



Implementing new business models: What challenges lie ahead?

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Value proposition;
Organizational form;
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Abstract What strategic choices do business leaders make when implementing new business models? This study tries to answer this question by analyzing the development of several business model innovations that were new to the industry. We find that business model innovators face four strategic trade-offs and accompanying tensions during the implementation of their business model innovation process: (1) the level of independence granted to the developer (independence vs. dependence), (2) the degree to which the roadmap is planned in advance (discovery vs. planned execution), (3) the degree to which the value proposition challenges the status quo (challenging vs. maintaining status quo), and (4) the rigor to which business model innovators preserve the logic of the initial value proposition (solid vs. fluid logic). Our in-depth analysis reveals that business model innovators make pragmatic decisions that may deviate from the guidelines offered by existing literature, and we offer insights into the drivers behind these decisions.

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1. Business model innovation: An introduction

The emergence of disruptive technologies, shifting regulatory environments, and the wider availability

of big data make business model innovation (BMI) vitally important. In McKinsey's 2010 Global Innovation Survey, 80% of executives indicated that their business models were at risk as new entrants and competitors challenged their existing business models with breakthrough innovations and new value propositions. BMI is very difficult to achieve in practice—the barriers to changing business models are substantial (Chesbrough, 2010). Although 94% of the executives reported to have attempted some degree of BMI (Lindgardt & Ayers, 2014), only 6% of

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the executives were satisfied with their innovation performance (McKinsey, 2010).

Most discussions around BMI focus on how firms should translate new technologies or business ideas into new business models. Various authors believe firms should construct a business model that enables them to deliver and capture value from their innovations (Chatterjee, 2013; Teece, 2010). This literature stream stresses the relevance of developing a value capture logic by creating an architecture that creates value for customers, delivers it to them, and installs mechanisms to capture value (Chatterjee, 2013; Kesting & Günzel-Jensen, 2015; Teece, 2010). Hence, the common approach is a design approach that explains and prescribes how an initial idea should be commercialized strategically.

The process of implementing and upscaling business models—the sustaining or efficiency stage—is still relatively underdeveloped (Berends, Smits, Reymen, & Podoyntsyna, 2016; Birkinshaw & Goddard, 2009). Not much is known about how firms resolve the dilemmas that occur during the BMI journey, which have been identified in previous research: what organizational form to choose (Christensen, Bartman, & Van Bever, 2016), how to plan ahead (Sosna, Treviño-Rodríguez, & Velamuri, 2010), and how to reconfigure and develop a convincing value proposition (Albert, Kreutzer, & Lechner, 2015; Bohnsack & Pinkse, 2017). This lack of research is surprising given that many business models fail during implementation (Christensen et al., 2016).

In this article, we answer the following question: What kind of challenges do business model innovators¹ (i.e., those responsible for the strategic development of the business model) encounter during business model implementation, and how do they deal with the challenges? This article seeks to understand challenges or tensions that business model innovators face that go beyond the initial formulation of BMI and what motivates them to respond in a certain way. We aim to show how business model innovators implement their innovative business model, what strategic choices they make, and why they make these decisions once they have developed a new business idea and logic.

We review the business model literature and perform case-based research to reveal four strategic trade-offs relevant to business model innovators: (1) the degree of organizational freedom granted to them, (2) the degree to which they rely on planning vs. experimentation, (3) the degree to which the value proposition challenges the status quo, and (4) the persistence of using the same value proposition logic. In line with the design approach, the literature often prescribes a one-size-fits-all strategy about how to deal with the trade-offs, neglecting the idiosyncratic firm attributes and market context.

Our multiple case study analysis shows that business model innovators make different decisions regarding the same trade-off and sometimes purposefully go against the propagated guidelines. Our in-depth analysis reveals four strategic trade-offs that represent exploration-exploitation trade-offs in which firms need to consider selecting a position on either of the two extremes to stimulate exploratory or exploitative outcomes. To resolve acute tensions caused by these trade-offs, business leaders orchestrate their business models to seek—according to company priorities, business model maturity, and market circumstances—specific exploratory or exploitative outcomes, or a combination of both. Although extant business model studies provide sensible guidelines, they cannot always accurately predict what firms will (and should) do. In our discussion, we show how managers can make sound strategic decisions regarding the trade-offs and indicate what key aspects drive the choice for either an exploratory or exploitative response.

2. Business model innovation in theory

Business model innovators find new ways to create and capture value for their firm's stakeholders by introducing a new business concept in areas where competitors do not participate (Casadesus-Masanell & Zhu, 2013). BMI constitutes the discovery and implementation of a fundamentally different business model into an existing industry (Markides, 2006). Although BMI is more difficult for competitors to imitate than a single novel product or process innovation (Shafer, Smith, & Linder, 2005), it is also risky. It frequently causes a major disruption that results in a clash with existent partners and vendors, requiring the establishment of new partnerships and customer effort to understand and try out the new product concept.

¹ We define a business model innovator as a person who is directly responsible for the development and implementation of the business model. These innovators strategically manage the business model's building blocks (including value proposition, key partners, key resources, key activities, channels, customer relationship, and customer segments)—often residing in a (new) business unit that runs the new business model.

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