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EDITORIAL

Introduction to the Special Issue based on papers presented at the Business Model Conference 2019

Over the last three years, the Business Model Conference has brought together more than 150 international academics and practitioners from a multitude of disciplines, the aim being to enhance collaboration and discussion among scholars in the business model community.

The 3rd Business Model Conference, held at Fordham University, New York City, represented a further important step in this journey, providing the members of the community with a great opportunity to discuss the latest research, innovative teaching methods, and best practices on business model research.

Around 100 academics and practitioners attended the Conference, where 38 papers were presented. Two influential keynote speakers inspired and challenged participants: Professor Ramon Casadesus-Masanell (Harvard Business School, USA) and Professor Oliver Gassmann (University of St. Gallen, Switzerland).

The Conference was also enriched by a PhD colloquium, a Teaching Forum, and a Panel Debate on the effects of internationalization on business models.

The PhD colloquium was organized and carried out by Professor Xavier Lecocq and Professor Benoit Demil – assisted by Professor Svetla Marinova, Professor Marin Marinov, and Professor Petri Ahokantas – who shared insights with doctoral students about the challenges of conducting research on business models. The colloquium was also a great opportunity for doctoral students to present and discuss their research with distinguished international scholars.

The Teaching Forum was organized by PhD Candidate Ryan Rumble, Professor Anna B. Holm, Professor Petri Ahokantas, and Dr. Jesper Sort with the aim of providing participants with innovative teaching formats and best practices for teaching business models.

The Panel Debate focused on the theme “Internationalization and Business Model Configurations” and involved five contributors: Professor Christian Nielsen, Professor Petri Ahokantas, Professor Marin Marinov, Professor Sam Holloway, and Professor Minna Pikkarainen. These contributors, moderated by Professor Svetla Marinova, provided perspectives and input on whether and how the business model configurations of
purely domestic companies differ from those of international companies and how different business model configurations may enable internationalization.

The Scientific Committee undertook intense activities, both before and after the Conference. In the months preceding the Conference, the Scientific Committee reviewed all the papers submitted for presentation in order to ensure high standards; those selected were organized into 11 streams: Conceptual Views; Ecosystems; Innovation Drivers and Processes; Research Approaches and Techniques; Evolution, Value, and Measurement; Digitalization; Challenges and Decision Making; Taxonomies and Configurations; Society and Sustainability; Innovation Levers and Barriers; and Platform-related Aspects.

Following the Conference, the Scientific Committee selected 11 papers to be included in this Special Issue of the Journal of Business Models. Originality, significance, and rigor were the three criteria that guided the selection process, leading to a “compilation” of papers that tackle business model issues from different angles and through different research methods. Let me briefly introduce these papers by focusing mainly on their objectives and respective contributions.

DaSilva and Osiyevskyy (2019) investigate the nature, components, and underlying mechanisms of business model innovation as well as its crucial antecedents and consequences. In order to address these issues, the authors propose a multi-level theory of business model innovation that explains business model dynamics within established firms, integrating the processes that take place at the individual (micro-), collective (meso-) and organizational (macro-) levels. This multi-level approach shows that team cognition processes taking place at the inter-managerial (meso-) level translate the potential business model innovation (individual-level schemata) into realized business model innovation (organization-level change).

Drejer et al. (2019) investigate the relationship between corporate culture and the development of new business models. The authors propose the Cultural Elasticity Model as a new perspective on how existing companies may better perform continuous organic development of business models. In particular, the proposed model suggests three organizational pillars – mutual trust, creativity, and engagement – play a role in the development of organizations with strong cultural elasticity, which enhances the organization’s ability to innovate business models.

Earle et al. (2019) consider that the transition from scientific discoveries to marketable products can be challenging, particularly as this process often involves organizations with different missions, incentives, and logics. To address this issue, the authors propose leveraging hybrid business model features, such as their ability to combine multiple institutional logics and to integrate public and private value creation, thus creating more robust interfaces with both universities and private firms.

Gomes et al. (2019) highlight the need for ecosystemic business models in the health-related area where it is crucial to overcome boundaries between the different actors to ensure a sound utilization of heterogeneous data and the improvement of service delivery. In light of this, the authors develop four alternative scenarios of ecosystemic business models, categorized according to a matrix that combines the following business model properties: opportunity exploration and exploitation, value creation and capture, and advantage exploration and exploitation.

Novikova (2019) investigates the consequences of the new European Union data protection regulation on organizations’ business models. In particular, the paper explores the business model of an online media company and discusses how the new regulations on data ownership affect its business model. The author shows that new regulations regarding data ownership, processing, and storage will lead to customer-centric business models and will provide customers with the opportunity to monetize their data in a variety of ways.

Sort and Turcan (2019) explore the impact of de-internationalization on companies with a particular focus on the challenges pertaining to re-configuring their business models and re-thinking their value propositions in response to de-internationalization. The authors develop a multi-level framework to conceptualize the relationships between de-internationalization and business models and to identify a series of business
model-related decisions that need to be taken when companies withdraw from international markets.

Thomsen (2019) highlights the need to both advance business model research from concepts to theory and to fill the gap in available quantitative data on business models. To address these needs, the author aims to describe and represent business models configurations in a software-based structure in order to build the foundation for subsequent concepts and tools to assess, develop, and manage business models. Developing a comprehensive database of business model configuration would pave the way for generating a true business model taxonomy, thus creating a business model innovation support system for corporate managers and identifying key performance indicators.

Van Andel (2019) recognizes that making a business model work consistently in everyday operations is often problematic, entailing the risk of relegating this tool to a rather conceptual and abstract level. To propose a solution to this problem, the author underscores the importance of using business model “tactics” to apply the business model “holistic” rationality to day-to-day actions. For example, by following the logic of fluidity and strategic ambiguity, creating and playing out multifaceted identities, widely adopting a strategy of boundarylessness, informality, and openness, and finally, by strategically using complexity.

Verstraete and Jouison (2019) offer an anthropological interpretation to present the conceptualization of business models as myths that have been institutionalized by a collective group of stakeholders. The myth allows the stakeholders to become coordinated and committed to a project and what brings them all together is shared values and/or value-sharing. They argue that the project is led by an entrepreneur who embodies the myth of the business model and who communicates the myth through the pitch, which is conceptualized as a rite of value sharing or, rather, of sharing values.

Yeger and Shenhar (2019) present a framework that aims to assess the degree of business model transformation of established companies, based on the following dimensions: target market, value proposition, value delivery, and value capture. The extent of change in each dimension is then quantified as no change, medium change, or high change. Aggregating change on all dimensions enables classifying a specific business model transformation as incremental, semi-radical, or radical. The framework moves beyond generic typologies by offering a higher degree of granularity to provide new ways to operationalize and assess business model transformation.

Allow me to emphasize that this is a Special Issue composed of short papers, an innovative publication format adopted by the Editors of the Journal of Business Models, designed to fast-track the publishing process and thereby speed up the development of business model research. With a lean template and an emphasis on standard content, the authors focus on a single clear message. Such a format enables a fast-track publishing process: decisions in 20 days from submission to possible acceptance; instructions for revision from each reviewer provided in maximum 100 words; two weeks given for submitting a revised version; in-print versions online instantly.

The Scientific Committee and the Conference Committee are already at work to organize the Business Model Conference 2020 and to maintain the high standards of the three previous conferences and resultant Special Issues of the Journal of Business Models. I am glad to announce that the 4th Business Model Conference will be held at Aalborg University’s Copenhagen campus on June 3-4, 2020. Three influential keynote speakers have already been lined up: Professor Xavier Lecocq (University of Lille, France), Professor Benoit Demil (University
of Lille, France), and Prof. Oliver Gassmann (University of St. Gallen, Switzerland). These arrangements are certainly promising indications for the next Business Model Conference and for the future of the *Journal of Business Models*.

In closing, I hope that the reader will find the short papers included here of value. Since the Business Model Conference was launched, I have been a member of the Scientific Committee of the Conference and this has provided me with an ongoing opportunity to remain up to date and follow the research directions of business models. I must admit that this is, indeed, a privilege.

I would like to thank all of the members of the Scientific Committee who have contributed their time and effort to the review process of the papers submitted for presentation at the Conference and to the selection process of the papers included in this Special Issue. My special thanks go to Professor Robin Roslender and Professor Christian Nielsen, for their support during the production of this Special Issue, and to Mette Hjorth Rasmussen, for her excellent, conscientious editorial assistance.

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References


Business Model Innovation: A Multi-Level Routine-Based Conceptualization

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Abstract

Building upon the theoretical insights of the literature on organizational routines and ‘activity system’ perspectives on business models, we propose a multi-level theory of business model innovation that explains business model dynamics within established firms, integrating the processes happening at the individual (micro-), collective (meso-) and organizational (macro-) levels.

Introduction

In recent years, researchers have used business model innovation (BMI) to explain diverse and complex organizational phenomena (Foss & Saebi, 2017; Massa et al., 2017; Zott et al., 2011). Despite the construct’s growing use, the study of BMI remains difficult due to the ambiguity and diversity of its possible meanings, components, antecedents, and outcomes (Foss & Saebi, 2017). Such ambiguity prevents further progress in understanding BMI through cumulative theorizing and consistent empirical investigations (Foss & Saebi, 2018). Motivated by this gap in conceptualization of BMI, we concentrate on the following research questions: (1) what is the nature, components and underlying mechanisms of business model innovation; (2) what are the crucial antecedents and consequences of business model innovation? We address these questions by developing a new, multi-level theory of BMI grounded in the combination of the ‘activity system’ perspective on business models (Zott & Amit, 2010) with theoretical insights from the organizational

Keywords: Business model, routine cluster, multi-level theory

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routines literature, particularly the construct of the cluster of routines (Kremser & Schreyögg, 2016). Specifically, we suggest that interrelated activities within an established business model are repetitive and, as such, become embedded in the cluster of complementary organizational routines that collectively serve the task of value creation and capture. Consequently, BMI in established firms is a process of changing the cluster of routines underlying the original (pre-existing) business model.

The proposed framework connects the existing single-level BMI frameworks, namely (a) the micro/individual level view of business model innovation as the search for new mental models or schemata representing future possible models and (b) the macro/organizational level view of BMI as organizational actions to change the current business model. For establishing this cross-level connection, we introduce and conceptualize the BMI mechanisms taking place at the intermanagerial (meso-) level, related to assimilation of information among a firm’s managers about the discrepancies between the current routinized business model and the aspired, potential business model schemata emerging at the individual level. The basic premise of the proposed framework is that the reflective, team cognition processes happening at intermanagerial level translate the potential BMI (individual-level schemata) to realized BMI (organization-level change through reconfiguration of routine cluster underpinning the business model).

Business Model Construct: A Routine-Based Conceptualization

The BMI construct can only be properly conceptualized after understanding what constitutes the primary concept of a business model, the definition of which has remained in contention in the literature for over a decade (Massa et al., 2017; Zott et al., 2011). Yet, most current studies focusing on the business model construct are increasingly converging, implicitly or explicitly, on Zott & Amit’s (2010) ‘activity system’ view of a business model. In this definition, the business model construct represents a “system of interdependent activities that transcends the focal firm and spans its boundaries” (Zott & Amit, 2010: 216), with the key objective of this system being to create value for the stakeholders and appropriate (capture) part of this value to increase the shareholders’ wealth.

Within the business model, individual activity embodies “the engagement of human, physical and/or capital resources...to serve a specific purpose toward the fulfillment of the overall objective” (Zott & Amit, 2010: 217). Individual activities form a firm-centric activity system based on the interdependencies among them manifested in links (transactions) (Zott & Amit, 2013; Santos et al., 2009). The key factor in the activity system is the complementarity between individual activities (Foss & Saebi, 2018), implying consistency between each individual activity and the firm’s strategy, mutual reinforcement through complementarity, and system-level global optimization (Zott & Amit, 2013).

We extend this business model conceptualization by emphasizing the recurrent nature of the activities in business models, rather than one-off, non-repeating projects. A firm has an established business model only to the extent it has a regular behavioral pattern of value creation and capture (Osiyevskyy & Zargarzadeh, 2015). In other words, we argue the ‘activity system’ theoretical view on business models must be extended by an explicit emphasis on the cyclical, repeatable nature of activities within the said models. While some firms might create and capture value on an ad-hoc basis (e.g., a small enterprise trying to provide any service to anyone in order to become cash-flow positive), they do not yet have an established recurring business model. Moreover, approaches to ‘innovating’ a firm’s business model only apply when the activities within the business model are repetitive.

The emphasis on the recurring nature of activities in a business model implies these activities become embedded in organizational routines (Biloshapka & Osiyevskyy, 2018; Doz & Kosonen, 2010). In essence, routines are “repetitive, recognizable patterns of interdependent organizational actions carried out by multiple actors” (Feldman & Pentland, 2003: 95; Feldman et al., 2016). Routinized behaviors (actions) are “learned, highly patterned, repetitious, or quasi-repetitious, founded in part in tacit knowledge” (Winter, 2003: 991). Winter’s (2003:...
991) succinct statement that a “brilliant improvisation is not a routine” also directly applies to any activity in a business model. Taken together, the organizational routines underpinning the business model store the engrained managerial skills and organizational process knowledge about the firm’s unique mechanisms of value creation and capture (Lepak et al., 2007).

In order to achieve the common task of value creation and capture, routines underlying a firm’s business model are closely interrelated. This interrelatedness of routines reflects the interaction of activities through the links (transactions) in the conventional ‘activity system’ view on business models (Zott & Amit, 2010). The set of interrelated routines composing a firm’s business model forms a distinct unit, acknowledged in the literature as a cluster of routines (Kremser & Schreyögg, 2016). Introducing the cluster level of analysis of organizational routines, Kremser and Schreyögg (2016: 698) suggest that a “cluster consists of multiple, complementary routines, each contributing a partial result to the accomplishment of a common task”. Whereas early studies emphasized the stability of organizational routines (Nelson & Winter, 1982), more recent perspectives stress their dynamics and change driven by the logic of reflective action (Feldman et al., 2016; Feldman, 2000; Pentland et al., 2012). Importantly, even though an individual routine may change substantively over time, the complementary interdependencies among routines within the cluster largely restrict the scope of possible changes to the whole cluster (Kremser & Schreyögg, 2016), which gradually evolves in a constrained emergent trajectory. The dynamics of the routine cluster are hence much more limited than the dynamics of individual routines; this difference explains how a firm’s business model (embedded within a routine cluster) can develop a misfit with the changing environmental conditions, even though their core building blocks (routines) are individually flexible.

**Conceptual Development: Business Model Innovation**

Given the fast-paced business environment in which companies operate, existing business models can quickly be rendered obsolete (Sosna et al., 2010). Regular static behavioral patterns for value creation and capture must make way for novel ones in order for firms to remain competitive in dynamic environments (Teece, 2010). Hence, a static view of a business model as an activity system embedded in a cluster of routines for value creation and capture only tells half the story; the other critical half is the dynamic, transformational view that leads to a business model’s evolution (Demil & Lecocq, 2010).

Yet, many studies of business model innovation use this construct without any clear explicit definition, or use divergent definitions (Foss & Saebi, 2017): Researchers have explored this concept using a range of different conceptualizations, at various levels of analysis, and by employing diverse measures. Despite their variation, these conceptualizations can be broadly classified in one of two groups: (1) the “cognitive” view of BMI (the search for new mental models or schemata representing future possible models, e.g., Teece (2010), Casadesus-Masanell & Zhu (2013)), versus the (2) objective “organizational change” view of BMI (organizational actions to change the current business model, e.g., Gambardella & McGahan, 2010; Visnjic et al., 2016). The distinction between the two views lies at the ontological level, at the subjective versus objective representation of the future business model (Doz & Kosonen, 2010). The “cognitive” conceptualization of BMI emphasizes the change in managerial schemas representing the models (Martins et al., 2015; Doz & Kosonen, 2010), while the objective “change” view concentrates on actual alteration of the firm’s activity system (Zott & Amit, 2010; 2013).

Incorporating both “cognitive” and “organizational change” perspectives within the definitional landscape of BMI, coupled with the insight that a business model is embedded in a cluster of organizational routines, allows a generalized definition of BMI to be developed. We define BMI in established firms as a process by which management conceives of a new future business model for the firm and produces the corresponding changes in the cluster of routines underlying the original business model.

Routines within a cluster are closely coupled with each other via the logic of complementarity – each routine is fine-tuned to effectively interact with the others.
This logic of complementarity requires that any newly introduced routines or altered existing ones demonstrate a substantive fit with the remaining routines within the cluster and, as such, restricts the scope of possible changes. Whereas each individual routine demonstrates a tendency for continuous variation with every iteration (Feldman, 2000; Pentland et al., 2012), the integration of routines within a cluster establishes the boundaries of the extent of deviation. As a result of the need to integrate the routines with each other, the cluster of routines has a natural tendency to change along with the emergent trajectory (Kremser & Schreyögg, 2016) and restricts any changes that disrupt this natural evolutionary path. This path-dependency of the cluster of routines serves as the causal mechanism underlying the ‘evolutionary view’ of business models (Martins et al., 2015). This view emphasizes a local search in response to problems and opportunities arising with every iteration of routines underpinning a firm’s business model, resulting in incremental strategic change driven by trial and error and experimentation (Gavetti & Rivkin, 2007). From the evolutionary perspective, business model development happens “as an initial experiment followed by constant fine-tuning based on trial-and-error learning” (Sosna et al., 2010: 384), rather than a “wholesale system overhaul” (Martins et al., 2015).

Yet, although crucially important in explaining the substantive part of changes in firms’ business models, the evolutionary mechanisms do not explain the diversity of innovations. Managers’ efforts to change the firm’s business model can overcome restrictions that hinge on inherent rigidities by breaking away from the emergent trajectory of the evolution of the cluster of routines underlying the firm’s business model. However, overcoming the misfit between the new/changed and the remaining routines usually comes at a considerable cost. As such, an essential characteristic of a firm’s business model innovation is its radicalness, which corresponds to the degree of deviation of the new business model from the discussed before established natural trajectory of evolution of the underlying cluster of routines. From this perspective, we can distinguish between incremental BMIs (progressive refinement of existing model within the established trajectory of the cluster of routines) and radical BMIs (major shift in one or more routines, their linkages or governance, breaking from the natural evolutionary trajectory of the routine cluster).

Business Model Innovation Process: A Multi-Level View of Routine Transformation

The proposed in this study framework takes a multi-level approach. We contend that BMIs involve multiple levels of analysis (micro-, meso-, and macro-), and that greater theoretical clarity about the relationship among these levels is needed. Our resulting multi-level approach (Figure 1) moves the locus of business model innovation away from an exclusive focus on either the individual cognitive level or the objective organizational level.

By introducing a meso-level link between routines reconfiguration and the individual cognitive process that leads to those routines, our model explains: (a) how BMIs originate from a perceived misfit between the firm and its environment felt by individual managers within an organization (i.e., at the micro level), allowing them to form a cognitive schemata of how the business could potentially operate (lower part of Figure 1); (b) how individual-level schemata are exposed to a collective managerial process of assimilation, thereby manifesting a higher-level, collective social phenomenon where individual’s representations of how the firm should operate are debated among managers for possible fit or complementarity with established routines via the process of assimilation (i.e., at the meso level) (middle part of Figure 1); and (c) how the multiple, firm-specific combinations of individual-level cognitive representations and collective-level assimilation produce a consensus (top part of Figure 1) capable of triggering routine cluster reconfiguration, and which in turn affects the value creation and capture (at the macro level).
Figure 1: Business Model Innovation: A Conceptual Multi-Level Model
References


Development of New Business Models: Introducing the Cultural Elasticity Model

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Abstract

The paper presents the Cultural Elasticity Model as a new perspective on how existing companies may better perform continuous organic development of business models. It suggests three organisational pillars for the development of an organisation with strong cultural elasticity and therefore the ability to better innovate new business models.

Introduction

Organic business development and its importance
Business model innovation is not solely for start-ups, entrepreneurs and innovators (Markides, 2008). Established organisations also need to develop new business models to maintain and expand current strategic positions (Flamholtz and Randle, 2014). The seminal research of Clayton Christensen on the effects of disruption on market leaders and entire industries (Christensen, 1998) clearly shows both the needs and challenges of established organisations in this respect. When the market and circumstances changes, core competencies become core rigidities, the established organisation loses sight of the market and its corporate culture becomes a liability (Leonard-Barton, 1995; Sull, 1999). Clearly, there is a need to look at how established
organisations can become better at business model innovation.

This paper looks at organic development of new business models, which refers to the natural advancement of existing business through a dynamic process marked by the continuous invention and implementation of new business models. This excludes mergers, acquisitions, spin-offs, spin-ins as well as setting up new business units in parallel to the existing organisation. Organic development requires that the existing organisation is able to continuously unlearn patterns from fading business models and quickly learn new patterns related to emerging business models.

Organic development of new business models may affect the value proposition, value creation and deliver, value capture elements, interrelations between the elements, and the value network. Hereby, it may lead to an increase in the existing organisation’s resilience and reaction towards industrial changes and may lead to competitive advantages (Mitchel and Coles 2004; Schlegelmilch et al, 2003).

In continuation of the research of Clayton Christensen, and many before him, it seems easier to develop a new business as a green field development or start-up than it is to change the business model of an established organisation (Drejer, 2019). Indeed, there is ample empirical evidence for the downfall of established players and even market leaders in the face of disruptive changes of markets and technologies (Christensen, 1998). Christensen calls this for “Innovators’ Dilemma” and links this to managerial and organisational blindness to external changes.

Sull (1999) introduced the concept of “Active Inertia” to describe the process of an organisation’s downfall where the organisational blindness leads to the transformation of a proactive, vibrant and learning culture to a conservative, reactive and rigid culture, eventually leading to the demise of the organisation in changing market conditions (Drejer, 2019).

These, and many other, contributions point towards the importance of the concept of corporate culture in this respect, as illustrated by the famous, yet questionable, quote from Peter Drucker – *Culture eats Strategy for Breakfast* – showing us that the existing organisational culture often acts as the biggest obstacle for new business development.

**Cultural elasticity**

Development speed in existing organisations is influenced by a variety of internal factors (Pisano, 1997) of which we will focus on capability and organisational culture. Capability is the ability of an organisation to apply relevant competences in order to transform ideas into something new of value (Drejer, 2019; Leonard-Barton, 1995). Culture is the shared values and behaviours that makes up the social and psychological environment in an organisation (Schein, 1986). Capability and culture heavily influence the way employees are capable of and perform action, interaction, idea production, evaluation as well as knowledge creation and sharing in an organisation (Miller and Wedelsborg, 2015). Hereby, culture sets the barrier for how employees may resist or work towards new ideas, changes and opportunities.

The authors define cultural elasticity as the ability to quickly change the shared values and behaviours in the organisation so that they fit emerging business models. It facilitates the continuous learning of new ideas, visions, values, norms, language, assumptions, beliefs and habits related to emerging business models. This process includes the unlearning of patterns from fading business models. Failing this facilitation may results in some employees being stuck in old cultural patterns from previous (maybe failed) business models. It may also affect how employees identify with an organisation. As a result, important employees may choose to leave the organisation (Schrodt, 2002) resulting in a potential lack of qualified competent personnel.

Figure 1 represents a relation between the development capability and the cultural elasticity. Organisations that are evaluated as high on both dimensions have the ability to constantly organically innovate their business models. Organisations high on development capability and low on cultural elasticity may have difficulties implementing new business models into their current organisation and may experience resistance from current employees. Organisations high on cultural elasticity and low on development capability may experience a fluid development where attempts to innovate rarely succeed. Organisations that score low on cultural...
elasticity and low on development capability will rarely experience innovative activity. So, for organisations that seek organic development of new business models it seems crucial to consider the organisational cultural elasticity as a complement to the traditional strong focus on development capability.

![Figure 1: Relation between cultural elasticity and development capability.](image)

Pursuing an organisational cultural elasticity may require a new perception on what organisational culture constitutes. Apart from the traditional view of culture from Schein, culture can be understood as a corporate personality (Flamholtz and Randle, 2014). Personalities are relatively stable over time and hard to change. Therefore, it seems easy to conclude that organisational elasticity in itself is a contradicting concept. In order to understand how organisational culture and elasticity complements each other it may be a good idea to look a learning organisations (Drejer, 2004). Organisations with high cultural elasticity quickly learn and transform this new learning into new ideas, visions, values, norms, language, assumptions, beliefs and habits. Cultural elasticity therefore involves rapid learning and smooth transformation of learning into culture.

The Danish manufacturer of micro satellites, GOM-Space is an organisation that is growing rapidly fuelled by cash injection from an expectant stock market. The growth also means that the organisation must radically transform its core competencies and, indeed, corporate culture. The CEO of GOMSpace recently revealed that the organisation must change significantly in its organisational maturity as measured by Capability Maturity Modeling (CMM) going from CMM level 1 to CMM level 2 over less than two years (Drejer, 2019). For everyone with experience with CMM, it is well known that such a move corresponds to a significant change in corporate culture from an entrepreneurial mindset to a professional and process driven culture. The CEO also revealed that he does not subscribe to the view that corporate cultures are impossible to change – due the growth of GOMSpace, the average duration of employment at GOMSpace is currently at one year and one month. The CEO defined their organisational culture like this: “we have no corporate culture”.

From the perspective of the Cultural Elasticity Model GOMSpace would be a case of a highly elastic culture. This is helped by the fact that the growth of the company is followed by the hiring of many new employees - many of which are hired from Danish project organisations that are at CMM levels 4 and 5. And also that employees from the entrepreneurial stage are leaving the company. GOM, as it is, stands for Grumpy Old Men, the nick name for the three founders of the company all of whom have left the organisation today. Their approach seems to be to nurture several alternative cultures within the same organisation in order to keep the cultural elasticity high. This illustrative case gives an (extreme) example of high cultural elasticity.

**Approach**

This paper is the result of a collaboration between industry advisors from the Confederation of Danish Industry (DI), a private organisation, funded, owned and managed entirely by approximately 10,000 companies within the manufacturing, trade and service industries, and researchers from Aalborg University. Through their work at DI, the advisors have developed a model for cultural elasticity in an action learning process that has taken place over a period of 3 years.

After the action learning results began to converge at results with a certain degree of predictability and similarity across different organisations, it was decided to involve the university researchers in a joint reflection
and concept formulation process with this paper as its first, preliminary, result.

The research process involved reflecting on the action learning processes and their results by means of state-of-the-art literature as well as conceptualising the notion of cultural elasticity.

Key Insights
The Cultural Elasticity Model provides three key focus points for leaders to consider when making their organisation better at organically developing new business models. The authors denote these focal areas as pillars that need to be build and sustained in order to develop cultural elasticity in an organisation.

Mutual Trust
The first pillar of cultural elasticity is mutual trust. Trust is important between leaders and employees, leader colleagues, among the employees and last, but absolutely not least, trust between the organisations and its suppliers and customers. By creating an environment based on mutual trust, leaders enable the organisation to be more courageous and more open in terms of letting knowledge and ideas flow fluently.

The authors look at mutual trust as trust between employees as well as trust between employees and leaders of the organisation. Mutual trust is important in order to support and make legitimate the formulation and exchange of new ideas in the organisation. An elastic culture is a culture, where its members are not afraid of repercussions if they venture ideas that are against the cultural gradient or the logic of their leaders, their company or the industry. Additionally, successful development of innovative ideas seems to be more of a teamwork than a one-man effort (Miller and Wedelsborg, 2015). Hence, collaboration is important for trying out new ideas and for developing new ideas. And collaboration is supported by mutual trust.

Trust emerges over time and cannot be forced or imposed. Trust is created by spending time and talking together, solving projects and tasks, getting to know each other and have positive experiences when doing that. Trust emerges in relations, where we respect, appreciate and understand each other. Also – and especially – when we do not agree. To expand the cultural elasticity of the organisation and making the organisation more innovative as a whole, leaders need to support a culture, where disagreements and failing is regarded as an important part of innovative processes.

Organisations rarely succeed being innovative completely on their own. Therefore, mutual trust also includes relations to suppliers and customers, and even competitors in some situations. Only by engaging in relations with these stakeholders, is it possible to obtain the necessary knowledge and inspiration for innovation to be relevant and useful.

Creativity
The second pillar of cultural elasticity is creativity. Creativity brings about novel valuable ideas and makes it easy to quickly adapt to new realities (Byrge and Hansen, 2014). Employees increase the level of cultural elasticity if they are flexible in changing perception on problems and situations as well as are able to produce lots of ideas. Hereby employees will be able to see their organisation and tasks from new perspectives and produce new ideas on how to make them better. Also, employees should be open minded, curious, playful, task-focused and intrinsically motivated. This will help them elaborate and follow new ideas, visions and business models in times of rapid changes and structural uncertainty.

Leaders increase the level of cultural elasticity if they continuously challenge fundamental notions, think up original new ideas and have a strong creative self-efficacy. This will help them be free from pattern thinking and be confident that they can be creative in their efforts to develop and implement new business model elements on a daily basis. They should visualise future scenarios, identify novel and valuable ideas as well as use imagination without the normal limits of causal thinking. Hereby, employees will be able to make quick evaluations and decisions on ideas for the organisation to focus on. Unfocused creative organisations risks wasting much time and spreading their resources over too many different directions of development. Unfocused creativity may therefore lead to little effectiveness in the development of new business models. The creativity needs to be focused and the leaders has the
key role in continuously making ambitious visionary decisions on which ideas to focus on.

**Engagement**
The third pillar of cultural elasticity is that of engagement. Engagement is about being willing to spend your time and energy on something in which you believe. Often engagement is expressed in a willingness to ‘go the extra mile’ or as being committed to the idea, the organisation, the project or the team. This commitment creates better chances of success with business model innovation. A culture with a high degree of engagement will be better at getting things done than a culture with a low degree of engagement. Thus, it is important that – once an idea or a direction is chosen – the members of the organisation pursue the idea with maximum engagement.

Leaders must know their employees’ competencies – both personal and professional – and make sure that everyone gets the opportunity to contribute with their strengths in the best way possible. They should set the expectations appropriately high, but not so high that they cannot be met. Leaders should also follow up and provide feedback in order to create continuous development. Focus among leaders should also be on developing themselves, the employees, the processes and the organisation in order to ensure the relevant capabilities and cultural elasticity, so that everyone are able to and have the necessary space to take any action needed.

Leaders who wish to develop the engagement among the employees, should focus on creating meaningful understandings in the organisation. They should regard themselves as sense-makers in order to set direction and clear expectations in a meaningful way, thus providing the organisation with a clear ‘why’ – a purpose to set the direction for all the innovative projects and processes emerging in the organisation. As a result, leaders should also have great persuasive powers. Leaders supporting creative ideas without persuasive powers are often considered “crazy”, “wild” or “irrational” when they attempt to make the organisation comply and follow these new ideas. Leaders should, therefore, be able to make convincing arguments for and orchestrated presentations of their new ideas - in particular when it comes to creating engagement for novel ideas.

**Discussion and Conclusions**
This paper is directed at leaders and scholars interested in how established organisations can pursue organic business development. It challenges the perspective that entrepreneurship is the sole source of innovation and new business development and, hence, a contribution to the old Schumpeterian debate about the source of innovation. Also, pragmatically, there are quite a lot of established organisations out there with the desire to keep existing.

One of the greatest barriers to innovation in established organisations is that of the corporate culture. This is perhaps not surprising given the seminal definition by H. Edgar Schein (1986), who views organisational culture as the sum of practices that in the past have been proved to work. As a polar opposite we have the development of new business models including, often, entirely new practices, technologies and/or customer segments. So, ironically it seems that new business development is impossible for established organisations, a conclusion that is supported by a rich literature of empirical evidence (e.g. Christensen, 1998; Drejer, 2019).
However, some organisations do succeed with organic business development – even of the radically innovative kind. This suggest that some organisational cultures are more elastic than others. This has served as the starting-point for the research underlying this paper and the model for cultural elasticity presented has served as a focal point for action-learning research on the subject.

The results of the action-learning processes undertaken by two of the authors suggest that the Cultural Elasticity Model can be a useful mean for creating a dialogue within management teams/organisations on cultural elasticity. Furthermore, the three pillars of the model provide a useful starting point for identifying possible courses of action towards improving the cultural elasticity of an organisation.

In the future, the authors will strive towards a number of research objectives related to the Cultural Elasticity Model. Firstly, the model in itself need to be further scientifically tested. This needs to be done both in relation to empirical use, e.g. where is the model useful/not useful, what are the contingency factors for use of the model, as well as in relation to literature. Secondly, it is necessary to develop metrics for the model in order to provide a location of organisations in the model. Thirdly, the use of the tested model needs to be placed inside the framework of models and tools in the realm of business (model) generation. The Cultural Elasticity Model is a new model that brings new perspectives on how to advance the organic development of new business models in existing organisations. Given the complexity of management of innovation and development it is clear that more variables may be involved in the processes that lead to the development and implementation of new business models. The authors hope that others will join in on studying and testing this new perspective on how existing organisations may better organically develop and implement new business models in their companies and markets.
References


Hybrid Business Models and the Public Science-Private Industry Interface

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Abstract:

We draw on recent research in business models and hybrid organizations to propose a novel model for bridging the logics that often conflict as science-based technologies are commercialized. The key insight from this model is adopting a broader conceptualization of value creation may enhance technology commercialization efforts and outcomes.

Introduction

Despite the clear benefits from commercializing science-based innovations for numerous stakeholders, past research indicates it can be challenging to transition scientific discoveries to marketable products (Markman et al., 2004). At the heart of this difficulty is the commercialization of such discoveries is an inherently complex process often involving organizations with differing, missions, incentives, and “logics” more generally (Sauermann & Stephan, 2013). Past research features numerous efforts to help cross this divide, such as technology transfer offices (Siegel, et al., 2003), university-generated spinoffs (Lockett, et al., 2005) and policy changes (such as the “Bayh-Dole” act in the US) (Mowery, et al., 2001); however, these have all met with limited success (Markman et al., 2004). The literature on technology commercialization and university entrepreneurship offers widespread recognition that this “Valley of Death” phenomenon leaves many potentially value-creating scientific discoveries trapped in
universities (and other basic research focused organizations) worldwide (Figure 1) (Auerswald & Branscomb, 2003). This recognition of the limited success of current models, paired with renewed urgency for introducing and scaling new technologies in areas such as carbon-free energy, has motivated calls for updated models for technology commercialization (Bozeman et al., 2015).

**Approach**

As a complement to calls for funding “translational” research and changing universities to be more entrepreneurial (Etzkowitz, et al., 2000; Butler, 2008), we propose that organizations with hybrid business models (i.e., organizations that combine the value creation processes of science and industry) may also aid in the commercialization of scientific discoveries. Specifically, our model suggests that hybrids may more effectively interface with both universities and firms than these organizations will with one another, because hybrid organizations are specifically designed to cope with (and integrate) the very sorts of conflicting logics that bedevil technology commercialization (Markman et al., 2004; Pache & Santos, 2013). Furthermore, we propose that the multifaceted mission of hybrid organizations will help increase inventor involvement in the commercialization process, something that past research has shown to be a strong predictor of successful commercialization (Thursby et al., 2001). This portion of our model draws on the sociology of science literature (e.g. Merton, 1973) to help address a fundamental paradox at the science – industry interface, namely that the very financial incentives featured in many prescriptions for commercialization are not particularly well aligned with values common amongst scientists (Colyvas et al., 2002) and can even be detrimental to fostering entrepreneurial activity (Markman et al., 2004).

Hybrid organizing refers to the activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple institutional forms (Battilana & Lee, 2014). Our model builds on hybrids capabilities to combine multiple institutional logics, which manifest in both an organization’s material means, such as practices, governance
arrangements, and organizational forms, as well as its symbolic elements, such as shared beliefs, interests, preferences, and goals (Thornton & Ocasio, 2008). In the technology commercialization process, organizations that are built on hybrid logics of science and industry combine the traditional ‘science’ logic of academic discovery and scientific value creation and the traditional ‘industry’ logic of commerce and financial value creation (Gulbrandsen, 2011). Similarly, hybridization of commerce and social welfare logics in “social enterprise” models are designed for both social impact and financial sustainability, for examples in microfinance (Battilana & Dorado, 2010) and wind energy (York et al., 2016).

**Key Insights**

Recent research has shown that the logic of science includes not only scientific value creation (value through publications, conferences, and other knowledge artifacts) but also increasingly public value creation (value through implementation and positive social/environmental outcomes) (Bozeman et al., 2015). In parallel, a broader conceptualization of value is a promising, yet an under-investigated, area of business model research (Nielsen et al., 2018; see Seelos & Mair, 2005 for a notable exception). As a result, we propose that hybrid organizations may be uniquely suited to developing business models that provide value to scientists based on their explicit social objectives (aligned with traditional scientific values) and to firms based on their embrace of commercial objectives (aligned with traditional firm values). Furthermore, our analysis suggests that hybrid organizations capabilities to manage, balance, and perhaps even leverage, tensions at the science-industry interface through strategic partnerships with universities and firms, may contribute to their own financial sustainability.

Past research has identified a wide variety of hybrid organizations (Battilana & Lee, 2014), but we focus on “born-hybrids” in particular that are “inherently driven by dual commercial and social logics” (Newth & Woods 2014). This is an important distinction as other approaches to technology commercialization may also be hybrid organizations, but they are much closer the “header-modifier” type of hybrids in which one logic dominates the other (Gulbrandsen, 2011; Wry et al. 2014). For example, technology commercialization offices are designed to bridge science and commercial logics; however, the vast majority of these organizations are not self-sustaining being financially subsidized by, and reporting directly to, their associated university (Thursby et al., 2001). In contrast, in a born-hybrid model, “the hybrid logic of [an] innovation will be less foreign; therefore, resistance to it will be limited to its anticipated ability to achieve [its hybrid goals], not the legitimacy of trying to do both simultaneously” (Newth & Woods, 2014). A further implication of a born-hybrid model is that individual organizations are likely more suited to combine logics than are multi-organization partnerships in this context. Specifically, these partnerships, however tightly conceived and structured, necessarily have conflicting logics from their component organizations. For example, in their examination of public-private research centers in Scandinavia, Gulbrandsen and colleagues (2015) found that “the centres, despite stakeholder boards and demands for harmonization of agendas and activities, are still made up of people whose main activities are found in their ‘home’ organizations with other incentives and obligations” (376).

By integrating the notion of a born-hybrid model with the Valley of Death, we present a stylized model of technology commercialization where hybrids act as bridges between organizations engaged in basic scientific research and those engaged in commercialization (Figure 2). The immediate consequences of this model are that both types of organizations extend resources further into the Valley of Death. The motivation for universities to do this is rather than licensing technologies to firm interested in strictly private-value creation they can help fulfill their public-value creation missions. We do not propose universities will underwrite these hybrids, only that engaging with such organizations will both better fit with their mission and engender less resistance from their stakeholders (e.g. that they are “giving away” publicly-funded technologies to private firms). Additionally, private firms will have stronger incentives to develop a given technology earlier on because of the increased certainty created by the university’s continued involvement in a technology’s development. Furthermore, the inventors of technologies would have stronger incentives to assist in
this development since the dual logic of hybrid organizations can accommodate the desire to create public value common among scientists, as well as the private value creation of traditional commercialization vehicles such as licensing agreements and startup companies.

Using born-hybrid organizations to help bridge this gap also allows for additional flexibility as technologies are developed. For example, a hybrid organization could focus on public value creation (both scientific and social) early in this process and then later switch to focusing on private value creation as technologies are further developed. Alternatively, it could develop specific applications of a given technology that feature strong social, but marginal private, value creation profiles (e.g. a cure for an “orphan disease” where its rarity makes for too small of a market for traditional firms to invest in seeking a cure), while licensing the technology for use in applications with stronger private value creation profiles to traditional firms. This arrangement would allow for specialization as well as the application of a new business model (with related specialized human capital) explicitly designed with the flexibility needed to create value for all stakeholders in the process of technology commercialization.

**Discussion and Conclusions**

We view this model as having two main contributions. First, we developed a novel solution to one of the core problems identified in past technology commercialization research – integrating the conflicting logics of public value creation of science with private value creation of firms. Although we applaud efforts to provide translational research funding, increase entrepreneurial training for scientists, and otherwise integrate scientific and commercial logics, we show the possibility of using business model design as a complementary approach to help bridge the technological Valley of Death. This design approach is unique in that it does not require radical changes to the culture, values, and overarching logics of organizations engaged in scientific discoveries or the firms reliant on these discoveries. Instead, we suggest leveraging the ability of hybrid organizations to integrated public and private value creation can create more robust interfaces with both universities and private firms.

As our second contribution, we show a domain in which organizations pursuing hybrid business models are not merely different, but in fact may be better than either nonprofit or strictly for-profit models. In contrast to
past research, which examines, for example how customers may view hybrid organizations more favorably (Dean & McMullen, 2007), the model we developed here shows that hybrid organizations may be inherently better to address situations where public and private value are intimately linked and integrating these two types of value is critical for the success of the organization. As a result, our findings contribute to the broader conversation on the theoretical underpinnings of hybrid organizations’ possible sources of competitive advantages. In addition, our model sheds some light on whether or not hybrids, nonprofits, and for-profits are substitutes or complements and furthermore, which situation-specific factors helped shape relationships between these types of organizations.
References


Ecosystemic Business Model Scenarios for Connected Health

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Abstract

Business ecosystems are evolutionary business environments that go through various life-cycle stages. Ecosystemic business models are rather complex in emergence and evolution in comparison to incumbent organizations’ business models. Ecosystemic business models are needed especially in the area of connected health (i.e., for the efficient utilization of heterogeneous data and efficient improvement of service delivery to support timely decision making) where there is an urgent need to overcome boundaries between the different actors in public-private partner ecosystems. This empirical research portrays four scenarios for ecosystemic business modeling for connected health. The study adopts a qualitative case study approach.

Introduction

As more non-digital aspects of human society become intertwined with digital interventions (Turber & Smiela, 2014), prevalent bricks and mortar industries are adopting characteristics common in ICT domains, i.e., systems of distributed innovation, or “business ecosystems” (Baldwin, 2012). The healthcare sector is continuously being transformed by multiple waves of digitalization (Gomes & Moqaddemerad, 2016). Baldwin (2012) suggests that past are those days when innovation took place solely within the boundaries of single organizations in all industries. Thus, one challenge is how to efficiently manage the shared or distributed forms of innovation that takes place in modern business ecosystems.

Keywords: Ecosystemic business model, business ecosystem, connected health.

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Connected health is a relatively new conceptual model that overarches prevalent health digitalization models and is inherently multi-stakeholder oriented (Iglehart, 2014). The focus of connected health interventions are on efficiently utilizing collected data, efficiency improvement in service delivery, supporting timely decision making, and activating feedback loops between stakeholders (Agboola, Ball, Kvedar, & Jethwani, 2013; Dowd et al., 2018). As a multi-stakeholder and ICT driven business environment, connected health displays the characteristics of a business ecosystem.

Moore (1993) identified business ecosystems to be evolutionary environments that go through four phases during their life-cycle: birth, expansion, leadership, and self-renewal or death. Jansson, Ahokangas, Iivari, Peälä-Heape, & Salo (2014) defined business ecosystems as networks of business models where incumbent stakeholders interact through their business models by connecting and collaborating with the business ecosystem.

The business model literature focusing on business ecosystems is still nascent and emerging (Demil, Lecocq, & Warnier, 2018; Iivari, 2016). In this research we adopt and extend Zott & Amit’s (2010) definition of a business model to the ecosystem. We perceive an ecosystemic business model to be a system of interdependent activities that transcends organizations in the ecosystem and spans their boundaries. The activity system enables organizations, in concert with their partners, to create value and to appropriate a share of that value with other stakeholders.

Business ecosystems are complex in nature and comprise blurred boundaries; this makes designing the ecosystemic business model more complex in practice. Although the ecosystemic business model continuously evolves in each phase of the business ecosystem life-cycle, the practical aspect of implementing the business model depends on the negotiations and interactions with the stakeholders through the choice or design of the business model (Demil et al., 2018). Gomes, Iivari, Pikkarainen, & Ahokangas (2018) identified three broad properties of business models that trigger negotiations and interaction between stakeholders in a business ecosystem. These are: 1) opportunity exploration and exploitation (OEE), 2) value creation and capture (VCC), and 3) advantage exploration and exploitation (AEE).

In this empirical paper, we study the above-mentioned aspects of business models to facilitate identifying an ecosystemic business model for an emerging connected health business ecosystem by developing four (4) alternative integral scenarios.

**Approach**

This empirical paper adopts a qualitative case study approach to develop alternative integral scenarios (Amer, Daim, & Jetter, 2013; Provo, Ruona, Lynham, & Miller, 1998; Yin, 1981). Among the various applications of case study methodology, Stake (1978) points out that in social and human sciences it helps to describe phenomena that are complex, holistic, and which involve countless not well-isolated variables. The research data was collected in eight (8) semi-structured interviews with industrial experts in December 2018 (Appendix 1). All of the participants in the interviews represented individual industrial partners of an emerging connected health business ecosystem. Each of the interviews was recorded with the permission of the interviewees, transcribed and qualitatively analyzed. Besides the interviews, each of the industrial partners was invited to complete an individual exercise concerning their existing business model and their business model for the ecosystem. For this exercise, we adapted to use the business model wheel (Ahokangas et al. 2014) that is used for ecosystemic and future-oriented contexts.

The studied emerging business ecosystem consists of eight (8) industrial partners, two (2) university hospitals, and three (3) research organizations (Appendix 2). The objective of the emerging business ecosystem for connected health is to iteratively co-design and accumulate data-driven and patient-centric solution/s for orthopedic and pediatric surgery care. In practice, the ecosystem aims to deliver a coherent data-driven solution that will facilitate the patient journey for orthopedic (children and adults) patients, pediatric patients, and healthcare professionals. The intended solution is being co-developed by the participating stakeholders of the business ecosystem. Although each of the participating stakeholders have their own business models for their own services, an ecosystemic business
model in the business ecosystem is required to create a coherent and scalable solution. This research facilitates the empirical need by developing alternative integral scenarios for ecosystemic business models.

**Key Insights**

In practical examples of business ecosystems, large corporations are usually observed to lead business ecosystems as keystones, e.g., Apple, Google, Airbus, Sony (PlayStation), etc. Although the studied emerging business ecosystem comprises eight (8) industrial partners, six (6) of them are comparatively small or medium-sized. However, unlike other business ecosystems, one of the smaller industry partners seems to act as the keystone of the business ecosystem as an industry partner. This is because the value that the organization delivers is deemed to be a good product-market fit by the potential clients of the solution: the hospitals. This unusual phenomenon, on one hand, might lead to discomfort between other stakeholders, and on the other hand, it provides confidence for
young organizations concerning their value and contribution to the business ecosystem. However, since the ecosystem is still emerging and is in its birth phase, the number of participating stakeholders are relatively small, leading to a state of non-competition between the stakeholders for the time being.

Furthermore, in the interviews, it was revealed that a business ecosystem addressing the needs of hospital organizations need not stick to any single service as a platform, which could lead to the business proliferation of only one industry partner. This, in turn, could hamper the shared goals of the business ecosystem and service creation for a broader customer. In such a case, the business ecosystem could consider a modular approach by accumulating different connected health interventions in a portfolio that will be available for the customer to choose and purchase.

Based on the collected data, we designed four alternative integral scenarios for an ecosystemic business model. The ability to implement business models in business ecosystems depends on the negotiations and interactions between the incumbent stakeholders (Demil et al., 2018). We observed that the business model properties of OEE, VCC, AEE (opportunity exploration & exploitation, value creation & capture, advantage exploration & exploitation) triggered negotiations and interaction in the studied business ecosystem. So, for developing alternative integral scenarios, we plotted these OEE, VCC, AEE properties of the business model in a four-quadrant scenario matrix (Figure 1).

The vertical axis comprises opportunity exploration (OE1), value creation (VC1), and advantage exploration (AE1) perspectives. We plotted the marketing types (OE1), platform types (VC1), and innovation strategy types (AE1) on opposite ends of this axis. The horizontal axis comprises opportunity exploitation (OE2), value capture (VC2), and advantage exploitation (AE2). The opposite ends of this axis are selling types (OE2), pricing strategy types (VC2), and IPR strategy types (AE2). While the alternative business model scenarios presented in this paper show four distinct business models,
the stakeholders in the emerging business ecosystems negotiated and interacted to choose and deploy the business model. The studied emerging business ecosystem did not need to adopt either one of the four alternatives presented here as a final ecosystemic business model. Preferably, the two axes can be considered as continuums and the stakeholders can interact and negotiate to identify the ecosystemic business model that will benefit all collaborating stakeholders while serving the customer value with competitive prices. In designing the scenarios, this research considered the common opportunity that the ecosystem addressed, the value propositions of the stakeholders, the supply side of the ecosystem (e.g., sales and marketing, resources, and IPR issues) and the demand side (e.g., the customer group and innovation types) of the ecosystem.

The studied ecosystemic business model aims to bring together all of the collaborating stakeholders. An additional outcome of the emergence of this business ecosystem is that each of the stakeholders identified potential for new shared business models with the partnering stakeholders. Besides, in the emerging business ecosystem, three (3) industrial partners operated in the same field of operation: health gamification. However, because all of three industrial partners were small in size and young in age their product focus was very specific, and the portfolio was not very broad. For this reason, although they were all operating in the same field, due to their different target customer segments they were not competing against each other, instead, they are considering future collaboration.

Discussion and Conclusions
Identifying and designing an ecosystemic business model is more complex compared to designing an incumbent stakeholder business model. The aim of this paper is to show how to facilitate ecosystemic business modelling within a methodological approach. The practical implications of this research are twofold. First, the four alternative integral ecosystemic business model scenarios presented here can be used as a baseline for conceptualizing potential ecosystemic business models for emerging business ecosystems, especially in the connected health domain. Second, the framework utilized for developing the scenarios by bringing together opportunity the dimensions of exploration and exploitation, value creation and capture, and advantage exploration and exploitation will allow ecosystem stakeholders to create additional scenarios by focusing on different elements compared to those we have used in this paper (selling/marketing, platform/pricing, innovation/IPR).

The relationship between business models and business ecosystems is well-established in the business model literature (Gomes, Pikkarainen, Ahokangas, & Niemela, 2017; Jansson et al., 2014; Xu, Ahokangas, & Reuter, 2018). However, there are unanswered questions relating to the business model of business ecosystems, business models in the business ecosystem, and even whether the business ecosystem has its own business model. According to our findings, business ecosystems that aim to bring together stakeholders to solve specific problems with an ecosystemic solution will need ecosystemic business models. These ecosystemic business models are evolving and dependent on the business models of the stakeholders in the ecosystem (Demil et al., 2018). Further, opportunity-centric business models of the incumbent stakeholders (e.g., using the business model wheel tool) are seen as a proper starting point to initiate the discussion and negotiation for designing the ecosystemic business model (Ahokangas, Juntunen, & Myllykoski, 2014).

This case study has shown that participating stakeholders in a business ecosystem can find potential collaboration points for their business models by identifying the complementarities and non-complementarities of the business models. While complementarities help strengthen future collaboration, non-complementarities help to address and reduce the possibility of direct future competition. The limitation of this research is that the studied case is in its early phase of emergence or birth (Moore, 1993); thus, the focal elements for ecosystemic business model scenarios will be different for business ecosystems in phases further along in their lifecycle. There is a need for longitudinal research that explores deployment of the ecosystemic business model in the connected health context in the long run. Moreover, it would be essential to understand what level of fidelity (i.e., the degree to which the solution is implemented as intended by its developers) and performance impact the ecosystemic business model and the participating actors have in connected health ecosystems.
References


The New Media Business Model: When Customer Controls the Data

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Abstract

The EU General Data Protection Regulation (GDPR) is the first step in the process of transferring data ownership back to the customers. This regulation brings major changes for any organization working with consumers and their data, or processing data about individuals in the context of selling goods or services to the citizens. This paper considers the case of a media company offering online content and discusses what are the implications of the data ownership by the customers for the media company’s business model.

Introduction

On May 25 2018 the EU General Data Protection Regulation (GDPR) has been implemented. Its primary goals are to harmonize data privacy laws across Europe, to guard all EU citizens data privacy and protect them from privacy and data breaches and to change the way institutions operating in EU address data privacy (GDPR, 2018). This regulation brings major changes for any organization working with consumers and their data, or processing data about individuals in the context of selling goods or services to the citizens. Major changes affect increased territorial scope (with extra-territorial applicability) of the regulation, penalties for non-compliance and requirement towards consent.

This new regulation brings both challenges and opportunities for the established and upcoming ventures. As noted by Acquisti (2010), economic trade-offs associated with consumer’s data sharing and protection,
exist for both consumers and organizations. The new data protection regulation enables consumers to obtain more power over their own data (Ng, 2018), hence changing the dynamics of the relationships between a consumer and a firm. However, currently only little research has examined the implications of the new data protection regulation, specifically, what consequences does it carry for organization’s business models (Kemppainen et al., 2018).

This paper addresses the topic of changing business models in the context of online content services. The paper is structured as follows. First it discusses the concept of a business model and provides an overview of research on business models in online content services. Further, it presents a case of a new online content service provider. Then it considers the implications of the new rules on data ownership on business models of the firms in the online content field. Finally, it discusses implications, limitations and further research directions.

Approach

Any enterprise either implicitly or explicitly employs a business model that articulates its logic and demonstrates how it creates and delivers value to its customers (Teece, 2010). The emergence of business model concept and the use of it since the mid-1990s was driven by several factors: the advent of Internet (Amit & Zott, 2001), rapid growth in emerging markets and interest in “bottom-of the pyramid” issues (Prahalad & Hart, 2002), the expansion of postindustrial organizations (Perkmann & Spicer, 2010), and interest in entrepreneurship development (Morris et al, 2005).

At a general level, the business model has been referred to as, for example, a framework (Afuah, 2004), a conceptual tool (Osterwalder et al, 2005), a statement (Stewart & Zhao, 2000), a representation (Morris et al, 2005), a pattern (Brousseau & Penard, 2006), a set (Seelos & Mair, 2007), or a story (Magretta, 2002). The variety of definitions provides possibility for multitude of interpretations on what actually represents or constitutes a business model (Wirtz et al., 2016). Largely business model defines a system of interdependent activities that transcends the focal firm and spans its boundaries (Zott and Amit, 2010). At its core, a business model performs two important functions: value creation and value capture (Amit and Zott, 2001; Zott and Amit, 2010).

The business model of online content service providers can be considered to some extent resembling those of the platform operators offering diverse video content to the consumers. The examples range from free to use advertising-based Youtube to subscription-based Netflix, or pay-per-view iTunes. As Kemppainen et al. (2018) put it, platform operators can provide convenient and user-friendly access to content on their platform and generate revenue through advertising rents from advertisers, subscription and pay-per-use (Wirtz et al., 2010). In advertising and subscription-based revenue models, the key revenue drivers are the number of users and their propensity to pay. For personal data platform operators, Kemppainen et al. (2018) have identified two propositions as the foundation of creating revenue models, i.e. “no advertising” and “free for users” models. With regard to media business models, some authors (e.g. Anderson, 2009) have long argued for the end of paid content models, citing shift towards free access, changes in supply and demand, loss of physical form in content, ease of access, and shift to ad-supported content as major drivers of change. Indeed, as Macnamara (2010) notes, contemporary media users are unlikely to pay for content, which poises challenges for both incumbents as well as new-comers to media space. He also suggests several possible components of business models for the media firms in the new economy. One of them is based on targeted advertising, whereby three factors can increase the performance of targeted ads, namely trust, control over experience and justification of the personal data tracking for ad-related purposes (John et al., 2018). Another business model is associated with co-called attention economy that points at monetizing people’s attention in the age of information overload. According to Macnamara (2010), in the latter model – which also could be called relevancy advertising - advertisers would pay a proportion of advertising fees – directly in cash or in credit points - to media users for their attention. Media users would also have an option to opt in or out of advertising and to select what categories of advertising that they would receive. Although some (Lichfield, 2018) have argued that attention economy
is currently on its tipping point and in the nearest future media space will experience proliferation of subscription-based or pay-per-view services, the new regulation on data ownership which essentially enables customers to control and monetize their personal data, may challenge this view.

The paper is structured as a single case study where is explores the business model of an online media company and discusses how the new regulations on data ownership affect the company’s business model.

**Key Insights**
1. Current and future business models of the online media companies will position the customer in the center of their activities.
2. With new regulations regarding the data ownership, processing and storage, the customers will have a possibility to gain access to and ownership over their online data and thus through the emerging monetization applications will be presented with the opportunity to monetize their data in a variety of ways, which will have affect on media space company’s business model.
3. Monetization of the data will transfer from corporations towards users or it will be more justly distributed. Corporations will still continue monetize packaged and anonymized data.
4. With the establishment of digital identity own data monetization becomes possible and trackable, whereby distributed ledger technology - based identity solutions are likely to prevail.
5. Online media business model based on targeted advertising or sponsored content will shift towards enabling the users to exchange their data for online streaming services.

**Discussion and Conclusions**
This paper presents a case of a new online content service provider. It considers how the new rules on data protection and ownership impact the business models of the firms in the online content field. The case company is a newcomer on the online content market offering online content to the users for free with targeted advertising or prevailing sponsored content revenue model. With new data protection regulations giving users access and control over their data, users get an opportunity to exchange their anonymized packaged data for free content.

An important issue that arises with the new data protection regulation concerns data ethics (Hand, 2018). The nature of data, the meaning of data ownership, trustworthiness of data and matters of privacy and confidentiality are at the core of the issue. With respect to ethics, the European Data Protection Supervisor considers that “better respect for, and the safeguarding of, human dignity could be the counterweight to the pervasive surveillance and asymmetry of power which now confronts the individual. It should be at the heart of a new digital ethics” (EDPS, 2015: 12). The implementation of rules and procedures with respect to digital data ethics shall become an integral part of a new media company business model.
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De-internationalization: A Business Model Perspective

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Abstract

Through business model theoretical lenses, we explore the impact of de-internationalization on firms and their industries and challenges in re-configuring their business models and re-thinking their value propositions in response to de-internationalization. This is a conceptual paper. We put forward a multilevel framework to advance our understanding of this intersection.

Introduction

In this paper we explore through business model theoretical lenses the impact of de-internationalization on firms and their industries and challenges in re-configuring their business models and re-thinking their value propositions in response to de-internationalization. The challenge of this paper is threefold. One, the extant research in business models (BMs) focuses mainly on the outcomes of business model changes when companies grow (Chesbrough, 2007; Gambardella and McGahan, 2010) or are disruptive (Hwang and Christensen, 2008), but it is rather scarce on understanding how companies reinvent themselves and their BMs in situations such as de-investing, de-exporting, back-shoring or re-shoring. Two, de-internationalization that undeniably adds to the variance and complexity of the international business field has received little consideration from the international business scholars (Turcan, 2003; 2013; 2016). And

Keywords: Business model, de-internationalization, value renewal, re-internationalization

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The minute you establish an organisation, it starts to decay.

Ross Johnson, CEO, RJR Nabisco (in Burrough and Helyar, 1990)
three, as logically expected, theoretical and empirical research at the de-internationalization and business model intersection is virtually non-existent. With this paper we aim to address this knowledge gap.

**Approach**

This is a theoretical paper. We draw on a number of sources to develop a multilevel framework to advance our understanding of the de-internationalization and business model intersection. First, we build on business model theory (Foss and Saebi, 2017; Nielsen et al. 2019) and de-internationalization theory of the firm (Turcan, 2006) and conceptualize the intersection. Second, we bring the idea of analysing publicly available data and trends, anecdotal evidence where de-internationalization-business-model intersection we study is explicitly observable.

**Key Insights**

The last decade has witnessed a number of global trends that affected in a dramatic way industries and global value chains nationally and internationally. These trends include, but not limited to: *rise of nationalist and protectionist policies* on trade and economic development in Europe, UK, and US, contributing to unfair competition, the reorganisation of the global economy, incl., *de-internationalization* (such as de-investing, de-licensing, de-exporting; see Figure 1) of national firms by bringing production or other parts of their corporate value chains back to home country, hence also contributing to dramatic reconfiguration of global value chains and global alliances; *development of innovative and disruptive technologies*, contributing to large scale displacement of labour force and other resources; disrupting, dismantling and reconfiguration of industries, global value chains and global alliances, incl., *re-shoring, back-shoeing and near-shoring* (Figure 1); challenging firms to open up and collaborate with each other and other potential knowledge holders; at the same time, making it easier for firms to communicate and manage across borders. The above-mentioned global trends have contributed to the disruption, dismantling and reconfiguration of industries and global value chains, e.g., by eroding advantages of scale and arbitrage; downsizing internal markets for trade to 1/3 with external value chains doing the rest; making

![Figure 1: De-internationalization modes](image-url)

Source: Derived from Turcan 2006
global value chains more knowledge intensive, service-oriented; making industries and value chains that tried to globalized work best when national or regional (see e.g. Economist, 2017; Economist, 2018) In response to these global trends, firms de-internationalize or withdraw from international markets partially or totally (Figure 1) and as a result rethink their business models.

Both research streams – de-internationalization and business models – suffer from selection bias (Chesbrough and Rosenbloom, 2002; Chesbrough, 2007; Hwang and Christensen, 2008; Gambardella and McGahan, 2010; Turcan 2013). Business model research stream focuses mainly on BM design and reconfiguration in successful companies seen as best practice examples (Chesbrough and Rosenbloom, 2002; Hwang and Christensen, 2008; Gambardella and McGahan, 2010). Indeed, the need for companies and entrepreneurs to adapt to changing environment (e.g., Massa and Tucci, 2014; Osiyevskyy and Dewald, 2015) and understand their business model configuration and the possibilities to reconfigure said configuration to take advantage of new opportunities (Massa and Tucci, 2014; Massa et al., 2017) are not new in business model research. However, research on how changes, evolution and externalities affect firms’ BMs is in its infancy. To the above selection bias, the business model research is also dominated by a theoretical bias. According to Nielsen et al. (2018), knowledge and research is lacking to connect specific types of business models with specific performance measures, as well as testing how BM elements predict financial values.

De-internationalization is seen as inconvenient, undesirable research endeavour as it is perceived as a failure (Turcan, 2003; 2013). Overall, research in international business focuses on positive growth and ignores firms that failed or chose to withdraw from their international activities (Turcan, 2006; 2010). We side with Turcan (2003; 2006) who maintains that de-internationalization should not be seen as a failure, but an opportunity to re-grow and comeback with an even stronger value proposition to the market than before.

Extant knowledge at this intersection of de-internationalization and business model is scares. With this paper, we aim to explore how and why firms de-internationalize with specific focus on what business models these SMEs adopt while de-internationalizing, what lessons they have learned, what business models they create in order to re-internationalize, and how de- and re-internationalization effect the rebuilt of value propositions at industry, firm and global value chain levels.

**Discussion**

Massa and Tucci (2013) suggest splitting the notion of business model innovation into two different categories: business model design and business model reconfiguration. The former relates to inventing new businesses and business models, whereas the latter is about restructuring and generating new ideas within existing business models. From business model perspective, de-internationalization could be seen as a process of restructuring and generating new ideas within existing business models.

De-internationalization framework (Figure 1) offers initial point of departure to study how withdrawal from international markets affects firms’ business models. Was the initial business model appropriate for the international market? Was the value proposition imperfect? Or how will or can a firm change or adapt its business model in response to international market withdrawal activities and make it more competitive to drive firm’s re-internationalization efforts?

In Taran et al. (2016), McDonalds and Starbucks are exemplars of franchising, emphasizing ‘positive’ side of the phenomenon. But, as part of ‘optimizing entry mode mix,’ de-internationalised company might view franchising as a potential for reconfiguration of the company’s business model aiming to re-internationalize. In this as in the other similar processes the challenge is to identify consequences or obstacles in business model re-design before considering a company ‘unsuccessful’ or ‘successful’.

Selling-off or contracting-out, fairly common in the strategic literature, further contributes to our understanding of the intersection by asking how they affect firm’s business model and its reconfiguration. Is the company selling-off in an attempt to reconfigure into a
more ‘core-focused’ reconfiguration or contracting-out to achieve a configuration of an ‘external sales force’?

Another interesting question that the intersection generates is what companies are trying to achieve when they are optimizing operations and/or their value offering? From a business model perspective, optimizing could mean re-configuration of several business models. A new value offering could mean anything from ‘full service provider’ to a ‘no-frills’ solution depending on the reasons for de-internationalization.

**Conclusion**

This is the first attempt to propose a conceptualization in the de-internationalization-business-model intersection. The above insights not only contribute to theorising this intersection, they also demonstrate its relevance to decision makers. We call for future conceptual and empirical studies to understand it across various global, reginal, national, global value chain, industry, and firm levels, setting out a number of relevant directions for future research into the de-internationalization-business-model intersection. For example, what are the benefits or downsides of de-internationalization? What are the implications of de-internationalization on the firm’ business model? Which parts of firm’ business model are affected most, how and why by de-internationalization? How value creating, capturing and delivery activities are affected by de-internationalization; how they are redesigned not only to cope with the effects of de-internationalization but also to prepare the firm to re-internationalize.

With this paper we aim to achieve cross-fertilization between business model and de-internationalization research streams. We expect business model frameworks help enhance our understanding why and how firms de-internationalize. At the same time, we foresee that de-internationalization of firms will contribute to our understanding how firms re-configure or re-invent their business models during failures, growth declines, or (strategic) departures from what is normal or expected. Clearly this intersection poses at this time more questions than answers, but this is what makes it an interesting venue for future research.
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Business Model Performance: Paving the Road for Comparable Data on Business Models

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Abstract

Since the millennium, 14 of the 19 entrants into the Fortune 500 owe their success to business model innovations that either transformed existing industries or created new ones (Christensen & Johnson, 2009). Today, and with a good reason, the concept of business models are discussed like never before, while both researchers and practitioners hold the believe that mastering this aspect give way for effective competitive advantages. In line with Fiel et al. (2011), we argue however that business models will never advance from concept to actual theory, while definitions and frameworks will remain “early stage” without any feed from more comprehensive and saturated empirical data. Through this research we attempt to close the gap of missing available quantitative data on business models, in order to advance from concept to theory and thereby best-practice.

Introduction

Business managers might have very different ideas of what truly drives their business. However, a general increased attendance towards the business model as a prominent factor seem to be the case (Christensen & Johnson, 2009). The basic term business model has a fairly murky past, while historically being associated with various aspects of business management and therefore not leaving a clear definition behind. Nonetheless, the recent 20 years of research in business models has helped us to specify and, perhaps more
importantly, see the significance when it comes to overall business development and performance.

Evolving from an indistinct academic notion in the wakes of the dot.com era, the variety of business models today has expanded, and over the past years the term has surged into the strategic management and strategy vocabulary, while spreading across virtually every industry (Shaffer, Smith, & Linder, 2005). Since the millennium, 14 of the 19 entrants into the Fortune 500 owe their success to business model innovations that either transformed existing industries or created new ones (Christensen & Johnson, 2009). Indications therefore point towards business models as being valuable when it comes to business performance and therefore important for companies to understand and measure (Montemari and Nielsen, 2013; Teece, 2010).

The field of business models is at the present characterized by a series of concepts, techniques and frameworks for analyzing, communicating, innovating and internationalizing companies and the way they create value (cf. Osterwalder & Pigneur, 2010; Chesbrough 2003; Amit & Zott 2012; Magretta 2002).

The popularity of the business model concept seems to be increasing, despite we still seem know so little about them. So far, the majority of research efforts have been directed towards definitions and frameworks while some-what neglecting empirical data. According to Fielt (2014) business models cannot yet be perceived as an actual theory due to the vital lack of empirical data. Fielt (2014) further refers to the empirical notion of business model archetypes and how these complement the definition and elements by providing a more concrete and realistic understanding of the business model concept.

During the early stages of business model research, several researchers attempted to build typologies of business model archetypes based on existing successful businesses e.g. Linder and Cantrell (2000); Rappa (2000); Timmer (1998). Considering that the majority of these archetypes date back to the early stages of business model research, they still hold a great value today when it comes to understanding and developing business models (Fielt, 2014). However, many of the of the appertaining typologies appear some-what inconsistent and fragmented. Perhaps this is no surprise, considering when these where originally derived. In recent years a few researchers such as Gassman et al. (2014) og Taran et al. (2016) have attempted to restructure and build upon these early works on business model archetypes and typologies. While these constitute great improvements in terms of structure and content, they do not provide much detail on frameworks, components and linkages between the individual archetypes. Overall, most research on business model archetypes so far appears less systematic and seems to be based on a few selected case examples supporting the narrative of obvious successful business models (Fielt 2014; Taran et al., 2016).

From a hermeneutic standpoint and in line with Fielt (2011), we argue that business models will never advance from concept to actual theory, while definitions and frameworks will remain “early stage” without any feed from more comprehensive and saturated empirical data. As a further result, business models will fail to gain ground within general business management, while lacking essential normative properties.

This research will attempt to tackle the above-mentioned notions by developing a relational database of business model configurations (archetypes). We intent to develop this on the basis of existing literature and hereby formulate the following research objective:

*Describe and represent business models configurations in a software-based structure in order to build the foundation for subsequent concepts and tools to assess, develop and manage business models.*

**Approach**

When designing a relational database, we gravitate towards Information Systems. Such structures are often associated with high levels of complexity concerning prototyping and testing in consecutive iterations. As a consequence, we decide to lean towards design science and the appertaining methodological considerations. In line with the works of Osterwalder (2005), we base this research on the Design Science Research Framework provided March and Smith (1995) (see Figure 1.)
March and Smith (1995) distinguish between two primary dimensions: Research Activities and Research Output. The latter comprises Constructs, Models, Methods, and Instantiation. Constructs constitute a conceptualization used to describe problems within the domain and to specify their solutions. A Model is a set of propositions or statements expressing relationships among constructs. In design activities, models represent situations as problem and solution statements. To a broad extent, models can be perceived as a description, that is, a representation of how things are. A Method is a set of steps (an Algorithm or guideline) used to perform a task. Methods are based on a set of underlying constructs (language) and a representation (model) of the solution space (Nolan, 1973). Lastly, an Instantiation can be described as the realization of an artefact.

When accounting for the research activities, March and Smith (1995) highlight Build and evaluate as the two main issues in design science. Build refers to the construction of the artefact and thereby demonstrating that such an artefact can be constructed. Evaluate refers to the development of criteria and the assessment of artefact performance. March and Smith (1995) describes how Research Activities in natural science are parallel: Theorize (discover) and Justify. Theorize refers to the construction of theories that explain how or why something happens, meanwhile justify refers to theory proving.

This research will be based on Build and Evaluate, cf. the objective to describe and represent business models configurations in a software-based structure.

We propose a series of steps in order to investigate the research question. It will be necessary to apply a series of different research methods, to study the fields of business model configurations and the individual components of these. This research will therefore adopt a mixed-methods approach, applying both quantitative and qualitative methods. As a consequence, this article must include discussions of the potential problems of mixed-methods research.

According to Morgan & Smircich (1980), the prevailing dichotomy between quantitative and qualitative methods is a rough and oversimplified one. Rather, they argue for a more nuanced perspective towards this discussion and conclude that aspects such as the underlying perception of the nature of knowledge, ontological assumptions and assumptions about human nature must be taken into consideration.

Sale et al. (2002) argue that the paradigms upon which quantitative and qualitative methods respectively are based have different perspectives of reality (cf. Burrrell & Morgan 1979) and therefore constitute different views of the phenomenon under study quantitative and qualitative methods cannot be combined for cross-validation or triangulation purposes. They do however acknowledge that they can be combined for complementary purposes.

The key issues in the quantitative-qualitative debate are ontological and epistemological. Quantitative researchers perceive truth as something which describes an objective reality, separate from the observer and waiting
to be discovered. Qualitative researchers are concerned with the changing nature of reality created through people’s experiences – an evolving reality in which the researcher and researched are mutually interactive and inseparable (Phillips, 1988).

Ultimately we argue that a mixed methods approach is best suited for this research, while multiple steps of various purposes will need to be conducted:

1. Desk research
We apply desk research for analyzing the value drivers (components) of the 71 identified business model configurations identified by Taran et al. (2016). Based on this, an ontological classification scheme is defined. This enables us to build a relational database containing all 71 Configurations and 251 value drivers.

2. Survey methodology
In addition to the database, the intention is to construct a mapping tool, which is essentially a questionnaire-based module build to capture company characteristics and match these with the collection of business model configurations.

3. Qualitative validation
The Mapping Tool will be continuously developed over multiple iterations by testing and validation through key respondents and focus groups.

4. Advanced statistics
Using the data points from the relational database, statistical techniques such as Structural Equation Modeling, cluster analysis, latent class analysis and systems dynamics are explored for the sake of building inductive empirically based theories of business model configurations and their related performance measures.

5. Data collection and testing
To test the accuracy and fidelity of the mapping tool we use a mixture of primary sources (e.g. respondent input and interviews) and Secondary sources (e.g. Annual report, company website, or articles).

Figure 2. below illustrates the overall system design of what we refer to as the BM QUANT System, which ultimately allows us to conduct business model assessments by the derivation of Business model configuration, value drivers, and other benchmarks.
Key insights, discussion and conclusions

Contribution to theories of business models
It is the ambition, through data collection, to create a comprehensive database of business model configuration mappings. Although this potentially paves the road for future concepts and tools, we initially believe the long-term outcome will be a software capable of serving as a platform for generating state-of-the-art contribution to theorizing business models and business model innovation. Over time it will be possible to assess how corporations change their business models, how certain business model configurations start to drift to new industries and thereby also whether there are certain business model innovation routes for companies (in certain industries) to take. Finally, this knowledge will enable us to create a true business model taxonomy and business model archetypes as called for by Groth & Nielsen (2015).

The concept of business models has not yet been able to establish theoretical grounding in economics or in business and Teece (2010) argues that economic theory generally neglects business models because they solve real world problems. The research proposed here shares this perception and believes that the gateway to overcome these challenges is found through a study of real-life business models - business model configurations. This can also be perceived as an extensive attempt to quantify business models and thereby develop new associated performance measures.

Some of the important aspects are the validation and quality of each data point as well as the validation of the financial information, as this helps to insure that benchmarks become as precise and valuable as possible. This function can be supported financially by the parties most interested, like e.g. banks, industry-organisations and government. Perhaps companies should even be paid to upload their data?

One final, and long-term, vision for the research undertaken here is that it may turn out to become a business model innovation support system for corporate managers. Further, the empirical data may even warrant a redefinition of the Business Model Canvas as well as becoming an internationally renowned example of how to use software for business model benchmarking purposes.

Contribution to theories of benchmarking and performance measurement
Based on the understanding of value creation from the concept of business models, benchmarking of corporate performance is proposed strengthened through a big data perspective and the use of statistical techniques to generate validated business model configurations and related KPIs.

The research outlined above also addresses prevailing weaknesses of creating meaningful benchmarking around corporate performance. At this point in time no validated or reliable theory of corporate benchmarking exists, and the idea and conceptualization of benchmarking is therefore left in the hands of the potential user, be it an analyst, a manager or a controller. Despite a lack of theory, benchmarking also sometimes denoted as evaluations, assessments or comparative data (Behn 2012). In the public sector, Behn (2003) has problematized performance benchmarking while benchmarking in the private sector is often related to the Beyond Budgeting movement (Hope and Fraser, 2003) and a cluster of literature around budgeting and incentives management. However, the relation to performance often varies and is dependent upon the intentions behind a particular benchmarking exercise (Tillema, 2010).

The benchmarking literature emphasizes the use of performance measures as an important and continuous source of information for evaluation of services against the best competitors or peers thus providing motivational and managerial effects (Behn, 2012). The only problem with this is that, as we have learnt from the business model literature, today there are multiple value creation configurations and business models even in the same industries. Therefore, benchmarking with a peer group needs to be controlled for the applied business model configurations in order for anything meaningful to come out of such a comparative exercise.

Another objective of this research is also to offer a timely critique of the Balanced Scorecard era multidimensional performance measurement concepts developed over the last 25 years. Leading on from this
critique, we offer a new way forward for performance measurement identification, validation and benchmarking by expanding upon the BM QUANT System. This could provide the opportunity for a value driver platform with related clusters of KPIs connected to each business model configuration as a starting point for management's choice of KPIs, analysis, benchmarking and performance management.

A further contribution will be the utilization of software technology and statistically validated algorithms for identifying corporate performance measures. This has long been acknowledged by Robert Kaplan, one of the founders of the Balanced Scorecard. The use of advanced statistical methods like systems dynamics, structural equation modeling and latent class analysis together with a database of mapped corporations will make a major contribution to this work (Groth & Nielsen, 2015).
References


Tactical Shapeshifting in Business Modeling

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Abstract

This paper looks at ‘bottom-up’ architecture firms. These firms focus on co-production and participation, as they develop designs that stimulate social change. As such, they are placed in a hybrid position between citizens and governments. The paper identifies four ‘business model tactics’ they utilize in maneuvering between different institutional fields.

Introduction

By defining a business model as the ‘overall logic through which an organization creates, delivers and captures value,’ as it often is described, the concept takes on a holistic perspective on how firms conduct business focusing on the ‘big picture’ rather than on small operational details. However, there seems to be a certain vagueness about how this ‘holistic’ rationality can be applied to day-to-day actions necessary to make this strategic tool function, especially in situations in which the organization is faced with unstable and difficult to navigate environments. This paper focuses on this gap, by emphasizing the importance of applying business model ‘tactics’ as one way of making a business model consistently work in everyday operations despite volatile and uncertain circumstances.

For this paper, an emphasis is placed on organizations within a specific emerging subsector within architecture and urbanism: ‘bottom-up’ or ‘commons-based’ architecture. Increasingly, architects are attempting to redefine the role of architectural practice in light of growing inequality in urban settings, leading to a subfield which can be characterized by different goals, often related to a vision of a different, more egalitarian
society (see e.g. Markussen, 2013). As opposed to traditional large-scale governmental, corporate or privately-led development, these bottom-up architectural practices can typically be related to low-cost, small-scale and intentionally functional modifications of the built environment, developed through community participatory projects initiated by the end-users of the buildings (Bradley, 2015). Importantly, the specifics of the practice of bottom-up architecture bring an interesting case to study for business modeling purposes, as the environments they operate can at times be extremely complex, which raises several specific organizational and operational challenges. Processes in bottom-up architecture involve broader groups of stakeholders such as citizens, local communities, local authorities, political ambassadors and, often times, students, researchers and artists. Given the fact that there is often no single client or commissioner, processes of bottom-up architecture may thus be plagued by difficulties to align a plethora of heterogenous and diverse interests, both internally and externally (Parker and Schmidt, 2017), while navigating administrative and legal systems. This means that organizations in bottom-up architecture tend to have the necessity to constantly adapt to diverse contexts. Hence, it is evident that bottom-up architecture firms are exposed to an environment consisting of a plurality of influences on how to behave, and a multitude of conflicting pressures. In the extremes, there are two clearly different institutional worlds in which they are simultaneously present: direct cooperation with citizens is key in their ‘grassroots’ approach, while they inevitably need to work in close collaboration with and sometimes in assignment of local governments. This entails a delicate balancing act between the ‘logics’ of the different dialogues and discourses. Often times, this context results in contradictory demands and difficulties to run the organization in a long-term, impactful, creative and mentally satisfactory manner. Skillfully maneuvering in between these contexts is a key element for creating long-term impact. An important factor in achieving this, this article posits, is through thoughtfully utilizing an organization’s business model by exploiting business model tactics.

Harnessing multiple tensions within a single business model is challenging because each of the opposing domains may require a different and often incompatible activity set (Markides, 2013). One manner to deal with such tensions is highlighted by Casadesus-Masanell and Ricart (2010). On a strategic level, these authors make an important distinction between business models on the one hand, and tactics on the other, which in their view happens in a sequential manner. In the first stage, firms choose a ‘logic of value creation and value capture’ (i.e., choose their business model), and in the second, they make tactical choices within their chosen business model framework in order to make the business model function. So, if the higher-order strategic tool of business models refers to the overall logic of the firm, the way it operates and how it creates value for its stakeholders, the lower-order strategic tool of tactics refers to the residual choices open to a firm by virtue of the business model it chooses to employ. Tactics are therefore what allows an organization to maneuver within their overall business model. This paper claims that the thoughtful use of these tactics is essential for organizations in complex contexts. The maneuverability unlocked through exploiting business model tactics can prove vital in the ability to harness contextually induced tensions.

Approach

Through a method of purposeful intensity sampling three cases are selected that provide “excellent examples of the phenomenon of interest, but not highly unusual cases... cases that manifest sufficient intensity to illuminate the nature of success or failure, but not at the extreme” (Patton, 2002, p. 234) Raumlabor (Berlin, Germany), Recetas Urbanas (Seville, Spain), and Endeavour (Antwerp, Belgium). The first two organizations are regularly regarded as some of the leaders of the bottom-up movement, as is for instance exemplified by both organizations being the recipient of the global award for sustainable architecture (respectively in 2018 and 2015). The third organization is a younger group of architects and urbanists, whose attempt for a neighborhood to collectively purchase a significant building in the city of Antwerp sparked a lively local debate about new forms of cooperative development, co-financing and shared use of space.

These organizations unavoidably work with both sides in order to achieve (long-term) results. This leads to
Key insights: Tactical Shapeshifting
Within the three different organizations, four tactics have been identified that these organizations utilize to maneuver between institutional fields and thus be able to simultaneously follow the rules of multiple games. A first tactic is following the logic of fluidity, or undefined strategic direction. Many of the classic strategy theories emphasize the value of strategic clarity, however, the focus organizations employ a different strategy. For instance, Raumlabor deliberately chose to not declare a manifesto, which is often standard practice in architecture and urbanism. By not defining what actually is Raumlabor, it remains a ‘fluid entity, different in each member’s head.’ This fluidity makes Raumlabor not fixed to what they are, or what they should do, making the reality of Raumlabor constantly shaped by ongoing activities. In the case of Endeavour, a similar type of fluidity has been self-defined as ‘strategic ambiguity’ (Kaethler et al., 2017). Their intentional strategic unclarity allows them to on the one hand adjust their organizational narrative to the project and stakeholders at hand, and on the other leave room open towards a wide variety of non-profit, self-initiated projects that are of personal importance to the different people in the organization. “We see such endeavors as an integral part of our DNA, allowing us to continuously question or reinvent our role within spatial processes” (Tasan-Kok et al., 2016, p. 637).

A second tactic for dealing with the institutional pluralism is deliberately creating and playing out multifaceted identities. Classic organizational scholars such as Albert and Whetten (1985) have traditionally defined identity as something which is central, enduring, distinctive, and singular about an organization’s character. However, since the turn of the century, researchers have been making increasing notion of organizations having multiple identities (see e.g. the discourse initiated by Gioia et al., 2000). All three organizations play with this tactic in different ways. On an organizational level, all three organizations have different identity positionings that can be utilized. Endeavour mediates between (academic) researchers, activists and urban professionals, while Raumlabor and Recetas Urbanas playout identities that include both those of architects and artists. Each role allows the organization to be highly legitimate in different contexts and toward different people. For example, as artists, these organizations are highly legitimate to perform different interventions in public and they can use the territory of art as platforms to not only achieve civic results beyond what is possible as mere architects, but also express their position as activists to a wider audience, in their quest for a podium to reconsider the position of architecture in our society (Gandolfi, 2008). In all cases of multifaceted identities, each identity comes with its own possibilities, allows to utilize different approaches, to build up different relationships, to adhere to different norms and to discuss in different discourses, making the three organizations agile in their institutional positioning.

Utilizing a high degree of boundaryless, informality and openness is a third tactic. All three organizations are essentially in certain ways not owned by anybody, either in official statutes (referring to the collective / cooperative status of Raumlabor and Endeavour) or in daily working as is reflected in their participative practices. This makes these organizations not limited by organizational demarcations. For example, in contrast to top-down architectural processes in which citizen involvement often becomes reduced to a pro forma, all three organizations directly involve all stakeholders within their activities, going as far as the actual design and construction work being carried out by involved citizens. As the end-users and local authorities involved are constantly not only involved with, but at times decisive in determining the planning, designing, and
construction, they are at that moment essentially an integral part of the three case organizations. These organizations as open systems as such become a direct bridge between both institutional worlds. Essentially, as Markus Bader of Raumlabor states: Raumlabor is owned by everyone and no one at the same time (Bader, 2018). By combining this informality and extreme openness with strong shared core values which are exemplified in all practices, the organizations are able to informally articulate a common category of membership so that all different stakeholders view one another as part of an ingroup, leading to a high degree of identification or perception of ‘oneness’ with the organization.

A final tactic being employed is to strategically utilize complexity. In the case of Recetas Urbanas, this is to be found in legal structures. They do not so much encourage people to rebel against society, but rather to re-appropriate the city without breaking the law (Markussen, 2012). For this, the architects cipher through the law to find legal loopholes that help citizens to forgo bureaucratic procedures and barriers that are often insurmountable for ordinary people. At the same time, Recetas Urbanas distributes instructions for others on how to do so the same within the legal system. Endeavour employs a different manner for utilizing complexity. By bringing the different stakeholders in urban projects and all their different voices and opinions together in a co-productive approach to neighborhood development, the organization deliberately attempts to create a ‘manageable complexity’ within the project. By deliberately not simplifying the process, but focusing on the complexity of achieving a long-term inclusive solution, Endeavour can utilize their position as experts in socio-spatial phenomena. This expertise role within this (self-raised) complexity gives Endeavour a mandate from all stakeholders to set the agenda for the process, cementing their value in reaching out to and bridging both institutional worlds.

**Discussion and Conclusions**

The theory on business models state that it can be regarded as the overall logic through which an organization creates, delivers and captures value. This is often said to manifest itself through the deliberate actions an organization chooses to undertake. In a well-functioning business model, all decisions and actions reinforce itself, making a complete and logical story. However, a shortcoming in the theory on business models is that its applicability is often stuck on a rather conceptual and abstract level. Even though several commercially-successful tools have been developed that attempt to make business model thinking practical for example through visualizing the process (e.g. Osterwalder and Pigneur, 2010) still the translation from the conceptual idea to a successfully functioning model is often where limits of using business modelling as a strategic tool are encountered. This article sheds light on the importance of ‘tactics’ in order to make a business model function. These tactical actions are not what some would describe as the ‘primary process’ of each of the organizations. The organizations described in this paper are architects and urbanists, and thus primarily design buildings and create plans. Moreover, these tactics are tacit rather than explicit: they are not described on the “about section” of an organization’s website, nor are they in any operating manuals. Nevertheless, they are at the core of the day-to-day activities of an organization, functioning as the grease that makes the different major components of the business model run smoothly and therefore they are crucial to make the organization’s story logical and complete. Utilizing these tactics allows the organizations to have more maneuverability within the overall business model, opening up more pathways for exploration and growth. By focusing on tactical actions rather than the (on a strategic level) higher level business model actions, this article aims to uncover some of the ‘black box’ content that is a functioning business model.

With the exploration of the specific tactics used by organizations that are ‘in between’ institutional spheres, this paper has attempted to advance its conceptualization in a way that better represents the essential nature of achieving legitimacy in pluralistic worlds. As the case examples illustrate, many standard strategic tools need to be redefined when an organization is in such a complex institutional environment. Navigating between art and politics creates specific tensions that need a delicate balancing in order to bridge the gap between pragmatism and idealism. This paper has identified four tactics that are being utilized in different forms by these bottom-up firms of
architecture and urbanism. A common theme throughout them is a high degree of variability, in strategy, identity and form. This variability makes for a high degree of institutional agility making it possible to following simultaneously the rules of different games. By making room in the business model for this sort of tactical shapeshifting, these organizations are able to redefine the role of architecture in modern society: as an instrument for (re)legitimating people’s role in our society.
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Anthropological Interpretation of the Business Model: Myth, Institutionalization and Sharing

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Abstract

Using an anthropological interpretation, this essay presents the Business Model as a myth that has been institutionalized by a collective group of stakeholders. The myth allows them to become coordinated, especially when their number increases. What brings them all together is shared values and/or value-sharing.

Introduction

This essay offers an anthropological interpretation of the Business Model (BM) in the context of business creation. By referring to resource-based approaches (Penrose, 1959; Pfeffer and Salancik, 1978; Wernerfelt, 1984...) and stakeholder approaches (Barnard, 1938; Freeman, 1984; ...) within the paradigm of organizational emergence in entrepreneurship (Gartner, 1995; Verstraete, 2005; ...), business creation can be seen as the crystallization of both tangible and intangible resources provided by stakeholders, who expect compensation for their contribution to a dynamic launched by an entrepreneur (or several individuals who form an entrepreneurial team). The resulting coordination between them requires two prerequisites for the enterprise to become institutionalized: intelligibility and belief.

Keywords: Business Model, anthropology, Value Sharing

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Intelligibility is essential for organization to emerge because it is most unlikely that potential partners will put up the necessary resources for a project if they do not understand it. The concept of BM appeared in the context of Internet start-ups, when partners demanded intelligibility from entrepreneurs. The novelty of the media, the related narrative and the profile of the creators justified the demand. This demanding approach from potential partners shows that the intelligibility of any project is nurtured by discussion in which the entrepreneur is the mediator, the spokesman and - one could even say - the conductor of an act that is sometimes partly improvised.

Belief derives from intelligibility in the sense that if the project is properly understood, one must believe in it to commit to it. In fact, since a project is constructed collectively, intelligibility and belief combine to produce a conviction about an artifact, the BM, which is the myth by which representations are constructed and shared. In order to make these business representations accessible, the BM must be able to be understood as an icon, particularly in terms of its components (Verstraete and Jouison, 2009, 2011; Osterwalder and Pigneur, 2010; Demil and Lecocq, 2010). The BM can thus be understood through an anthropological interpretation that throws light on how a group of stakeholders get together and commit to a project. For believers who do not necessarily know each other, the project is led by an entrepreneur who embodies the myth of the BM and who communicates the myth through a rite of passage: the pitch. The pitch takes on a sort of messianic dimension that consists in proposing a more or less new order (or innovation if novelty is the key element). In most modern societies, this movement must be institutionalized, including in the legal sense of the word, so that responsibilities and ownership are recognized, with an increasing requirement for the sharing of the value created or the shared values.

Within imagination, myths combine beliefs in a natural order, they shape desires that arise from the meeting of two ideologies (romantic and consumerist) to create a “market of experiences” and myths create inter-subjectivity that makes coordination all the more durable as the network comprises many individuals. Myths are fundamentally linked to a belief that conveys a message. They may be distinguished from legends (that have a historical dimension) and tales (that involve fictional content). All three constitute pure types whose variations are the subject of debate (Pottier, 2012). In fact, finding a definition that covers all types and functions of myths is rather elusive (Eliade, 1963).

According to Levi-Strauss (cf. the Mythologiques tetralogy: 1964, 1966, 1968, 1971), a myth recounts an origin, a present and a future by bringing together in a global narrative the answers to the singular problems of the space concerned, and sometimes goes beyond it when it is the prism through which everything is observed. In structuralist or even systemic thinking, myths allow speculation so that the order of the whole is maintained despite the difficulties that might be encountered more locally. A myth is a story that a community believes in regarding the origin, (here, the origin of the project), explaining things as they are and as they will evolve by implementing an expected strategy. We will limit ourselves to this conception, notwithstanding the fact that myths also present differences (cf. Pottier, 2012) according to whether they concern an ultimate future (eschatological myths), include a political dimension whereby the current order is challenged (messianic myths) or legitimizing (dynastic myths), or establish a social contract (philosophical myths).

If the BM is a myth, then stakeholders may be seen as believers, including scholars who have understood the project, followers who are prone to mimicry, grail-seekers (sometimes “unicorn”-seekers), and opportunists, etc. They are brought together by a message whose intelligibility concerns both to the project itself (its origin, its present and the conjecture that the myth allows) and the meaning of their sphere of action. The latter restricts their representation, in that their frame of reference allows them to see the elements that legitimate or prohibit the narrative. This frame of reference is part conventions that influence their behavior, particularly in situations of uncertainty, where their

**Approach**

**The business model: a myth for coordinating a set of resources and partners to create the business project**

Harari’s best-seller (2011) posits that the grouping together of a large number of individuals is a human specificity that led Sapiens to dominate other species.
action is influenced by their idea of how another individual in their community would behave if placed in the same situation.

**The institutionalization of the myth through the emergence of a convention**

The conventionalist perspective is based on an institutionalist theory that takes its source in a 1989 special issue of the “Revue Economique”. Although it was mainly developed by economists and sociologists, it has philosophical underpinnings. For example, Duprèel (1925) claims the following: “The convention establishes a correspondence between its authors, creates agreement, ensures that the combination of their conduct, instead of being a sum of disparate elements, constitutes an organized whole, in fact a unified activity. This is the essence of the convention: it coordinates a series of activities, involving material facts and psychological conditions, into a single common rule that also determines the conduct or attitude of the participants.” (p. 285 and 286). However, the latter must know what to do in a situation of uncertainty, as in the case of an ex-nihilo company creation. To this end, “within each social space (a sports club, a company, etc.), there are perceptible criteria that allow a newcomer to understand it and behave in accordance with the systems on which this particular social universe is based.” (Verstraete, Jouison and Néraudau, 2018, p.97). The conventionalist perspective can shed light on the institutionalization of the myth insofar as it applies a symbolic structure to a rational void. According to Gomez and Jones (2000) it thus corresponds to Levi-Strauss’ definition of structure. Starting from an idea, i.e. the original concept, the BM is built from the entrepreneur’s interactions with the owners of the resources necessary to the project. It is therefore essential to create value for the protagonists in exchange for the value they bring. In ethical entrepreneurship, this initial exchange becomes a form of sharing when the project is sufficiently rewarded/remunerated by a market, whether this is expressed by customers or by beneficiaries in the case of a non-profit project.

**Key Insights**

**Sharing value**

Remuneration by the market is a form of reward for the value provided to it. It may be seen in quantitative terms (e.g. a company’s turnover) but also qualitatively, e.g. user satisfaction, quality of relationships, memberships, etc. This also applies to entrepreneurial projects in the associative sector, in social economy and, more generally, social entrepreneurship, where most projects do not have shareholder governance. Value goes beyond the archetype of the entrepreneurial phenomenon, i.e. company creation, as it also concerns intrapreneurial projects, company takeovers, etc. Value sharing thus consists first and foremost in optimizing relationships with partners by sharing both quantitative and qualitative gains/benefits. (A question arises when there is a deficit or a loss. Since they have taken greater risks, the answers provided often serve as arguments for the initiators of the project to reap greater reward in case of success.)

The genesis of the stakeholder theory is part of an ethical approach (Freeman, 1984) warning about the vagaries of capitalism that may occur when the management of a company is driven solely by the quest for financial benefit on the invested capital. The idea here is not to give in to a political ideology on how to distribute wealth, but to consider that sharing the created value is the core of the relationships that a company should strive to maintain with its partners in order to be sustainable and profitable. This perspective is in line with the concept of corporate social responsibility, which directly questions value-sharing (Porter and Kramer, 2011), particularly when a company wishes to correct any negative influences it may have on society. Societal issues affect companies because they are responsible for certain social ills. The aim is thus to eliminate these negative influences whenever they occur. Corporate governance tends to reject the shareholder perspective and proposes “a definition and measurement of the created value, in line with the firm’s pluralist vision, allowing a better understanding of the mechanisms for creating and sharing value in relation to corporate governance theory” (Charreaux and Desbrières, 1998, p. 73). This “value-sharing” dimension is explicitly included in certain BM concepts, for example when it is defined as follows: “a convention for the Generation, the Remuneration and the Sharing of value” (Verstraete, Jouison-Laffitte, 2011b, p.42). Within the Sharing of value dimension, the authors identify three components (like the other two dimensions of their model): stakeholders, conventions and the ecosystem, each participating
in the emergence of the myth of which the BM is held to be a representation (cf. Appendix 1).

From the interweaving of myths to the rite of passage of the start-upper: the pitch

A venture capitalist draws on the conventional register of his profession to define his attitude towards the start-up, but he also learns as it progresses. Using the benchmarks he is familiar with, he evaluates the entrepreneur (his behavior, narrative, track record, etc.) and weighs up the financial forecasts (the method used to estimate turnover, the ability to produce it, the compliance with accounting standards, etc.). Conventions that are specific to the venture capital business are part of the BM, since ignoring them could lead the partner to abandon the project1. This integration of partners’ conventions to the project is not only a sign of empathy but also a sign of respect for the customs and practices of the stakeholders. It allows the subject to be fully understood by the other party and contributes to the interweaving of myths, whether in written or oral form. It is also multiform, because the purpose varies according to the audience and the moment in time (Tétu, 2015).

The myth is apparent in both the oral form that conveys it and the written form that gives it its initial substance. In addition to its theoretical, analytical and referential underpinnings, the myth comprises content that the layman studies, judges and eventually supports by demonstrating his understanding of and belief in the project. Only then is he likely to provide the tangible or intangible resources that are requested of him. As a written support, the business plan plays this very role. The pitch has become the oral “rite of passage”. Rituals are “incarnate devices, whose performative nature creates communities and allows them to resolve their conflicts. Through ritual action, institutions demonstrate their objectives, values and social norms. Practical ritual knowledge is thus created and constitutes a presupposition of the performativity of the ritual action. This knowledge indicates how to behave appropriately within institutions... Insofar as they are staged and body representations, rituals generally carry more weight than simple speeches.” (Wulf, Gabriel, 2005, p.11). Therefore, the pitch may be seen as an incarnate utterance offered to observers, i.e. possible

1 While this applies to projects involving venture capital, the principle applies to all project partners to a differing degree depending on the power of the stakeholder.
stakeholders. Through rituals, “the human being showcases himself, sets the scene for his relationship with others and creates social interaction.” (ibid. p. 12). The pitch is a rite of value sharing or, rather, of sharing values (Hatchuel, 2005).

**Discussion and Conclusions: Value is the Grail**

It is on this note that we conclude this essay, because the intelligibility, belief and institutionalization of a project take on their full meaning in the mythical dimension of the BM and, during its ritual presentation, in the promise to share value(s) with stakeholders who come from various ecosystems and who are used to multiple conventions (inherent to their profession, the territory of the project, etc.). Stakeholders who have become coordinated will doubtlessly be more or less respectful of the “text”, i.e. their commitment in return for the promise made to them. The term ‘value’ with all its different meanings (object of exchange, desire, tendencies, reference... Comte-Sponville, 1998) is the cornerstone of many definitions of the BM (Amit and Zott, 2001; Chesbrough and Rosembloom, 2002; Magretta, 2002; Betz, 2002; Voelpel et al. 2001; Verstraete and Jouison-Laffitte, 2009; Demil and Lecocq, 2010; Baden-Fuller and Morgan, 2010...). The sharing of value(s) does not simply consist in taking the profits made by a company and sharing them among stakeholders. When it makes profit, a company can of course distribute dividends to shareholders and bonuses or salary increases to its employees. Our idea is not to exclude these possibilities from the notion of value-sharing, but to incorporate the notion of the rewards expected by the other partners (customers, suppliers, etc...) and more generally by the ecosystem in which the project goes hand in hand with (symbiosis). These rewards are expressed in quantitative and/or qualitative terms and may include emotional dimensions. This is often the case when a BM is conceived for a project whose purpose is not financial, e.g. in the context of a non-profit association or a public service. While our experience shows that the BM is useful for this type of project, it should be noted that the very presence of the word “business” in the expression is an issue for some actors of these projects. Our contention is that the BM is in fact a model of creation, remuneration and sharing of value or even shared values. This refers to a more ecological conception of entrepreneurship, an issue discussed elsewhere (refs).

The myth can be seen as the narrative of what becomes convention. This convention institutionalizes the myth by inscribing it in normative registers overhanging the behavior of the actors of a social space. This inscription is done as and when, the convention being modified by the exchanges established with the parties met. On this basis, here, in reference to the levels proposed by Massa and Tucci (2014), the BM is a narrative, whose pitch is a rite of passage leading to its formulation and dissemination, this narration can be based on iconic representations (cf. BM GRP of Verstraete and Jouison, 2009, 2011; cf. BM Canvas of Osterwalder and Pigneur, 2010). Those representations link this first level (narrative) to another called the specified graphical framework.

It will be interesting to take some famous BM to submit them to the anthropological reading proposed in this essay.
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Abstract

Like military strategists, business professionals orient themselves in the world supported by an overarching, yet by researchers unlabeled, understanding of how different organizational levels develop and interact. Researchers may understand this phenomenon by utilizing the idea of military doctrine and introducing a similar concept tentatively called business logic.

Introduction

During the last two decades, the business model concept has grown into a widely acknowledged analytical concept within the field of business administration (cf. Zott, Amit, & Massa, 2011). Used to holistically analyze the value creation and capture of a single business entity within a specific business context, the business model filled a conceptual gap between business strategy and business processes (Osterwalder & Pigneur, 2005). Business strategy and business model appear now to be the two main constructs that both managers and researchers rely on when exploring the past, present and future of business. However, if we are to accept the description of the firm as the nexus of a network of stakeholder relationships (cf. Freeman, 1984) and managerial knowledge as being based on practical wisdom (Nonaka & Toyama, 2007), it appears that the vocabulary used to explore managerial decision-making on business model development and strategy lacks a concept that addresses the interrelated and contextually anchored sensemaking (Weick, Sutcliffe, & Obstfeld, 2005) that occurs among those sharing a business context.

Keywords: Business model, military doctrine, business logic.

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Dominant logic has been identified as an important factor in relation to the manager’s ability to impact an organization’s trajectory (Prahalad & Bettis, 1986). This insight has been introduced in both strategy and business model research, and is used to stress the importance of paying heed to managerial cognition when, for example, discussing the role of cross-industry pollination of innovative ideas about value creation (Chesbrough, 2010; Tikkanen, Lamberg, Parvinen, & Kallunki, 2005). Despite being a ubiquitous phenomenon, the implementation of the dominant logic concept seems to be centered on the organizational anchoring of the manager’s sensemaking, and subsequent research has overlooked the collective learning that goes on in the relationship between stakeholders and corporate representatives (cf. Calton & Payne, 2003; Svendsen & Laberge, 2014). Firms frequently engage with trade organizations, collectively sponsor research, and work with governmental bodies to influence perceptions of their industry. Thus, there appears to be knowledge of business models and strategy that transcends the organizational and accumulates at an industry level, rather than merely within the individual organization. This type of knowledge helps managers and external stakeholders, such as policymakers, when they try to estimate the impact of business-related issues on individual organizations. It also appears that this type of knowledge is used for business model innovation in unrelated industries (cf. Enkel & Mezger, 2013).

In this paper, we suggest that the phenomenon discussed above can be described as the construction of a “business logic”, i.e. a general understanding of the history and trajectory of an industry, or category of similar business models (e.g. platform-based business models), on issues such as resource utilization, value creation and capture, regulation and stakeholder relationships. What follows is an explanation of what researchers would gain by introducing such a concept, as well as a suggested definition based on the relationship between key analytical units used within the field of business administration research.

**Key Insights**

At a glance, it becomes apparent that key vocabulary used within business administration research has a military heritage. Reviews of strategy research indicate that there has been influence from military thinking on several levels, and that this influence has taken both direct and indirect form (Mintzberg, Ahlstrand, & Lampel, 1998 p. 90 ff). Business strategy and business tactics (e.g. Casadesus-Masanell & Ricart, 2010) are examples of terminology with clear military connotations, while business logistics is a less apparent instance of this habitual adaptation of military thought (Rutner, Aviles, & Cox, 2012). Historical documents such as Sun Tzu’s *The Art of War* or Miyamoto Musashi’s *The Book of Five Rings*, regularly appear on recommended reading lists, and military sources are used as inspiration when considering concepts such as competition, stakeholder management and organizational development (Mintzberg et al., 1998).

Military activity is often conceptualized as taking place on three levels: tactical, operational, and strategic (Evans, 2003). With the introduction of the business model, the concepts of business process, business model and business strategy match, both superficially and conceptually, with the three levels. Military tactics is seen as the most basic level of planning and implementation (NATO, 2017) in much the same way as business processes are considered as the fundamental building block of value creation and capture (cf. Ostervalder & Pigneur, 2005). The operational level is “[t]he level at which campaigns and major operations are planned, conducted and sustained to accomplish strategic objectives within theatres or areas of operations.” (NATO, 2017 Lexicon p. 7), which matches the idea of the business model as a blueprint of the processes, resources and logic that support the fulfilment of a business strategy. The concept of strategy is in military jargon considered as the level at which “activities, battles and engagements are planned and executed”
(NATO, 2017 Lexicon, p. 8) and is a conceptualization of the external orientation of an organization that has been adopted in business literature (cf. Mintzberg et al., 1998). However, the three military concepts function in relation to a fourth concept, termed military doctrine (Høiback, 2011). This concept has no equivalence in business research yet introducing a similar concept would support our understanding of organizations and complement the toolbox available to researchers.

The word doctrine may convey a sense of rigidity. However, research on military use of the term explains that military doctrine is set apart from the religious origin of the word by being dynamic, educational and iterative in nature, rather than static and dogmatic (Grint & Jackson, 2010; Høiback, 2011). NATO defines military doctrine as “[f]undamental principles by which the military forces guide their actions in support of objectives. It is authoritative but requires judgement in application.” (NATO, 2017 Lexicon p. 5). A review of how military doctrine evolved indicates that it early on was conceptualized as something that is a guide to action, rather than a constraint on thinking (Davies & Gustafson, 2019). Hence, instead of a set of definitions of what to do or think, military doctrine should be thought of as “an authoritative theory of war that allows for cultural idiosyncrasies” (Høiback, 2011). This definition builds on the tripart foundation of cultural maxims, acceptance of authority, and a theory of how the world functions (Haiback, 2011). Military doctrine “links theory, history, experimentation, and practice” (Grint & Jackson, 2010 p. 352) together to provide a common frame of reference for different branches of military that helps them answer four key questions:

What the service perceives itself to be (“Who are we?”); What its mission is (“What do we do?”); How the mission is to be carried out (“How do we do that?”); How the mission has been carried out in history (“How did we do that in the past?”).

(Grint & Jackson, 2010 p. 352)

By marrying together these temporally oriented aspects of decision making, military doctrine formalizes and enacts something that is action oriented, while being supportive of both organizational and individual sensemaking (cf. Weick et al., 2005). Comparing the vocabulary used in strategy research to military conceptualization of organizational and individual action (French, 2009), especially in response to changing circumstances and the need to infuse a common motivation to act based on shared values rather than monetary rewards (Freeman, 1984 p. 90), business administration research appears to lack a concept that matches military doctrine. We argue that there could be substantial gains from introducing a concept like military doctrine. However, it is not necessary to cling to the term doctrine when developing business administration research. It could be argued that it is desirable to put some distance between an equivalent concept introduced in business administration and the original concept of military doctrine. From an ethical standpoint, moving away from the militaristic heritage would probably be preferable. Additionally, the concept of doctrine has such negative connotations that rebranding it into “business doctrine” would probably not help its use, even if the concept was idiosyncratically understood within the field of business administration. Instead, we argue that it would be preferable to insert the knowledge gained from studying the concept of military doctrine into business administration research by introducing the concept of business logic as a conceptual match.

The phrase business logic is already used in business research, but it does not appear to be nearly as popular as other terms. A search with the words “business logic” on google scholar garners 67 400 hits (search conducted 2019-02-27) which is low when compared to “business model” (724 000 hits) and “business strategy” (1 090 000 hits). Using Web of Science searching for scientific papers with the term “business logic” nets only 325 articles with most of those published in areas linked to computer science (233 hits). Only 70 articles, or 21.5 per cent, came from the fields of management and business. Looking at how the phrase is used in those 70 articles, it appears that the words business and logic are used together with no specific compound function (e.g. Hoffman, 2005). Hence, it does not appear to be an open compound word, such as business model has become. A review of the more well cited papers within the fields of management and business reveals that the word combination ‘business logic’ is linked to set phrases such as ‘service business logic’ and to the debate about how and why service is included in business operations (e.g. Grönroos & Ravald,
The combination also appears in business model literature. Here the words refer to the logic behind the business and are used to explain what a business model is: “[the business model] outlines the business logic required to earn a profit” (Teece, 2010 p. 75). They also refer to how the business model should be conceptualized in relation to its use: “Business models help to capture, visualize, understand, communicate and share the business logic.” (Osterwalder & Pigneur, 2005 p. 11). It appears that researchers sometimes also use business logic as a synonym for business model. Such usage lends variation to the text, but in cases where the exact definition of a concept needs clarification, the use of synonyms may create confusion. In some instances, the phrase ‘business logic’ even appears to be a catch phrase for researchers wanting to avoid the use of terms such as strategy or business model. This is understandable since those terms can have negative connotations in certain fields and carry conceptual baggage that makes them difficult to introduce in certain contexts (cf. Teece, 2010). Consequently, we draw the conclusion that the open compound ‘business logic’ is available for researchers to claim and define.

Based on our review of military doctrine, we suggest that business logic should be defined as a dominant theory of business management that incorporates the cultural peculiarities evolved out of collective sense-making around technology, regulation and stakeholder interaction. In this definition, theory is conceptualized as the managerial conceptualization of how the world works, and culture as the managerial or corporate behavior within that world. In Figure 1, we conceptualize business logic as encompassing the three levels of business analysis and functioning as a communicating vessel between those levels.

**Conclusion**

By putting together detailed information from different conceptual levels of the organization, decision-makers compile a foundation of knowledge, based on which they assess actual and potential changes to the business environment. However, current literature lacks a term that describes this type of knowledge. There is no commonly accepted analytical concept that provides a basis for discussing sensemaking around the often complex and interrelated facets of management that, from a scholarly perspective, take place on multiple, but interrelated, analytical levels. Neither is there, in the professional realm, a concept that helps managers to orient themselves in the way military doctrine is assumed to support decision-makers in the armed forces. Based on an understanding of military doctrine as the integration of theory, history, experimentation and practice, the analogously defined business logic concept may fill this gap. As we define it, business logic establishes the contours within which a manager expects business models and strategy to develop. The business logic concept thus represents a general logic for change in relation to both concepts, a function similar to that of dominant logic, yet with broader implications. In terms of direct application, we suggest that the business logic may support, or hinder, action on issues such as value creation and capture, regulation, and stakeholder relationships. Hence, the concept can be a starting point when characterizing the conditions necessary for changing an incumbent business model.

![Figure 1: Comparing military doctrine and business logic](image-url)
or the logic against which a new venture needs to be benchmarked when launched within an established industry. Finally, it is our conviction that the introduction of a concept that builds on the understanding of decision-making encapsulated in the military doctrine, whether it is called business logic or something else, will support researchers when studying managerial sensemaking.
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A Unified Framework for Classification of Business Model Transformations of Established Firms

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Abstract

This study presents a framework for assessing and classifying Business Model Transformation (BMT) of established firms. Using Teece’s definition of interlinked BM dimensions, we propose a diamond model to describe a change in a given firm’s BM based on the following four dimensions: Target market; Value Proposition; Value Delivery and Value Capture. The extent of change on each dimension is quantified as No change, Medium change and High change. Aggregating change on all dimensions enables classifying a specific BMT as Incremental, Semi-Radical, or Radical. Such modeling may provide better insights into the nature of a firms’ transformation.

Introduction

As defined by Govindarajan & Trimble (2005) and Aspara et al. (2011), Business Model Transformation (BMT) deals with established companies’ transformation their existing BM to achieve strategic renewal. BMT has been identified as an important research issue (Lambert and Davidson, 2012), however, its current research base was characterized as somewhat scant (Frankenberger et al., 2013).

In this paper, we propose a four-dimensional model to describe a given firm BMT. The basis for the model is Teece’s (2010) definition of BM as “the architecture of the firm’s value creation, delivery and capture..."
mechanisms”. Thus, the basis for our model identifies change in (1) Target Market; (2) Value Proposition; (3) Value Delivery and (4) Value Capture. Similar dimensions have been proposed by Baden-Fuller & Haefliger (2013); Baden-Fuller & Mangematin (2013) and Frank-enberger et al. (2013). Each dimension is quantified by three elements using a Risk/ Reward Hierarchy (Christensen & Bower, 1996; Merton, 2013): No change, Medium change, and High change.

Dimension 1: Change in Target Market - Target market is a key component in most BM constructs and frameworks (Chesbrough, 2010; Osterwalder and Pigneur, 2010; Teece, 2010). **No Change**: Stay with current target market; **Medium Change**: Focus on a sub-segment of current market (Porter, 1985) or simultaneously stay with current market and approach a new market segment. Example: Dell approaching SMB in addition to consumers; **High Change**: Leave existing market for a completely new market Example: Motorola exits the mobile phone consumer market and focuses on the public communication market (rebranding itself as “Motorola Solutions”).

Dimension 2: Change in Value Proposition- describes the values (or benefits) the firms create to customers (Priem, 2007; Kim & Mauborgne, 2005). **No Change**: Stay with current value proposition; **Medium Change**: Current Value enhancement - Better performance on already known industry metrics (Rigby et al., 2002; Christensen, 2003) Examples: Samsung offering higher battery time in its smartphone; Dell offering higher processing capabilities for its laptops etc.; or **Current Value complementarities** - Additional adjacent values that offered/bundled with current products or services (McGrath and MacMillan, 2005; Zott and Amit, 2010) **Examples**: Apple offering the ITUNES store in addition to its media player; Ebay providing secure financial transactions service etc.’ **High Change**: Cost innovation - Changing current value proposition to be based on extremely low price compared to the firm’s industry (Christensen, 2006; Williamson, 2010) **Examples**: P&G low cost electric toothbrush (spinbrush); Haier low cost wine-storage refrigerators; or **Novel Offering** - Changing current value proposition to be based on an offering totally new compared to the firm’s industry (Kim and Mauborgne, 2000; McGrath & MacMillan, 2005; Foss and Saebi 2017) Sony transistor radio, Cirque de Soliel, Yellow tail wine.

Dimension 3: Change in Value Delivery- defined as “The linked set of value-creating activities all the way through from basic raw material sources for component suppliers to the ultimate end-use product delivered into the final consumer’s hands.” (Govindarajan & Gupta, 2001). **No Change**: Stay with current value delivery activities; **Medium Change**: New activities, Architecture or Governance (Zott and Amit, 2010). **Examples**: New activities -Toyota Just in Time; GE Six-Sigma; New Architecture- Walmart cross docking process, Zara’s ability to develop a new product and deliver it to stores in just two weeks (Vs. 6 month), New Governance- NIKEID and FIAT 500- self designed shoes/cars, Ikea- Do it Yourself (DIY) ; **High Change**: Developing/Implementing new technologies compared to the firm’s industry (Christensen, 1997; Utterback,1996; Anderson & Tushman,1990) **Examples**: Airbus A380, Apple touch screen technology, Microsoft Kinetic etc.

Dimension 4: Change in Value capture- defined as “a set of strategies that enable capturing as much as possible portion of value appropriated by the firm itself, in the form of profits, rather than by other chain members or competitors” (Bowman & Ambrosini, 2000; Makadok & Coff, 2002; Aspara & Tikkanen, 2012). **No Change**: Stay with current value capture activities; **Medium Change**: Adding additional marketing/sales channels (Sabatier et al., 2010); or selling additional products/services based on current activity (McGrath and MacMillan, 2005). **Examples**: Amazon affiliate marketing, Edmunds selling its data base to third parties, Victoria Secret selling classical music CD; **High Change**: Adding activities that create high incentives for customers.
initial engagement, e.g., "Bait", bundled with activities to "lock" customers, e.g., "Hook" (Zott and Amit, 2010; Osterwalder and Pigneur, 2010); or a Utility-Based Engagement, e.g., Pay per usage (Desyllas and Sako, 2013) or Pay per result (Ding & Yip, 2013; McGrath & MacMillan, 2005). Examples: Bait and hook - Nespresso capsule, HP Inkjet. Utility-Based Engagement - Rolls-Royce engines "Power by the Hour", consulting firm Fahrenheit 212 - "outcome-obsessed, outcome-paid" business model, Google’s "pay per click".

Designing or identifying factors for customer lock-in mechanism are rather rare and might even daunt potential customers and partners as was the case with Better Place the Electric Vehicles company (Christensen et al., 2012; LeVine, 2013). Utility-based engagement involves an inherited risk of not reaching the desired performance and thus not being paid. Hence their position under High Change.

**Approach**

In order to test and verify the BMTF, we studied seven firms that underwent BMT. The study involved 14 interviews and supplemental material. Firms were chosen based on the following criteria: 1) A Small/Medium size technology company which transformed its BM; 2) Two executives who were involved in the BMT agreed to a face-to-face interview; 3) The BMT outcome was successful (a successful BMT had produced new revenues streams and defined by its managers as successful). The data was then verified and triangulated with additional data sources (Leedy and Ormrod, 2010, Yin, 2009). Several modifications and refinements of the BMTF were then added.

**Key Insights**

According to Foss and Sæbø (2017), Teece’s notion of “architecture” relates to mapping the functional relations among dimensions and their underlying activities. In other words, all dimensions should be seen as one construct, linked by the firm’s architecture, we propose that by charting a given firm BMT on the framework, one can conceptualize and measure the extent of a given BMT by a higher level of abstraction and granularity. Here is a common example from the BM literature:

**Example: Rolls-Royce PLC**

Rolls-Royce transformed its BM in the 1980s: Instead of selling aircraft engines and spare parts to operators they “gave the engine for free,” and for a fixed sum per flying hour, provided a complete engine and accessory replacement service. “The key feature was to provide operators with fixed engine maintenance costs over an extended period of time. Operators were assured accurate cost projections and avoided unpredictable breakdown costs associated” Cohen and Netessine, 2010. Rolls-Royce, (1) Stayed within its current market; (2) Created a novel offering; (3) Devised a complicated architecture and activities to deliver the novel offering and; (4) Engaged the market on a pay per usage basis.
Defining three levels of transformation: Incremental, Semi-Radical, Radical BMT

Several researchers suggested that one can measure BMT through the degree of change in the BM building blocks (Amit and Zott 2001, Osterwalder et al. 2005) or the number of building blocks that have been changed simultaneously (Skarzynski and Gibson 2008). Accordingly, the proposed model can measure transformation per dimensions (D1, D2, D3, D4) and/or their group of elements (E0, E1, E2). We define \( E \) as number of Elements changed on any dimension with a value range of \( 0 \leq E \leq 2 \). We define \( D \) as the number of Dimensions on which change has been realized with a value range of \( 1 \leq D \leq 4 \); We can now calculate Total Change (TC) with a value range of \( 1 \leq \sum TC \leq 8 \).

<table>
<thead>
<tr>
<th>Dimensions /Elements</th>
<th>E0</th>
<th>E1 (TC)</th>
<th>E2 (TC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>D1</td>
<td>0</td>
<td>( \sum TC = 1 )</td>
<td>( \sum TC = 2 )</td>
</tr>
<tr>
<td>D2</td>
<td>( \sum TC = 2 )</td>
<td>( \sum TC = 3 )</td>
<td>( \sum TC = 4 )</td>
</tr>
<tr>
<td>D3</td>
<td>( \sum TC = 4 )</td>
<td>( \sum TC = 5 )</td>
<td>( \sum TC = 6 )</td>
</tr>
<tr>
<td>D4</td>
<td>( \sum TC = 6 )</td>
<td>( \sum TC = 7 )</td>
<td>( \sum TC = 8 )</td>
</tr>
</tbody>
</table>

Factoring both Elements and Dimensions allows us to construct a three-level scale for ranking TC: Incremental= \( 1 \leq \sum TC \leq 2 \), Semi-Radical= \( 3 \leq \sum TC \leq 5 \) and Radical= \( 6 \leq \sum TC \leq 8 \). As reflected on the BMTF, one can conclude that Rolls-Royce realized a Semi-Radical BMT since their TC = 5.

Discussion and Conclusions
As BMT research evolves, we hope this work would contribute to better defining and quantifying this phenomena. By moving beyond generic typologies, a greater level of abstraction and a higher degree of granularity is proposed, hopefully providing a new way to operationalize and measure BMT. From a practitioner standpoint, since every industry/sector eventually declines, in order to survive, firms need to constantly reinvent themselves and their business model. Hopefully, this work will inspire other researchers and practitioners to further contribute to BMT research resulting in the creation of better tools, knowledge and consequently help more firms to achieve superior business results.
Bibliography


Leedy, P. D., & Ormrod, J. E. (2010). Practical research: Planning and design (9 ed.).


