

# Chapter 7

## An Innovative Company in a Smart City: A Sustainable Business Model

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### ABSTRACT

*The aim of this chapter is to analyze the business model of an innovative company in the context of a smart city. Specifically, this research investigates key components and challenges concerning the operationalization of a business model originally conceived to be sustainable. This chapter relies on the analysis of the empirical evidence collected at the organizational level by combining different data sources, including official and internal documents, face-to-face interviews, and questionnaires. It is thus designed to contribute to the lively debate on sustainability by providing empirical evidence and shedding light on the operationalization of the concept of sustainable business model. Further, in light of the smart context where the company operates, this research paves the way for further investigation into the potential win-win collaboration between innovative companies and smart cities to foster sustainability consistent with a systems approach to the topic.*

### INTRODUCTION

In recent years, it has been argued that sustainability is a key challenge for both private and public-sector organizations, calling for the integration of environmental, societal, and economic issues to support sustainable development. The changes needed to pursue a sustainable economy call for significantly revising the purpose of business and how it is conducted (Bocken et al., 2014). In this context, scholars and practitioners have become aware of the need to innovate traditional business models by incorporating the pursuit of sustainable development in the management of business, thus implementing what has

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been defined a “sustainable business model” (SBM) (Stubbs & Cocklin, 2008). However, whether and how that can happen are difficult-to-answer questions (Birkin et al., 2009).

While a proliferation of definitions and descriptions of business models has characterized the last few decades (Morris et al., 2005; Osterwalder & Pigneur, 2010; Zott & Amit, 2013), the literature on practical applications of SBMs is still limited (Bocken et al., 2014) even though the theory of business models for sustainability is somewhat more extensive (Stubbs & Cocklin, 2008). Indeed, on the one hand, a growing body of literature has investigated key issues regarding definitions and developments of SBMs (Birkin et al. 2009; Laukkanen & Patala, 2014; Lee & Casalegno, 2010; Schaltegger et al., 2012); on the other hand, there is still a need to unravel how a theoretical model of sustainable business can be translated into practice and how and whether it can contribute to the context in which it is adopted.

Since the concept of sustainability calls for a “systems concept” going beyond organizational boundaries and embracing different actors present in a specific context (Milne, 2007), organizations are expected to collaborate (Kerret & Menahem, 2016) to achieve the shared goal of sustainable development. Accordingly, an SBM should be a construct involving a focal firm and other interested organizations (Zott et al., 2011). Indeed, the most recent approaches have stressed the relevance of the role played by a focal firm that produces value for a network of organizations involved in its business model (Zott et al., 2011). Accordingly, the present chapter describes and explains the SBM of an innovative company while exploring the relationship between the focal firm and other actors operating in the same context. Specifically, this context is characterized by an orientation to smartness, which is determined by, among the other factors, a commitment to the realization of sustainable development (Caragliu et al., 2011).

To this end, this research has purposefully selected a firm operating in what has been considered a smart context, namely the city of Turin in northern Italy (EY, 2016). By analyzing the company’s official documents and internal reports, collecting and studying information available on official websites and in newspapers, and interviewing the actors operating in and with the company, this research describes their SBM and explains how it works. In particular, it sheds light on the key components of the SBM and discusses which components have been, and still are, the primary challenges and obstacles.

By adopting this approach, the research aims to contribute to the body of knowledge on SBMs by providing empirical evidence regarding a company conceived to make sustainability the object of its core business and by shedding new light on the key elements and issues of SBM development in the context of a smart city. To achieve this goal, the next section provides a brief overview of previous studies of SBM and then introduces the framework adopted for the empirical analysis. Then, it describes the research setting and method and provides empirical evidence regarding the design and implementation of the business model. Finally, relying on the interpretation of the findings, implications for future research are discussed followed by some concluding remarks.

## **BACKGROUND**

### **Sustainability and Business Models**

Numerous challenges, ranging from climate changes and pollution to financial crises, have altered the business scenario worldwide, putting growing pressure on individual actors and institutions to respond quickly. Consequently, sustainability and sustainable development have become key priorities to be man-

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