

SUSTAINABLE BUSINESS MODEL

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Abstract

In the quickly changing economic environment of today, sustainability has emerged as a key factor in corporate innovation and long-term success. Economic, social, and environmental factors are all incorporated into the operations of sustainable company models. creating value not just for shareholders but also for broader society and the planet. These models emphasize resource efficiency, ethical supply chains, renewable energy usage, circular economy practices, and stakeholder engagement. Unlike traditional models focused solely on short-term profits, sustainable business models seek to balance profitability with social responsibility and environmental stewardship.

Businesses adopting sustainable models often leverage innovation to redesign products, services, and processes that minimize negative impacts and maximize positive contributions. Examples include companies promoting product longevity, sharing economy platforms, renewable energy firms, and organizations embracing zero-waste manufacturing practices. Moreover, regulatory pressures, rising consumer awareness, and investor demands for ethical practices have further accelerated the transition towards sustainability.

Developing a sustainable business model requires strategic rethinking at multiple levels — from value proposition and customer relationships to key resources and revenue streams. Organizations must collaborate with governments, non-profits, and communities to foster systemic changes and drive collective impact. In doing so, in addition to addressing pressing global issues like climate change, sustainable business concepts resource depletion, and inequality but also create competitive advantage, brand loyalty, and resilient growth.

This abstract explores the essential principles, practices, and examples of sustainable business models, emphasizing their crucial role in shaping a future-oriented, inclusive economy. As sustainability continues to move from a niche concern to a mainstream expectation, businesses that proactively adapt and innovate towards sustainability will be best positioned for enduring success and leadership in the 21st century.

Keywords: - sustainable business model, environment

Introduction

A framework for how businesses generate, provide, and extract value in accordance with sustainable development principles is known as a sustainable business model. Sustainable business models incorporate economic, social, and environmental factors into their fundamental operations and strategies, in contrast to typical company models that prioritize financial gain. This strategy acknowledges that the health of the environment and society are inextricably tied to the long-term prosperity of businesses. It aims to provide beneficial effects across the "triple bottom line": People, Planet, and Profit, going beyond simple regulatory compliance. In order to reconcile financial success with long-term benefits for people and the environment, sustainable business models include social and environmental factors into a company's basic activities. These strategies integrate social equality, responsible resource usage, and stakeholder participation in addition to more conventional, profit-centric methods. In essence, they guarantee that a business can prosper and make a constructive contribution to society without exhausting resources for coming generations. The government and the corporate community have had a codependent relationship for many years. In other words, practically every nation chose to develop its economic structures using a capitalistic paradigm, which inevitably increased the significance of organizations, corporations, industries, and enterprises. The money made by these companies and industries is crucial to the expansion and advancement of society. But gradually, the public and government have also started to recognize the negative effects of these companies. Our globe was hit by a worldwide epidemic over two years ago, which resulted in numerous fatalities, medical emergencies, unemployment, and other issues. These events, of course, had a profound effect on human thought, behaviour, and operation. People all throughout the world were shaken by the COVID-19 outbreak, which also made them realize how vulnerable human life is to the elements.¹

People from all social classes are therefore forced to consider issues such as global warming, climate change, green alternatives, sustainable business methods, and more ^[2]. The definition, characteristics, and benefits of implementing a strategically planned sustainable business model will be briefly discussed in this article. But first, let's understand how this model differs from the traditional business machinery that many small and large firms and industries use.

What is a sustainable business model? A framework wherein companies generate value by integrating social, environmental, and economic factors into their operations, strategies, and core activities is known as a sustainable business model. This strategy aims for long-term

sustainability and success by balancing stakeholder interests and going beyond the conventional profit-centric approach. These are its salient characteristics:³-

1-Environmental responsibility: Resource conservation, waste reduction, carbon footprint reduction, and ethical business practices are given top priority by sustainable companies. They frequently embrace the circular economy's tenets of reduction, reuse, and recycling.

2- Social equity: These companies support community development, guarantee fair labor standards, protect and advance human rights, and encourage diversity and inclusion among their employees

3-Cost-effectiveness: Sustainable business strategies guarantee financial profitability even as they strive for favorable social and environmental effects. They understand that maintaining their projects depends on economic success.

4-Engagement of stakeholders: It is critical to interact with stakeholders, including local communities and stockholders. They adjust to shifting demands and expectations through candid communication and teamwork.

5-Accountability and transparency: Eco-friendly companies routinely report on their sustainability initiatives, obstacles encountered, and operational effects.

According to Superlativ Media CEO Rex Freiberger, a sustainable business strategy creates value for all parties without depleting the resources used to produce it.⁴

Freiberger clarified, "A business model designed to profit from a trend isn't sustainable, for example, because the social resources that start it won't exist in years or even months."

According to Lia Colabello, managing partner of Plastic Pollution Solutions, a sustainable business model is distinct from a business model that places a higher priority on sustainability. The former is a firm that is likely to grow profitably.

Colabello clarified, "Every business leader aspires to achieve a sustainable business model — a business that will turn a profit quickly and stay afloat for the long term." "A company that prioritizes sustainability is one that, at the very least, takes into account all parties involved, evaluates and resolves environmental impacts, and reports in a clear and comprehensive manner."⁵

What makes a sustainable business model work?

A sustainable company model consists of four essential components.

1-A sustainable business model is commercially profitable: - You may be socially conscious and still turn a profit. Without consumers, no business can grow or flourish. What is the value

that you offer? Who are your intended audiences? What niche do you fill, and why is your business valuable?⁶

2-A sustainable business model can succeed far into the future: - For a few months, a trendy firm or one with few resources might be profitable, but how will it perform in a year or two? Price and resource availability are never set in stone; you don't want to build your castle on a sand dune.

3-A sustainable business model uses resources it can depend on for the long term: - Without sustainable resources, a sustainable business model is impossible. Exceptionally high pricing or restricted resources restrict a lot of commercial operations. In the meanwhile, some materials could be easily accessible but detrimental to the environment. One well-known example of an inexpensive and abundant resource is palm oil. But by growing the crop, farmers are destroying acres of land and seriously harming the ecosystem. Although businesses may find cheap resources alluring, think long-term rather than short-term.

4 - A sustainable business model gives back: - According to one notion, a business model that provides as much as it takes is one that is genuinely sustainable. This idea is known as the "borrow-use-return" approach, which is cyclical. The "linear take-make-waste model" that so many contemporary enterprises are based on is "culpable for contributing to [this world's] unsustainability," according to Bob Willard, an expert and author on quantified sustainability measures.

A sustainable business "borrows" resources with the goal of replenishing them rather than depleting them. Businesses and consumers alike may encourage and implement this idea of responsible consumption.⁷

Why do we need sustainable business models?- There are numerous approaches to the sustainability problem, but the most straightforward one that can bring all parties together is this: Customers are drawn to kind businesses. The 2024 Global Buying Green study states that 82 percent of consumers are willing to pay more for sustainable packaging, and 79 percent of consumers are actively searching for it. Being transparent about your environmental objectives and using them as a marketing point is acceptable. Consumers will inquire, and the more amiable you are, the more probable it is that they will tell their friends about the news. But perhaps money isn't your only source of motivation. Maybe your motivation comes from wanting to be the change you wish to see in the world. After all, a company's influence on the world and its neighbours increases with its size. Starting responsibly is preferable to switching ten years later, or when stakeholders start to protest against unsustainable company practices.⁸

1-Plan the resource usage of your business: – Understanding that every firm needs a different set of tools, resources, and raw materials to operate at its best is essential before starting the implementation process. As a result, it is best to sit down with your team and come up with a list of the tools and supplies you will need to implement a sustainable company plan. After completing this first stage, begin contacting manufacturing companies to learn more about the range of prices for the tools and equipment to ensure that nothing exceeds your budget.

3-Consider alternatives to top-down business models: – Depending on their position and rank, employees may get different salaries under the popular top-down business paradigm. For example, there is a significant salary disparity between laborers, operators, administrators, CEOs, executives, and founders. The likelihood that the sustainable business model will succeed in various markets and industries is increased by alternative business models, which guarantee that everyone is equally involved and invested in achieving sustainability goals.⁹

3.Active customer engagement: - Any new or creative concept can only become successful if it is cleverly and strategically marketed. Making the switch to a sustainable business model has the drawback of significantly raising the cost of the company's goods and services. Therefore, it is crucial to explain to clients why they should pick your products and services above those of any other business that may be your rival in the market. Including customers in business decisions through frequent surveys and polls is one of the finest ways to encourage their involvement. Additionally, make an effort to market your sustainable business model concepts through appealing blog entries, brand story graphics, or an engaging post series.

Characteristics of a sustainable business model

1. Environmental responsibility
2. Social equity and ethics
3. Economic viability
4. Long term perspective
5. Innovation and adaptability
6. Stakeholder engagement
7. Transparency and reporting
8. Compliance with environment and social regulation and beyond more compliance.

Benefits of sustainable business models

SBM provides a number of advantages, including social, environmental, and economic ones.

These are as follows:

1. Enhanced brand image and reputation.
2. Cost saving
3. Risk mitigation
4. Increased innovation and competitiveness
5. Employee attraction and retention
6. Improved financial performance
7. Positive social and environment impact
8. Long term business viability
9. Access to capital
10. Regulatory compliance and advantages
11. Tax benefits
12. Consumers are attracted to companies with the purpose
13. Waste reduction
14. Ensures the continuance of business

Ultimately, the sustainable business model is a great addition. With perseverance, passion, and devotion, businesses can reach a point where they are recognized as sustainable. One must exercise patience. Employing sustainable practices in the generation process will benefit workers, investors, and business owners alike. Businesses that care about the environment should concentrate on reaching the sustainability level for future expansion.

Examples of sustainable business models

Developing goods and services that cater to certain social needs is known as the social need business model. Technology-based models: emphasizing energy efficiency, material optimization, and renewable energy.

Circular economy models: - concentrating on waste reduction, repair, and reversal Product-as-a-service (paas) is the practice of providing services rather than goods, cutting waste, and encouraging resource efficiency.

Subscription models: - granting subscription-based access to goods or services, encouraging ongoing use, and cutting down on waste¹⁰

Sustainable business models and the SDGs: - The 2030 Agenda for Sustainable Development lays out the guidelines for global sustainable development and was adopted by all UN members in 2015. It offers a common vision for current and future global peace and development. The 17 SDGs serve as the foundation for this agenda. It is a call to action for both industrialized and

developing nations. These SDGs were developed based on the Millennium Goals. In 2015, all United Nations member states agreed that policies that support economic growth and address a variety of social needs, such as education, are essential to ending poverty, promoting equality, addressing climate change, and protecting the environment. This was an attempt to promote prosperity while preserving the environment. Given that countries all across the globe have embraced the SDGs, it stands to reason that companies will gravitate towards the more profitable ones.

Objectives 8 (decent employment and economic growth), 9 (industry, innovation, and infrastructure), and maybe 17 (partnerships for the objectives) are the most obvious SDGs to concentrate on in traditional business model innovation. Innovative sustainable business models, however, may have considerably wider repercussions, perhaps impacting every SDG. However, in order to focus on the longer-term sustainable development goal, an organisation would need to go past short-term planning and thinking that is only focused on economics. For a company, this could not be the standard. Being the finest kind, SBM gives the possibility to blend environmental, social, and economic value into company operations.

It has been proposed that SBMs can overcome institutional gaps, solve issues in the non-governmental and regulatory sectors, and have an impact on a broader systems scale. In order for businesses to assist in achieving important goals like Goal 13, it is necessary to close institutional gaps in the business NGO domain.^[11]

How can businesses implement sustainable business models?

Here are some potential steps to take in order to successfully solve sustainability difficulties and incorporate sustainability into a company's DNA:

1. Examine present procedures to determine what needs to be improved.
2. To gain support, include stakeholders at all levels and pay attention to their viewpoints.
3. Choose a viable company plan that closely fits your requirements.
4. Establish quantifiable goals to meet long-term sustainability objectives.
5. Use the sustainable business models you have chosen as a framework to innovate your goals, offerings, and procedures.
6. Including community development in your sustainability initiatives in a visible and consistent manner for customers and pertinent business stakeholders.

7. Keep an eye on your company's development using key performance indicators and always look for ways to improve^{12]}

What roadblocks are there to a sustainable business model?

1. Although you host innovation meetings, ideas remain stagnant.
2. Concepts are not put into practice
3. The business models that are being used don't work in the market.
4. Find your allies—

people who work with them to resolve these problems and who think sustainability is essential for both the environment and the business's financial success. By doing this, you may encourage innovation and get rid of or modify outdated, risky systems. When sustainability goals are reached and practiced, customers feel more connected to the company, which boosts brand trust.¹³

7SBM tactics to create a successful SBM, companies must create or implement a sound plan that will pay out in the long run. The industrial community started the movement to incorporate sustainability ideas into industrial processes. The industrial sector may move closer to the SDGs by implementing sustainability-focused strategies and building economic, social, and environmental principles. When the SBM replaces the traditional business model, it offers superior social and environmental benefits together with improved economic values. When developing strategies that are centred on sustainability, sustainability awareness is essential. The SBM uses strategies like sustainability vision, product stewardship, clean technology, and pollution avoidance. The CE and the product-service system are excellent illustrations of sustainable business practices, per research by Kurek et al. Additionally, it has been found that workshops, brainstorming, co-creation, and prototyping may all be used to improvise SBMs. This investigation was conducted by Lueke Freund et al.

Repair, reuse, remanufacturing, recycling, redesigning, and reducing models are the six CE practice patterns that were proposed. According to Broccardo et al., digitization could make it easier for businesses to switch to an SBM. Similar assertions were made in a study by Lippolis et al., which pointed out that a company's journey toward an SBM could be accelerated by an open innovation strategy. An organization's culture is more likely to benefit from open innovation if it values open leadership among its stakeholders. Despite its detrimental financial effects, the implementation of green business practices has enhanced industrial operations.

The Challenges of Sustainability in Business: - One of the main issues that businesses face is incorporating sustainability into their operations. Because they see the long-term advantages of sustainability and wish to create more ecologically friendly work environments, many entrepreneurs embrace green marketing.

1) Managing Costs and Investments: - Businesses usually struggle to identify the areas where they can have the most impact on sustainability. Priority should be given to projects that have the greatest potential to improve society and the environment. Sustainability transformations can need significant financial investments. You must thus choose how to cover these changes without endangering their financial stability. One thing you might want to consider is installing a solar panel. The initial investment and any further instalments will be expensive anyway. But with time, you'll get more energy-efficient.

2- Addressing Supply Chain Challenges: - Whether you are managing an established company or launching a new one, supply chain management may be difficult. Many cannot determine where the basic materials came from. Building a strong supply chain architecture can be particularly challenging for small and medium-sized businesses if larger suppliers disregard your requests or expectations.

In the end, transparency is the biggest barrier. Finding suppliers that are willing to provide details about their production processes, raw materials, waste reduction programs, and commitment to producing environmentally friendly finished goods can be challenging. Because it compels businesses to seek out suppliers who share their dedication to ethics and accountability, sustainability is essential to business.

3-Understanding Shifting Consumer Preferences: - As the market for sustainable products grows, a major issue emerges. In other words, finding a balance between sustainability and competitive price. Many consumers are hesitant to pay more for sustainability unless they have a strong brand preference. In order to reach a larger market, businesses must develop credible models that emphasise sustainability without just relying on specialised marketing strategies.

4- Navigating the Regulatory Environment: - As international laws compel companies to implement more sustainable practices, the examination of true sustainability programs is increasing. Obtaining a B-certified certification requires meeting stringent standards that are constantly evolving. In addition to focussing on their processes, companies that want to be sustainable must understand what sustainability means for their daily operations.

5- Prioritising Impactful Areas for Sustainability: - Establishing priorities pertaining to sustainability is a frequent problem for leadership teams. Therefore, if organisations wish to obtain a competitive edge, they should prioritise governance, social, and environmental issues holistically rather than separately. A broad organizational-wide change that incorporates ESG principles into every aspect of company operations is required for this to have a meaningful impact.¹⁴.

Drivers of SBM: - The dedication of industrial management is crucial to the development and implementation of an SBM.

According to a study by Hina et al., top-level management commitment is the key element that drives the necessity of an SBM. Stakeholder pressure will play a crucial role in adopting an SBM to guarantee a win-win outcome because it will have a favourable impact on business operations. The desire for an SBM must be driven by internal motivations, but external forces will also play a part. Therefore, the laws and policies of the government will contribute to increasing the importance of an SBM. the necessity of creative design thinking in creating a trustworthy SBM. The industrial community must adapt to the market and business dynamics in order to thrive in the cutthroat commercial world. In these situations, encouraging innovation in industrial operations could provide the sector with a competitive advantage and expertise. The firm model is optimized through innovation in business operations, which helps to update or rearrange the resources and business components. Establishing a sustainable company ecosystem is made feasible by incorporating innovation into corporate operations.

Role of innovation in SBM:- Innovation can be used to generate new products, optimize processes, enter new markets, and lower production costs, all of which can enhance organizational performance. According to Wang et al., innovation plays a crucial role in determining a company's success, and its effectiveness may be gauged by how much value it can generate. According to a study, Hossain asserted that industrial management has begun to think creatively and has also opened up opportunities to serve the impoverished clients of developing nations through economical innovations. Products like the Nano from Tata, the MAC 400 ECG machine from GE, the heart surgery from Narayana, and the cataract treatment from Aravind Eye Hospitals are examples of frugal inventions. It is expected that the business model canvas would be essential to encouraging and promoting innovation in industrial operations. Through the voluntary input and outflow of information, open innovation facilitates the growth of markets for the use of external invention and speeds up internal innovation. The

industrial community may gain from open innovation by allowing information to flow more easily.

Digital technologies in the SBM: - The industrial community's output and performance have increased dramatically as a result of technical advancements. Artificial intelligence (AI), big data analytics, e-commerce, additive manufacturing, BC technology, and other technologies have caused paradigm shifts in the traditional business model and order of industrial operations. The industrial community uses sustainable methods to produce value in the digital age. Thanks to technological advancements, the industrial community may now create things in single customised pieces rather than in batches, allowing for maximum flexibility without compromising production costs. Thanks to advancements in technology, the industrial community can respond quickly to client demands.

By facilitating collaborative design, more automation, and enhanced process resilience, cloud manufacturing—an I4 component—improves sustainable business practices in the sector. Using data in real time to develop tailored goods across their entire life cycle I4.0 improves the industrial community's economic and social performance, according to a study by Tang et al., whereas BC technology has improved environmental performance by promoting CE behaviour.

Challenges and future prospects: - The industrial community has begun working on integrating sustainable concepts into industrial activity after realizing how important it is. However, the majority of businesses require assistance midway through the SBM setup process. A partial comprehension of the sustainable business concept and the need for more clarity are the main causes of the failure. The industrial community may benefit from this study's complete understanding of the nature of sustainable business and its difficulties. Businesses are driven by profit, and when developing business strategy, a lot of attention is paid to the financial side of things. But it's also important to take into account how industrial activities affect society and the environment. SBMs will therefore be essential to the triple bottom-line paradigm's use in the creation of business strategies. As the industrial community transitions from traditional business models to SBMs, it is expected that technological developments would be advantageous. To ensure an SBM, the industrial community must establish both short-term and long-term goals, even in cases when a rapid change is challenging. However, the industrial community is unable to adopt innovative technology due to a number of barriers.

The industrial community must make every effort to improve its technological capacity and capability in order to prosper in the current dynamic and uncertain economic climate. To create SBMs, industrial practitioners often need to look at business plans and models.

In addition to the business community, the government plays a vital role in promoting SBM. SBM development may be pushed by the industrial community when environmental regulations become stricter. The government must also assist the business community in developing SBM. The government must provide financial and technological support to ensure that the industrial community adopts SBM. The cost of implementing SBM is the main reason why most businesses are hesitant to develop it. In addition, there are not enough skilled people in the industrial community. One of the possible causes of the shortage of labour resources is a lack of understanding of SBM. In the years to come, the industrial community might prefer an economy with a knowledge workforce.

Therefore, it makes sense for politicians to create an economy with a knowledgeable workforce. Policies must therefore be created and put into effect. Higher education itself must be the source of input on SBM. The industrial community and society must collaborate for an inclusive SBM. Protecting the environment is the primary goal of SBM development. Therefore, societal involvement is essential to the development of SBM. The participation of society is required for this. In order to improve SBM, industrial competence and societal needs must be balanced^[15]

Conclusion: - The best business models are sustainable ones because they demonstrate how companies can benefit the environment and society. SBMs incorporate both a firm-level and a system-level perspective measure performance using the triple bottom line (people, profit, and planet), treat "nature" as a stakeholder and encourage environmental stewardship, take into account the needs of all stakeholders rather than just shareholder expectations, and take into account the economic, environmental, and SBMs—all of which are far less common and represent much more radical business model upgrades that obstruct resource loops and slow economic growth. Recent studies on sustainable business models have focused on tools, evaluation, innovation processes, and experimentation, as well as partnerships and an awareness of the role of business in broader sustainability transitions, in an effort to speed up sustainability transitions. Future studies might examine the relationship between micro, meso, and macro participants in experiments and broaden multi-stakeholder collaboration and experimentation with a crucial role for business (models).

More significant innovation in sustainable business models is needed to meet the SDGs. Finally, a deeper understanding of the broader ecology of business models in many contexts is necessary to support systemic change for sustainable development.

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