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Product, service, and business model innovation: A discussion

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Abstract

Business model innovation is increasingly recognised to be a central part of strategic management that generates the decisive competitive advantages for a growing number of organisations. This is particularly relevant in the areas of corporate sustainability strategy and sustainable entrepreneurship, since technological innovations in isolation yield increasingly incremental economic, social and environmental performance improvements. Despite the surge of research into business model innovation, there is still conceptual ambiguity among academics and practitioners about business model innovation. This lack of clarity not only poses issues for understanding what makes companies successful, but also for understanding how business model innovation relates to product and service development processes. To address these issues, we suggest a discussion that links sustainable business model innovation to the more established fields of product and service innovation. To start this conversation, we conducted a comprehensive literature review using structured keyword database searches and cross-reference snowballing. Based on the literature findings, we conducted two focus groups with industry representatives, resulting in the proposition of a first set of potential differentiation dimensions. The intended contribution is increased conceptual clarity for academic researchers and industrial decision makers. By improving our understanding of how business model innovation relates to product and service innovations, we can increase the effectiveness and efficiency of sustainable business model innovation research and implementation.

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1. Introduction

Because of pressing environmental issues, like climate change [1], biodiversity loss [2], and resource depletion [3], but also social problems, like extreme poverty, which is increasingly entrenched in the worst affected countries [4] or rising inequality in industrialised countries [5], [6], the transition to a more sustainable socio-economic system seems increasingly desirable..

Central to facilitating this transition and to providing the necessary resources and capabilities is the private sector [7]. For organisations that support this transition, business model innovation is an increasingly important leverage point to meet their sustainability ambitions [8] because technological innovation alone seems to yield diminishing returns [9]. However, many practitioners seem to be more familiar with product and service innovation and the business model concept remains unclear to them [10].

As a first step towards addressing this conceptual ambiguity, we suggest a discussion of the differences between product, service, and business model innovation to guide companies’ diversification choices and provide a more solid basis for academic research. We want to start this discussion by proposing a first set of potential dimensions of differentiation.

This paper is structured as follows. First, in section 2, the research gap is introduced, before the research method is presented in section 3. This is followed by an illustration of the findings in section 4. The paper ends with a discussion of the results and recommendations for future research in section 5.

2. Background

The business model concept gained popularity during the dotcom boom of the 1990’s, initially to communicate complex e-commerce ideas to investors [11]. Following its popularity with practitioners, academics started to investigate the notion, with an upsurge in research since the early 2000’s [12]. The purpose of the business model concept has evolved to be twofold. On the one hand, the business model has become an instrument for the systemic analysis, planning, and communication of the configuration and implementation of an organisational system [13]. On the other hand, business model innovation is increasingly seen as a source for superior organisational performance and competitive advantage [14]–[16] that is complementing or even partly replacing organisational strategy [17]–[20], as illustrated in Figure.

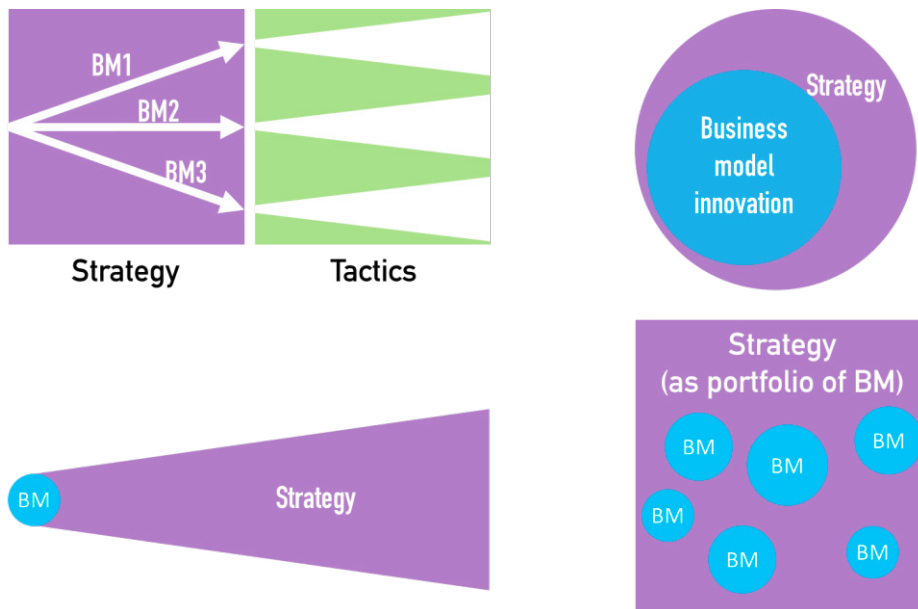


Fig. 1. The relationship between organisational strategy and business models

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