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## Long Range Planning

journal homepage: <http://www.elsevier.com/locate/lrp>

# Beyond the purely commercial business model: Organizational value logics and the heterogeneity of sustainability business models

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### ARTICLE INFO

#### Article history:

Available online xxx

#### Keywords:

Business models  
Organizational value logics  
Institutional logics  
Heterogeneous logics  
Sustainability business models

### ABSTRACT

The business model has been conceived as a commercial logic of value proposition, creation, exchange and capture. However, its underlying conceptual structure of an organizational value logic holds promise also for application beyond a purely commercial context, for partially commercial and even noncommercial organizations. This paper unlocks this potential by conceptualizing homogeneous and heterogeneous organizational value logics shaped by a variety of institutional logics. Homogeneous value logics are dominantly shaped by individual institutional logics, such as the value logic of businesses shaped by an institutional logic of the commercial market, or that of a churches shaped by an institutional logic of religion. Heterogeneous value logics, however, are co-shaped by two or more institutional logics. The application of these concepts is exemplified in the context of sustainability business models, which are built on a heterogeneous value logic that combines elements from commercial, sustainability, welfare and government logics. The paper contributes to the business model discussion by extending it to partially commercial and noncommercial organizations; by creating a conceptual space between value logics and institutional logics; and by proposing the meta-logic of value proposition, creation, exchange and capture, a novel analytical tool for the study of organizations shaped by plural institutional logics.

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### Introduction

“Different combinations of institutional logics can shape business models.”

(Ocasio and Radoynovska, 2016, p. 7)

The essential value logic of business models is a purely commercial one. It is the logic of a value proposition directed at paying customers, of creating value in commercial value chains, of exchanging value in the competitive market and of capturing value in the form of profit (Osterwalder and Pigneur, 2010; Teece, 2010). The business model concept emerged from pioneering applications in the dotcom era and has been shaped in a commercial market context, leading to a purely

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commercial logic of value. (Ghaziani and Ventresca, 2005). It served to create organizational models to realize market opportunities emerging from the e-business boom (Nielsen and Lund, 2014; Osterwalder, 2004; Osterwalder et al., 2005): “Business models for electronic markets ... electronic commerce” (Timmers, 1998, p. 3). When the boom subsided, the business model had matured sufficiently to become relevant in a wider commercial context (Magretta, 2002). It moved into applications of technology commercialization (Chesbrough and Rosenbloom, 2002; Teece, 2010), entrepreneurial ventures (Morris et al., 2005; Zott and Amit, 2007), and corporate strategy (Casadesus-Masanell and Ricart, 2010; Mitchell and Coles, 2003; Zott and Amit, 2008). This origin has forged a dominantly commercial logic of consumer-driven market exchange: a commercial market logic.

However, Randles and Laasch (2016, p. 53) suggest that the conceptual structure of a value logic behind business models may help us to better understand a “full range and variety of organization types, not exclusively businesses.” Arend (2013, p. 390), highlights the conceptual potential and promise of “the idea behind a ‘model’ of value for ... nontraditional contexts.” The motivation of this paper is to extend these pioneering efforts by rethinking the dominance of the commercial logic. How can the conceptual potential of the value logic thinking behind business models be unlocked? How can the application of the value logic idea be extended beyond the context of the commercial market? How can value logic thinking be applied to organizations that are only partially commercial or even noncommercial?

Recently varieties of business model logics – value logics – have been studied that combine elements from commercial market and from noncommercial, nonmarket logics (Randles and Laasch, 2016). Such heterogeneous value logics have been conceptualized through the lens of institutional logics (Ocasio and Radoynovska, 2016). Institutional logics shape how individuals and organizations “produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality” (Thornton and Ocasio, 1999, p. 804). A variety of institutional logics, such as those of the commercial market, government, religion and family (Alford and Friedland, 1985; Friedland and Alford, 1991; Thornton, 2004; Thornton and Ocasio, 1999, 2008) may shape organizational value logics. Business models as one type of value logic, may be shaped entirely by the commercial market logic, but may also be only partially commercial when simultaneously shaped by other institutional logics. Examples are, the logic of a particular faith such as in Islamic banking (Beck et al., 2013; Fry et al., 2010); a family logic in family-run businesses (Adendorff, 2004; Chirico, 2007; Rau, 2013); the logic of government in public-sector business models (Glover, 1998; Osborne et al., 2014; Yu and Janssen, 2010); a social welfare logic in social enterprise models (Darby and Jenkins, 2006; Seelos and Mair, 2005b; Yunus et al., 2010); and the logic of sustainable development in sustainability business models (Bocken et al., 2014; Boons and Lüdeke-Freund, 2013; Schaltegger et al., 2012; Stubbs and Cocklin, 2008).

The combination of commercial and sustainability logics in sustainability business models (Jabłoński, 2016; Stubbs and Cocklin, 2008) is particularly relevant and timely. As suggested by Bocken et al. (2014, p. 44), such business models' combinations of both logics leads to a “core business logic ... for sustainable development.” Achieving sustainable development has become one of the main global issues of our times (Brundtland, 1987; Jansen, 2003). Businesses may reinforce unsustainable development (Boele et al., 2001) or conversely contribute to sustainable development (Wall, 1997). Sustainability business models facilitate more sustainable development by bringing sustainability-oriented innovations to the market (Bohnsack et al., 2014; Boons and Lüdeke-Freund, 2013; Shrimali et al., 2011), through business model innovations creating new, more sustainable enterprises (Darby and Jenkins, 2006; Seelos and Mair, 2005a; Stubbs and Cocklin, 2008), and for existing organizations' change towards sustainability (Birkin et al., 2009a; Bocken et al., 2014; Schaltegger et al., 2012). Stubbs and Cocklin (2008, p. 103) even posit that “organizations will only be sustainable if the dominant neoclassical model of the firm is transformed ... by social and environmental priorities ... [into] a ‘sustainability business model.’”

The conceptual proposition of this paper is twofold. First, institutional logics and business model literature are brought together in the concept of *organizational value logics*. This unlocks the conceptual potential of a logic of value proposition, creation, exchange and capture from its dominant interpretation through a commercial lens. It extends the concept's theoretical reach beyond the purely commercial context. Secondly, *heterogeneous value logics* are conceptualized as a combination of commercial and noncommercial logics. The empirical part of this paper exemplifies these concepts through their application to the context of sustainability business models. The first research question addresses the *organizational value logics* involved in sustainability business models: “Which are the value logics combined in sustainability business models and what are their functional characteristics?” The second research question then further explores their combination into *heterogeneous value logics* by asking “What complementarities and tensions exist between the functions of the logics combined in sustainability business models?”

Both questions are addressed through a structured review of the most-cited business model publications of the commercial and of the sustainability business model literature. A comparison between commercial and sustainability logics implicit in these two literature reveals how these logics are combined to form the heterogeneous value logic of sustainability business models. The findings distinguish the characteristics of the commercial and sustainability organizational value logics as well as the complementarities and tensions that emerge when they are combined. The paper contributes to the business model discussion by extending it to partially commercial and noncommercial organizations; by creating a conceptual space between value logics and institutional logics; and by proposing the meta-logic of value proposition, creation, exchange and capture, a novel analytical tool for the study of organizations shaped by plural institutional logics.

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