

Business model development for inclusive transition of future generations interests

A reconceptualization of current paradigms

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Extended abstract

*We cannot solve our problems with the same thinking
we used when we created them.*

Albert Einstein

To foster transformation and transition towards sustainable societies (Kaivo-oja et al., 2014; van de Kerk, 2014) embedded within planetary health and boundaries (Stockholm Resilience Centre, n.d.; Whitmee et al., 2015) theoretical exploration must take place. This includes conducting a critical appraisal of current theoretical paradigms governing companies' relationship with the external environment, including shareholder theory (Friedman, 1970), stakeholder theory (Freeman & Reed, 1983), corporate social responsibility (Carroll, 1991, 2016; Garriga & Melé, 2004; Latapí Agudelo et al., 2019), and corporate sustainability (Bansal & Song, 2016; Montiel, 2008). Consequently, this paper and presentation aim to critically evaluate the current business-related theoretical paradigms and suggest how they can be reconceptualized so that they take into account the interests of future generations (Hubacek & Mauerhofer, 2008), given that the findings suggest that none of these theories reach far enough to address the global grand challenges we are faced with, particularly the ones that will have profound implications for future generations as their interests are generally being ignored. The paper is therefore relevant to the overall

conference theme: *Sustainable business models for the digital, green and inclusive transition*. Particularly, it has relevance for track 1.3 Business models for transition: Empirical observations and theoretical foundations of business models fostering societal transformation and transition.

This raises the question of who the future generations are from a sustainability and business point of view. Broadly speaking, businesses need to consider the interests of people who are already born (present generations) but have not entered the labor market yet, such as children, grandchildren, and great-grandchildren, thus implying intrageneration equity, as well as interests of those not yet born, therefore accounting for interests of hypothetical people and intergeneration's (Cocklin & Moon, 2020). But what are their interests that should be addressed theoretically and practically? It can be argued that environmental problems are of great importance, including climate change (IPCC, 2023), loss of animal and plant species (World Commission on Environment and Development, 1987), resource exploitation and high level of consumption, and pollution as these issues are "distributed over long horizons" (Hubacek & Mauerhofer, 2008, p. 413). Another issue of interest is "swelling government debt" (Kobayashi, 2018), which future generations may bear the burden of. The Brundtland report states that "[w]e borrow environmental capital from future generations with no intention or prospect of repaying", furthermore claiming that "future generations do not vote; they have no political or financial power; they cannot challenge our decisions" (World Commission on Environment and Development, 1987, p. 16)", thus neither in a position to sway policymaking nor protect their interests (Kobayashi, 2018).

The current theoretical paradigms go to different lengths, or even not at all, in putting the daily activities and responsibilities of companies in the context of grand challenges and the interest of future stakeholders. However, they have not been able to address sufficiently issues embedded in the Sustainable Development Goals (United Nations, n.d.), climate change (IPCC, 2023), biodiversity loss (Kurth et al., 2021), or other major global issues (World Economic Forum, 2023). To start, the shareholder paradigm has a very narrow focus on the maximization of shareholders' wealth (Friedman, 1970), and the claim has been made that as legal fiction they "can have neither responsibilities nor ethics" (Shah & Bhaskar, 2007, p. 67). Nonetheless, maximizing shareholder interests should, in the end, benefit other stakeholders (Sundaram & Inkpen, 2004).

The societal role and responsibility of businesses were then further broadened with the stakeholder theory (Freeman, 1984), recognizing that companies do not operate in isolation, and that their success (Freeman et al., 2023) is based on managing and/or engaging with stakeholders. However, it has also been stated that stakeholder theory "is not about social responsibility", rather "it is about "businesses and capitalism" (Freeman et al., 2023, p. 10), and thus it does not differ that much from Friedman's view, although "interests of shareholders should not be prioritized over the interests of other

stakeholders” (Dmytriiev et al., 2021, p. 1444). It also differs greatly who are defined as stakeholders, and interests of the environment, non-human species and human stakeholders, including future generations, are often ignored (Arruda & Johannsdottir, 2022).

This moves the discussion to corporate social responsibility (CSR) (Carroll, 1991, 2016; Garriga & Melé, 2004; Latapí Agudelo et al., 2019), and corporate sustainability (CS) (Bansal & Song, 2016; Montiel, 2008). While some acknowledge the distinction between CSR and CS, such as presenting competing views or arguing that stakeholder theory is a subset of CSR, others ignore such distinctions, treating both theories or frameworks as the same or just focusing on either one (Dmytriiev et al., 2021). Nevertheless, however they are understood or treated, it has been claimed that their different pasts and ideas have been merging, resulting in a common future given shared concerns over environmental and social issues (Montiel, 2008). Even so, it has been stated that CSR has failed to address serious social issues, giving peripheral and incremental changes (The Marketing Society, n.d.) and not addressing grand challenges or future stakeholder interests. Besides, the focus has been on weak sustainability which assumes substitutability of man-made and natural capital, rejecting the notion that wealth creation and economic growth may have physical limits, rather than sustainability that recognizes physical limits and limited substitutability of the natural capital (Steurer et al., 2005). Despite the above-mentioned theoretical paradigms, a rapid degradation of ecological (Adla et al., 2022) and socio-economic (Qureshi, 2023; United Nations, 2023) systems is occurring.

Furthermore, it can be argued, based on various examples, that these paradigms, and theoretical development, are behind the trends that take place in forward-thinking companies, and by forward-thinking leaders in various sectors of the economy willing to lead the transformation needed (Club of Rome, 2024; The B Team, 2024). Consequently, a reconceptualization of current paradigms is needed, and collaborative business models developed that account for inclusive transition of future generations’ interests, including how grand challenges are addressed. Potential model(s), addressing these issues, will be presented at the NBM conference.

Keywords

Business model, Future generation, Inclusive, Interest, Transition

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