

Title:

**A Process Perspective on Failure of Sustainable Business Model
Innovation: Qualitative Meta-analysis**

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Abstract

Redefining business success by equally prioritising positive socio-environmental impact and profit is an imperative, yet it remains a puzzle. Despite significant progress in identifying both external and internal barriers and factors in sustainable business model innovation (SBMI), it remains unclear what the underlying mechanisms that lead to SBMI failure. This paper focuses on SBMI failure through the dual lenses of economic and social value generation failure over time by identifying mechanisms associated with the traditional exploration-exploitation dilemma inherent in innovations. We employ a qualitative meta-analysis methodology by examining previously published empirical case studies to overcome the limitation of the small number of studies usually associated with case studies. The pilot findings encompass an extensive overview of the theoretical background literature, resulting in over 100 first-order codes across multiple dimensions of SBMI failure. As a developmental paper, we present the initial approach along with suggestions on further development of the research.

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Introductory literature review

Sustainable business model innovation (SBMI) refers to the innovation process for the transformation of business models (BMs) to simultaneously gain profit and deliver positive social and environmental impact by integrating sustainability-related goals into BMs (Schaltegger et al., 2016). A business model describes how a company does business, by explaining the way it creates, delivers, and captures value (Teece, 2018). Unlike traditional product or service innovation, SBMI involves incorporating sustainable development into various dimensions of the business model in order to intentionally minimise negative environmental and social impacts and promote sustainable development (Bocken et al., 2014). The literature on SBMI portrays it as a win-win approach, suggesting that in highly dynamic environments SBMIs are crucial for business success as they positively influence company performance (Boons et al., 2013; Bashir et al., 2022). However, despite their potential benefits, studies indicate that up to 70% of SBMIs fail (Boons and Lüdeke-Freund, 2013; Upward and Jones, 2016). This raises the fundamental question: how and why do SBMI initiatives fail (Geissdoerfer et al., 2017)? To address this question, it is essential to first define what constitutes failure in the context of SBMI.

Focusing on the innovation literature SBMI failure is studied either as an event or as a judgement (Baxter et al., 2023). Failure as an *event* occurs when an unforeseen shock or crisis disrupts the continuation of the innovation project, unequivocally deeming it a failure. Such failure events can happen at any stage of the process encompassing the design, implementation, and adjustment phases (Geissdoerfer et al., 2017) and leading to either termination of the SBMI project at the design or implementation stages due to infeasibility or the demise of the newly established sustainable business model during the adjustment phase. The failure of a new business model, which is the sole or primary model for the company, may coincide with organisational failure, which is regarded as an economic collapse, market exit, or bankruptcy (Amankwah-Amoah, 2016; Habersang et al., 2019). In essence, SBMI failure as an event means an ultimate failure in the economic dimension of sustainability. On the other hand, failure as *judgement* recognizes that SBMI failure is often a matter of individual perspective, where the same innovation may simultaneously be considered as a success or as a failure by different stakeholders (Baxter et al., 2023). This implies that the business model can persist despite missing the pre-defined goals or be altered at the discretion of the focal company. If the focal company deems the innovation project ineffective and declares a judgement of failure, a strategic decision may be made to initiate a new cycle of innovation.

Moving on to the study of failure in the sustainable development literature, failure can be associated when the business model fails to either meet the expected economic indicators (levels of profitability) or when social and environmental product/service attributes can not deliver successfully additional value (Bocken et al., 2014). A similar judgement of SBMI failure can be made by company stakeholders, when the company's new business model is not sustainable, indicating a failure to generate social and environmental value.

Based on the two dimensions of innovation failure associated with innovation and sustainable development, we define SBMI failure as the inability to innovate a business model that is profitable, self-sustaining, and achieves its pre-defined social and environmental goals. The unpacking of SBMI failure in accordance with dimensions of innovation and sustainability failure and examples of failed business models from case studies are presented in Appendix 1. Thus, evidence of SBMI failure includes the following: (1) a new BM is loss-making; a BM has not provided the minimum of the acceptable economic viability; a BM cannot ensure growth and scaling; (2) a new BM has not provided social and environmental value targeted as a goal/mission of SBMI according to the judgement of stakeholders in the focal company.

Finally, in the SBMI literature scholars primarily focus on the correlation between failure and barriers that are conceptualised causes of failure (Boken & Geradts, 2020; Geissdoerfer et al., 2017; Laukkanen & Patala, 2014). These causes are grouped into externally and internally driven approaches, the first of how certain environmental or situational factors form barriers and challenges leading to SBMI failure and the latter on how decisions and actions within the focal company prevent it from overcoming certain barriers. Within the externally driven approach environmental or situational factors can be explained from perspectives of Industrial Organization Theory, Sustainable Development, Demand-side approach, etc. For instance, in light of Sustainable Development, SBMI failures arise as a result of non-alignment with the triple-bottom-line, not creating new social norms consistent with sustainable changes, or pressure from stakeholders (Geissdoerfer et al., 2017; Velter et al., 2022; Nunes et al., 2022). In contrast, internally driven factors can be elucidated through the lens of Resource Dependence Theory, Change Management, Organisational Design. For example, decisions and actions within the focal company leading to the SBMI failure are often related to the lack of resources for implementing SBMI (Naor et al., 2018), resistance to change, uncertainty avoidance (Amit & Zott, 2020; Boken & Geradts, 2020; Snihur & Zott, 2020).

Most of this SBMI literature primarily focuses on the correlation between failure and barriers as independent variables, without fully capturing the process dynamics of failure over time. In contrast to variance models that deal with covariation among dependent and independent variables (Langley et al., 2013), process models aim to capture the sequence of specific conditions and events to explain how failure unfolds over time (Langley, 1999). We argue that by attempting to capture how certain conditions and events occur over time, process models may encompass both external (e.g., consumer response to sustainable innovations) and internal aspects (e.g., organisational inertia) in theorising, which makes them well-suited for overcoming the external-internal dichotomy.

Despite its significance, SBMI failure remains relatively unexplored, and there is no comprehensive description of the failure process of SBMI in the existing literature. Attention to a broader body of literature on the process of business model innovation (BMI) may contribute to understanding the process of SBMI failure associated with economic aspects of sustainability. However, this part of literature is currently at a crossroads. Research endeavours to capture the paths to failure in two competing process patterns, reflecting the main dilemma of innovation literature (Benner & Tushman, 2015). Some portray BMI failure as a result of an exploitation pattern characterised by organisational inertia and short-termism, i.e. the tendency of a business model to remain stable (Chesbrough, 2010; Geissdoerfer et al., 2018). Others characterise failure due to some exploration pattern, i.e., a tendency of a focal company to change radically or too rapidly, leading to the imbalance in resource orchestration and causing misunderstanding among stakeholders (Amit & Zott, 2020; Markides, 2013; Prahalad & Hart, 2002).

Upon closer examination, the competing explanations for exploration-exploitation in prior studies may stem from their reliance on a limited number of cases or their descriptive nature (e.g., Naor et al., 2018; Weissbrod & Bocken, 2017). These studies often lack specificity regarding the underlying mechanisms, which are the driving forces behind these patterns (Gehman et al., 2018), particularly when it comes to elucidating the failure process of SBMI. Without a clear understanding of these mechanisms, it becomes challenging to accurately discern the intricate processes of SBMI failure, which may involve failures in both economic and sustainable aspects.

Research Methodology

To develop process models of SBMI failure, a qualitative meta-analysis framework is utilised, as suggested by Habersang et al. (2019). This analysis enables us to examine qualitative findings from a broad spectrum of case studies, with the goal of refining, expanding, or even creating new

theories (Hoon, 2013). By aggregating a significant volume of case studies, we aim to overcome the limitations of the previous single case studies, integrate and reconcile conflicting and previously unalignable empirical data concerning SBMI failure processes, thus yielding more generalizable and discovering of previously obscure conceptual connections (Maxwell, 2012). Investigating these connections across diverse research settings enables the advancement of existing theories on SBMI failure process towards a more generalised framework that is applicable across a broader range of contexts.

An extensive search for case studies on SBMI failure was conducted, using several sources of data. Firstly, to identify peer-reviewed articles and case studies, we performed keyword searches in search engines and databases such as ISI Web of Knowledge, Business Source Ultimate, the Harvard Business School case study database. Moreover, we utilised Google Scholar to identify additional case studies published in books, book chapters, and theses. Finally, we examined industry business portals and supplementary files such as press releases and business newspapers, to gather more detailed information on the SBMI failure cases.

We applied specific inclusion and exclusion criteria to ensure the quality of case data used in our analysis. We focused on case studies where the innovation object is the business model, involving changes in elements such as value proposition, value creation and delivery, value capture (Geissdoerfer et al., 2017; Teece, 2018), etc. These business models must be for-profit, demand-driven, new for the company, and implemented in a real environment. Additionally, the organisation should have set social impact as one of the goals of its business model innovation.

Cases were required to include detailed process data about BMI changes over time or be supplemented with process data from additional sources. Considering one iteration of SBMI as the unit of analysis, the moment of failure had to occur between the design and adjustment phases of SBMI (Geissdoerfer et al., 2017), allowing for an assessment of the viability and scaling of the new sustainable model after entering the market.

Our data analysis employed abductive reasoning, combining inductive and deductive approaches (Mantere and Ketokivi, 2013). Abductive analysis involves using existing theories on BMI and SBMI failure as interpretive frameworks for the data, abstracting insights from raw case study data through coding, categorization, and theme development, and integrating these insights with existing theoretical frameworks. We utilise NVivo software for the data analysis process.

Pilot findings

According to inclusion criteria, we identified 27 published case studies on SBMI failure. These encompass various firm sizes, maturity levels, and industries across diverse country settings. This ensures adequate variation in the phenomena of interest (Maxwell, 2012).

We initiated constructed a deductive coding scheme, drawing upon literature on BMI, SBMI, and organisational failure. From this literature, we identified dominant theories to inform our data analysis. Using these theories, we have been developing a deductive coding scheme that served as the basis for coding individual case studies line by line. In Appx 2, we present the pilot findings regarding first-order deductive codes across multiple dimensions of SBMI failure related to literature on innovation, sustainable development, and organisation studies. Additionally, we allowed for the emergence of inductive codes to gain further insights into the data.

Partial analysis indicates four patterns of SBMI failure, characterised by prioritising either economic or social/environmental values, occurring within the dominance of either exploration or exploitation of BMI. Traditionally, exploration is associated with short-term prioritisation for long-term growth, while exploitation often focuses on short-term gains. Our findings confirm a

misalignment in the timeframes for achieving and evaluating the outcomes of generating economic or social value. For instance, in one of the pattern exploitation-social value priority (e.g. cases *Philips India*, *InterfaceRAISE*, *Pactero*), focal companies made judgement about failure and terminated the SBMI project despite signs of economic success in the short term and limited progress in creating social value, which could potentially be realised over a longer time horizon. We are impressed by the role that perceptions of time play in forming judgments about SBMI failure, which may be part of the failure mechanism.

Further works

The process of line-by-line coding of individual case studies continues. Following the methodology of meta-analysis (Habersang et al., 2019), we will then proceed with axial coding to analyse the relationships between codes. This will be followed by creating visual mappings for each case and conducting cross-case analysis. The expected outcome is to identify underlying mechanisms that shape the differentiated process patterns of SBMI failure.

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Appendix 1. Types of SBMI failure

Sustainability Domain Innovation domain	Economic aspect of sustainability	Social & environmental aspect of sustainability
Failure as event (ultimate failure of new business model)	SBMI failure results from economic insolvency of business model or focal organisation (e.g. market exit or bankruptcy) <i>Better Place</i>	SBMI failure results from evidence of prevailing destruction of social or environmental value (e.g. violation of consumer rights or environmental crisis) <i>Theranos</i>
Failure as judgement (innovation can either be terminated or initiate a new cycle)	SBMI failure results from stakeholder declarations that the business model did not achieve planned economic indicators (e.g. profitability) <i>NIKE, World Shoe Project</i>	SBMI failure results from stakeholder declarations that the business model did not create the planned social and environmental value (e.g. affordability of health services) <i>Philips India, Disha Project</i>

Appendix 2. Exemplary overview of theoretical background literature

Theoretical Background	Central Themes	1 st order concepts (deductive codes)	Exemplary Studies
Industrial Organization Theory SBMI failure results from economic changes, technological challenges, industry regulation barriers	• Economic changes • Technological changes • Regulatory changes	Market immaturity (Lack of product-market fit); Small segment of 'concerned' consumers; Market turbulence; Lack of integration on technological level; Conflicting interests of supply chain actors; Regulatory risk (complexity, privacy and data protection issues, legal barriers);	Aversa et al., 2021 Albats et al., 2021; Laukkanen and Patala, 2011; Vermunt et al., 2019;
Contingency theory SBMI failure results from misfit between SBMI characteristics and particular contingencies influenced on SBMI process.	• Structural and strategic contingencies of SBMI	Lack of risk analysis Late correction	Latifi & Bouwman, 2017; Markides & Charitou, 2004
Resource dependence theory SBMI failure results from lack of development, deployment and utilisation of the resources for implementation SBMI.	• Tangible and intangible resource bases • Access to a base for diffusion BM	Overcomplicating procedures for resourcing; Insufficient use of available resources; Fixed resource planning and allocation; Lack of time available for SBMI; Lack of financial resources for SBMI; Lack of human resources for SBMI; Premature cannibalization of the value of existing resources	Barney, 2001; Bocken & Geradts, 2020;
Change management SBMI failure results from reluctance to accept new ideas and elements of the model by employees and top managers	• Organisational Maturity: age, size • Resistance to change • Organisational inertia • Path Dependency	Stable routines of mature companies; Resistance to change of top-management; Slow or protracted organisational unlearning; Job security concerns, Managerial complacency; No consistent process Cognitive inertia; Economic inertia; Employee perceive goals as unattainable.	Amit and Zott, 2020; Geissdoerfer, 2018; Snihur and Zott, 2019; White et al., 2022;
Dynamic capabilities SBMI failure results from lack of internal and external capabilities for facilitating innovation of business models	• Dynamic capabilities of focal company	Managers' cognitive limitations; Lack of sensing (identifying and assessing opportunities); Lack of seizing (mobilising resources to address opportunities and capture value from doing so) Lack of transforming (continued renewal of the organisation)	Bocken & Geradts, 2020; Inigo et al., 2017; Teece, 2018;
Stakeholder management SBMI failure results from the coordination organization's inability to achieve effective boundaries, interact with stakeholders, and balance stakeholders' interests.	• Collaboration with stakeholders • Stakeholders as value creators /receivers • Multi-stakeholder competing interests • Organisational boundaries	Information asymmetries; Avoidance of dealing with multiple stakeholders; Different strategies of the partners; Low transparency; Conflicting assets; Misunderstanding of value proposition by stakeholders; Multi-stakeholder conflict of interests for social value; Different priorities of stakeholders; Different value logics of stakeholder; Different business models before SBMI acquisition; Boundary dissonance (Uncoordinated boundary work; Different time perception of focal company and stakeholders	Beckett et al., 2022; Galuppo et al., 2014; Hampel et al., 2020; Laukkanen and Patala, 2011; Markides and Charitou, 2004; Velter et al., 2022; Vermunt et al., 2019; White et al., 2022
Strategic Choice Theory SBMI failure results from strategic actions	• Business strategies	Unnecessarily increased complexity of BMI; Dominant focus on exploitation; Conflicts with the business model	Amit & Zott, 2020; Bocken & Geradts, 2020;

taken by top-management leading to a misalignment with environmental conditions		and organisational structure; Prioritising short-term growth; Prioritising quick returns projects; Discontinuing slowly maturing initiatives; Focus on maximising shareholders value; Fixation on ideation; Frequent modification of BM; Imbalance of desirability, feasibility, viability (Bad planning); Inadequate time-frame expectations	Calabretta et al., 2016; Latifi & Bouwman, 2017
Organisational design SBMI failure results from an inappropriate configuration of components such as strategy, people, structure and management processes which creates barriers for BMI process.	● Operational management ● Corporate bureaucracy ● Innovation processes and procedures ● Financial performance	Narrow functional expertise of employees; expectations; Lack of creativity; Lack of control; corporate bureaucracy; Standardised innovation processes and procedures; Slow decision making ; Poor employee motivation; Frequent job rotation; Lack of collaboration between departments (isolated efforts); Power struggles; Rigid hierarchies	Bocken & Geradts, 2020; Nunes et al., 2022; Von den Eichen et al., 2014
Innovation theory SBMI failure results from mismatches between design and implementation of new BM and external stakeholder expectations	● Open business model innovation (OBMI) ● Closed innovations	Cooperation trust problems; Value network logic vs. single value chain; Low absorptive capacity; Value conflicts of OBMI actors Lack of stakeholders' feedback at the design; Lack of stakeholders' feedback at the implementation stage Too narrow consultations	Geissdoerfer, 2018; Chesbrough et al., 2018; Long et al., 2018; Asswad, et al., 2016
Organisational Learning Theory SBMI failure results the organisation's inability to reflect errors and to systematically learn from errors	● Trial-and-error learning process ● Business experimentation	Organisational members do not detect and correct errors. Single-loop learning; Double-loop learning; Experimentation as a reaction to difficulties	Sosna & Velamuri, 2010
Demand-side approach SBMI failure results from resistance of customers to change their behaviour patterns and consumption culture	● SBMI rejections by customers ● Attitude-behaviour gap	Passive innovation resistance of customers; Cognitive passive resistance of customers; Situational passive resistance of customers; Lack of positive consumer perception of SBMI results ; Lack of feedback analysis from market and customer-side; Perception of low functional benefits; Higher consumer costs for sustainable value (price, time, cognitive efforts) in the result of SBMI	Clauss et al., 2019; Futterer et al., 2020; Heidenreich & Kraemer, 2016; Gupta & Ogden, 2009; Olson, 2013; Barbarossa and De Pelsmacker, 2016; Gleim et al., 2013
Sustainable Business Development SBMI failure results from imbalance of TBL and not achieving sustainable (social) value	● Triple-bottom-line (TBL) thinking ● Sustainability impact assessment	Non-alignment with the triple-bottom-line; lack of strategic importance of sustainability; Categorization of SBMI as unnecessary risk; Not creating new social norms and shared values consistent with changes	Bocken et al., 2014; Geissdoerfer, 2018; Nunes et al., 2022.
Upper Echelon Theory SBMI failure results from managerial misperception external and internal incentives leading to ineffective SBMI	● Characteristics, behaviour and motivation of CEO and top-managers	Lack of top-management awareness for SBMI; Little motivation of CEO for SBMI; lack of shared sustainability targets'; Key people (CEO) leave the business ; Top-management becoming paralyzed by risks	Latifi & Bouwman, 2017; Sosna & Velamuri, 2010

