

Article

Business Models' Innovations to Overcome Hybridity-Related Tensions in Sustainable Entrepreneurship

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Abstract: This paper aims to investigate how sustainable entrepreneurs innovate in business models to overcome their hybridity-related tensions to achieve environmental, social, and financial goals. A case study was conducted on 12 organizations in seven countries from October 2018 to June 2019 through observation visits, interviews, and secondary data collection. To analyze the data, a content analysis was applied with the help of NVivo Software. The analysis category is based on the definition of the pillars of business models: (1) Value proposition, (2) value creation/delivery, and (3) value capture. Concerning value proposition, organizations engage various stakeholders on developing emotions related to sustainable behaviors. They use the idea of community to promote it, fostering the sharing of intangible values. Associated with these actions, organizations offer more convenience accessing these products or services, home deliveries, facilitating access by geo-location, price reduction, and promoting consumers' education. Regarding value creation/delivery, companies promote partnerships with other stakeholders as part of the main business strategy. They run the business while promoting a social movement. One is dependent on the other. In their engagement in sustainability discussion forums and practical activities, they put together consumers, suppliers, and also other agents outside their vertical supply chain. Operations of all companies are highly internet-based. Social media and transparency are also relevant to their operations. The main characteristic of value capture is that organizations integrate sustainability into their strategy in a way that, just by doing business, they fulfill their social, environmental, and economic missions. Therefore, through innovation in business models, these organizations overcome hybridity-related tensions and achieve financial stability while positively impacting society. The contribution to the literature was achieved by identifying business model innovations in sustainable entrepreneurship, analyzing their characteristics and mechanisms to overcome hybridity-related tensions, and providing empirical evidence about how business models can create and capture different and multiple forms of value.

Keywords: business model innovation; hybridity tensions; social entrepreneurship; sustainable business model; sustainable entrepreneurship

1. Introduction

The limits of regular business models focusing purely on profit have been revealed and the potential for sustainable entrepreneurship is increasingly identified and researched in the literature [1]. Sustainable entrepreneurship (SE) endeavors are often discussed as hybrid businesses, since they face

some relevant tensions in reconciling their social and environmental goals with economic success. Hybrid businesses are defined as businesses that pursue social and/or ecological goals while being guided by a distinct business mindset and some form of commercial orientation, which follow shared values and principles of sustainability [2].

While hybrid organizational theory identifies managerial tensions related to the different and multiple types of value entrepreneurs are making efforts to create [3], the SE literature suggests that the existence of holistic business models is possible in the sense that economic, environmental, and social value can all be present and mutually supportive [4,5]. To move towards a more sustainable economy, it is necessary to investigate alternative ways that how entrepreneurs can develop new products, processes, and business models that create a positive impact on society [6], thereby minimizing possible tensions that may arise.

Some authors provide insights to advance this knowledge; for example, analyzing the sustainable entrepreneurial processes, their idea generation, and describing the operation of some successful business cases and their impact in society [7]; providing other examples of successful business strategies related to sustainable business models (SBMs) [8]; analyzing processes related to value creation [9,10]; creating a model of how these entrepreneurs generate ideas and recognize, develop, and exploit opportunities [11]; investigating entrepreneurial venture creation in relation to process and temporal space [12]; studying aspects related to entrepreneurship, such as motivations, previous knowledge from entrepreneurs, and their capacity to innovate during moments of tensions and crisis [13]; or even analyzing ecosystem as the source of entrepreneurial opportunities [14]. However, there is a lack of more integrated and holistic analysis of these studies about how these companies promote a more sustainable value proposition, value creation/delivery and value capture, and overcoming possible tensions related to their business models. The answer to this gap allows a better understanding of the mechanisms used by these entrepreneurs to influence the institutional environment and the positive social impact generated their agency.

Therefore, the gap in literature that this research addresses relates to the fact that little is known about the peculiarities of SBMs regarding their ability to achieve environmental, social, and economic goals in the context of commercial markets [2]. Moreover, recent calls highlight the scarcity of empirical evidence and the lack of theory about what constitutes SBMs and how they can be developed [1,15], their management mechanisms, challenges faced, and empirical evidence related to how entrepreneurs can create and capture different and multiple forms of value through new business models [4,16–19].

Based on these gaps, this research aimed to answer the following research question: How do sustainable entrepreneurs innovate in business models to overcome hybridity-related tensions to achieve their environmental, financial, and social goals in order to influence the institutional environment and generate positive social impact?

2. Theoretical Background

The theoretical background is based on the literature of business models and sustainability-oriented business models' (SBM) innovations to overcome hybridity-related tensions.

2.1. Business Model

Although the concept of business models varies [20–22], to set the framework of analysis, this paper uses the concept provided by Osterwalder et al. [23], which is widely used and accepted. A business model is “a conceptual tool containing a set of objects, concepts, and their relationships with the objective to express the business logic of a specific firm, what value is provided to customers, how this is done, and with which financial consequences.”

There is no agreement in the literature on the concept and characteristics related to business models. The common point between studies that analyze this question is that they share the idea of conceptual extension that moves from customers to multiple stakeholders, from a single focus on profit to the integration of other forms of value, from a business with a singular focus to one that

focuses on network perspectives, and from a purely organizational to an embedded system view [1]. Business models seek to explain both value creation and value capture [22]. Osterwalder et al. [23] provide an initial clarification of the pillars of business models with four elements of analysis related to the product, customer interface, infrastructure management, and financial aspects.

Subsequent revisions consolidated the core elements of a business model: (1) Value proposition, (2) value creation/delivery, and (3) value capture [24]. The value proposition describes the assortment of products and services developed by a business to create value for customers [23,24]. It refers to values related to some products and services [5,21]. Value creation and delivery are related to the main activities developed by the organization that sells a certain product/service. Among other characteristics, it is also related to obtaining resources, routine management, communication and commercialization channels, use of technologies, and strategic partnerships. [24]. In other words, it relates to resources and infrastructure and the circumstances under which the company promotes value creation [5]. On the other hand, value capture concerns cost structures and business revenue [5,23–25].

The literature presents other relevant definitions about business models. For example, Afuah [26] proposes that a business model needs to answer what product/service the company provides and the process by which it is done, how this product/service will be marketed and how revenues will be generated from it, what the costs are, what the price is, and how this product/service will be chosen instead those of the competitors. Saniuk and Grabowska [27] understand that considering the new era of innovation, a business model is based on the configuration of social architecture and technological architecture of interconnected business processes. They recognize as elements of such a business model the social architecture (knowledge resources, management systems, competencies, employee development, and motivation), the technological architecture (IT and telecommunications devices, computers, information technology systems, robots, etc.), and the business processes that combine these databases (essentially infrastructural) and, at the same time, derive from them the resources necessary for the implementation of appropriate products that create value for the client. Grabowska, Gajdzik, and Saniuk [28] propose that a business model needs to be based on cooperation and better use of the available resources to achieve a competitive advantage.

A business model for sustainability is defined by Schaltegger, Hansen, and Lüdeke-Freund [29] as the way a company creates and delivers value to its stakeholders; for example, by promoting sustainability beyond its organizational boundaries as well as how the company captures economic value by doing such an activity. It involves actions related to describing, analyzing, managing, and communicating the company's value proposition to all its stakeholders. SBMs are expected to incorporate economic, environmental, and social dimensions at the same time [25], whether changing specific aspects of existing business models on the market or developing new business models [16].

In this research, we adopt the concept that an SBM describes the process of how an organization creates, delivers, and captures value in economic, environmental, and social dimensions. According to Nosratabadi et al. [30], the process of SBM forms an innovative part of a business strategy. Some authors [31] emphasize the relevance of effectively incorporating sustainability into the business strategy. In this sense, SE makes use of innovations in business models to achieve both economic, environmental, and social goals [2]. As proposed by Amit and Zott [20], business models are opportunities for innovation and can be considered a relevant alternative for creating value for the organization capable of bringing benefits to its customers, suppliers, and other partners. They can have the ability to influence stakeholders' behavior and, consequently, generate positive social impact. Therefore, the concept of SBM innovation refers to the process of creating or modifying business models to create value at the same time related to the economic, environmental, and social spheres, as well as to mitigate the related hybrid tensions [21].

2.2. SBM Innovations to Overcome Hybridity-Related Tensions

The financial stability in the business market that proposes to bring solutions focused on sustainability (as is the case of hybrid businesses) is a prerequisite for achieving the respective social

and ecological goals. These aspects are strongly connected [2]. Nonetheless, these interconnections are often related to some complex tensions [3]. For example, some businesses are often confronted with different forms of resource scarcity [32]. These tensions usually create different challenges at the business model level, which require complex strategies and procedures to solve or minimize, while aligning the various goals of the business related to the triple bottom line [32]. In this context, some authors propose that these hybrid businesses are capable of developing innovative solutions like the adoption of new business models [33] that help to mitigate these tensions as a key mechanism for their sustainable value capture [4].

According to Schumpeter [34], the entrepreneur is an agent of change highly related to innovation processes in companies by inserting new products/services and new ways to produce, manage, or transact that meet market requirements. Schumpeter consider that innovation is successfully exploring new ideas. In the Schumpeterian view, there are four types of innovation: (a) Product innovation: Introduction of new or significantly improved products or services in the market; (b) Process innovation: Implementation of new or significantly improved production processes and logistics of goods or services; (c) Organizational innovation: Implementation of new organizational methods in the practice of business, work organization, and/or external relations; (d) Marketing innovation: Implementation of new marketing methods involving significant improvements in product design or packaging, price, distribution, and promotion. For Zawislak et al. [35], innovation is what gives “life” to any new idea (venture). It is related to creativity, new solutions, new products, new markets, and/or new technologies, and it may happen in all different types of industries and firms, including low-technology companies.

The framework of Osterwalder and Pigneur [24] and Bocken et al. [25] of the core elements of business models—value proposition, value creation/delivery, and value capture—is defined as the analysis of categories to better understand the context of hybrid businesses and innovations in SBMs.

Regarding value propositions, Davies and Chambers [4], through a case study analysis, identified some problems faced by entrepreneurs. They mainly relate to the fact that the product or service of the analyzed company was more expensive compared to that of its competitors. This was due to the costs associated with a more sustainable product/service. They also found tensions related to the lack of consumers willing to pay the related extra cost for sustainability.

Some entrepreneurs addressed these challenges by developing a business model able to integrate the sustainability value into the value proposition, simultaneously and at different levels considering the three dimensions of sustainability by either improving consumers’ perception of quality improvement, or by offering exclusivity of that product/service. This enabled them to improve potential hybrid tensions, mostly identifying customer segments willing to pay the associated extra price. Therefore, two business models can be described, both with associated higher prices related to sustainability: The first one focuses on customer niches interested in paying higher prices when sustainability aspects are associated with an increase in quality. The second business model focuses on exclusive access to this product/service. Both business models are successful in the analyzed cases [4]. Local products, fair prices, offering products below market price [36], and promoting a network community [37] are strategies also identified in the literature and applied in specific contexts, as well as consumer education and the encouragement of more sustainable use (such as encouraging greater product longevity) and healthy products [25]. Another possible alternative includes accompanying the offer of products/services and promoting intangible values associated with them [37].

Value creation and delivery must properly be aligned with the company’s value proposition. Therefore, product supply, employee engagement, aspects of financial management, and partner selection are some of the aspects that need to be considered. All of these dimensions have tensions. For example, in distribution, one of the problems is an ethical issue, since sustainable products are exposed alongside highly polluting products. Secondly, there is a time and cost of dealing with retailers, where the product goes through many middlemen and ends up with a very high price [4]. There are some systems that companies adopt to overcome these problems. The first is the sale through big and

general retailers, despite the possible ethical reservations. Second, and very commonly, businesses use a different and technological approach: The internet. To achieve this, a successful strategy is to develop skills to increase presence online and in discussions related to sustainability, either through e-commerce or forums. It was also identified that, in such cases, the majority of marketing expenses are used on social media [4]. Web presence is a tool also recommended for the promotion of more sustainable consumption behavior habits [37]. In addition, increasing efforts in education for sustainability are necessary for sustainability-based value creation for stakeholders [38].

Internet-based operations and communications [36] are also recognized in sustaining an environmentally low-impact system of production and distribution [39]. Investing in brand reputation [36], promoting the connection between social network technologies and territoriality, and seminars and events on information [37] are other possible resources. The promotion of good customer relationships is important. Other recommended strategies are good customer service, reward programs, and promotional events to engage consumers in the business activity in order to be highly valued and to promote long-term and trusting relationships with customers [40]. Partnerships with stakeholders are essential [41] for value capture to produce a great impact [39]. New value can also be created through transparency, such as publishing information about the company's operation [20].

Value capture is considered one of the biggest challenges in hybrid business. It relates both to the achievement of financial stability (value capture) and a positive impact on social and environmental dimensions. The main tension relates to the potential conflict between redistributing profits or reinvesting money into the business. The solution that some successful entrepreneurs built to avoid internal tension is that, by just doing their business, they can fulfill their environmental and social missions under their unique business model [4].

Hahn, Spieth, and Ince [2] also identified that many enterprises strongly combine their commercial orientation with their environmental and social mission. They perceive it as a novelty, since it represents a previously sustainability dimension that was nonexistent or underdeveloped. Efficiency-focused business models in hybrid businesses occur when the company becomes an enabler of new actions and sustainability practices in other agents of its supply chain. This also occurs when their business efficiency generates the connection of actors who were not in contact before and, through this, disseminates sustainable solutions in new or different contexts. In such cases, an intermediary approach occurs when these companies help to facilitate a more sustainable supply chain.

3. Materials and Methods

Considering that the study is focusing on SBMs, an exploratory and qualitative methodology was chosen. The research design followed a protocol suggested by Yin [42] in relation to case selection criteria, the approach to organizations, preparing for data collection, conducting interviews, and observation. A case study was conducted on 12 SEs in seven countries (Brazil, Canada, Denmark, Estonia, Finland, Latvia, and Lithuania). The countries were chosen using criteria of the Organization for Economic Cooperation and Development (OECD) Social Expenditure Database of 2019 [43], which is related to some of the Sustainable Development Goals. According to the indicators in the ranking, Denmark and Finland occupy leading positions, investing more than a quarter of their GDP. Canada also invests a significant amount, without occupying the top positions. In the intermediate positions, it is possible to find Estonia, Latvia, and Lithuania. On the opposite side is Brazil, which is not even listed in the ranking.

Potential companies to participate in the study were identified through many worldwide and Brazilian databases on entrepreneurship, technology and clean technology businesses, social and sustainable entrepreneurship, and the circular economy, as well as websites and news related to these issues. Examples of these are The Food Waste Innovator Database, produced by ReFED - Rethink Food Waste Through Economics and Data (2018), Nordic/Baltic Tech Start-up Databases and Maps—Silicon Vikings (2019), the Global FoodTech Map (2019), and the FOODTECH Movement (2018). The initial screening was based on the following criteria: (1) Considered to be a sustainable entrepreneurship,

i.e., addresses economic, social, and ecological goals; (2) availability of the owner and/or a manager responsible for the business strategy for an interview. This initial screening rendered sixteen suitable enterprises, of which twelve agreed to participate in the study. In that context, comfort sampling was implemented in the initial phase of the empirical study. After the eighth case, the information from the observations, interviews, and secondary data began to recur, achieving the redundancy stage. However, a decision was made to move further and complete the data collection with all 12 SEs that agreed to participate, and, therefore, it was also confirmed that the selection of the investigated companies was exhausted and that it was possible to find typical cases to investigate.

The data collection process occurred from October 2018 to June 2019. Observation visits were made to all SEs. During these visits, interviews were conducted with founders (F) and/or managers (M). Each company was asked 27 questions related to their entrepreneurial process (based on Matzembacher et al. [7]) and 25 questions related to the origin of the business, its operational process, and its impact. A pilot study was prepared, with data collection tools being analyzed by fellow researchers. After validation of the data collection instrument, observation visits were made to companies. All interviews were recorded and transcribed under conditions of confidentiality. In the end, 10 h and 38 min of interviews were recorded. The average is 53 min of interview per company. In total, 193 pages of transcription were obtained, inserted into NVivo Software, and coded according to three major groups of analysis categories: Value proposition, value creation/delivery, and value capture.

Secondary data were also collected from scientific papers (P), news (N), and websites (W). They were used to obtain information about companies before the interview process. Subsequently, secondary data were integrated into the NVivo database as sources of information in the data analysis process.

The use of multiple sources of evidence (observation on site, interviews, and secondary data) was used in this research as a type of triangulation. The triangulation is possible by multiple data collection methods and provides stronger substantiation of constructs and hypotheses [44]. Case studies using multiple sources of evidence are more highly rated, in terms of their overall quality, than those that rely on single sources of information. By developing convergent evidence, data triangulation helps to strengthen the construct validity of the case study [42].

Table 1 summarizes the data collection.

Table 1. Data collection.

Case	Market Entry	Country	Industry	Observation on Site	Interview Length	Interviewed	Secondary Data
C1	2010	Estonia	Hotel	Yes	58 min	1 F	5 N + 3 W
C2	2004	Estonia	Recycle	Yes	35 min	1 F	1 P + 4 N + 9 W
C3	2016	Finland	Food Sector	Yes	34 min	1 F	4 N + 8 W
C4	2015	Finland	Food Sector	Yes	1 h 02 min	1F + 1 M	3 P + 7 N + 5 W
C5	1989	Finland	Recycle	Yes	1 h 04 min	1 F + 1 M	3 N + 6 W
C6	2001	Lithuania	Food Sector	Yes	1 h 31 min	1 F + 1 M	9 N + 4 W
C7	2009	Latvia	Food Sector	Yes	45 min	1 F + 1 M	7 N + 3 W
C8	2016	Denmark	Food Sector	Yes	1 h 8 min	1 F + 1 M	2 P + 14 N + 5 W
C9	2015	Brazil	Food Sector	Yes	59 min	1 F	1 P + 10 N + 3 W
C10	2018	Brazil	Food Sector	Yes	47 min	1 F	2 N + 4 W
C11	2012	Brazil	Food Sector	Yes	52 min	1 F	6 N + 3 W
C12	2017	Canada	Food Sector	Yes	23 min	1 F	5 N + 2 W

The data were analyzed using NVivo 12 Software since a content analysis was performed. NVivo is a computer-assisted qualitative data analysis software, i.e., it provides data management packages, which support the researcher by reducing the complexity of the task of organizing and analyzing a

large volume of qualitative data. Content analysis was chosen since it is a systematic and a replicable technique for compressing large volumes of qualitative data into fewer content categories based on explicit rules of coding [45]. The analysis category is based on the definition of Osterwalder et al. [23] of the pillars of business models: Value proposition, value creation/delivery, and value capture. In order to guarantee the privacy of the companies, the observation notes, interviews, and secondary data were coded as C1, C2, etc. A cross-case was also performed to identify the similarities and differences between the investigated cases. It is worth mentioning that, according to Yin [42], in addition to triangulation, using evidence from multiple cases results in a more robust and reliable study.

4. Results

Based on this empirical evidence, innovations in business models to overcome hybridity-related tensions were identified concerning value proposition, value creation/delivery, and value capture. Initially, the cases will be described, followed by the results found according to the categories of analysis.

4.1. Cases Description

C1 is a hostel with a sustainable proposal, from the acquisition of furniture and items used physically, the operations, and environmental solutions applied to the place. They offer lower prices compared to other hostels. They also have a great connection between the community and customers by doing workshops focused on environmental and social solutions. C2 is a company that collects products that are not used anymore by the population, repairs them (when necessary), and resells them to final consumers. C3 is a consultancy firm that operates digitally. They help commercial kitchens to understand, quantitatively and qualitatively, the causes of their food waste and to seek solutions to reduce this problem. C4 is a company that operates through an app to connect retailers with food surpluses to consumers using geolocalization. They reduce food waste with a lower cost policy for consumers. C5 is very similar to C2, but operating in a different country. C6 and C7 work with supply chain food recovery solutions and redistribution, each one operating in a different country. C8 is very similar to C4, but operating in a different country. C9 and C10 offer the same products. Both are digital platforms that promote solutions for food waste at the producer level due to non-standard compliance or the absence of a market. They sell monthly associations to purchase boxes with these foods at a lower cost for the final consumer. C11 has a business model very similar to that of C10, but instead of focusing on end-consumers, it also focuses on restaurants and general companies. C12 is very similar to C4 and C8, but operating in a different country.

4.2. Business Models' Innovations to Overcome Hybridity-Related Tensions

In relation to the value proposition, the higher price of more sustainable products is a tension pointed out in the literature. The twelve organizations studied generated business models in which the price of the more sustainable products/services offered was not above the average. In most cases, organizations offered lower prices, increased convenience to customers by delivering to their homes, or facilitating access by geolocation. Another feature is that most businesses involve multiple stakeholders as end customers. All of the analyzed cases developed a sustainability value fostering the sharing of intangible values beyond their products/services. They sell the idea of the customer being part of a community or movement that promotes social and environmental benefits. To achieve this point, all cases strongly promoted consumer education. The following detailed description of each case helps to understand better their innovation in the value proposition. Table 2, at the end of the results section, provides the cross-case overview.

C1 focuses on tourists that are in the city or students of the local university. The company's idea is to support the entire operation in more sustainable actions. In this way, all furniture and items are recycled. For example, towels and blankets are bought as new from luxury hotels that have a periodic policy of purchasing and exchanging these materials. The operations are all carried out online, without using paper. They recycle and compost all of the waste generated. They offer a lower cost to

customers. They also promote educational workshops and recycling activities related to sustainability to the community and hostel guests. This is the only case that does not offer convenience to customers.

Table 2. Cross-case results of business models' innovations to overcome hybridity-related tensions.

	C1	C2	C3	C4	C5	C6	C7	C8	C9	C10	C11	C12
VALUE PROPOSITION												
offer lower prices	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	✓	✓
convenience to customers	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
multiple stakeholders	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	-	✓
foster the sharing of intangible values	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
consumer education	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
VALUE CREATION/DELIVERY												
partnerships with other stakeholders	✓	✓	-	✓	✓	✓	✓	✓	✓	✓	-	✓
ethical issues/ind./corp. social responsibility	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
highly internet-based	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
engagement in sustainability discussion	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	-	✓
transparency	-	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
VALUE CAPTURE												
sustainability integrates the business strategy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
financial balance	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

C2 focuses on people that want to reuse or recycle for environmental, social, or financial reasons. The prices are cheaper for second-hand products. The convenience here is on the opposite side: People who deliver items to resell can leave the products at many collection points and, depending on the product, the company will withdraw it at their homes. They promote consumer education and try to build a community around the idea that second-hand purchase is a “cool” behavior, engaging customers, general citizens, media, and other stakeholders. In the past year, they saved 1500 tons of textiles, avoiding that they go to landfills.

C3 focuses on commercial kitchens with food waste, such as restaurants, hotels, schools, and other commercial kitchens. As they are pioneers in the country and region, it is not possible to compare their prices. They operate as an app that measures the causes of food waste. The use is very fast and intuitive to fit the kitchen's operations. Based on the identified causes, they promote employees' education in the best alternatives to reduce food waste. According to their reports, in the previous years, they prevented 217,920 kg of food from being wasted, and these companies saved around 500,000 Euros. Food waste reduction is associated with many environmental benefits. As they are part of many forums and discussions, they perform social work promoting a more critical perception in society about food waste.

C4 operates through an app with geolocation. The company offers solutions for surplus food in restaurants, supermarkets, or grocery stores. The target is customers concerned with environmental issues and/or people with economic restrictions, since the products are offered at a lower price. The offers are based on geo-localization. Customers can find places close to them using the company's app. They receive a commission for each transaction. On average, every month, they save around 67,000 portions of food, which, if they were not sold, would go to waste. Suppliers save money and avoid food waste. The company also carries out many educational campaigns for its consumers and the general community through news and social media. They sell the idea of a “community of food waste fighters”.

C5 is very similar to C2. In fact, it is a replication of their business model by other people in a different country. The description of the company's value proposition is the same as C2.

C6 and C7 both focus on retail trying to deal with food waste and seeking to be a socially responsible company on one side, and with disadvantaged people on the other side. They work as mediators, collecting food that would be wasted mostly from retailers (but sometimes also from other supply chain agents and customers). They offer a solution to the waste that would have to be managed by these stakeholders, generating convenience for them, and delivering to organizations that deal

with vulnerable people. C6 operates without charging any stakeholders for each transaction. C7 is planning to charge a small fee from retailers and from charity organizations who receive the food, as they understand they provide a service to both. In the last year, 7456 tons of food were redistributed by C6. The company is also part of an important roundtable discussion about food waste solutions at the industry and government level. In the last year, C7 provided solutions and assistance to around 23,000 people.

C8 is very similar to C4. It has the same business model, but operates in a different country. The company's business is also based on offering lower prices to consumers, associated with strong educational campaigns aimed at the community in general. They make a strong effort to promote their image as the leaders of a "community of food waste fighters". In total, based on their operations, it is possible to calculate that they provided a new market for 13 million meals, avoiding this amount of food waste.

Both C9 and C10 have the same business models and operate in the same country, each one in different regions, at a distance of around 1000 km. Both develop solutions to connect producers with non-standard compliance and surplus food with consumers through digital solutions. Their price is cheaper compared to regular markets because these products would be discarded. Both promote consumers' education and have many campaigns on social media. They spread a strong campaign that imperfect-looking foods are "perfection of nature" and that it is "cool" nowadays to buy these products. C9 also focuses on regular media, schools, and private companies. From the beginning of the company, the calculation is that they provided a second market for 600 tons of fruits and vegetables. This food would have been wasted. They also increase the income of producers, which is important to avoid rural exodus, especially in developing countries. As C10 is newer than C9 and operates in a smaller city, their impact is lower; they provided a second market for around 5 tons of food.

C11 has the same business model as C9 and C10; however, the focus is only on oranges. In addition, they focus, in addition to the final consumers, on restaurants, commercial kitchens, and companies in general, accompanied by a reduced-price proposal. The monthly estimation is that they can offer an average of 170 shades of orange to the second market. This reduces food waste and decreases the farmers' dependence solely on the industry.

C12 is very similar to C4 and C8, with the same business model, but operating in a different country. The app informs users through geolocation about deals in nearby restaurants, whose price reduction in some cases reaches up to 70%. They "saved" over 16,000 meals. They spread a strong campaign that imperfect-looking foods are "perfection of nature" and that it is "cool" nowadays to buy these products. Compared to other similar companies, a percentage of the profit with each transaction is donated to a charitable organization that works as a food bank, promoting food rescue and redistribution.

Concerning value creation/delivery, most of the companies promote partnerships with other stakeholders in their value chain as part of the main business strategy. Ethical issues and individual/corporate social responsibility are the main strategies used to promote it. All companies are highly internet-based in their operations, or at least for the promotion of their activities. Social media and engagement in sustainability discussion forums and practical activities are present in all cases. They also make efforts to be transparent with customers through reports or information in social media.

Specifically, C1 obtains clients through the internet, where they promote the company, especially using social media. They try to promote environmental issues and awareness of a more sustainable life through workshops, which are based on partnerships with other stakeholders from the city and often their guests. C2 tries to make their stores look like regular shops concerning the physical structure and decoration to attract not only people with financial needs, but also the general population focusing on environmental aspects. The shops are also located in central points of the cities. They believe it is a good strategy to create the interest for more people to recycle and reuse. They make strong public campaigns appealing to environmental aspects. They also use social media as a way to attract customers and bring information about sustainability as well as disclose data on the operation of

the company. They have partnerships with marketing agencies who voluntarily make posters about recycling and the importance of the company. They also report activities annually to the stakeholders.

C3 makes personal visits to their potential clients to present their product/service, always providing successful examples. They make an effort to explain that their virtual consultancy provides not only environmental benefits, but also helps in business management and cost reduction. The internet is also used to build brand reputation and to disseminate questions related to the importance of food waste. They explain that since their business model is new, it is necessary to make more efforts and spend more money with marketing campaigns to reach potential customers. They also make reports related to their activity, providing information about their environmental and economic impact.

C4 operations are entirely based on partnerships with retailers, restaurants, coffee shops, and other commercial kitchens. Initially, the acquisition of these customers occurred personally, visiting each possible partner (supplier) and addressing consumers on the street. After the dissemination of the business, the internet has become the main form of attracting new partners and customers, mainly through media reports and dissemination of information about their positive impact on environmental, social, and economic terms for many different stakeholders in the food supply chain. The company promotes educational campaigns on social media every day, disseminating information about economic, social, and environmental problems, as well as how consumers can help to solve some of these problems by using company services, but also in the related actions in their daily life activities. They also share customers' posts talking about the company, focusing heavily on environmental aspects and cost reduction outcomes more than the social aspects. They provide data related to their operation.

C5 operates in the same way as C2. The difference nowadays is that C5 has more than 70% of the team formed by employers that were previously considered as socially vulnerable, i.e., unemployed, alcohol addicts being treated, or criminals, for which they offer training and follow up the evolution in the professional trajectory.

C6 and C7 promote value creation and delivery in very similar ways. In fact, they practically do the same activities, but in different countries. There is a kind of informal partnership and exchange of information on the best management practices between them (C6 and C7). In addition, they participate in the same international support network. Communication is completely internet-based, using instant message applications and social media, both for communication and business promotion. Both seek to establish partnerships and to network with other stakeholders that carry on corporate social responsibility initiatives to make joint efforts. Recently, they started to share successful case stories to recruit new partners, together with the idea of promoting brand image as socially responsible, as well as tax deductions, which, in some situations, are provided by the government. In addition to conventional workers, they also rely on volunteers, but at a rate that does not compromise operations. These actions help to promote consumers' education. They also report activities annually to all stakeholders.

C8's value generation can be described as equal to that of C4. The only difference is that the company (C8) has a larger structure and operates in more countries. C9 and C10 follow the same lines as C4 and C8 with a view to be strongly internet-based, as regards the acquisition of customers initially and, later, the promotion of educational campaigns on the internet, social media, and regular media. All of them strongly participate in sustainability events and discussions. C9 and C10 also disclose sales volumes to customers, along with estimates of social and environmental impact. The difference is that both C9 and C10 have farmers as suppliers and business partners. In addition, C9 holds a partnership with other companies to share the same distribution system, promoting local trade and campaigning for oil collection at consumers' homes.

C11 is strongly internet-based but a bit more "closed" in terms of advertising as compared to the others. It acts a lot in the general media and social media, but rarely participates in events and engagement with other stakeholders. Ethical issues and individual/corporate social responsibility are the main strategies used to promote their business, and they make efforts to be transparent with their customers, mainly disclosing information in social media and annual reports.

C12 generates value exactly in the same way as C4 and C8, with the same business model. Compared to these two, it has the smallest organizational structure and it is the youngest company. The only difference is that its engagement in charitable activities is greater than in the other cases.

The main characteristic of value capture is that all organizations avoid hybrid tensions by integrating sustainability in business models, i.e., just by doing business, they fulfill their social/environmental and economic missions and, therefore, positively affect society. This means that promoting sustainability integrates the business strategy and corresponds to the product/service offered. As relevant information, all of the analyzed companies are operating with positive cash flow and with the initial investment paid. They are recognized as successful cases in their areas.

An additional finding is that some of these organizations started their activities with low financial resources available. They overcame this lack of financial resources by making use of creativity, internet-based solutions, manual/intellectual work, partnerships, and/or recycling. For example, C1 started its business with almost no financial resources. They asked the landlord to give them some months of exemption to pay the rent and used recycled furniture that they got by asking for donations or collecting from garbage depots. C2 also started with almost no financial resources. They also got three months of rent exemption from their landlord and looked for volunteer workers. C4 started working from home. Their only additional cost was the website's fee. They explained that, for them, knowledge was the most important resource, since most of their operations could be made online. C7 was initially a punctual and voluntary action that evolved over the years. C8, C9, C10, C11, and C12 presented similar situations: All of them started with very low operating costs, largely based on technologies and digital platforms as the primary cost, and family/household organizational structure operations. As the businesses consolidated in the market, they began to have more formal and structured organizational structures.

It is very common in the discourse of these entrepreneurs that a creative idea that generates value for society does not necessarily need large financial resources in its initial phase. In the investigated cases, a more robust investment became necessary only after the operation was experiencing some level of success, and the business needed to gain scalability.

Table 2 presents a summary of the results related to business models' innovations to overcome hybridity-related tensions, showing that, in general, the cross-case analysis corroborated the same outcomes.

4.3. *New/Unresolved Tensions*

While innovations in the business model can cope with many business-related tensions, especially by balancing positive environmental and social activities with good financial health, it was possible to identify some new/unresolved tensions. Most of these tensions relate to value creation/delivery and are not a challenge to the success of the business in relation to the three dimensions of sustainability. These emerging tensions can be embraced by future research, emphasizing that many of them are difficulties shared by regular businesses, and are not exclusive to SBMs. However, these questions emerge as new tensions and lack solutions.

C1 related a need to be more active in sustainable actions with their community and clients; however, the business's daily process requires too much time and effort in communicating with their customers. C2 relates that the destination of the clothes that are not sold is a problem, since the best solution they have is to donate them to another company that is distant. They understand that it is not a sustainable solution. C3 explains that, sometimes, it is still difficult to engage commercial kitchens in finding solutions to food waste, even when they can reduce operational costs, since many companies understand that such a problem is a "part of the business". C4 faces problems related to business model replication in other countries, which they understand is very expensive, and that it is difficult to maintain finances. This was the case most related to value capture. C5 reports problems related to the qualification of employees when they come from vulnerable situations, which takes up a lot of time and effort. C6 has its staff, but also relies on volunteer work, where they face difficulties in recruitment

and long-term retention. C7 faces problems with transportation in small cities, further away from the main centers. In addition, there is a lack of regulation on options to deal with food waste or food surplus in good conditions to be consumed concerning donations. C8 faces difficulties in the issue of scalability, especially related to cultural differences between countries. C9 faces logistics problems related to distribution and food preservation, as it is based in a city of over 12 million people. C10 also faces logistical issues but related to the supply area. The majority of their suppliers are small farmers who have limited resources. As the business proposition is to maintain a fair trade, they try to find the best management model that promotes a balance between fair payment to the producer and profitability for the business. C11 faces the same problem as C10: Difficulty with distribution in large urban centers. C12 faces tensions about business growth in a structured manner, since they have good opportunities for expansion, but need an organizational structure to embrace these opportunities without jeopardizing the organization's finances.

5. Discussion

This study used the concept provided by Osterwalder et al. [23], Osterwalder and Pigneur [24], and Bocken et al. [25] of analyzing categories to better understand how sustainability-oriented business models [29], by incorporating a triple-bottom-line approach [25], are able to innovate in order to overcome some of the complex tensions related to hybrid business models to influence the institutional environment and generate positive social impact.

The literature points out some tensions [3,4], which this research made an effort to address. Concerning value proposition, the literature points out the higher price of more sustainable products as the biggest challenge. One way to overcome this is to develop niche markets [4]. The analyzed cases provide evidence that not every sustainable business model will necessarily have a higher priced product/service, since eleven of the twelve analyzed cases offer products/services that allow consumers to save money, as compared to traditional market channels. Ribeiro et al. [36] had indicated that this may be a possibility, of which this research found empirical evidence. As proposed in previous literature [25,38], we also found that all investigated cases develop consumer education activities and encourage the use of more sustainable products, such as greater longevity in use, recycling, or avoiding food wastage. They foster the sharing of intangible values [37]. This finding is interesting because these companies bring the idea of community, creating an experience that goes beyond the simple act of consuming. They constantly reinforce the discourse that these consumers help to reduce the environmental impact of their consumption and support local businesses, avoid rural exodus, help to promote fairer commercialization, etc. This is constantly reinforced by these companies as if these consumers had an ethos that set them apart from others. Two other new findings in this paper are the development of greater convenience to consumers and organizations engaging multiple stakeholders in developing an emotional stake in relation to sustainable behaviors.

Concerning value creation/delivery, ethical issues and costs associated with middle men are some of the challenges that hybrid businesses face. As previously found by De Bernardi and Tirabeni [37], Davies and Chambers [4], and Ribeiro, et al. [36], the twelve cases studied have a strong technological approach, since they are highly internet-based in their operations and consumer education activities. Their internet-based operations, besides sustaining an environmentally low-impact system of production and distribution [39], also help to promote their brand reputation [36]. These companies are also engaged in sustainability discussion seminars, as proposed by De Bernardi and Tirabeni [37]. Their participation in such activities, besides building brand image, also helps in promoting a good customer relationship, a relevant activity according to Gopalakrishnan and Matthews [40]. Transparency was also found as a way to promote a good customer relationship and brand reputation [20], which most of the companies make an effort to promote. Another novelty found in this study refers to the appeal for individuals and/or organizations to engage in the activities developed by the companies through an ethical discourse, especially arguing about an individual or corporate social/environmental responsibility. This is closely related to the idea of the community mentioned above. However,

this engagement ultimately brings together producers, retailers, consumers, non-governmental organizations (NGOs), and other stakeholders in these discussion forums, like other businesses and civil society. It is as if these companies divided their activities into two large groups: The business itself and the movement for the environment and social issues. One is extremely dependent on the other.

The main characteristic of value capture is that all organizations avoid hybrid tensions in integrating sustainability into the business model. First, this means that by doing business, they fulfill their social/environmental and economic missions and, therefore, they have commercial stability and also positively impact society. Second, they have sustainability integrated into their strategy. This is aligned with the propositions of the literature [31]. The commercial stability of hybrid businesses is a prerequisite for achieving the goals related to sustainability [2], and resource scarcity is considered a big challenge [32]. The cross-case analysis indicates that the main characteristics of the business models are that they link sustainable impact directly to commercial success.

Therefore, this research found that sustainable entrepreneurs innovate in business models to overcome hybridity-related tensions to achieve their environmental, financial, and social goals, in order to influence the institutional environment and generate positive social impact, combining three different elements:

- (1) Value proposition: Offer lower prices; convenience to customers; multiple stakeholders; foster the sharing of intangible values; and consumer education.
- (2) Value creation/delivery: Partnerships with other stakeholders; ethical issues/ind./corp. social responsibility; highly internet-based; engagement in sustainability discussion; and transparency.
- (3) Value capture: Sustainability integrated into the business strategy; and financial balance.

Figure 1 presents a scheme of how sustainable entrepreneurs innovate in business models to overcome hybridity-related tensions to achieve their environmental, financial, and social goals, as found in this study.

They move from a business model focusing purely on profit, with low sustainable value, to a new business model with a high sustainable value, in which they can overcome many important hybridity-related tensions. By doing so, they are able to influence their institutional environment through the core elements of their business model. The following innovation mechanisms deserve special mention:

- (a) Concerning value proposition, organizations engage multiple stakeholders in developing an emotional stake related to sustainable behaviors. They use the idea of community to promote it, fostering the sharing of intangible values. Associated with these actions, organizations offer more convenience in accessing these products or services, delivering at home or facilitating access by geolocation, prices/costs reduction for customers, and by promoting consumers' education.
- (b) Concerning value creation/delivery, the companies promote partnerships with other stakeholders as part of the main business strategy. They run the business while promoting a social movement. One is dependent on the other. In their engagement in the sustainability discussion forums and practical activities, they put together consumers, suppliers, and also other agents outside their vertical supply chain. All companies are highly internet-based in their operations. Social media and transparency are also relevant to their operation.
- (c) The main characteristic of value capture is that organizations integrate sustainability into their strategy in a way that just by doing business, they fulfill their social, environmental, and economic missions. Therefore, through innovation in business models, these organizations overcome hybrid-related tensions and achieve financial stability while they positively impact society.

While in the perspective of Osterwalder et al. [23], Osterwalder and Pigneur [24], and Bocken et al. [25], the results indicate that there is a break in the frontiers related to innovation in the business model, it is also interesting to discuss the findings of this research based on the perspective

provided by Gassmann, Frankenberger, and Csik [46]. They analyzed the most revolutionary business model innovations over the past decades to determine systematic patterns in these models. According to their approach, only 55 business models (BMs) are innovative; the others are considered as adaptations, recombinations, or imitations of these models. According to this view, the business models identified in this research would be framed as adaptations/recombinations of other existing models. Just as an example, it was possible to find some elements identified by Gassmann, Frankenberger, and Csik [46] in the companies analyzed in this research: Aikido, Customer loyalty, E-commerce, Experience Selling—products appealing to the emotions, benefiting from specialized know-how, performance-based contracting—basing fees on results, and trash to cash. However, the same authors note that most of the novelties in business that have an increase in the likelihood of success are also adaptations or creative recombinations of the business models identified by them. These recombinations generate the innovation process indicated by Schumpeter [34] and Zawislak et al. [35] in relation to product, process, organizational methods, and new market methods. The main message is that entrepreneurs do not need to “invent the wheel”; they can learn from business models from other industries and make successful adaptations to their context.

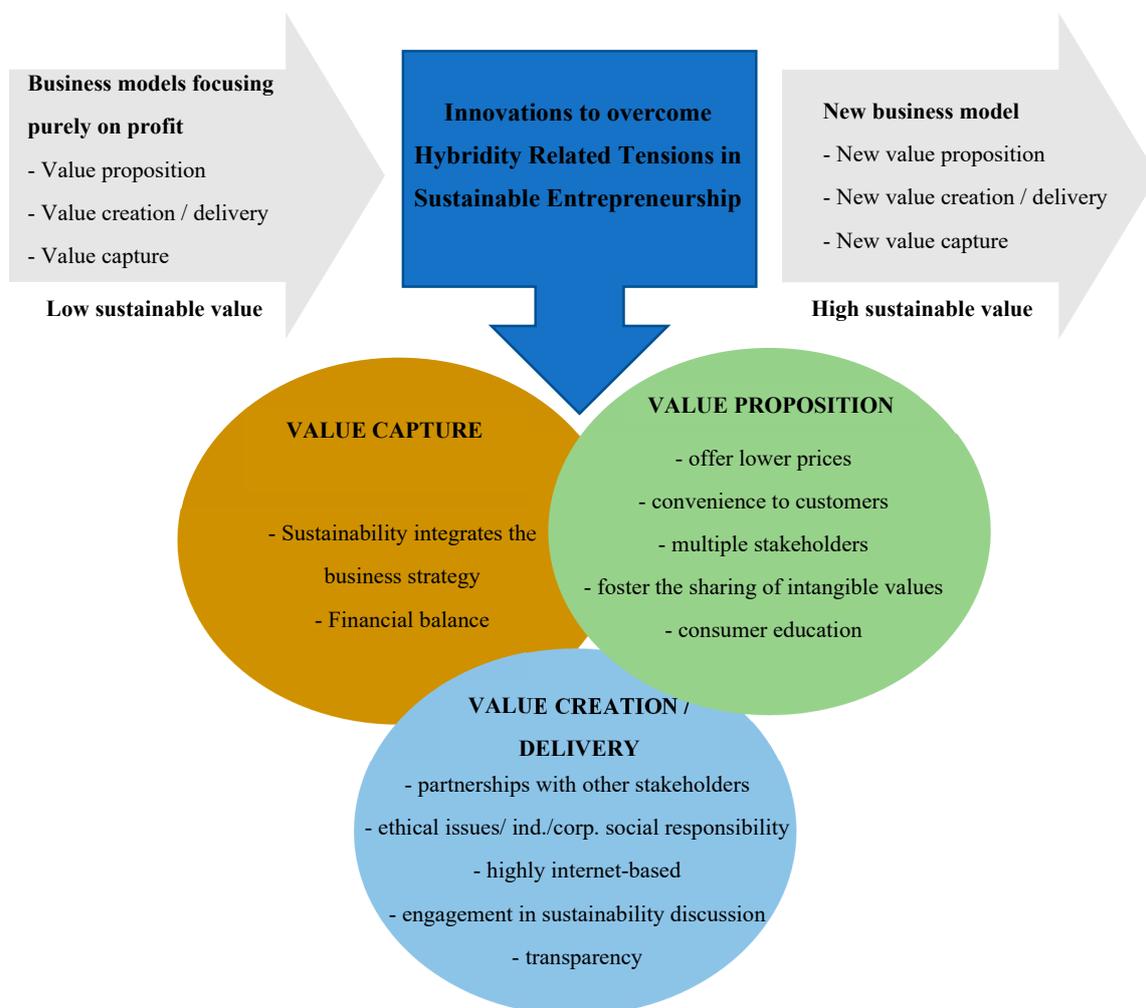


Figure 1. Business models’ innovations to overcome hybridity-related tensions in sustainable entrepreneurship.

6. Implications and Conclusions

The analyzed organizations are successful cases showing that social, environmental, and economic value can be mutually supportive. They answer calls from Davies and Chambers [4], Hahn, Spieth and

Ince [2], and Schaltegger et al. [5] to better understand the peculiarities of business models concerning how companies successfully operate on commercial markets and achieve their social, ecological, and economic goals. The cases provided also answer the call to provide empirical evidence about what constitutes social business models and how they can be developed [1], as well as management mechanisms, potential sustainability solutions, and the challenges faced [4,16–18].

Dentchev et al. [16] propose that, for innovations to overcome the hybrid tensions, they should start by changing parts of their existing business models or developing completely new ones. In all twelve cases, the companies developed new business models by providing innovations in the core elements of business models. In this sense, the field analysis allowed us to find real cases in which the tensions identified in the literature can be overcome before the start of business operations through innovations in their business models.

Since the innovation mechanisms used by these SEs to overcome hybridity-related tensions are capable of influencing the institutional environment through the core elements of their business model, generating positive social impact, one implication resulting from this research that future studies can explore is: (a) To investigate how each of these innovations identified within value proposition, value creation/delivery, and value capture can be used to positively influence consumers' and other stakeholders' behaviors, and (b) to propose indicators of positive social impact generated by the agency of these entrepreneurs.

It should be noted that these innovations, while allowing a positive balance in favor of the environment and social issues and maintaining the financial stability of the business, also generate new tensions. These tensions do not directly threaten the survival of the business. Another point is that some of these difficulties faced, as is the case with C9 and C11, for example, are not specific tensions related to SBMs because regular businesses face the same types of difficulties; however, they also bring challenges and require attention that research could address.

The contribution to the literature was achieved by filling the gap pointed out by Breuer et al. [1], Davies and Chambers [4], and Hahn, Spieth and Ince [2] by identifying business models' innovations in sustainable entrepreneurship, analyzing their characteristics, their mechanisms to overcome hybridity-related tensions, and providing empirical evidence about how business models can be used to create and capture multiple forms of value. Therefore, the findings of this investigation provide theoretical and empirical clarity on the interplay between hybridity and social business models.

Finally, as this is an exploratory investigation, the findings cannot be extrapolated to broader populations. Nonetheless, the 12 in-depth case studies exceed the minimum number of four cases proposed by Eisenhardt [45]. Therefore, one of the suggestions for future studies is to carry out surveys with a larger number of companies in different contexts. These suggestions also address the proposition that it is necessary to consider that sectorial differences partly influence the business model to be used [46].

Another suggestion is to incorporate the new tensions that emerge from these innovations as categories of analysis in future studies. For example, a future research opportunity about value proposition could be related to how to better understand different customers' profiles in relation to sustainable products and services, as well as other stakeholders outside the vertical supply chain. This would help to promote more focused and efficient awareness campaigns, education, stakeholders' engagement, and communication. Concerning value creation/delivery, the new tensions that emerge and that can be researched relate to how to promote the balance between fair trade and operations management, training and qualification of people, and optimization of logistics systems. About value capture, it would be relevant to understand how to promote business growth in a structured manner, especially how to address scalability issues, i.e., understanding how to promote business model replication in relation to organizational structure issues, costs, and cultural differences.

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