

# Revolutionizing Strategic Management

## Embracing Sustainability and Spirituality

- Traditional strategic management models, such as the Porter models, are outdated because they are based on neoclassical economics which fails to address the pressing sustainability challenges of the modern world.
- The closed-system approach of neoclassical economics treats nature and society as externalities, failing to account for the true environmental and social costs of business operations.
- Open system models, built on ecological economics, recognize the interconnectedness and co-evolution of the economy, society, and greater ecosystem working within natural and societal limits.
- Sustainable strategic management models, grounded in ecological economics, represent a necessary paradigm shift to ensure businesses operate within planetary boundaries and distribute resources in a social and just manner.
- The shift toward the sustainable strategic management paradigm will require a spiritual transformation to ensure holistic planetary and social well-being, alongside long-term business viability.

The global business landscape has undergone a profound transformation in recent decades, with strategic management philosophies coevolving in tandem with broader societal shifts and emerging management practices. As sustainability, energy transition, and climate change have taken center stage, the need for a paradigm shift in strategic management has become increasingly apparent.

In their insightful article *Why Porter is not enough: Economic foundations of sustainable strategic management*, management professors Jean Garner Stead and W Edward Stead from East

Tennessee State University argue that traditional strategic management models, particularly the Porterian models, are no longer sufficient in the face of modern challenges. They emphasize the necessity of a revolution in strategic management to a higher level

that incorporates a spiritual dimension to address the pressing issues of our time.

The Porterian Five-Forces Model, which has long been a cornerstone of strategic management, is rooted in neoclassical economics and assumes that the global economy is a largely static, closed system with unlimited resources and infinite growth potential. This model analyzes the competitive landscape through five forces: the threat of new entrants, the threat of substitute products or services, the bargaining power of customers

and suppliers, and industry rivalry. Additionally, Porter's Value Chain Model focuses on internal business processes to identify differentiators and competitive advantages without considering the wider context of value creation.

**The world urgently needs a new business model built on ecological economics and intertwined with a spiritual revolution.**



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However, in the age of the Anthropocene, where human activities have significantly impacted Earth's ecological systems, these archaic models fail to account for the urgent need for more sustainable business practices that consider the environment, society, and economy holistically. The closed-system approach treats nature and society as externalities to the global economic system, failing to internalize the true environmental and social costs of business operations.

In contrast, open system models, built on ecological economic principles, recognize the interconnectedness and coevolution of the economy, society, and ecosystem. These systems acknowledge the limitations of each and work within those boundaries, fostering co-competition among businesses and encouraging the sharing of resources and technologies while still maintaining competitive dynamics.

To implement this new open system model, Stead and Stead propose a paradigm shift towards sustainable strategic management models grounded in ecological economics. This approach recognizes the economy as an entropic system with physical limits set by natural and

By embracing this spiritual awakening, businesses can transcend the limitations of traditional strategic management models and become powerful agents of change, driving the necessary transformations in our economic and social systems. This shift in consciousness will enable leaders to make decisions that prioritize sustainability, social justice, and the health of our planet, ensuring a more equitable and flourishing future for all.

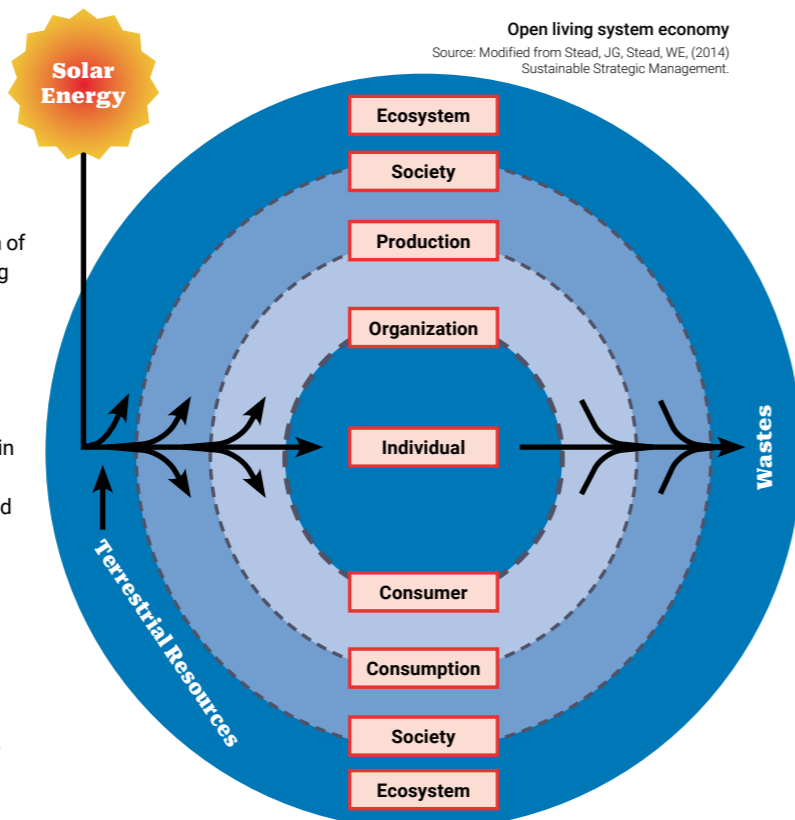
In summary, the closed-system Porterian strategic business models, characterized by the principles of neoclassical economics, are no longer adequate in the face of the multiple existential environmental and social crises we face today. The world urgently needs a new business model built on ecological economics and intertwined with a spiritual revolution. Sustainable strategic management models represent this necessary paradigm shift, ensuring that businesses operate within the natural and societal limits of the planet, securing their long-term sustainability and supporting the well-being of both humanity and the environment. By educating enlightened future business leaders and embracing the spiritual transformation required for this shift, we can catalyze the changes needed to create a more just, sustainable, and thriving world for all.

**By educating future business leaders to see themselves as part of an interconnected whole, we can catalyze transformative change and create a more just, sustainable world.**

societal boundaries, serving as both a holistic view of the coevolution of the economy, society, and ecosystem, and a guide to CEOs for making sustainable strategic decisions.

Moreover, the authors argue that a spiritual element is crucial to this new paradigm to ensure holistic planetary and social well-being. By acknowledging the profound link between human spirituality, the economy, society, and the environment, businesses can operate within the natural and societal limits of the planet, securing their long-term viability and sustainability while supporting the continued spiritual and planetary well-being of humanity.

The spiritual transformation required for this paradigm shift is essential, as it enables a fundamental change in our worldview, allowing us to recognize our intrinsic interconnectedness with the planet, each other, and the greater Spirit that unites us all. This transformation encourages a shift from the narrow focus on self-interest and short-term gains to a more expansive, compassionate, and long-term perspective that considers the well-being of all stakeholders, including future generations and the planet itself.



**Personal response**

*Do you think companies will undertake this paradigm shift on their own, driven by economic trends, or will regulation have to drive them to change?*

In the United States, companies are proactively addressing sustainability reporting with over 90% of S&P 500 firms issuing sustainability reports voluntarily. In contrast, the European Union's regulatory environment is a significant driver for change. Ultimately, companies achieve profitability by responding to evolving consumer and stakeholder values. Today 67% of consumers express a strong preference for sustainable products so business executives recognize that sustainability is a competitive necessity. As 98% of CEOs acknowledge sustainability as a core aspect of their leadership role, the most critical paradigm shift must occur in the classroom, where future business leaders are taught using outdated strategic management models. By updating these educational frameworks, we can ensure that the next generation of executives is well-equipped to navigate the challenges and opportunities presented by the sustainability imperative.

*In your experience, what has been the biggest change in strategic management over your career, and how can that knowledge be used to expedite the shift to sustainable strategic management?*

Despite sustainability's increasing emphasis and evolving values of younger generations, strategic management has remained largely unchanged since the 1980s due to its grounding in the neoclassical, closed economy paradigm. As economics is foundational to all business disciplines, the paradigm must first shift to ecological economics' open-system approach and find its way into the traditional strategic management textbooks used in most classrooms.

The most significant change in my 40-year career has been the transformation of student values. Today's Generation Z demands education on sustainable business practices. However, many professors resist adapting courses to this new reality. I hope my profession responds to the changing values and needs of our students, embracing the necessary paradigm shift to ensure future leaders navigate sustainability's challenges and opportunities.

*What aspect of this new paradigm of sustainable strategic management do you think companies will find most difficult to integrate: de-growth, co-opetition, circular economic principles, or something else?*

Incorporating de-growth philosophy will be most challenging for companies in the new sustainable strategic management paradigm. De-growth challenges conventional GDP growth as a measure of human and economic development. Adopting this requires a shift to ecological economics, acknowledging planetary boundaries and promoting sufficiency over desire for more. Unlimited economic growth is impossible on a finite planet.

Coopetition and circular economy also necessitate open-system models from ecological economics but are more readily applied within multi-stakeholder, multi-sector strategies. Coopetition becomes possible when industry borders blur and coevolve with new markets. The circular economy, requiring zero waste, can only be implemented when resources and wastes are integral to the open-system model. These concepts remain challenging as long as neoclassical economics dominates business education. To transform business, we must view business as a coevolving component of the economy, society, and ecosystem.

*Do you believe that the global economy will be able to shift to these new economic and business principles before our environment breaks down and biodiversity, climate, and other crises lower the global quality of life irreparably?*

The current state of our planet is alarming, with six out of nine planetary boundaries transgressed and another near breach. Climate scientists warn that humanity is at a critical juncture, where ecosystem changes may become irreversible, significantly declining quality of life for present and future generations.

Given the urgency, it's questionable whether the global economy will shift to new economic and business principles in time to avert catastrophic breakdowns and irreparable damage. Abundant scientific data should spur immediate action, yet progress remains slow. In our 1992 book, we advocated the precautionary principle for potential climate crises, but humanity has been slow to respond.

I concur with Gus Speth that we need a profound spiritual transformation – a shift in worldview recognizing our interconnectedness with the planet, each other, and the greater Spirit. Only by embracing this holistic understanding can we catalyze necessary changes in economic and business practices, ensuring the long-run survival of the species. Business has the power to drive change, which is why we must educate enlightened future leaders to see things differently.

**Details**



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**Bio**

Jean Garner Stead is professor emerita of management at East Tennessee State University, earning her PhD from LSU. She and her husband, Ed, are early pioneers in the field of management and sustainability, writing the first book in the field, *Management for a Small Planet*, and a later book, *Sustainable Strategic Management*.

**Collaborators**

The paper 'Why Porter is not enough: Economic foundations of sustainable management' was originally printed in Thomas Wunder's *Rethinking Strategic Management*, Springer, 2019.

**Further reading**

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