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Cultivating business model agility through focused capabilities: A multiple case study

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ABSTRACT

Focusing on strategic agility and business model concepts, the present paper proposes a framework for recognising common strategies, activities and paths to business model reconfiguration developed through the activation of a set of micro-capabilities. We argue that successful companies nurture specific capabilities in order to act proactively and to reach strategic agility and direct these to specific key elements of the business model (building blocks), thus enabling the renewing of the entire business model.
The methodology is a multiple case study analysis of four successful companies in different industries. We identified three main classes of capabilities for strategic agility and we explored which ones are valid and how they can be activated in a company's business model through an in-depth within-case and cross-case analysis.
Results show that strategy innovation capabilities could be focused on motto and value offer, research and development and social responsibility building blocks; resource capitalisation capabilities on education and knowledge, management and human resource building blocks, and networking capabilities on branding and retail and network building blocks.
From a literature point of view, we contributed to the ongoing debate about business model change and critical capabilities, by investigating the "black box" of business models. From the practical point of view, the linkage between capabilities and the building blocks of the business model is important in order to capitalise on resources and time, focusing on specific actions and specific areas of the business model.

1. Introduction

Competing in fast-changing environments requires being agile in perceiving and developing opportunities to create innovations (Afuah & Tucci, 2003), increasing the response to disruptions (Doz & Kosonen, 2010) and enhancing resilience against external threats (Demil & Lecocq, 2010). This is reflected in the condition that business models need to change over time if firms want to stay competitive in a complex world and achieve sustained value creation (Doz & Kosonen, 2010; Teece, 2010). Thus, the ability to reconfigure business models is essential for company survival and success, not only to take advantage of new value creating opportunities, but also as an approach to reducing the risk of inertia towards change which often occurs when a company has been successful with the same strategy over time (Wirtz, Schilke, & Ullrich, 2010; Achtenhagen, Melin, & Naldi, 2013; Basile & Faraci, 2015). While recent business model literature acknowledges this need for business model change, there is little conceptualisation and empirical evidence on what is needed or how to achieve this change (Teece, 2010; McGrath & MacMillan, 2009), i.e. what "actions" to take. In this paper, we follow:

(1) the call of Zott and Amit (2010) for investigation within the "black box" of business models by better understanding the micro-mechanisms for business model design and renewal;
(2) the future research directions of Achtenhagen et al. (2013) who ask for research on patterns of strategising actions, critical capabilities and activities for value creation that drive the development and change of business models;
(3) the recent calls of Schneider and Spieth (2013) and Spieth, Schneckenberg, and Ricart (2014) for new insights into enabling conditions for business model innovation and in particular for deeper examinations of strategic agility and specific competitive capabilities that enable a firm to conduct business model innovation.

In particular, as regards capabilities, in the organisational literature, scholars agree that companies need to be proactive in order to sense, shape and capitalise on opportunities (Teece, 2007) and not lose value. To achieve this agility, firms have to effectively identify and arrange their bundle of capabilities and avoid falling into the cognitive

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failure described as "*capability myopia*" (Johnston, 2009), that is, not recognising the need for developing capabilities and resources to create new value propositions. In this paper, we claim that companies need to address specific capabilities to reach strategic agility and reconfigure specific areas of their business model (the building blocks). Therefore, in order to capitalise on resources and time, strategic managers should focus specific actions on specific building blocks of the business model.

The methodology we followed is a literature review on strategic capabilities and business models and a multiple longitudinal case study of four companies. Therefore, the article is structured as follows: Section 2 concerns the theoretical background of capabilities and business model components, proposing the frameworks for analysis, followed by a discussion of the gap identified in the literature. Section 3 illustrates the choice of the case studies and the methodology of multiple case studies. Section 4 is the within-case analysis of the four cases and Section 5 is the cross-case analysis with discussion. Finally, Section 6 draws some conclusions.

2. Theoretical background

2.1. Business model components

A ***business model*** shows how strategy is concretely implemented (Casadesus-Masanell & Ricart, 2010). It describes the rationale of how an organisation creates, delivers and captures value—economic, social, or other (Magretta, 2002; Tikkanen, Lamberg, Parvinen, & Kallunki, 2005; Davenport, Leibold, & Voelpel, 2006).

Many scholars agree that business models are composed of different elements merged together (Magretta, 2002; Morris, Schindehutte, & Allen, 2005; Zott, Amit, & Massa, 2011). Wirtz, Pistoia, Ullrich, and Göttel (2015) argue that "it becomes evident that a basic component-oriented view is present in many understandings" of the term business model. Firms need indeed to define, according to their business model's configuration approach, the main components which are able to generate value (Basile & Faraci, 2015). The literature has tried to build and develop a standard framework for characterising a business model and its core dimensions (Voelpel, Leibold, Tekie, & Von Krogh, 2005). For example, Osterwalder, Pigneur, and Tucci (2005) define and build a "business model ontology" that describes, in a structured way, elements and subelements of the business model, called ***building blocks***. Starting from the different definitions and perspectives of the term "business model" in the literature, many other corresponding frameworks describing building blocks have been developed, for example the "activity system maps" by Porter (1996) and the "elements of a successful business model" (customer value proposition, profit formula, key resources and key processes) by Johnson, Christensen, and Kagermann (2008). Shafer, Smith, and Linder (2005) carried out a review of business model components in established publications up to 2003, classifying them into four major categories (i.e. strategic choices, creating value, capturing value, value network) by means of an affinity diagram. Later, Wirtz et al. (2015) identified in their comprehensive literature review the most relevant business model components (i.e. where there was consensus among authors as to their importance) and then integrated them into a new business model consisting of strategic, customer and market and value creation components.

Concerning business model components, Siggelkow (2002) notes that "the advantage of an ex-ante specification of core elements is that changes in these elements can be measured consistently across firms. The disadvantage of this approach is that it assumes that the same elements are equally central or core in all the firms".

Moreover, Winter and Szulanski (2001) argue that: "The formula or business model, far from being a quantum of information that is revealed in a flash, is typically a complex set of interdependent routines that is discovered, adjusted and fine-tuned by doing". In this regard, Demil and Lecocq (2010) and Cavalcante (2014) suggest that it is important to look at the dynamics created by the interactions between building blocks, beyond just the coherence between them, in the process of business model change. In fact, the resources accumulated over an organisation's history continually react with each other and with other constituent parts of the firm's structure in unique combinations to determine the firm's key differential competences (Magretta, 2002).

2.2. Business model reconfiguration

"One secret to maintaining a thriving business is recognising when it needs a fundamental change" (Johnson et al., 2008) and developing alternative scenarios of radical and incremental changes (Cavalcante, 2014). Firms also benefit from discovering new or applying different business models in order to remain innovative (Linder & Cantrell, 2000; Giesen, Berman, Bell, & Blitz, 2007; Markides, 2008; Carayannis, Sindakis, & Walter, 2014), in other words, in doing a ***business model innovation*** or a ***business model reconfiguration***. Companies are required to continually develop and strengthen their ability and to modify their business model effectively and in a timely manner when an opportunity or threat arises (DaSilva & Trkman, 2014).

Along this line, the literature on business model innovation/reconfiguration has focused on two main areas: the positive and negative factors involved in changing the business model and the enablers or facilitators of this kind of innovation which must be taken into consideration.

2.2.1. Reasons and barriers for business model reconfiguration

Business model reconfiguration can be due to industry, revenue or enterprise model innovation (Giesen et al., 2007). In a positive perspective, Johnson et al. (2008) suggested ways to determine if the company should alter its business model, to take opportunities or satisfy a need, by determining the reasons for success of the present business model, watching for signals of change needs and deciding if the renewal is worth the effort. Taking opportunities means, for example, addressing the needs of large groups who find existing solutions too expensive or complicated or capitalising on new technology or leveraging existing technology in new markets or bringing a job-to-be-done focus where it does not exist; all of this while satisfying a need means, for example, fending off low-end disruptors or responding to shifts in competition (Demil & Lecocq, 2010). In a negative perspective, Bouchikhi and Kimberly (2003) and Chesbrough (2010) investigated the barriers to business model innovation in existing firms. The first barrier is the underlying configuration of assets and processes, since this kind of innovation requires changes in business management and consequently more costs, time and risks. The second barrier is cognitive: a challenge in business model innovation means overcoming the dominant logic (Chesbrough & Rosenbloom, 2002), because it acts as a filter preventing managers from seeing opportunities.

2.2.2. Enablers and facilitators of business model reconfiguration

Calia, Guerrini, and Moura (2007) show both how technological innovation can result in changes in the company's operational and commercial activities, influencing business model reconfiguration and how networks can provide the resources necessary for business model reconfiguration. Smith, Binns, and Tushman (2010) underlined the importance of leadership in dynamic decision making, commitment building and learning for managing complex business model renewal. Santos, Spector, and Van der Heyden (2009) emphasised the behavioural aspects involved in business model innovation arguing that formal structural aspects are connected to the informal relational dynamics. Along this line, Doz and Kosonen (2010) proposed that companies should have a strategic agility capability.

Moreover, the success of a business model is naturally dependent on numerous factors such as market conditions, strategic synergies (or conflicts), competencies and assets, financial arrangements (pricing policy, revenue-sharing schemes), robust technological infrastructure, effective governance mechanisms and organisational design (Pateli &