Business model innovation as lever of organizational sustainability and social growth: Enhancing firms' competitiveness by developing knowledge and tools for entrepreneurial ecology

Topic description

Business models are considered to be holistic, systemic approaches of analyzing and describing the ways and means by which organizations operate. Indeed, they often represent an activity-centred framework of firm dynamics with their internal and external stakeholders (Zott *et al.*, 2011; Zott and Amit, 2008) and define an organization's core value proposition. Consequently, business models should not be deemed as simply an organization's operational strategy. Instead, they are designed as tools for decoding, understanding, and effectively communicating a strategy both within an organization as well as across its core value system. As a result, business models constitute both the core and driver of a firm's' strategy. These interactions between strategy and business models enable external observers to understand a firm's strategy by looking at its business model, as it reflects the operational strategy of an organization. In particular, the business model reflects the architecture of an organization to accomplish a specific purpose, usually value creation. In addition, business models enable value unlocking, capturing and leveraging, which are considered as core elements of the current and emerging state of the art in relation to organization science, theory, policy and practice matters (Carayannis, Sindakis, and Walter, 2015).

On the other hand, technologies as such do not have a specific value. Their value is determined by the business models used to bring them to a market. The return on investments in technology and process development therefore depends not only on the overall framework conditions for innovation and entrepreneurship, but also on effective business models. However, many organizations, whether large or small and medium sized, lack awareness and tools to innovate their business models. Against this background, the challenge addressed by this topic is to facilitate innovation in business models and allow a maximum number of companies to innovate their business models.

This topic will advance current understanding and awareness of business model innovation. It will produce new knowledge on business model innovation which will enhance firms' competitiveness and help address social challenges. Companies, including SMEs, will examine and change their business models, adopting solutions that increase their competitiveness. The impact will also be an increase of the attractiveness of the business environment for innovators and a contribution to the overall objectives of entrepreneurial ecology. At company level, it will help companies to develop new or strengthen existing business models and thus grow in terms of jobs and turnover.

Scope

A business model describes how a company communicates, creates, delivers and captures value out of a value proposition. Current thinking summarizes the functions of business models as: articulating the value created for users by the offering; identifying a market segment; defining the structure of the value chain required and the position of the

firm in this value chain; formulating the competitive strategy.

Innovation in business models mainly comes from new activities (content), new linkages between activities (structure) new markets (context) and/or new partners (governance). Inspiration for business model innovation (BMI) can come, for instance, from business models developed in other business sectors (transfer) or from analyses of patterns in business models (system). Open innovation, emerging collaborative business models and new partnership mechanisms also mean innovation in business models for SMEs and bigger companies. Further research is needed on business model innovation and the successful implementation of business models. Within the scope of this research is to explore the ways by which new knowledge is created and investigate access to this knowledge and the capacity of companies to adjust their existing business models. The focus in addressing the specific challenge is therefore, with equal weight, on the following four dimensions:

- advancing existing knowledge about business model innovation, e.g. by identifying patterns, exploring management structures, analysing the potential of transfer across sectors and member states;
- making this knowledge easily accessible;
- developing mechanisms how to adjust the knowledge to individual companies, and
- reaching out, possibly via existing channels, to a maximum number of companies.

Different models of ownership and different management structures, including those that make use of employee involvement and emphasise workplace innovation, are within the scope of this topic. Due attention should be given to the gender dimension in developing business models and multi-disciplinarity, as well as to the broader social and environmental aspects of business model development and implementation. Specific sectors can be targeted as long as the transfer of business models across sectors is included in the approach. The aim is to turn into a self-sustainable platform after the end of this research.

Strategic objective

This project aims to support SMEs in realising their potential through enhancing awareness and providing interventions which facilitate business model design and innovation, creating and capturing value both for their own operations, but also for an entrepreneurial ecological system of business coopetition.

Project objectives

This study aims to show how business model innovation can be used to overcome industrial challenges (i.e. non-renewable resource consumption, ecosystem degradation, pollution, etc.) as well as explore opportunities for sustainable development, while addressing social issues (environmental sustainability, economic sustainability, and social sustainability), partly by moving from a business model focused on the trade of goods to a business model focused on the trade of tasks: by combining digital and physical infrastructures, or by turning products into services. It also plans

to address how organizational sustainability can be achieved with business model innovation and examine the role of organizational design, governance, and stakeholders (e.g. suppliers, customers, competitors, society) in the innovation process. Moreover, the ways by which organizational performance is influenced by different business models is also explored, aiming to shed light to this theoretical gap. Additionally, this project aims to build on existing work on coopetition and entrepreneurial networks to develop a model for coopetitive innovation in entrepreneurial contexts.

Methodological approach

This research aims to explore the ways and means by which firms create new knowledge and innovate, leveraging their internal capabilities and resources (Zott and Amit, 2010). This study also plans to investigate the potential access points to this knowledge, as well as analyse the capacity of companies to transform their existing business models, following the dynamics of the industry, environment, society, etc.

In addition, this research aims to focus on the benefits of business model innovation and present novel ways and means with which organizations utilise their value proposition in order to: create, capture, deliver, and communicate value as well as gain competitive advantages by identifying new market segments and by overcoming commoditization challenges. This project will explore the diverse models of ownership and management structures, including (but not limited to) those that apply employee involvement and emphasise on workplace innovation. In particular, the gender dimension in developing business models will be further examined, studying the characteristics and the benefits of genders in business model innovation. In addition, the research team will examine the concept of Business models in New Global Markets. This will be achieved by field research, including a number of surveys in vertical markets, such as environment / green tech, biotechnology and renewable energy, healthcare, tourism, chemicals, food and beverages, textiles and clothing. Furthermore, the cooperation and coopetition dynamics between teams, units, and firms will be explored, focusing on the multidisciplinarity aspects of this concept. The impact of universities, society, and environment on business model development and implementation will also be explored. What is more, the importance and role of technology transfer agents as actors that transform scientific knowledge into marketable innovative products will be investigated and highlighted in this project. Finally, this study aims to analyse when, how and why entrepreneurial actors develop cooperative and/or competitive relationships, investigating the dynamics supporting entrepreneurial activities as well as the process of value creation in entrepreneurial ecology.

Expected impact

To date, the business model is a poorly understood construct (Teece, 2010) which lacks theoretical and empirical foundation (Bock *et al.*, 2010; Zott *et al.*, 2011; Schneider and Spieth, 2013). This project aims to contribute to this discourse by studying and presenting ways and means by which organizational sustainability is achieved through BMI. This project will identify and illustrate how the adoption or combination of different business models can influence organizational performance. Furthermore, we will examine the role of organizational design, strategies, governance, and

context in the process of implementing BMI. This will lead to both 'place based' and 'sector based' recommendations in relation to business model innovation. In addition, we will further develop knowledge and understanding of the value of knowledge transfer and business systems within entrepreneurial clusters and their impact on BMI and organizational sustainability. In this regard, we will employ the resource-based view of the firm and knowledge-based innovation to provide a new coopetition perspective on entrepreneurial clusters. It is anticipated that a model for coopetitive innovation in entrepreneurial clusters settings will be developed, by exploring the development and evolution opportunities of entrepreneurial clusters involved in coopetition dynamics. This model will be embedded into the wider entrepreneurial ecosystem theory, in which entrepreneurial clusters co-creation is highly dependent of knowledge creation and knowledge capture opportunities as seedbed for innovation. Furthermore, we will provide additional insights on the role of coopetition and, more specifically, on how strengthening the coevolution of coopetitive-based mechanisms helps entrepreneurs and business systems to foster superior innovation emergence and performance.

Possible work packages

The work packages of the project are the following:

1. Advance existing knowledge about business model innovation
    a. Critically review the existing literature on business models and business model innovation, with the aim of applying and adapting the different elements of business model into the context of organizational sustainability;
    b. Study and present how organizational sustainability is achieved through BMI;
    c. Examine the role of organizational design, strategy, governance, and context in the process of implementing BMI. In addition, indicate how the adoption or combination of different business models influence organizational performance;
    d. Explore, discuss, and present the importance of knowledge transfer and business systems within entrepreneurial clusters and their impact on BMI and organizational sustainability;
    e. Investigate the role and dynamics of coopetition and, more specifically, how strengthening the coevolution of coopetitive-based mechanisms helps entrepreneurs and business systems to foster superior innovation emergence and performance;
    f. Develop a model for coopetitive innovation in entrepreneurial clusters settings, by exploring the development and evolution opportunities of entrepreneurial clusters involved in coopetition dynamics.
    g. Review and assess concepts and tools for business model innovation in the start-up setting and evaluate their potential to be transferred to the context of established corporations, adjust, elaborate and transfer these models to established corporations.
2. Material Dissemination: Material will be disseminated through appropriate communication vehicles in order to ensure a proper fit between the projects outcomes (return-on-experience presentations, lessons learned,

recommendations, research publications) and the targeted SMEs organizations. The diffusion channels will be used in a complementary and iterative manner to ensure a maximum outreach at all levels. The interplay between each of the information spreading vehicles is critical to generate and reinforce impact on an uttermost number of SMEs.

References

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