



The Prince's
Responsible
Business Network

Toolkit Series

HOW TO INNOVATE RESPONSIBLE BUSINESS MODELS

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Part of our
Six Catalysts of Responsible Business Series



TOOLKIT

HOW TO INNOVATE RESPONSIBLE BUSINESS MODELS

The evidence is clear: there is insufficient progress being made on the Global Goals, also known as the United Nations' Sustainable Development Goals, and that businesses need to play their part if they are to be metⁱ. At Business in the Community (BITC), we're aiming to increase the pace and scale of responsible business action to tackle those Goals.

To achieve this, we have researched the greatest barriers and drivers of responsible business and identified six [Catalysts of Responsible Business](#): actions that will accelerate, scale and perpetuate sustainable, inclusive and fair corporate actions to tackle the biggest issues facing society. This guide covers tips for responsible business practitioners to:

INNOVATE RESPONSIBLE BUSINESS MODELS:

Responsible innovation minimises harm and risk, increases positive impact and alignment between sustainability and core business goals, and ultimately increases innovation

Why innovate responsible business models?

A lack of business alignment is one of the key barriers to achieving progress on environmental and societal issues. Innovating responsible products and services on an ad-hoc basis is a good starting point, but for a business to be truly responsible it needs to implement a responsible business model, to cascade innovative and responsible thinking and practices throughout the organisation. This allows the business to:

- **Maintain a competitive advantage.** By expanding the environmental and societal value of products and services, companies can increase value in pricing, market share and

loyalty. Research from McKinsey and NielsonIQ shows that products making ESG-related claims averaged 28% cumulative growth, over a five-year period, versus 20% for products that made no such claimsⁱⁱ.

- **Increase long-term resilience.** KPMG's latest CEO Outlook showed that 59% of CEOs are pausing or reconsidering their existing or planned ESG efforts in the face of economic uncertaintyⁱⁱⁱ. Some studies have shown how responsible business model innovation can be used to overcome risks to a specific industry^{iv}. In fact, companies that design innovative business models, over time, expand both value creation and capture^v.



- **Align stakeholder interests.** Traditional business models are focused on creating value through satisfying customer needs, economic return and compliance^{vi}. However, as stakeholder interest in sustainability exponentially increases^{vii}, business models must consider a holistic view of value that integrates social and environmental goals, aligning stakeholder interests to deliver sustainable value.
- **Fully access the benefits of responsible innovation.** BITC's Responsible Business Tracker showed that only 32% of businesses consider social or environmental factors during product development^{viii}, yet, according to the British Standards Institution, responsible innovation yields many benefits, including long-term cost and risk reductions, improvement of societal trust in the company and maintenance of social license to operate, greater attractiveness as an employer, better supply chain relationships and improved capacity for long-term planning and sustainability^{ix}.

What is a responsible business model?

Traditionally, 'innovation' in business terms refers to technological advancement, particularly for products and services. However, in recent years this has evolved to include the transformation of a business model and thinking about how to do business in a new way^x.

The narrowest definition of a business model is how a business operates and creates value for stakeholders in a competitive marketplace^{xi}. Given that a business is built around its value forms, a responsible business model has the same characteristics as a responsible business; one that delivers long-term shared value for all stakeholders, by eliminating any negative impact and maximising positive impact on society and the environment. It is important to add that all responsible business models should think long-term to ensure sustainability and alignment to all

stakeholder interests e.g. silent and future stakeholders.

In order to innovate responsible business models, there are three key things to be addressed:

1. Developing new responsible products and services.

With digital transformation and shifting market forces, such as AI and ESG, driving an increasing change in industry, innovating new products and services is key to maintaining a competitive edge.

Case Study: Burger King UK made a commitment to having a 50% meat-free menu by 2030 and has introduced many vegan items to its menu. It is currently the fast-food chain with the most vegan options in the UK^{xii}.

2. Understanding the opportunities and risks of existing products and services,

as well as developing new ones and considering the removal of products that are no longer fit for purpose, is key to responsible business model innovation, as it allows your business to think about value transformation as well as value creation, not just for your business but for all stakeholders and communities.

3. Scaling up responsible innovative processes and embedding them into business models.

The full potential value of sustainable business model innovation is achieved only when the new business model is brought to scale: engaging people in the company, across the supply chain, in the company's networks, and in its ecosystems to expand impact and advantage^{xiii}.

Case study: Ford is implementing changes to its business model by shifting to electrification. The company started electrifying its most iconic products – the Mustang, F-150 and Transit – which has propelled them to the Number 2 EV brand in the US in 2022. Ford of Europe has made ambitious plans

to go all in on electrification for passenger cars by 2030 and significantly grow their commercial vehicle business to fully zero emission vehicles by 2035.

In addition to offering zero emissions versions of its most popular vehicles, the company is harnessing electrification to further serve its customers, as well as meeting its goal of achieving carbon neutrality globally by 2050, and in Europe no later than 2035. Ford is doing this through incorporating electrification into all areas of the business, including investing, to accelerate the research and development of battery and battery cell technology, reimagining manufacturing facilities and working with EV- certified dealers to help customers transition to electric vehicle ownership.

How can you encourage your business to innovate responsible business models?

There are lots of ways of designing or redesigning a business model, from incremental change and evolution to the intrapreneurship of the "Engine B" approach, but fundamentally it starts with innovating the form of value. To illustrate this, as a company becomes more responsible, this could be a new product or a shift from product creation to service creation or subscription. For example, the shift from selling cars to providing "transport as a service" allows companies to create more circular vehicles.

BITC's Responsible Innovation Framework

outlines how to develop a new form of value in a responsible way, driven by the six principles of responsible innovation.

- **Purpose-led:** responsible innovation may well be profitable, but above all, it requires purpose and a positive contribution to society.
- **Stakeholder centricity:** a diverse and inclusive set of stakeholders, including users, must be consulted throughout the process to ensure innovation that serves better. with fewer issues and risks.

- **Inclusive collaboration:** diversity of thought and experience leads to better innovation and the principle of inclusion must apply to all stakeholders and customers.
- **Risk mitigation & opportunity spotting:** responsible innovation is innovation that identifies and mitigates negative consequences, whilst capitalising on opportunities to improve society and the environment.
- **Through-life impact:** consider a longer timeframe, from resource sourcing through to decommissioning and resource disposal.
- **Transparency:** seek opportunities to continually increase the visibility and explainability of the innovation, including by tending to open source where possible.

These principles can be applied in a variety of ways, regardless of the underlying innovation approach or methodology used.

When a new form of value has been created and tested, the new business model must be established within the business by developing and implementing a robust operating model. The same principles apply to the design of this operating model. For example, as new processes are designed and incentivised, consider:

- **Securing senior leader buy-in.** This is key as research shows transformation projects are twice as likely to succeed when leaders spend half their time on them^{xiv}.
 - Our '[Engaging Leaders to Accelerate Responsible Business' Toolkit](#) suggests multiple ways to engage with leaders, including through training, sharing the business case and appealing to personal legacy.
 - As well as a compelling business case, BITC recommends giving senior leaders a proposition to the challenge at hand and a space to come up with a solution. Conversations about purpose, profit and

holistic value are still gaining traction, so there is a huge need for leaders to have the time and space to understand the language and concepts associated with responsible business model innovation.

- **Focusing on areas of high materiality and/or risk.**
 - Material issues are the environmental and societal issues that are most relevant to a business and where they have the greatest opportunity to influence and address the problem. Therefore, innovating areas of high materiality will help to encourage advocacy as they should be a high priority for the business to address.
 - Risk management and innovation efforts can be mutually beneficial. Applying risk management practices to innovation can identify new opportunities for innovation and applying innovation practices to risk management can offer advanced solutions to addressing risks^{xv}.
- **Collaborating with internal and external stakeholders** to ensure all key stakeholders' ideas, perspectives and opinions are considered throughout development and implementation.
 - BITC's [Stakeholder Capitalism Toolkit](#) includes tips to identify, map and engage your key stakeholder groups.
 - Consider how you can involve stakeholders in product, service and process conception and development in exciting ways.

Case Study: Verizon Business brings clients and partners together in their [London Hub](#) - a

sustainably designed innovation space, where they explore the potential of next-generation technology and network solutions through interactive demos and content.

- **Creating an innovative culture.** A responsible business model relies on all colleagues making responsible decisions. As a new operating model is developed, consider how best to involve and mobilise your colleagues, so it becomes a natural way of thinking across the business.
 - See our [Responsible Decision Making Guide](#) and toolkit on [How to Activate Employees on Responsible Business](#) to understand how you can create a culture of responsible intrapreneurship within your organisation, where all employees feel empowered to co-create solutions for change.
- **Incorporating long-term thinking.** Innovation without sustainability has a limited life span so it's important to adopt long-term thinking and a strategic horizon to ensure responsibility and to help overcome the current barrier of short-termism in business models.

How can BITC help

For more information and support on how to innovate responsible business models, please contact [BITC's Advisory Services Team](#).

BITC would like to thank JTI UK for their support of our Six Catalysts of Responsible Business.

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ENDNOTES

ⁱ <https://unstats.un.org/sdgs/report/2022/>

ⁱⁱ <https://www.mckinsey.com/industries/consumer-packaged-goods/our-insights/consumers-care-about-sustainability-and-back-it-up-with-their-wallets>

ⁱⁱⁱ <https://kpmg.com/xx/en/home/insights/2022/08/kpmg-2022-ceo-outlook.html>

^{iv} <https://www.emerald.com/insight/content/doi/10.1108/INMR-07-2021-0125/full/html>

^v [How to Design a Winning Business Model \(hbr.org\)](#)

^{vi} [\(PDF\) Value mapping for sustainable business thinking \(researchgate.net\)](#)

^{vii} https://www.ey.com/en_gl/attractiveness/22/how-can-boards-strengthen-governance-to-accelerate-their-esg-journeys

^{viii} [Responsible Business Tracker® 2019/20 Insights Report - Business in the Community \(bitc.org.uk\)](#)

^{ix} <https://knowledge.bsigroup.com/products/responsible-innovation-guide?version=standard>

^x <https://www.emerald.com/insight/content/doi/10.1108/INMR-07-2021-0125/full/html#ref017>

^{xi} [How to Design a Winning Business Model \(hbr.org\)](#)

^{xii} <https://corporate.proveg.com/wp-content/uploads/2023/08/2023-ProVeg-International-Fast-Food-Menu-Ranking.pdf>

^{xiii} <https://www.bcg.com/publications/2021/four-strategies-for-sustainable-business-model-innovation>

^{xiv} <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/successful-transformations>

^{xv} [Innovation risk management | Deloitte Insights](#)