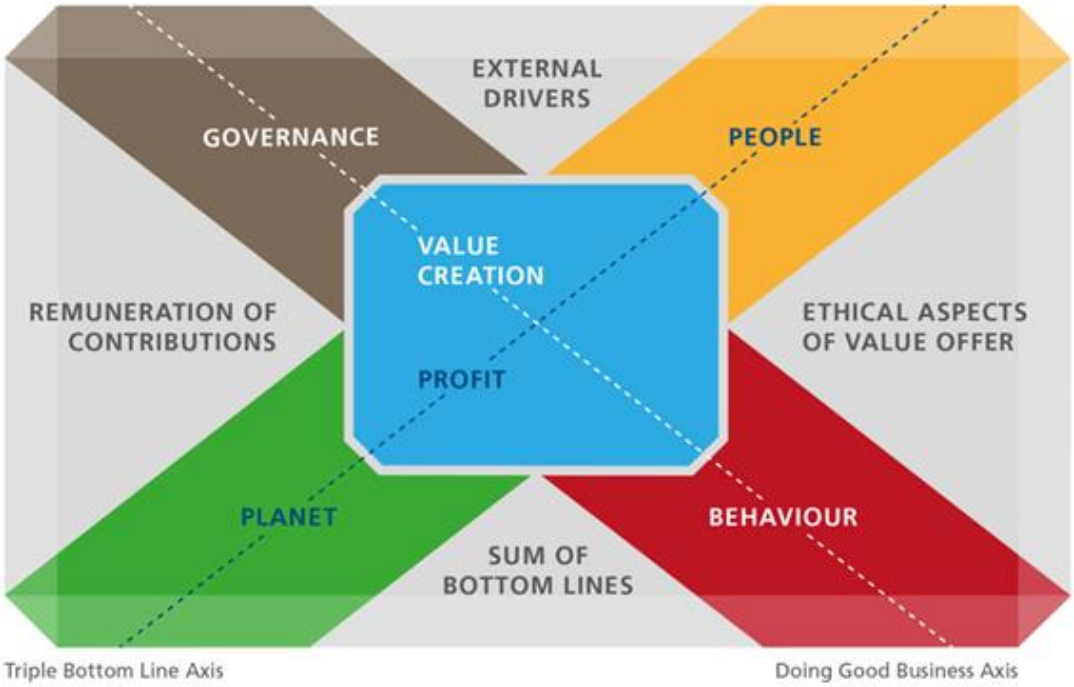

Figure 4. The Doing Good Business Diamond with the TBL axis and the DGB axis sharing the blue economic value creating or profit generating box.

External drivers

Businesses exist in an external environment and rely on drivers of the external environment. One such driver is the division of labor that has operated by generating opportunities for trade in agricultural societies and economies of scale in vertical and horizontal integration in industrial societies. Other drivers are globalization, digitalization, and most recently AI. Businesses have had to decide how to benefit from globalization and digitalization, just as businesses today are busy deciding how to benefit from the

opportunities of AI. But together businesses also create the external environment. We all know the story of Henry Ford creating the first assembly line, and in doing so forced all industrial businesses to consider the implementation of assembly lines – he created a new external environment and a new driver of development.

In a period of transition from industrialized economies to new globalized, digitalized, and servicificated economies, each individual organization must adapt. However some firms have been more successful than others in this transition process, and with no boundaries to the expansion of the individual firm, this has allowed giants like Amazon and Google to grow while upholding high markups. Rising corporate market power is a subject that has caught attention in recent years (OECD 2022; Chen et al., 2021; Bester, 2022; Cavalleri et al, 2019)). Thus it may be argued that the way we create value has deteriorated the efficiency of the market as a fair governor. Aghion et al. (2019) use the stylized facts of recent economic developments; 1. Falling long-run growth, 2. Falling labor share (rising profits), and 3. Rising firm concentration, to argue that incentives to innovate have fallen causing the decline in growth.

Remunerations of contributions

Market failures imply that we cannot be sure that markets will give everyone their fair share. Public goods are not supplied to the market by profit-dependent organizations and according to theory should be provided by the state. But states need taxes to fund the supply, and taxes have turned into a competitive parameter on a global scale making it difficult for states to fund their activities. This is the theme of Mazzucato (2013): states are not fairly remunerated for their contribution to value creation.

It is also necessary to take a global perspective on remunerations of contributions since the divide between the global North and the global South is increasing. The paradigm of perfect competition implies that inequality between rich and poor countries would fall as globalization increases. This has not happened. Thus, the market apparently does not guarantee workers in poor countries their fair share (Nakamura, 2000). Also in rich countries, the labor share is declining (Autor et al., 2017).

Finally, the contributions from the planet should also be remunerated – how is a discussion we shall not enter here.

Ethical aspects of the value offer

Mazzucato (2018) raises the issue of value, arguing that we cannot only look at consumers' subjective valuations when discussing value – we need to also discuss societal objectives. When we take from Planet and People, primarily in the form of natural resources and working hours, to fulfill our own needs, it ceases to be a personal matter. Not all forms of consumption have the same ethical level. Here Kant's definition of moral behavior could be applied: if all world citizens consumed what I consume, what would the world look like?

The same question goes for businesses: if all businesses create and promote their value offer the way we do…?

Sum of bottom lines

Sums of bottom line is not a matter of arithmetic, but of getting the big picture or catching the systems perspective. Giving and taking have already been assessed in the value box, but here the vertical middle line from external drivers to value creation should be considered. How does the value proposition feed back into external drivers? Are there any virtuous feedback cycles going on that strengthen positive trends in external drivers?

The Diamond process

Above we have primarily discussed the Doing Good Business Diamond at a societal level – but it is designed for the organizational level as a tool for developing sustainable business models. In Fig. 6 the Diamond is presented with examples of the questions organizations should ask themselves in assessing or improving their contribution towards sustainability. We call this "the Diamond Process" where the boxes are numbered as steps in the process. Before the process begins, the Triple Layered Business Model Canvas (TLBMC) should already have been worked out, e.g., using the Doing Good Business Game (Kyhnau, 2022) as the Doing Good Business Diamond (DGBD) is a search for vertical coherence between the three layers. As is the case with the original BMC the left-hand side is concerned with "taking" whereas the right-hand side is concerned with "giving". This makes the bottom line a question of making sure that you always give at least as much as you take. Whether you do, alas, is a question of morality not measurement. The challenge of sustainability cannot be met using only legal frameworks and measurements (e.g., ESG). That is the bottom line of the DGB framework: we need to adapt our behavior and have a concern for commons in our governance.

Another overriding theme is the role played by market power: how is market power won and what is it used for? Evidently, market power may be used for value capture, i.e., for collecting profits, but it may also be used for *the good*. Let's take medicine as an example. The American medicine industry has seen examples where capital funds bought up patents for illnesses that were severe but rare. Their business model was to raise prices and cut research costs, i.e., to optimize short-run profits. This makes taking larger than giving. Had they instead bought the patents to lower prices or chosen to use profits for research in underserved illnesses, the situation would be different – then long run giving may be larger than taking.

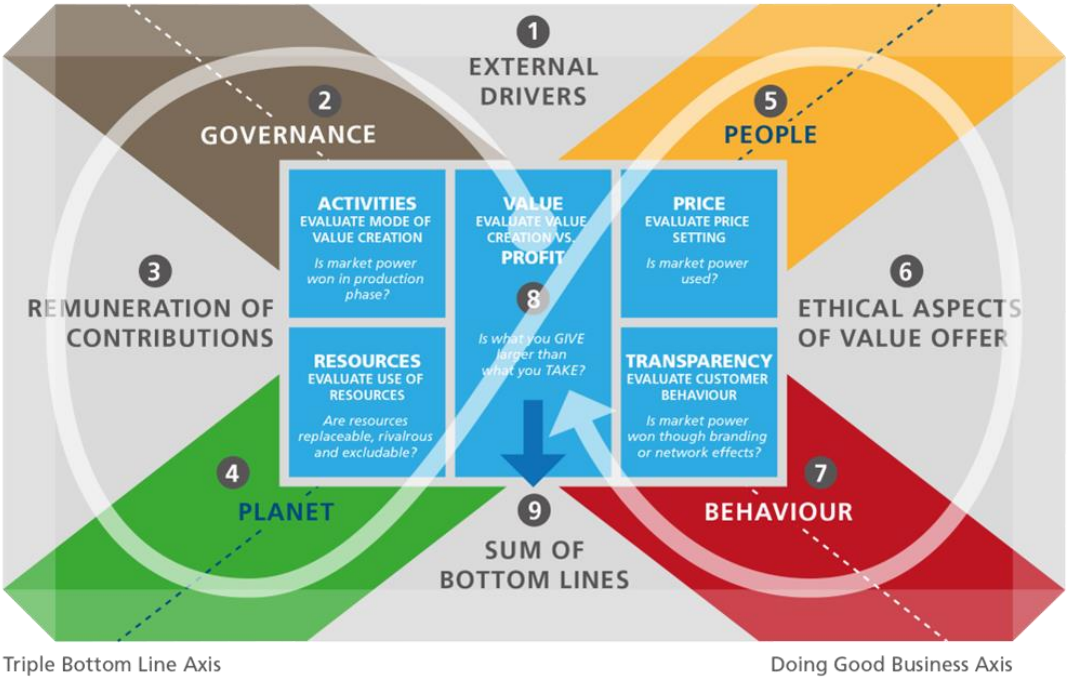

Fig. 5 The Doing Good Business Diamond process.

The Diamond process (fig. 5) starts with considering which external drivers give momentum to the business model in question since this is necessary for understanding what kind of governance the business model is subject to. Businesses still exist, that produce homogenous goods for competitive markets, and the governance they are subject to, is very different from e.g., platform owners such as Google. The resources you need for your business model to run are also subject to different kinds of governance. As pointed out by Mazzucato (2013), many business models rely on public research and the state should have its fair share in taxes. Boxes 2, 3, and 4 (Governance, Remuneration of Contributions, and Planet layer of TLBMC) should be considered together answering the question: which resources go into your business model, and are they all remunerated fairly?

The right-hand side of the diamond is primarily concerned with giving. Who benefits from your value offer and what do you do to make your product available for those in need? Is your value offer transparent or do you nudge consumers (for the good or the bad)? For the righthand side the big question is the ethical aspect: does your value offer make the world a better place?

Concluding remarks

Promoting sustainability through the business model tools is not an easy task. The business model concept itself arose as a response to a changing world where the tools of Porter no longer seemed to suffice. Businesses had to look for virtuous reinforcing loops in the way they ran their business. Rather than searching for new ways to cut costs they had to think in terms of creating more value. A systemic approach was called for. Now businesses are called for to not only create more value for their customers but also for People at large and for the Planet they inhabit. They have to be good!

We must believe that businesses also want to be good. They want to make money, yes – that remains part of the game. Why should they thrive on hurting People and Planet? However, as a business one can easily end up with the impression that there is one way to optimize profits in the short run, but myriads of ways to be good – so the easy option is not to care. How do you even begin a crusade for being good? Businesses need tools with which they can relate issues of sustainability to their own business. Probably this is one reason why the TLBMC is popular. But once you have the three layers, coherency is a challenge.

Businesses have very different preconditions for being good. Parts of the economy are still dominated by the industrial logic: industries where homogenous goods are supplied to a market at increasing marginal costs. For such industries, there are no monopoly profits to be gained, and to go further than competitors in respect of Planet and People is a dilemma since additional costs may force the organization to withdraw from the market. Other industries produce at zero marginal costs but with high fixed costs (e.g., semiconductors) or high development costs (e.g., medicine) – they need some power over prices to fund their costs of bringing goods to markets. There are also industries whose goods are highly branded in the sense that consumers have transferred their market power to brands (e.g., fashion industry) or industries with strong network effects (e.g., the tech giants). A large responsibility rests on these organizations. They hold the power to gain monopoly profits but also the power to take their industry and its consumers on a more sustainable path.

It is our hope that the Doing Good Business Diamond will help businesses get closer to that gut feeling telling them: this is how we can be good! Good for Planet and People - not only for our paying customers and our own Profit. You can work out Excel sheets and ESG reports, one after the other, but without a moral compass, you easily get lost. External drivers are bifurcating our global society, and sustainability cannot be reached without demanding that those with the broadest shoulders bear the greatest burden of sustainability transformation.

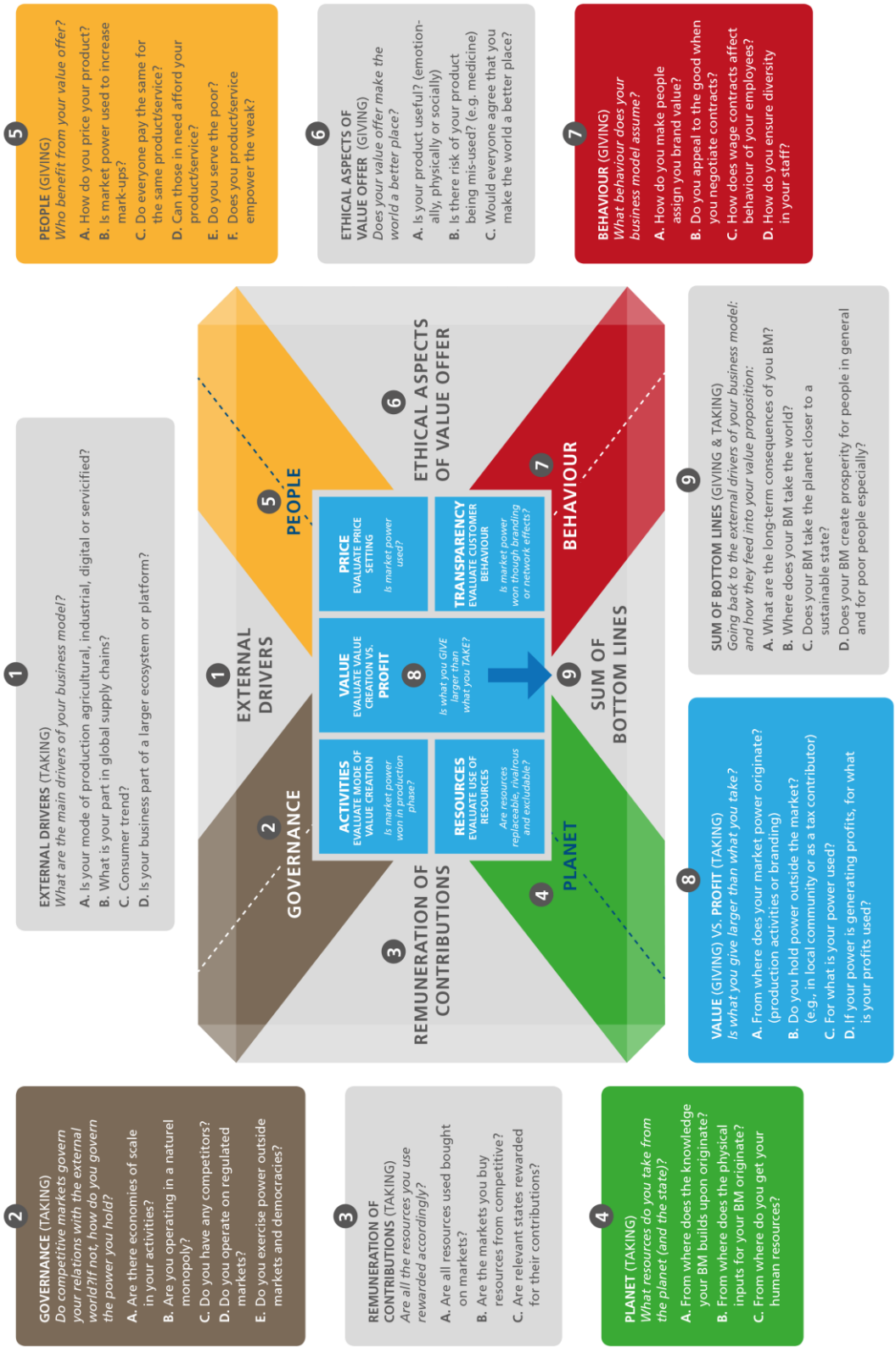

Fig. 6 The Doing Good Diamond process with examples of questions.

References

Aghion, P, Bergeaud, A., Boppart, T., Klenow, P.J. & Li, H. (2019) A Theory of Falling Growth and Rising Rents. *NBER working paper* no. 26448.

Alvesson, M., & Sandberg, J. (2011) Generating Research Questions Through Problematization. *The Academy of Management Review*, *36*(2).

Arrow, K.J (1969) *The organization of economic activity: issues pertinent to the choice of market versus non-market allocation*. Washington DC: Joint Economic Committee of Congres, USA.

Autor, D., Dorn, D., Katz, L., Patterson, C. & VanReenen, J. (2017) The Fall of the Labor Share and the Rise of Superstar Firms. *NBER Working Paper 23396*.

Baldassarre, B., Calabretta, G., Karpen, I.O., Bocken, N. & Hultink, E. J. (2023) Responsible Design Thinking for Sustainable Development: Critical Literature Review, New Conceptual Framework, and Research Agenda. *Journal of Business Ethics* 1-22.

Bester, K. (2022) What are the Characteristics of Digital Markets? In *Merger Policy for a Dynamic and Digital Canadian Economy.* Centre for International Governance Innovation.

Block, T. & Paredis, E. (2019) Four misunderstandings about sustainability and transitions. In: Van Poeck, K., Östman, L. & Öhman, J. (Ed.) *Sustainable DevelopmentTeaching: Ethical and Political Challenges*. London: Routledge, 15-27 .

Bocken, N.M.P., Short, S.W., Rana, P.& Evans, S. (2014) A literature and practice review to develop sustainable business model archetypes. *Journal of Cleaner Production*, 65, 42-56.

Boons, F. and Lüdeke-Freund, F. (2013) Business models for sustainable innovation: state-of-the-art and steps towards a research agenda*. Journal of Cleaner Production,* 45, 9-19

Bosselmann, K., Engel, R. and Taylor, P. (2008) Governance for Sustainability – Issues, Challenges, Successes. IUCN, Gland, Switzerland. xvi + 260 pp

Boulding, K.E. (1952) Welfare Economics. In *A Survey of Contemporary Economics*, Volume II, (Ed, Haley, B.F.) R. D. Irwin, Homewood, IL, 1-36.

Breuer, H., Fichter, K., Lüdeke-Freund, F. & Tiemann, I. (2018) Sustainability-oriented business model development: principles, criteria, and tools. *International Journal of Entrepreneurial Venturing*, 10(2).

Bruun, C. (2003) The Economy as an Agent-based Whole--Simulating Schumpeterian Dynamics, *Industry and Innovation*, 10(4), 475-491

Bruun, C. (2007) Agent-based computational economics, In Rennard J. P. (ed.), *Handbook of Research on Nature-Inspired Computing for Economics and Management*. 183-197 Hershey: Idea Group Reference

Bruun, C. (2020) How modes of value creation affect forms of governance and methods of decision-making – a historical perspective. Presented at the *Third Global Conference on Creating Value*, Creating Value Alliance, Online conference June 2020.

Bruun, C. (2021) Intuitions about Welfare under the constraint of computability. In Festschrift for Stefano Zambelli: *Keynesian, Sraffian, Computable & Dynamic Economics* ed. By K. Vela Velupillai, Palgrave Macmillan, London, 2021.

Cavalleri, M.C., Eliet, A., McAdam, P., Petroulakis, F., Soares, A. & Vansteenkiste, I. (2019) Concentration, Market Power and Dynamism in the Euro Area. *ECB Working Paper 2253*.

Chen, W., Diez,F.J., Duval, R.A., Engler, P., Fan, J., Maggi, C., Tavares M.M., Schwarz, D.A., Shibata, I. & Villegas-Sánchez, C. (2021). Rising Corporate Market Power: Emerging Policy Issues. *International Monetary Fund Staff Discussion Notes* No. 2021/001.

Crouch, C. (2005) *Capitalist Diversity and Change – Recombinant Governance and Institutional Entrepreneurs*. Oxford University Press.

Elkington, John (1997) *Cannibals with forks: the triple bottom line of 21st century business*. Oxford: Capstone.

Elkington, J. (2018) 25 years ago I coined the phrase “triple bottomline.” Here’s why it’s time to rethink it. *Harvard Business Review*. June.

Farioli, F., Barile,S., Saviano,M. & Iandolo,F. (2018) Re-reading sustainability through the Triple Helix model in the frame of a systems perspective. In *The SAGE Handbook of Nature. Part I: sustainability and governance: some starting points* ed. by T. Marsden.

Harari, Y.N. (2011) *Sapiens – a brief history of humankind*. Penguin Randomhouse.

Henderson, J. P. (1990) The Ethicists’ View Of Marshall’s “Principles.” *Review of Social Economy*, 48(4), 361–394.

Hodgson, G. (2013) *From pleasure machines to moral communities an evolutionary economics without homo economicus*, The University of Chicago Press, Chicago and London

Hodgson, G. (2014) The evolution of morality and the end of economic man, *Journal of Evolutionary Economics*, Springer, vol. 24(1), 83-106.

Joyce, A. & Paquin, R.L.(2016) The Triple Layered Business Model Canvas: A tool to design more sustainable business models. *Journal of Cleaner Production*, 135, 1474-1486.

Kirman, A. & Teschl, M. (2010) Selfish or selfless? The role of empathy in economics. *Philosophical Transactions of the Royal Society*. B365303–317.

Kuhn, J. W. (1992) Ethics in Business: What Managers Practice That Economists Ignore. *Business Ethics Quarterly*, 2(3), 305–315.

Kyhnau, J. (2022) The Doing Good Business Game. UCN Innovation, University College of Northern Denmark.

Mason, R.B. (2007) The External Environment's effect on Management and Strategy – A complexity Theory Approach. *Management Decision* Vol.45 No.1.

Mazzucato, M. (2013) *The Entrepreneurial State: Debunking Public vs. Private Sector Myths.* Anthem Press.

Mazzucato, M. (2018) *The Value of Everything – Making and Taking in the Global Economy*. Allen Lane.

Minzberg, H. (1994) The Fall and Rise of Strategic Planning. *Harvard Business Review* Reprint 94107.

Morishima, M. & Catephores, G. (1978) *Value, Exploitation and Growth: Marx in the Light of Modern Economic Theory.* McGraw-Hill.

Nakamura, L. (2000) Economics and the new economy: the invisible hand meets creative destruction, *Business Review(Federal Reserve Bank of Philadelphia)*, July, 15-30.

Namatame, A. (2006) The Wisdom of Networked Evolving Agents. *Advances in Artificial Economics – The Economy as a Complex Dynamic System* Bruun, C. (ed.). Lecture Notes in Economics and Mathematical Systems 584, Springer.

Neumayer, E. (2010) *Weak Versus Strong Sustainability – Exploring the limits of two opposing paradigms*. Edward Elgar.

OECD (2022) The Evolving Concept of Market Power in the Digital Economy, *OECD Competition Policy Roundtable.* Background Note.

Osterwalder, A. & Pigneur, Y. (2010) *Business Model Generation: A handbook for visionaries, game changers, and challengers*.

Ostrom, E. (1990) *Governing the commons – the evolution of institutions for collective action*. Cambridge University Press.

Pazaitis, A., Kostakis, V. and Drechsler, W., (2022) Towards a Theory of Value as a Commons. *The Commons Journal*, 16(1), p.248–262.

Pelletier, N., Maas, R., Goralczyk,M. & Wolf M. (2012) *Towards a life-cycle based European Sustainability Framework - Theory Concepts, Applications*. European Commission, Joint Research Centre, Institute for Environment and Sustainability.

Peter, C, Swilling, M. (2014) Complexity and Sustainability Theories: Implications for Modeling Sustainability Transitions. *Sustainability*. 2014; 6(3):1594-1622.

Ponte, S (2021) *Business Power & Sustainability – in a world of global value chains*. Zed Books.

Polanyi, K. (1944) *The Great Transformation*. New York : Rinehart 1957.

Purvis, B., Y. Mao and D. Robinson (2018) Three pillars of sustainability: in search of conceptual origins. *Sustainability science*. Springer.

Rifkin, J. (2015) *The zero marginal cost society – the Internet of things, the collaborative commons, and the eclipse of capitalism*. St. Martin's Griffin.

Scoones, I. (2016) The Politics of Sustainability and Development. *Annual Review of Environment and Resources*.41:293-319.

Shapiro, C. (2019) Protecting Competition in the American Economy. *The Journal of Economic Perspectives*, Vol.33, No.3, pp.69-93. American Economic Association.

Simon, H.A. (1987) Making Management Decisions: The Role of Intuition and Emotion. *The Academy of Management Executive* (1987-1989), 1(1), 57-64.

Stacey, R.D. (2007) *Strategic Management and Organisational Dynamics – The Challenge of Complexity*. 5. ed. Prentice Hall.

Stiglitz, J. E. (2019) *People, Power, and Profits: Progressive Capitalism for an Age of Discontent.* W.W.Norton & Company.

Upward, A., & Jones, P. H. (2015) An ontology for strongly sustainable business models: Defining an enterprise framework compatible with natural and social science. *Organization & Environment,* 29(1),1-27. Special Issue: Business Models for Sustainability: Entrepreneurship, Innovation, and Transformation.