

# 4

## Sustainable Business Models in the Era of Climate Change

**Jaskirat Kaur\***

Assistant Professor, P.G. Department of Commerce & Management, DAV College, Amritsar.

\*Corresponding Author: [jaskiratkaur9463@gmail.com](mailto:jaskiratkaur9463@gmail.com)

### Abstract

Old days are gone when business only focus on profit maximization by ignoring all other aspects. A new concept of sustainable business model consider people, planet, profit as a integrated approach to create, deliver, and capture value to society and also ensure environmental protection. This approach ensure reduction of waste and emissions, optimal utilization of natural resources and minimize harmful impact on climate by business activities. New innovation in development of eco-friendly products, services, processes totally change the market scenario. SBM enhance business reputation in customer mind by presenting them as a environment sensible, which further develop a strong bond between both of them. In short, SBM helps business in attaining long-term growth, success and contributing in betterment of global economy.

**Keywords:** Sustainable, Emissions, Scenario, Sensible, Contributing.

### Introduction

Climate change is become major environmental concern all over the universe in front of authorities. Rising level of global temperatures, pollution, ozone layer depletion, biodiversity loss, and uncertain weather conditions are compel industries to rethink and redesign it operation and strategies. Business houses are both contributors to and victims of climate change. Undue Industrial activities, fossil fuel consumption, and unsustainable production systems speed up the pace of economic growth but also deteriorate environment.

It is observed that traditional business models mainly focused on profit maximization but they remain ignorant about climate change. In light of this serious problem phenomenon of sustainable development coined by the World Commission which put emphasizes on contributing toward environment protection and make available scare resources for future generations needs and overall social upliftment Sustainable business models (SBMs) have emerged as a strategic response,

integrating environmental, social, and economic considerations into core business operations to become long term viable.

### **Evolution of Business Models Toward Sustainability**

Business models have evolved through several phases:

- **Traditional Business Models**

This models focus on enhance efficiency, profit maximization, cost cutting, expand sales and customer base. But environmental effect of business activities are not accounted mean business adopt totally indifferent attitude towards climate changes.

- **Corporate Social Responsibility**

In 20th century, businesses start to pay attention to solve some social, economic and environment issue by adopting CSR practices to show them as socially concern. But little bit amount of Money and efforts are diverted in this direction.

- **Sustainable Business Models**

SBMs go beyond CSR by embedding sustainability into the core logic of value creation, delivery, and capture. It represent complete transformation in various area of business operation by integrating business operations and environment concern. In this Model business start to focus on environment considering its importance for long term survival.

### **Risk presented by climate change**

Climate change bring forward several types of risks to business and society. Which are categorized in following categories:

- **Physical Risks**

- Frequent occurrence of floods, droughts, heat waves and hurricanes
- Damage to infrastructure facility of country
- Increase sea level due to melting iceberg
- Fluctuations in agricultural output

- **Transition Risks**

- Introduction of carbon taxes on burning fossil fuel.
- Shifts toward renewable energy sources
- Consumer preferences changed.
- Introduction of green products in market

- **Reputational Risks**

- Consumer Loss
- Step back by investors
- Downfall in brand reputation

## Theoretical Pillars of Sustainable Business Models

- **Stakeholder Theory**

It was proposed by R. Edward Freeman & focus on all providing equal value to all stakeholders for survival and success in market. A number of stakeholder are involve in business operations & effected by it decision. So Business should integrate social, economic, environment consideration in its strategy to create and deliver value to stakeholder rather than just focus on profit maximization.

- **Institutional Theory**

This theory was coined by Paul Dimaggio and Walter Powell. It consider that business adopt in sustainability due to external pressure and regulatory framework rather than to improve efficiency. Regulatory bodies set standard and norms for that compel business to align their operation with social, economic, cultural expectations & shift toward sustainability in order to gain legitimacy.

- **Resource Based View Theory**

This theory was propounded by Birger Wernerfelt & Jay Barney. The RBV focuses managerial attention to identify those internal assets, capabilities and competencies with the potential to deliver superior competitive advantages. It posits that sustainable competitive advantage arises from resources that are valuable, rare, inimitable, and non-substitutable. Business modify and develop innovative product which consider environment concerns.

- **Ecological Modernization Theory**

This theory propounded by Joseph Huber and Arthur Mol, it suggests that goal of economic growth and environmental protection can be achieve via change in technological process and policy. It emphasize on development of innovative techniques to combat with environment issue in advance before it happen.

## Core Elements of Sustainable Business Models

Sustainable business models are designed to create long-term value not just for shareholders, but also for society and the environment. Instead of focusing purely on profit, they balance economic success with environmental responsibility and social well-being. Here are the core elements that define such models:

- **Value Proposition**

SBM clearly defines how a company's offer value for different components of society and environment by modifying its traditional process. It offers eco friendly green products to reduce carbon emission, use eco friendly packaging material and find ethical sourcing of material supplies.

- **Value Creation**

It defines how business behave in responsible manner in use of scarce resources to make available them for present and future generation. Business try to use renewable energy source, use recycled input, reduce waste effluent. Business adopt circular production systems, where instead of discarding material, it is reused.

- **Value Delivery**

This element reflect efficiency in distribution process by focusing on logistics process. It involve recyclable or bio degradable packaging material, use digital mode of delivering product & services to minimal use of paper, use electric vehicle that produce low or no carbon emission.

- **Value Capture**

It define that business should focus on long term profitability rather than short term profit target by taking active participation in sustainability initiatives in society. Business invest or contribute money, expertise in social projects like installation of water treatment plant, make green belt etc. This approach show business connectivity with society.

- **Stakeholder Integration**

SBM equally recognize all stakeholder who are directly or indirectly connected with business rather than just focusing on investors. It treat all stakeholder importance and try to consider their concern in its policy formation. It ensure availability of safe working conditions & adequate wages to employees, green & sustainable products to consumers, and no negative impact on society by its activities.

- **Governance and Ethics**

It involve to comply with provisions and regulations issued by regulatory bodies regarding sustainability e.g to report about sustainable imitative, adopt anti corrupt practices, abide all environment laws.

- **Innovation and Adaptability**

It refer to continuous improvement in process, operations, products, services as per changing scenario. Business should focus on redesigning its product whose consumption put no harmful impact on climate. E.g. In present EV are more popular among public, energy efficient home appliances demand increased.

### **Archetypes of Sustainable Business Models**

- **Circular Economy Models**

The circular economy model promote to sharing, leasing, reusing, refurbishing and recycling existing materials to maximum possible extent. This process help in slowing down the consumption of natural resources. This model promote competitiveness, stimulate innovation, boost economic growth.

- **Product-Service Systems (PSS)**

In this model business go beyond the sale of physical product, by offering combination of product and services to their customers to deliver value. It shift the concept of ownership to usage.

- **Sharing Economy**

This model focus on sharing of single resources by large number of masses instead of consumption by single lead to reduction in overall consumption and wastage.

- **Social Enterprises**

Under this model business run their operation in normal manner but side by side try to solve social & environment issues instead of profit maximization. It shows business involvement and commitment toward society.

- **Low-Carbon Business Models**

These model focus on reducing greenhouse gas emissions in environment through innovative techniques and product. More energy efficient equipments are used to generate minimum harmful impart on climate.

### **Significance of Sustainable Business Models**

- **Build Trust**

SBM helps in communicating positive image in customer mind about business, climate conscious consumer develop a strong bond with business.

- **Market Differentiation**

Sustainability model differentiate business from their rivalry in market, because of unique practices adoption. SBM helps in gaining more recognition of business in cut throat competition.

- **Innovation Opportunities**

SBM promotes innovation in process, operation, product & services as per requirement of customer. It represent complete transformation in way of doing business.

- **Cost savings**

SBM leads to saving in cost due to number of factors such as use of energy efficient tools, reuse, sharing resources. which helps in competing in market and maintain revenue level.

- **Access to green financing**

Business who follow SBM model can easily gain access to green finance by displaying their projects are environment friendly. It can easily attract investor who want to invest money in environment preservation projects.

- **Reduced carbon footprint**

Overall strategies & practices followed under SBM model focus to reduce the carbon & gas emission, which helps in controlling the alarming situation of climate change.

- **Conservation of biodiversity**

Due to severe change in Climate many species of plant, animal and insect are in danger. SBM put some contribution in preservation the biodiversity loss.

### **Challenges in SBM**

- **Financial Constraints**

Adoption of SBM require huge investment by organization in whole process, shift from traditional to sustainable practices, Voluntary spending of financial resources in CSR activities. Small organization having lack of financial resources find it difficult to deploy resources.

- **Organizational Resistance**

SBM require complete transformation and adjustment in policy, decision, operation, strategies and even to do something extra than normal functions. This concept resist by employees and management because they don't want to change their attitude and work patterns

- **Lack of Awareness**

Concept of SBM is in developing stage in almost in all countries of world, business and consumer are totally unaware about its applicability, significance on community and environment.

- **Measurement Difficulties**

Another problem is to measure the impact of SBM because no standard yardstick is available to check the progress of this model in preservation of climate purity.

- **Greenwashing**

Most of business falsely claim that they are concerned with climate and their activities are beneficial for environment to attract green investment by creating false impression.

### **Conclusion**

SBM is proving beneficial tool in add combat the climate change threat. It shows a transformative approach which change the way of business operation. It also maintain balance between long term sustainability as well as environment. It change the attitude of business houses from short run profitability to long term value creation by efficient resource usages, reduce wastages, and create long lasting relationship with stakeholder. Businesses that adopt sustainability are better

positioned to adapt to changing regulations, consumer expectations, and global challenges like climate change. SBM requires development and adoption of innovative techniques and also address various challenges that become hurdles in its way. Even SBM is not mandatory but it is a necessity of hour to make business image reputable and worthy in society by putting positive contribution in curb out environment related issues and make climate safe for upcoming generation.

### References

1. Das, S. K. (2025). Investigating Circularity in India's Textile Industry: Overcoming Challenges and Leveraging Digitization for Growth. arXiv preprint arXiv:2501.15636.
2. Devi, O. R., and Saini, H. (2020). Utilization of orange peel waste in textile industry: A review. *International Journal of Chemical Studies*, 8(4), 05-08.
3. Heyes G, Sharmina M, Mendoza JMF, Gallego-Schmid A, Azapagic A. Developing and implementing circular economy business models in service oriented technology companies. *J Clean Prod.* 2018;177:621-32.
4. Rudnicka, A. (2016). Understanding Sustainable Business Models. *Journal of Positive Management.* 7, 52–60. DOI: 10.12775/JPM.2016.022.
5. Strand, R. (2014). Strategic leadership of corporate sustainability. *Journal of Business Ethics*, 123(4), 687–706.
6. Stubbs, W.; Cocklin, C. Conceptualizing a “sustainability business model”. *Organ. Environ.* 2008, 21, 103–127.
7. Zott, C., Amit, R., & Massa, L. (2011). The business model: recent developments and future research. *Journal of Management* 37(4), 1019–1042.

