

'Degrowth' inspires business model innovation for a sustainable post-COVID economy

*The COVID-19 pandemic, during which companies around the world are being forced to rethink their ways of doing business, requires thinking about post-crisis business models for sustainability, including the concept of degrowth (taking the focus away from economic growth and into quality of life). **Florian Lüdeke-Freund** and **Tobias Froese** introduce business model innovation, combined with sustainability paradigms such as degrowth, as a promising contribution to an innovation and management toolbox for a post-crisis economy.*

The world faces an unprecedented crisis due to the global spread of the SARS-CoV-2 virus. A crisis that creates new economic demands and puts companies' resilience to the test. Many are forced to innovate or even transform themselves to survive. This opens the door to new ways of doing business – but does it also open a *door to a better, more sustainable post-crisis economy?*

A post-crisis economy that is more ecologically sustainable and socially just must build on organisations and networks that create value for and with their stakeholders whilst also protecting their natural environment. To do so, their business models must follow sustainability principles such as circularity, inclusiveness, local and green supply chains, or sufficiency (Lüdeke-Freund et al., [2018](#), [2019b](#)). Circularity aims to close production-consumption systems by making better and recurrent use of resources, waste, and leakage (Geissdoerfer et al., [2017](#)). Here, offering repair services is a typical example. Building on Gossen et al. ([2019](#)), however, approaches such as circularity have limits. Sustainability also requires sufficiency, that is, consciously avoiding material over- and underconsumption in absolute terms to improve quality of life while preventing rebound effects on the natural environment. Correspondingly, recent debates have introduced 'degrowth' as a normative framing for such sustainability-oriented transformations of companies, industries, and national economies (Kallis et al., [2018](#)). We argue that the current situation, in which companies around the world are forced to rethink their ways of doing business, together with the notion of degrowth, can inspire thinking about post-crisis business models for sustainability.

Sustainable degrowth is a transformative quest towards a more equitable socio-economic setting, as well as a reasonable level of economic throughput that, taken together, improve the quality of life while respecting planetary boundaries (Kallis et al., [2018](#)). Research on degrowth highlights what is often ignored: our economy includes local sharing, repairing and self-provision, unpaid family care, and many other non-commodified activities. This comprehension of economic activities beyond merely monetary and reciprocal transactions is essential in order to imagine, creatively experiment with, and implement new solutions to pressing sustainability challenges.

In light of a degrowth vision, governments, civil society actors and businesses can rethink their approaches to doing business and use sustainability paradigms such as circularity or sufficiency as an inspiration for reviving and redesigning business activity during and after the crisis. The question then is: How to capture and develop knowledge about alternatives to current economic models that facilitates communicating, collectively ideating, and realizing business model innovations for sustainability?

Sustainable business model innovation can be understood as a way of translating sustainability strategies into actionable 'blueprints' of value-creating activities of companies. Based on a decade of research on this topic, we define this approach as follows (cf. Lüdeke-Freund et al., [2019b](#)): sustainable business model innovation improves a company's ability to create, maintain, or regenerate natural, social, and economic capital beyond its organisational boundaries by changing the value proposition for its customers and all other stakeholders and/or the way value is created, delivered, and captured.

To these ends, the concept of business model patterns offers a heuristic device to systematically capture knowledge of experience-based best practice solutions for sustainability. Building on Christopher Alexander's conception of patterns ([Alexander et al., 1977](#)), a sustainable business model pattern "describes an ecological, social, and/or economic problem that arises when an organisation aims to create value, and it describes the core of a solution to this problem that can be repeatedly applied in a multitude of ways, situations, contexts, and domains. A sustainable business model pattern also describes the design principles, value-creating activities, and their arrangements that are required to provide a useful problem–solution combination" (Lüdeke-Freund et al., [2018](#), p. 148).

Concrete example

To give a brief illustration, a concrete and new pattern we propose is 'community prosumption.' In research on degrowth, [Bloemmen et al. \(2015\)](#), for instance, present a corresponding case of community-supported agriculture. The pattern takes place in a socio-economic *context* in which citizens are considered as mere consumers of what companies produce, while intermediaries, such as supermarket chains, are positioned in between these two parties. The *problem* is that this form of economic relation and practice does not convey non-material and non-monetary forms of value creation. It disconnects consumers from the conditions of production. Furthermore, it puts producers in fierce competition with each other and, hence, makes the individual vulnerable to poor local conditions (e.g., a dry season). A *solution* then is to share the risk with local citizens who pay a fixed yearly amount, regardless of how successful the production is. Moreover, local citizens engage in local manufacturing or harvesting, build social connections, experience mutual learning processes, and spend leisure time, for instance, in a green environment. Hence, economic relationships are diversified, monetary exchanges are, to a certain degree, deprioritized, and consumers eventually turn into 'community prosumers.' This reduces producers' workload and frees up time to invest in the quality of organisational processes.

A broad knowledge base about the forms sustainable business model innovation can take has been developed in several research projects, partly conducted at ESCP (Lüdeke-Freund et al., [2018](#), [2019a](#), [2019b](#), [2019c](#)). This knowledge base can serve as a source of inspiration and a tool to help companies develop better post-crisis business models. Apart from that, business model patterns can function as empowering communicative devices as they make expert knowledge understandable and useful for laymen. This can essentially contribute to making business model design processes more democratic and inclusive. Moreover, collecting, discussing, and sharing patterns can greatly contribute to the perceived and actual diversity of our economy.

Outlook

The coronavirus pandemic once again raises critical questions about how we collectively want to overcome crises, and where we want to go. Governments, educational institutions, consultants, local businesses, and further actors who shape our society should rethink what post-crisis economies and businesses should look like and whether business as usual is a reasonable way to move on, or whether lessons can be learnt from those who are already experimenting with alternative business paradigms. The necessary actionable knowledge is available in various repositories of sustainable business model patterns. The example of a business model pattern for degrowth points to the rich avenues and inspiration this sustainability paradigm can offer in the search for sustainable business models for a post-crisis economy.



Notes:

- This blog post is based on the authors' paper [Unlocking sustainable business model innovation for a post-crisis economy](#), part of ESCP Business School's "Managing a Post-Covid19 Era" [series](#).
- The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.
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