The Practice of Creating and Transforming a Business Model

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Abstract

Purpose: The paper explores the dynamics of business model creation and transformation as practices.

Design/methodology/approach: The paper is conceptual and exploratory in nature and builds on the practice / action learning approach.

Findings: The paper presents an action research based framework for approaching and understanding business model creation and transformation as practices. These practices are rooted in managerial and entrepreneurial experience through the exploration and exploitation of business opportunities and competitive advantages.

Practical implications: From a managerial and entrepreneurial perspective, the findings of the paper highlight the role and dynamism of the business context and of continuous assessment of the business model in business model creation and transformation.

Originality/value: The paper proposes a novel framework for business model creation and transformation and sees them as practices. It also connects business models to opportunity and advantage exploration and exploitation.

Keywords: Business model creation, business model transformation, practices, business opportunities, competitive advantage.

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1. INTRODUCTION

The term business model has become one of the keywords of contemporary business (Zott, Amit, and Massa, 2011; Onetti et al., 2012). The term denotes not only a practical tool but also an object of analysis in research (Zott et al., 2011). However, understanding the dynamic side of business models—especially how they are created or changed in practice—by referring solely to existing research, is problematic from two standpoints. First, while there have been many attempts to define the concept (see Zott et al., 2011 and Onetti et al., 2012) and as many to capture the essence of business models (see Linder and Cantrell 2000; Chesbrough, 2010; McGrath, 2010; Sosna et al., 2010; Osterwalder and Pigneur, 2010), we find a research gap arising from the fact that scholars have paid surprisingly little attention to the processes of creating and transforming business models despite there being an implicit assumption of an underlying process dimension in the business model concept. Second, the dynamics between the business model concept and the relevant business context—sometimes referred to as the business environment—where it is applied appears often rather obscure in the prior research. The business context has in most cases been reduced to customers, channels, partners, and suppliers, focusing on value creation and capture (Osterwalder and Pigneur, 2010; Zott and Amit, 2010). Again, we find a research gap attributable to only a few research papers having systematically considered the dynamics of the development of the business model in its business context (Markides, 2006; Teece, 2010).

Given the above considerations, we argue that there is a need for a research approach that enables the contextual unfolding of the dynamics of business model creation and transformation. We want to emphasize the ways in which managers and entrepreneurs perceive the situations in which business models are created and transformed, and the processes involved. In this paper, we adopt the experiential learning perspective, which offers a new way of looking at business model creation and transformation as parallel practices of visioning, strategizing, performing, and assessing (Torbert, 1991; Meyer, 2003; Torbert 2004). These parallel practices build upon the territories of experience—the outside world, self-sensed behaviors and feelings, the realm of thought, and the realm of vision/attention/intention (Torbert and Taylor, 2008)—that influence managers and entrepreneurs when they make judgments concerning action. Scholars have noted that it can be difficult to learn from action without a continual shifting of awareness between and among these territories (Fisher and Torbert, 1995; Meyer, 2003). Further, the practice-oriented thinking applied in this paper introduces a fresh view on what is meant by the business context, as it highlights the focal actors’ knowledge and experience relevant to action, and indeed, experience and knowledge are rooted in action.

By referring to both the creation and transformation of business models, we want to highlight that there is an experiential and time difference between the original creation of the business model and its subsequent transformation or change—even though the basic idea of the business model as a concept remains the same. The practices of visioning, strategizing, performing, and assessing involve the territories of managerial/entrepreneurial experience, and through these practices the business model can lead the company to competitive advantage when exploiting a business opportunity in a business context. Reflecting this processual approach, we adopt a strong orientation toward practices, where action (Tikkanen et al., 2005), business context (Teece, 2010), and experiential learning (Sosna et al., 2010) all play an important role when researching business models and, especially, when researching the dynamics of creating and transforming business models.

From these starting points, this conceptual paper seeks to explore the following question: How can business model creation and transformation be approached as practices? The term practice can itself be approached from several standpoints. In this paper we build mostly on the practice-based perspective (Sole and Edmondson, 2002; Swan et al., 2007, Corradi et al., 2010), which emphasizes the collective, situated, and provisional nature of knowledge, connotes doing, and involves the awareness and application of both explicit (e.g., theories, concepts, tools, procedures) and tacit (e.g., rules of thumb, shared worldviews, capabilities) elements of knowledge in the social, historical, and structural contexts in which action takes place. Thus, we assume that business models are seldom the creations of, or transformed by, single individuals but are instead created and transformed by a group of
individuals, since they require doing, i.e., action, and are rooted in the experience and knowledge of the focal actors.

This paper aims to contribute by specifically discussing business models from the creation/transformation point of view, and by rooting that discussion in the fields of strategy and entrepreneurship. We begin by reviewing the business model literature from three standpoints by looking at how the business model concept has been approached in earlier research, how business models have been seen from a processual perspective, and how the context of business models has been understood. We continue by connecting the business model to the concepts of business opportunity and competitive advantage by paying particular attention to the exploration and exploitation of both opportunity and competitive advantage as the key elements of business model creation and transformation. We propose a framework for approaching business model creation and transformation as a managerial or entrepreneurial practice. The proposed framework relates business model creation and transformation practices to the exploration and exploitation of business opportunities and competitive advantages. We conclude by discussing the theoretical and managerial implications and the limitations of our research.

2. CREATING AND TRANSFORMING BUSINESS MODELS IN EXTANT RESEARCH

Business models in current literature

Among the vast number of different definitions of the business model concept (Zott et al., 2011 and Onetti et al., 2012), two central issues appear repeatedly: the business model as a representation of the logic of value creation and capture (Shafer et al., 2005; Teece, 2010), and the structure, architecture, or framework of the business (Teece, 2010; George and Bock, 2011; Mason and Palo, 2012). These two areas aspects enable the business model concept to connect abstract-level strategy (i.e., theoretical thinking) to its implementation on a practical level (i.e., action) (Osterwalder and Pigneur, 2002; Richardson, 2008).

The reason the concept of the business model has attracted such attention among practitioners and academics is down to its impact on a firm’s competitive advantage; especially in today’s turbulent, global business environment (Richardson 2008; McGrath 2010; Teece 2010). A business model connects the firm and its external business environment, customers, competitors, and society (Teece, 2010). A business model can act as a pathway to competitive advantage (Teece, 2010; Zott et al., 2011) built upon a business opportunity. For example, Zott and Amit (2010) see the exploitation of a business opportunity as the overall objective of the firm’s business model. In the opportunity landscape, a business model can be viewed as the cognitive link between an entrepreneurial appraisal of the opportunity and its exploitation (Fiet and Patel, 2008).

Since the emergence of the business model concept within the e-business context (see Timmers 1998; Amit and Zott, 2001; Osterwalder 2004; Wirtz, Schilke and Ulrich, 2010), the business model literature has generally been focused on identifying the central elements of the business model construct (see for example, Onetti et al., 2012; Shafer et al., 2005; Richardson, 2008; Osterwalder and Pigneur, 2010; Zott and Amit, 2010; Mason and Spring, 2011). Owing to the amount of attention paid to business model elements, business models have usually been regarded as static descriptions. However, a more dynamic and processual approach to the business model is needed to match today’s complex, turbulent, and uncertain business environment (Kagermann, Osterle and Jordan, 2011). An important notion by Morris et al. (2005) is that the business model is never static but develops continuously through specification, refinement, adaptation, revision, and reformulation. Thus, when adopting or building a view of the business model, not only the content (i.e., the “what”), but also the process (i.e., the “how”) aspects of the business become important (Zott et al., 2011).

Business model creation and transformation processes

A processual approach calls for a closer examination of the business model creation and transformation
processes. Business model creation has usually been regarded as a complex and dynamic process characterized by uncertainty, experimentation, and learning (Chesbrough, 2010; McGrath, 2010; Teece, 2010). For new businesses, the business model can be fairly informal and implicit, but it evolves gradually through trial and error (Morris et al., 2005). In their case study, Sosna et al. (2010) divided the evolution of a business model into two phases: The first involves experimentation and exploration, and the second is the exploitation phase. Both are closely connected to, and shaped by, experiential learning. For established businesses, the transformation of an existing business model brings special challenges to the creation stage of a new business model. For example, an organization will often be forced to deal with conflicts (e.g., relationship conflicts) and trade-offs between the old and new ways of doing business (Markides, 2006). The new business model may even demand that existing businesses be cannibalized in the course of the transformation process (Teece, 2010). Transforming the business model means changing the organization as well (Linder and Cantrel, 2000), and the activities and logic related to the new business model can be incompatible with the status quo (Markides, 2006; Chesbrough, 2010). Owing to such difficulties, established organizations have favored an incremental form of business model transformation (Linder and Cantrel, 2000) in which, once again, experimentation and learning are crucial (McGrath, 2010; Sosna et al., 2010). As an alternative, firms have also been found to trial multiple business models at the same time (Brown and Gioia, 2002). Thus, for both new and established businesses the need to evaluate the suitability of the business model means that it has to be evaluated against the business context and further calibrated in order to find an optimal fit with the environment (Teece, 2010). It appears evident that the business context has a major impact on both business model creation and transformation.

Table 1 summarizes the current literature on the creation and transformation of a business model, building on the three elements of change proposed by Pettigrew (1990): content, process, and context. When analyzing the business model literature through these elements, an interesting finding that arises is that the meaning of the context to business models has rarely been discussed, as the major part of the literature has focused on the content aspects to the extent that the process aspects of the business model remain relatively underexplored.

**Business model: from opportunity to competitive advantage**

The processes through which new business models are created, and existing ones transformed, take place in a business context. The contemporary business model literature provides two concepts relating business models with the external business context, i.e., competitive advantage and business opportunity. As discussed, a business model can act as a pathway to competitive advantage (Teece 2010; McGrath 2010; Zott et al. 2011) built upon a business opportunity. Second, Zott and Amit (2010) see the exploitation of a business opportunity as the overall objective of the firm’s business model. Consequently, more detailed discussion of the business model, and these two key concepts, business opportunity and competitive advantage, is merited. The business opportunity and competitive advantage are the key constructs to connect the business model to the dynamics of the business context when we are discussing business model creation and transformation as managerial or entrepreneurial practices.

The opportunity-seeking behavior and processes are described in the field of entrepreneurship (Alvarez and Barney, 2007 and 2010; Shane and Venkataraman, 2000). Eckhardt and Shane (2003: 336) define entrepreneurial opportunities as “situations in which new goods, services, raw materials, markets and organizing methods can be introduced through the formation of new means, ends, or means-ends relationships.” The discussion around opportunities has largely focused on the ways in which entrepreneurs become involved with new opportunities (whether they are discovered or created), but what happens afterwards has rarely been discussed. Identifying an opportunity is not enough since the opportunity must then be realized (Mainela and Puhakka, 2009).

Ardichivili et al. (2003) are among the few scholars to have discussed opportunity identification and development as a process. Their basic argument is that elements of opportunities are recognized, but
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<tr>
<th>Content</th>
<th>Business model creation</th>
<th>Business model transformation</th>
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<tr>
<td><strong>Business model conceptualizations:</strong></td>
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<td>• an “architecture” (e.g. Timmers, 1998; Teece, 2010), a “recipe” (e.g. Baden-Fuller and Morgan, 2010; Sabatier et al., 2010), a “narrative” (Magretta, 2002; George and Bock, 2011), “cognitive map” (Chesbrough, 2010), a “design” (Smith, Binns and Tushman, 2010) or “actualization of decisions and actions” (Tikkanen et al., 2005) for competitive advantage.</td>
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<td><strong>Business model definitions:</strong></td>
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<td>• “A business model defines how the enterprise creates and delivers value to customers, and then converts payment received to profits” (Teece, 2010: 173).</td>
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<td>• “…a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network” (Shafer <em>et al</em>., 2005: 202).</td>
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<td>• “…the design of organizational structures to enact a commercial opportunity” (George and Bock 2011: 99).</td>
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<td><strong>Business model elements:</strong></td>
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<td>• Strategic choices, Value Network, Create value, Capture value (Shafer <em>et al</em>., 2005)</td>
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<td>• Value proposition, The value creation and delivery system, value capture (Richardson, 2008)</td>
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<td>• Focus (what?), modus (how?), locus (where?) (Onetti <em>et al</em>., 2012)</td>
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<td>• No internal limitations to business model content</td>
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<td>Possible conflict with existing and new BM content $\rightarrow$ cognitive barrier for inventing new BM (e.g. Markides, 2006; Chesbrough, 2010)</td>
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<td>• Linked with external opportunity</td>
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<td>• Innovativeness, novelty, efficiency, inimitability (e.g. Teece, 2010; Zott and Amit, 2010; George and Bock, 2011)</td>
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<td><strong>Process</strong></td>
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<td>• Adapting / reacting to emergent changes in environment (Wirtz <em>et al</em>. 2010) vs. Proactively leading the industry evolution (Demil and Lecocq, 2010).</td>
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<td>• Sequential, continuous process: specification, refinement, adaptation, revision, and reformulation (Morris <em>et al</em>., 2005), exploration – exploitation duality (Sosna <em>et al</em>., 2010).</td>
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<td>• Experimenting, learning and managerial cognition shape the process (Sosna <em>et al</em>., 2010)</td>
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<td>• Design elements: content, structure and governance</td>
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<td>• Breaking down the existing logic within the market</td>
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<td>• Implementation as important as the content</td>
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<td>• Uncertainty shape the process</td>
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<td>(e.g. Chesbrough, 2010; Teece, 2010; Zott and Amit, 2010)</td>
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<td>• Change of cognitive frames needed</td>
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<td>• Cannibalization of the existing BM</td>
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<td>• Timing important</td>
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<td>• Incremental vs. radical change</td>
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<td>• Continuous process</td>
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<td>(e.g. Shafer <em>et al</em>., 2005; Chesbrough, 2010; McGrath, 2010; Teece, 2010; Hacklin and Wallnöfer, 2012).</td>
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Table 1. Business model creation and transformation.

<table>
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<th>Context</th>
<th>Threat of newcomers with novel BMs</th>
<th>Possibility of disrupting the current market with a new BM</th>
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<tr>
<td>• Uncertain, turbulent, dynamic with increased power in business networks / ecosystems (Kagermann et al., 2011), competitive advantage being temporary (D’Aveni et al., 2010).</td>
<td>• Threat of newcomers with novel BMs</td>
<td>• Possibility of disrupting the current market with a new BM (e.g., Chesbrough, 2010; McGrath, 2010; Teece, 2010)</td>
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<td>• Business models are calibrated in context (Teece, 2010) and developed in interaction with their social context including the society, competitors and customers (Tikkanen et al., 2005)</td>
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<td>(e.g., Chesbrough, 2010; McGrath, 2010; Teece, 2010)</td>
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the actual opportunities are made, not found. This in turn is based on a cyclical and iterative process that involves the recognition, evaluation, and development of opportunity. Ardichivili and colleagues describe how initially opportunities are just simple concepts, but are elaborated as the development process proceeds. Through a more precise definition of market needs, customer benefits, users, and resources, the opportunity progresses first to become a business concept, and then ultimately matures into a business model. The key strength of their approach is that it goes beyond the first stage of the process, the discovery of the opportunity (see Shane and Venkataraman, 2000), and examines how that opportunity is developed into a real, established business. The important notion is that realizing the opportunity involves designing and implementing a business model (George and Bock, 2011).

However, success in the implementation of the business model is not enough to create a competitive advantage. The business model itself has to meet customer needs and be non-inimitable, as successful business models tend to be imitated rather quickly (Teece, 2010). Thus, if a firm is to establish a competitive advantage based upon an opportunity, its business model has to be differentiated, effective, and efficient. Furthermore, the elements of the business model have to work as a system (Teece, 2010), one that extends beyond organizational boundaries and involves the exchange partners of the focal firm (Zott and Amit, 2010; Nielsen and Bukh, 2011).

The business model concept fosters a new, dynamic approach within strategic management in terms of competitive advantage. McGrath (2010) discussed two traditionally recognized views of competitive advantage: industry positioning and the resource-based or dynamic capability views. She argued that in today’s economy, competitive advantages are rarely sustainable and therefore continuous engagement with changing customer value creation, as well as experimentation with new business models (Chesbrough, 2010), are necessary to complement the long-term development of an industry position, resources, and capabilities. The business model as a concept is closer to action, and therefore working on the business model improves the conditions managers work under when making decisions during the ongoing search for temporary competitive advantage in turbulent environments (McGrath, 2010).

In this field of opportunities and competitive advantage, it is important to address the processual dynamics of organizational development through the concepts of exploration and exploitation originating from March’s seminal work on organizational learning and adaptation (1991 and 2006). We argue that the tension between exploration and exploitation can improve our understanding and descriptions of the processes
of business model creation and transformation. Exploration refers to the pursuit of what might come to be known through creativity, experimentation, and learning. Exploration is characterized by activities intended to recognize new ideas and opportunities that could become the foundation of future sources of competitive advantage. In contrast, exploitation is defined as the "application of established competence to problems" (March 2006: 205), which is centered on the refinement, focusing, and efficiency-based routines that are the foundation of the current competitive advantage (March, 1991). Operating in an environment that is unfamiliar and ever changing requires both exploration and exploitation, but owing to limited resources within organizations there is a tension between the two and it is hard to find a balance between them (March, 1991 and 2006).

Exploration and exploitation can be seen as two interconnected processes running during the creation or transformation of the business model, where exploration leads to exploitation through learning, experimentation, and an explicit exploitation decision. Thus, exploration can be seen as a "seeking" process and exploitation as a "doing" process (see Shindehutte and Morris, 2009). In this paper, we propose to connect the processes to the interplay between business opportunities and competitive advantage. Following this, the seeking of opportunities (i.e., exploration) follows a decision to exploit those opportunities (see Choi and Shepherd, 2004). Similarly, we argue that the creation of competitive advantage can be divided into exploration and exploitation phases, in other words, exploration of the competitive advantage leads to exploitation through experimentation, learning, and an exploitation decision. Thus, we identify the exploration and exploitation of opportunity, and of advantage, as processes running in parallel with the creation and transformation of a business model.

3. BUSINESS MODEL CREATION AND TRANSFORMATION AS PRACTICES

As in all organizational action, it is important to note that in reality there can be fundamental differences in business model creation and transformation, both between firms and within firms over time. We argue that the business model becomes fully comprehensible only by attaching it conceptually to action in its business context. This can be seen as one of the primary reasons why there is no consensus over the definition of a business model in the earlier research because without a contextual understanding, the definition of the concept inevitably remains vague.

The territories of experience approach elaborated by Torbert (1991 and 2004) and Meyer (2003) offers a novel way to systematically approach business model creation and transformation as an organizational practice: visioning, strategizing, performing, and assessing business models in context. In this context, visioning is concerned with the long-term intentions, futures, purposes, and aims of the business; strategizing with planning and implementing the content and process of the business model; performing with doing business with the business model; and assessing with the observed consequences and effects of action. Managers’ and entrepreneurs’ specific experiences of applying and developing business models (action) can be expected to stimulate reflection upon experience (Kolb, 1984; Saunders, 1997; Meyer, 2003), thus leading to a refined understanding of business models, their conceptualizations, and the contexts of the businesses in question.

Any attempt to better understand business model creation and transformation means relating them to the practices—visioning, strategizing, performing, and assessing—that illuminate the exploration and exploitation of the opportunities and advantages of the business. Figure 1 below depicts a conceptual framework for approaching business model creation and transformation as practices. We argue that from a practical (managerial or entrepreneurial) point of view, business model visioning is related to the exploration of opportunity and advantage; business model strategizing to the exploration of advantage and exploitation of opportunity; business model performing to the exploitation of opportunity and advantage; and business model assessing to the exploitation of advantage and exploration of opportunity. In addition, we argue that business model creation as a practice starts and ends with visioning, whereas the practice of business model transformation starts and ends
To start with visioning, business model creation as a practice can be seen to be concerned with the future (McGrath, 2010) as it is about creating something new. It requires questioning whether the organization or the team has the opportunity and the advantages required to do business. The embryonic business model needs to be framed collectively by those involved in the possible future events envisioned (Mayer, 2003) and that frame can then be used to explore the opportunity and possible advantages needed or at hand. Potentially there can be numerous opportunity–advantage combinations to be considered as possible options for doing business. During strategizing, the opportunity is shaped into a real business model description (Ardichivili et al., 2003) once the business opportunity to be exploited has been chosen, but the advantages required to make doing business viable may not be evident. The focal actors’ lack of experience of the situation may thus strongly influence business model creation. Only in the act of performing is the chosen business model tested against the exploited business opportunity and advantages at hand (Sosna et al., 2010). During performing, the feedback from action can lead to a change of any of the practices related to the business model, be that a change of the business model, the strategy in question, or a change of emphasis in terms of what is important to those involved (Torbert and Taylor, 2008).

In the assessing phase, the consequences of action based on the business model and the competitive advantages exploited are evaluated against business opportunities in a wider sense, not only against the exploited opportunity but also against possible alternative opportunities. During this process, the boundary between assessing and visioning practices may become blurred since all meaningful assessment of a business model should be made with an eye to the future, too.

Starting with performing, the practice of business model transformation is concerned with the organizational liabilities stemming from doing business with an existing business model (Markides, 2006) that exploits the earlier chosen business opportunity with existing advantages. The pressures to change the practices related to the business model, to change the business model or strategy itself, or the attention of those involved are determined by the type and quality of feedback (Torbert and Taylor, 2008) available. Assessing can be seen as a crucial element of business model transformation (Teece, 2010), as the scope and scale of the re-explored business opportunities, the respective business model, and exploited advantages may exhibit planned or emergent systemic resistance. Moreover, the business context, boundaries, and properties of the business model system may be difficult to change due to their complexity and dependencies, especially in uncertain and dynamic business contexts. In the visioning process, the concern with the future of the business model may vary across its different elements. In addition, there may be conflicting views on the future scale and scope of the re-explored business opportunities and advantages held by the firm, all stemming from prior action. In a similar manner, strategizing can be dependent on prior action and experience, leading to a more limited set of options for planning the implementation or for doing business. Thus, the border between strategizing and performing may become blurred for those charged with ending the cycle of business model transformation.

To summarize, we argue that the creation of a business model as a practice differs from the transformation of a business model as a practice. The practice of business model creation exists in a business context that may not be well known by those involved with that practice.
therefore the opportunity and the advantages for business model creation may remain elusive and undiscovered for some time. In the practice of business model transformation, the liabilities stemming from the existing business model may provide a business context that is too constrained for those involved, and the business opportunities and advantages may be considered fixed. In addition, the business model creation and transformation practices have different starting and end points. In one sense, business model creation can be regarded as conceptually closer to entrepreneurial behavior, since it starts with opportunity-seeking behavior in the form of visioning. On the other hand, business model transformation resembles the traditional view of experiential learning in an organizational business context, where the cycle is started by performing (with the existing business model) and continues with assessing, visioning, and strategizing (Meyer, 2003; Mead, 2008). In sum, the key difference between the two practices is rooted in the managerial and entrepreneurial experience rooted in action in a business context.

4. DISCUSSION AND CONCLUSIONS

This study discusses business model creation and transformation as practices, and presents a framework for approaching and understanding business models from the perspective of action. We relate business model creation and transformation as practices to the exploration and exploitation of both business opportunity and competitive advantage in firms, and argue that the business model as a concept becomes fully comprehensible only through action in the business context where it is created. We see business model creation and transformation practices as comprising visioning, strategizing, performing, and assessing with the goal of reaching a competitive advantage regarding a business opportunity. In addition, we relate visioning, strategizing, performing, and assessing to opportunity exploration and exploitation as well as to advantage exploration and exploitation in a specific business context.

The exploration and exploitation of opportunities and advantages contribute to the evolution of the business model in a unique way. In practice, they help us to understand why business model transformation is so complex for established companies. Ensuring balance and creating a fit between business opportunities and competitive advantage, as well as fostering both exploration and exploitation, present major challenges for companies. Furthermore, neither business opportunities nor competitive advantages remain static, meaning that exploration and exploitation are continuous and involve uncertainties for managers and entrepreneurs. We argue that the complexity and uncertainty inherent in today’s business environment (yet which are largely absent from current business model conceptualizations) may be revealed by the framework presented in this paper. In addition, we believe that the framework will help researchers to capture the difference between business model creation and transformation processes as the creation of a new business model is free of the burden of the exploitation of current or previous advantages. We suggest this is a step forward from addressing only business model innovation.

The visioning, strategizing, performing, and assessing processes bring a much needed action perspective to business-model-related processes. The driver of these practices that eventually shapes business model creation and transformation is experiential learning. Learning and unlearning make the processes continuous; they foster the modification of the existing business model and also create the basis for the exploitation of opportunities and advantages, as well as further exploration related to possible new (or yet to be transformed) business models (Sosna et al., 2010).

To conclude, the ramifications of the practice-based approach to business model creation and transformation that we have presented include at least three interconnected notions for future research. First, we find a need to define the concept of the business model from a new perspective, that of action. We argue that business models have, in earlier research, often been presented as static and fixed even though the dynamism of all business has been recognized. We see that the contributions of Chesbrough (2010), Demil and Lecocq (2010), Zott et al. (2011), Onetti et al. (2012), and Sosna (2012) have paved the way to seeing business model creation and transformation as processes of experimentation and action, but the practice-based conceptualization of the business
model is still in its infancy. Second, with the adoption of the practice-based approach, a longitudinal, systemic, and systematic view of business model creation and transformation is unfolding. Chesbrough (2010) argued that business models are often far from clear to managers; they typically involve trial and error and require experimentation. This highlights our third interconnected notion, the role of the business context where the business model is created or transformed and the experience of the managers and entrepreneurs involved. Discussing opportunities, Ardichivili et al. (2003) conceptualized business concepts as maturing into business models in a business context. Similarly, Teece’s (2010) argument that business models need to be calibrated illustrates the important role played by context, but to date no coherent contextual model or perspective has been presented within business model research.

From the managerial or entrepreneurial viewpoint, this paper has several implications. First, it is important to note that the relationship between a firm’s business model and the business context is dynamic and, therefore, that all business models require continuous assessment against the business context and subsequent adjustment or improvement to retain competitiveness. Second, the conceptual model presented in this paper reveals the difficulties related to business model creation and transformation, which in turn can help managers and entrepreneurs to better understand the threats and barriers to doing business. Finally, the visioning, strategizing, performing, and assessing practices utilized in the framework highlight the importance of managerial action and experiential learning.

The limitation of this research is that it presents a conceptual model of business model creation and transformation and does not present empirical data. Empirical, longitudinal research on the business model creation and transformation processes would increase our understanding of those practices. We find that the concept of the business model in the context of understanding organizational dynamics remains promising, especially when combined with organizational action, business context, and experimental learning. Adopting an action-oriented and practice-based approach to business model conceptualization opens up a processual dimension and brings the concept closer to managerial and entrepreneurial practice. Furthermore, when viewed as encompassing the concepts of business opportunity and competitive advantage, the business model clearly has potential to advance our knowledge of contemporary business practices.

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