



School of Management

# Business Models: Assessment of the dynamic aspects and non-dynamic aspects

**Blekinge Institute of Technology  
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Master in Innovation, Entrepreneurship and Business Development**

**Master's Thesis in Innovation, Entrepreneurship and Business Development**

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## **Abstract**

**Purpose:** The purpose of this thesis was to identify and also compare dynamic issues in different business models.

**Findings:** The thesis explored seven components of the business model including goals, scope, key activities, key resources, value proposition, customer relationship and channels. It thoroughly assessed how the sensing, seizing and transforming capabilities of the firm could be used to bring dynamism to each component and to the overall organisation's business model. A review of the practical circumstances of three big corporations was conducted. The results included the discovery of interconnectivity and mutual dependence of the business model components, as well as some potentially linear and iterative relationships. Some components were found to foster dynamism, while some others were discovered to have the potential to impede dynamism. While the complexity and diversity of organisations' business models was recognized, a simple framework for a dynamic business model was formulated.

**Research Implications:** This research contributes to the understanding of dynamism of business models especially in regards to the dynamic and non-dynamic aspects of individual components. It also further highlights the need for further research on how organisations can practically make their business models dynamic through exploiting their dynamic capabilities.

**Practical Implications:** These findings could be applied to multinationals in various industries. While companies of all sizes and in all industries could also find it useful, it should be noted that the empirical studies were conducted on multinationals. The findings could be useful in mapping out the business models through components that are easy to understand and assessing their related aspects of dynamism. Thus managers should be able to identify components of the business model that fosters dynamism, those that could hamper dynamism and how their dynamic capabilities could be exploited.

**Key Words:** Business Model Innovation, Dynamic Capabilities, Strategy

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*“Winners in the global marketplace have been firms that can demonstrate timely responsiveness and rapid flexible product innovation, coupled with the management capability to effectively coordinate and re-deploy internal and external competencies.”*  
(Teece, D.J., Pisano, G. & Shuen, A., 1997, p. 515)

## **1: Introduction**

### *1.1. Background*

Innovation is in the heart of the business world today. In order for companies to win customers' loyalty and patronage, they must engage in innovative activities that overall, offers the customers much more value than competitors. Innovation could be both in terms of end result for example product, or/ and the process of reaching the end result (Fagerberg et al. 2006). The processes are the set of activities an organization engages in, towards the achievement of its end result. Our focus is on the innovation process that can be performed by identifying the resources of the organization, which might include new ways to organize business in order to exploit both existing and new market.

These organisational processes are sometimes referred to as business models. Many researchers have attempted to define the term business model. According to Johnson et al. (2008) business model comprises of customer value proposition, profit formula, key resources and key processes. Osterwalder & Pigneur (2010) also stressed that a business model describes the underlying principle of how organisations create, deliver and capture values. Osterwalder et al. (2005) had earlier termed a business model as a blueprint for how to carry on the activities of a business. The authors would like to stress on Teece's description where he stated that for an organization to carry on their businesses, they set up organised ways of conducting day-to-day activities, the major processes and the overall activities which all together have an aim of delivering value to their customers as well as bringing profits to the companies. These ways by which 'a firm delivers value to customers and converts payment into profits' is defined as Business Model (Teece 2010), a definition the authors here adopt to in this study.

In the paper on 'business model dynamics and innovation: re-establishing the missing linkages', Cavalcante et al. (2011) reiterated the need for organisations to introduce dynamism to their existing perception of business models. A business model could include four phases namely: business model creation, business model extension, business model

revision, and business model termination (Cavalcante et al. 2011). In order for organizations to continue having a competitive advantage, based on their business model the organisations have to consider the need for extension and revision, and if necessary, the termination of certain business models. In this context, dynamism could be described as the ability for the organisation to see the need to move from mere creation of a business model to extension and all through revision to termination when necessary. Having sensed these needs, organisations should harness their capabilities towards transformation of their models. Thus a business model going through these phases could be said to be dynamic.

There are challenges in making business models dynamic because it is common for organisations to get used to a business model that has proven successful over a period of time. This may contribute to the organisations being unwilling to welcome any changes (Cavalcante et al. 2011). However, there are motivations for organisations to make their business models flexible and adaptive to the needs and trends of the market. These motivations largely depend on the nature of the organisation. Some examples include: increasing profitability, increasing market share, outwitting competitors, establishing platform leadership and perhaps making competitors irrelevant. Writing about the impact of a winning business model, Kim and Mauborgne (2005) argued that companies should not only win in competition but make their competitors irrelevant. This can be achieved through value innovation. Therefore, the value for an organisation to have an adaptive business model which is able to respond to the needs of the external market based on the firm's dynamic capabilities can be immeasurable. It is therefore possible that dynamic business models thrive on firms' dynamic capabilities because according to Casadesus-Masanell & Ricart (2010) business models lie in the hearts of competitiveness and thus must attract managers attention towards having sustained competitive advantage.

An example to consider would be IBM, the giant in computer industry. The company, which has been in business for about a century, experienced a difficult time about two decades ago. The company almost closed down, having had its stock price decline rapidly, laying off over 60,000 employees and losing goodwill (Harreld et al. 2007). The company which later had about 700bn SEK in revenue during 2010 (IBM Corporation 2010) has a fascinating story. This dramatic change was a result of change in some key aspects including its business strategy and business model. IBM changed from being just a technology based company to a broad-based solutions provider with an unprecedented new world open systems and on-

demand capabilities (Harreld et al. 2007). In their work, Harreld et al. (2007) argued that the change factor in the IBM story was the exploitation of their dynamic capabilities.

There are several other companies that have had groundbreaking successes by making their business models dynamic. Apple, Wal-Mart, FedEx, Hilti and Tata-Nano are some examples (Johnson et al. 2008).

### *1.2. Problem Discussion*

Organisations of all sizes need to have a workable business model (Casadesus-Masanell & Ricart 2010b) and this is even more important for global companies. In order to grow, many companies engage in market penetration, market development, product development and even diversification (Kotler & Armstrong 2001). The desire to grow makes global companies with presence in all continents complex and they usually operate using multiple business strategies and business models. These global companies many times structure their operations into different Business Units. According to Koontz & Weihrich (2007) a strategic business unit is a separate little business established as an entity within a larger organisation with the purpose of ensuring that a product/service line is promoted or handled as if it was an independent business. Each of these business units has its own goals, objectives and targets. Additionally, they also have their own strategies and models in carrying out their activities. Strategic business units of an organisation which according to Javidan (1998) have their set of skills and know-how that are peculiar to them which they integrate and coordinate, aim for goal congruence. Goal congruence is the aligning of individual departmental/ strategic business unit's goals to those of the overall organisation (Vancouver et al. 1994). They do this in response to the heightened competition in the market place and to the dynamism of their internal capabilities (Hendrick 2009). Thus organisations that have dynamic business model both at the overall firm level or individual business unit level, can more effectively create and capture value by enabling themselves to respond to the needs of the external market, based on the firm's dynamic capabilities.

Researchers have come up with a wide range of frameworks on the conceptualisation of organisations' business models. For instance, Chesbrough (2007) highlighted the different phases an organisation could be in their business model or rather the types of business models of an organisation ranging from undifferentiated business model to an adaptive platform (See Figure 4). Stressing on the adaptive platform which aids integration of business models in value networks, he argued that in order for an organisation to make their business model

dynamic they need to establish their technologies as basis for platform innovation. Chesbrough's argument for an adaptive platform was technology-based. However, there could be non-technology organisations. Technology organisations are also seeking alternative competitive platforms thus our study extends the adaptability to the overall business level in organisations.

This research studies how organisations can make their business models dynamic. This is important because although there have been researches on the need for organisations to be innovative with their business models (Nenonen & Storbacka 2010; Baden-Fuller & Morgan 2010; Johnson et al. 2008), the literature is still deficient in regards to operationalizing the theory (de Reuver et al. 2009). The cause of this among other reasons, is traceable to two issues raised by Johnson et al. (2008) including:

- Lack of adequate contextual definition of dynamics and processes of business model innovation
- Poor understanding of current business models which results in undermining their business model potentials and not knowing when it is appropriate to leverage or exit their current models.

It is interesting to note that 50% of executives surveyed by the Economist Intelligence Unit supported the notion that considering the economic climate, innovating the business model which involves making it dynamic, would become more pertinent for organisations than either service or product innovations (Johnson et al. 2008). Therefore, considering the fact that the bottom-line for organisations is often the creation of value for its stakeholders (Dade & Lichtenstein 2007), and sometimes more specifically, the generation of profit, it is useful to see how companies engage in business model innovation. Some motivations could be in order to create value proposition, capture new market segments and even make competitors irrelevant. Thus business model innovation could be the reengineering of the company to the extent that a new company emerges with new focus and outwitting strategies.

Mitchell & Coles (2004) in their work highlighted the importance for organisations to focus on what makes their business models dynamic arguing that companies prioritizing these will enjoy sustained competitive advantages. As an example they described the ability to explore and exploit innovations from other industries. This stresses the relevance and importance of sensing, seizing and transforming capabilities. Sensing capabilities being the abilities to scan, search and explore opportunities across technologies and markets; seizing capabilities

referring to abilities to address the opportunity through new products, processes or services; while transforming capabilities includes the abilities to adjust the resources base of the firm in a dynamic environment (Teece 2007). de Reuver et al. (2009) noted insufficient research as regards the relationship between external forces and the choices firms make about their business model design, stressing that insights into these effects would help to have an innovative business model with appropriate flexibility and adaptability.

There are various aspects of the business model innovation discussion as well as several related concepts which could be examined in judging how they could bring dynamism to the business model. For example, the stakeholders' interest (Lewis et al. 2007), customer value proposition (Zhang et al. 2010), the profit formula<sup>1</sup> (Johnson et al. 2008), process architecture (Tankhiwale 2009), corporate governance and innovation (Belenzon et al. 2009), customer relationship management (Hedman & Kalling 2002), organisation process maturity model (Rosemann & De Bruin 2005), open innovation (Chesbrough 2004), open business model (Jaring 2009), project management & change management (Jetter et al. 2008), organisation learning and knowledge management (Malhotra 2002), networking and collaboration (Miles et al. 2006), dynamic capability (Teece et al. 1997). Some other relating to implementation include strategy and execution (Springer 2008). Each of these has important implications on business model innovation. For example Belenzon et al. (2009) highlighted the near-negligible-but-possibly-significant aspects of the relationship between ownership, corporate governance and innovations. It is possible that the governance of an organisation impacts its innovativeness, as they found that innovative companies deliberately choose structures conducive for R&D. In addition, assessing the impacting of technological innovation on the business model of an organisation, Jetter et al. (2008) stressed that while companies attempt to adapt their business model and corporate culture to global changes, it becomes imperative to master professional change management. Hedman & Kalling (2002) challenged the validity of current research in regards to the integration of ICT like CRM in the context of business models. Lewis et al. (2007) suggested a host of lessons on ways to organise and support business process innovation in conformity with stakeholders' views and reasoning. However, the scope of this study does not cover all these various related areas in depth.

The authors choose to narrow down our study to only a few of these issues. This study looks more deeply into the dynamic capabilities of organisations in relation to business model

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<sup>1</sup> Profit formula relates to how the business model generates value for organisations

innovation. It appears that the exploitation and exploration of dynamic capabilities cuts across all these other concepts, that is, while organisations employ all these areas and others, it seems that engaging their dynamic capabilities would go a long way in helping. Although dynamic capabilities are usually defined in terms of the firm's responsiveness to its external environment (Teece 2007), it enables the firm to maximize its resource base by developing and managing existing and new competences (firm specific capabilities) and resources; this is referred to as the resource-based view (Penrose, 1959; Rumelt, 1984; Teece, 1984; Wernerfelt, 1984 cited in Teece et al. 1997). In order to be successful, a company should have to exploit internal and external resources. Dynamic capabilities could enable them to look at their internal resources base. The business model coupled with the dynamic capabilities can impact the flexibility and efficiency of an organization. A firm's innovativeness might rest on its dynamic capabilities. According to Teece et al. (1997 p. 510) 'dynamic capabilities can be seen as an emerging and potentially integrative approach to understand the newer sources of a firm's competitive advantage'. It essentially includes the firm's ability to exploit its core competences and unique resources. Harreld et al. (2007) reiterated that dynamic capabilities should not just be seen as 'abstract academic concepts' rather they should be appreciated as a concrete set of mechanisms that assists managers address the fundamental questions of developing a competitive strategy.

The theory of dynamic capabilities forms a fundamental part of the study because organisations' ability to create, implement and sustain a dynamic business model could rest on how well they are able to harness their dynamic capabilities. Teece (2007) wrote on the Sensing, Seizing and Transforming components of dynamic capabilities in order to assess how organisations can learn from inside and outside the organisations, recognise opportunity and implement changes. Wang & Ahmed (2007) outlined the adaptive, absorptive and innovative capabilities as components of dynamic capabilities. However, stressing the importance and relevance of dynamic capabilities in the context of business model innovation may not be enough. Instead it is of equal importance for the literature to lay out how firms can exploit and explore their dynamic capabilities while introducing dynamism to their business models.

Mason & Leek (2008) in their research have considered dynamic business model as an example of inter-firm knowledge transfer and have highlighted the challenges like how to convince the clients of the business offerings, and how well to understand the clients' needs. They also addressed other challenges such as knowledge accumulation, sharing and

application both within the firm and inter-firm in the process of making a business model dynamic. Mason & Leek considered business model as an example of inter-firm knowledge transfer, however, the authors would like to consider inter-firm knowledge transfer among others, as a factor towards making business models dynamic. Mason & Leek appeared to focus on the ‘seizing’ and ‘transforming’ parts of dynamic capabilities with little emphasis on ‘sensing’. The authors would thus like to investigate the place of learning in ‘sensing’ opportunities recognitions.

Giesen et al. (2010) presented a “Three As” model which applies to the industry model, the revenue model as well as the enterprise model for companies to make their business models more dynamic. The three As include *aligning* both internal and external resources, competences and opportunities; *analysing* the financial and overall business impact in order to gain business intelligence; as well as *adaptability* which involves building flexibility into the business model. These three activities (aligning, analysing and adapting) might become important because of the potentials that organisations can realise by engaging in them. However, some other issues are left out or not explicitly stated which include for example how to identify these internal and external resources, competences and opportunities. Thus it would be useful to integrate the three A’s in other frameworks to have a robust model that capture every important point.

Contemporary organisations might not have difficulties in adjusting their operations, aligning their activities or changing their patterns to fit the needs of their customers. However, there are several other factors that need to be considered in implementing or incorporating dynamism into their business models. Some of these factors include the appropriate strategies in reaching the goal or reaching the market. In considering the appropriate strategies for execution, Yip (2004) outlined the possibilities of either incrementally or radically implementing the change the organisation seeks. While Yip outlined these, the authors like to connect the exploitation of dynamic capabilities with these two options while organisations move towards making their business model dynamic. Springer (2008) stressed on strategy formulation and its efficient execution in a dynamic economic environment. The authors would like to consider the inherent drawbacks of business models and also consider the overall possibility of introducing dynamism to business models.

Demil & Lecocq (2010) in their article stressed on the importance of viewing a business model as an adjustable process that involves deliberate, consistent and responsive changes in

and between a firms' interlined key activities. They stressed the importance of 'dynamic consistency' which in their words *'is the capability to anticipate change sequences and implement incremental or radical changes to adapt the business model to maintain or restore ongoing performance'* (Demil & Lecocq 2010, p.243). Thus they consented that managers need to make deliberate decisions towards making the business models dynamic. Although Demil & Lecocq stressed on 'dynamic consistency', little emphasis was placed on the limitations managers encounter in their attempt to implement the dynamism which might oversimplify the process. Also, even though managers acknowledge the importance of the organisation's capabilities, it might be the case that not many appreciate fully the value of engaging the adaptive, absorptive and innovative capabilities (otherwise classified as sensing, seizing and transforming capabilities) in innovating the organisation's business models (Teece 2007; Wang & Ahmed 2007).

### *1.3. Problem Formulation and Research Question*

From the above discussion, the authors highlight the following issue regarding business model innovation:

"Which aspects of dynamism can be added to the Business Model concept?"

The authors can reiterate that this is due to the current literature being deficient as regards operationalizing the business model concept (de Reuver et al. 2009), lacking adequate contextual definition of dynamics and processes of business model innovation, coupled with poor understanding of current business models which results in undermining their potentials and not knowing when it is appropriate to leverage or exit current models.

Since organizations need to keep up with increasing technological developments and market place dynamics, they are confronted with the challenge to learn, develop and manage their capabilities according to the changing environment. This in turn drives organizations to make use of dynamic business model (Mason & Leek 2008). Also based on an economist intelligence unit survey of 4,018 executive's worldwide and in-depth interviews with leading decision makers, research states that companies that can best understand dynamics and those which could enable it to adapt to the emerging business landscape, have more potential to prosper (Borzo 2005). According to Cavalcante, Kesting & Ulhøi (2011); Mason & Leek (2008) dynamic business models comprise continuous change, as such they argue that firms should develop the capabilities to incorporate both static and elastic characteristics in their business models. In this case, static refers to the firms existing activities and elastic represents

the ability of the firm to learn and implement new things invariably. Therefore, it can be seen that the dynamic capabilities of a firm can be a huge leverage for a successful business model.

The authors thus want to explore the dynamic aspects of business models, and investigate how organisations can *operationalize* this. This leads to our research question:

*How to make business models more dynamic?*

The relationship between the static and elastic component is considered as a continuum rather than being dichotomous.

#### *1.4. Purpose*

Our study views the subject of business model at the overall business level in organisations as well as at the individual business units level. Thus the purpose of this thesis was to identify and also compare dynamic issues in different business models used at both levels in the organisations.

## **2: Theory**

### ***Overview***

*The chapter below starts out with an evaluation of the business model concept, business model innovation and specific components of the model; followed by describing what motivates decision makers in organisations to innovate their business model; it goes on in assessing related theories and models, the theory and role of dynamic capabilities. It ends with the proposal of a theoretical framework for a dynamic business model...*

### ***2.1. Business Model Theory***

#### ***2.1.1. An Evaluation of Business Model Concept***

As Osterwalder highlighted, a point of departure for a research on business model innovation, should be the consideration of the term business model. Even though the reality of operationalizing the concept in organizations might be complex, and indeed it is complex, it would be helpful to have easy-to-understand definitions which can be built on (Osterwalder & Pigneur 2010).

The term ‘business model’ has gained popularity in business literature and its heightened recognition could be traced to the late 90s (Demil & X. Lecocq 2010). The relevance of the term which is referred to as the depiction of various factors within the way an organisation carries on its activities which bring value to customers, gained increased recognition alongside the widespread of internet and its marketing channels/ platforms. Business model could be referred to as a system of interdependent and interrelated activities which goes beyond the borders of a particular firm and extends to the relations the firm has with its external environment (Zott & Amit 2010). A system usually involves procedures or processes for obtaining an objective.

A business model could be viewed as a ‘representation of some aspect of a firm’s strategy’ (Seddon & Lewis 2003 p. 237). Cavalcante et al. (2011) argued that a business model could be viewed as a systematic analytical device which could be employed on one hand for evaluation and action considering the change in organisational process; and on the other hand for innovative activities. Simply put, organisations tend to have guidelines for the conduct of their activities and such guidelines can be used to direct their actions and also assess their performance. Thus Cavalcante et al. (2011, p.1329) referred to a business model as ‘*an abstraction of the principles supporting the development of the core repeated standard*

*process necessary for a company to perform its business*'. Their emphasis on describing a business model as an abstraction rests on the argument that although organisational processes are followed all through the organisation, those processes emerge from individuals who inherently have their peculiarities and prejudices.

The authors cannot overemphasise Osterwalder's definition of the business model concept which according to him is driven by the end result of focusing on bringing value to customers, thus he described a business model as '*the rationale of how an organisation creates, delivers and captures value*' (Osterwalder & Pigneur 2010, p.14). The focus on value has since been the driving force informing the radical steps organisations have been taking in the conduct of their business. With an environment of hyper-competition where competing organisations make series of frequent aggressive competitive moves to outwit their competitors, the creation of value which customers perceive as higher and preferable has been a focal consideration.

Business models can be described as a plan outlining how the strategy of an organisation could be carried out through its structures, processes and systems. Osterwalder & Pigneur (2010) proposed nine building blocks which can depict the business model of an organisation. These building blocks include: customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships and cost structure. These are presented in the figure below:

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segment
	Key Resources		Channels	
Cost Structure		Revenue Stream		

Figure 1 Osterwalder's nine building blocks Source: (Osterwalder & Pigneur 2010)

The authors have the same opinion that a business model can be described as an overview of the systematic combination of the nine building blocks which is consistent with our adopted Teece's definition of a business model.

### **2.1.2. Business Model Innovation**

Innovation is the act of making or introducing something new (Hornby 2005). It could be a new invention or a new way of doing something. The later is more relevant in our case following the Fagerberg, Mowery & Nelson (2006) definition of innovation which states that innovation involves new ways of organising business. These new ways of organising business requires organisational realignment, requiring top management to harness key scarce resources, build and identify core competencies and structure learning, change and adaptation processes (Sosna et al. 2010). With respect to new companies, they need to create a business model which is regularly informed by the prior knowledge and expertise of the management. However, ongoing companies will need to keep innovating their business models in order to maintain their competitive edge. A perspective of viewing business model innovation could be said to include an experimental process which is followed by series of revision, adaptation and modification activities. Giesen et al. (2010) argued that for an organisation to succeed it is critical that they deliberately engage in innovation of their business model thus stressing the importance of adapting the business model.

Demil & Lecocq (2010, p.227) considered business model innovation as *‘a fine tuning process involving voluntary and emergent changes in and between permanently linked core components’*. It follows therefore that organisations have their own motivations for innovating their business model, and also there are external influences that drive organisations to involuntarily innovate their business models. The scope of this study goes beyond merely defining the concept of business model innovation.

### **2.1.3. Value Chain Framework as a Business Model**

Porter’s value chain is another management concept that has gained recognition in the academia and in the industry. This might also become an important framework in discussing how organisations can innovate their business models. Morris et al. (2005) stated that the business model theory essentially builds upon the value chain concept, value systems and strategic positioning concepts. The value chain framework portrays the firm in light of its activities and evaluates an organisations’ competitive advantage at the overall firm-level (Sheehan & Foss 2009), since competitive advantage entails the potential to ‘create and appropriate more value than’ rival firms. Lakshminarasimha & Vijayan (2008) had also noted that competitiveness might not be fully grasped by measuring the overall organisation, thus bringing about the need for an assessment of discrete activities. The exploitation of primary and supporting activities – components of the value chain framework, has brought immense

turnaround for some companies like IKEA – the Swedish furniture giant. However, Normann & Ramírez (1993) had argued that considering the dynamic environment of business today, organisations can no longer succeed by positioning some fixed set of activities in an age long industrial value chain model. They stressed that IKEA’s success as a world’s leading home furnishings retailer is due to IKEA redefining their relationships with customers and how they carry out the furniture business.

The value chain framework outlines two key sets of activities: – Primary activities including inbound logistics, operations, outbound logistics, marketing & sales, services; and Supporting activities which includes: firm infrastructure, human resources management, technology development, and procurement (Porter & Millar 1985).

Highlights of certain points in the value chain include:

- Interconnectivity of activities (Lakshminarasimha & Vijayan 2008)
- Analysis of key activities which helps to assess value creation
- The fact that the customer is kept in perspective as some modified versions of the value chains have placed the customer in front of the pointed arrow stressing that all the activities are channelled towards value creation for the customer.

Although Porter’s value chain stresses on the identifying and focusing on value adding activities, Normann & Ramírez (1993) reiterated that successful companies do not simply add value but they reinvent value. This highlights the value chain framework as a potential strategic tool in innovating organisations’ business model leaving managers with the task of continuously reconfiguring and integrating the organisations competencies and its customers. Sheehan & Foss (2009) noted that a firm’s activities are the links between its resources and its strategic positions.

Moreover, in innovating business models, Prahalad & Ramaswamy (2004) stressed the importance of having a different view of the value chain. Whereas the traditional view suggested that firms create value through the chain of activities – which customers extract and give value (e.g. money as exchange), the co-creation view suggests that customers should be integral part of the value chain, having a relationship with the firm and having the freedom to choose what brings most value to them. Thus in adopting the value chain framework, it is useful to make customers parts of the process and not just potential recipients of activities’ end-result. It could therefore be the case that while operationalizing the business model

dynamics, attention should be given the value chain. Value could also be created in combining internal and external knowledge both internally and externally, this is somewhat related to open innovation and crowdsourcing.

#### ***2.1.4. Components of a Business Model***

There are several components that could potentially become included or considered in the business model of an organisation since the term business model varies largely in meaning from one corporation to the other. Morris et al. (2005) in their table titled ‘perspectives on business model components’ suggested several components within business models. Even though the authors want to discuss the components of a business model, a paragraph or a single study would not be enough to thoroughly discuss all the components of the business model. Thus our focus in this study would be on some common components of the business model.

The authors adopt Osterwalder’s nine building blocks framework which is shown in Figure 1 as the basis of our study.

The value system of organisations should be analysed end-to-end, and considering the existence of various stakeholders, a robust model should be shown. Thus one could argue that the model should not be simplified rather built on to reflect the complexity of organisations’ business models. However, in order to aid the understanding of the reader and to conduct a thorough analysis the authors shall modify the model. The modified figure is shown in Figure 9.

#### ***Goals***

The authors added Goals and Scope to the modified model. Goals are paramount for many reasons, such as having strategic directions, having a drive and measuring achievements. Thus it is useful to see how goals shape business models and how they contribute either positively or negatively to the innovation of business models. Seo & Mak (2010) highlighted the importance of this in their ‘thread-fabric’ perspective of industry dynamics. They argued that considering the speed of technological change which poses serious challenges to organisations, one of the key issues would be that of decision-making emanating from goal setting. Perhaps, organisations should not only have the right goals, but ensure that their goals keep pace with the changing environment.

### ***Scope***

Scope involves the horizontal, vertical and geographical dimensions of an organisation (Yip 2004). The authors added 'scope' because it buttresses the Ansoff's matrix ideas of penetration, development and diversification while seeking expansion (Watts et al. 1998). It also relates to both backward and forward integration, as well as horizontal integration. Karrer-Rueedi (1997) had argued for 'bigger is better' while stressing horizontal integration as a strategy for organisations to strengthen their position in the market place. Among others Karrer-Rueedi (1997) highlighted upstream and downstream integrations as essentials to gain control of supply chain, control cost and price, build more resistance against competition and increase bargaining power. Unlike decades ago when various barriers posed limitations, globalisation has now made it much easier for companies to have a universal look in their operations. Yip (2004) illustrated horizontal scope as adding more business functions while geographic scope involves taking the business to a global scale.

### ***Value Proposition***

Value proposition is what makes a company successful by helping the customer to solve their fundamental problem in a given situation, thereby creating value for the customer (Johnson et al. 2008; Demil & X. Lecocq 2010). Osterwalder & Pigneur (2010) stressed that the value proposition is a sum of benefits that companies offer, sometimes consisting of entirely new offers and other times consisting of offers similar to those existent in the market. They highlighted several elements which could contribute to customer value creation including newness, performance, customization, design, brand, price, accessibility and convenience. Each of these or their combination could be exploited as focal points in innovating the organisations' business model.

### ***Customer Relationship***

Highlighting customer relationships established and maintained by an organisation as deeply influential on overall customer experience, Osterwalder & Pigneur (2010) stressed that companies should specify the types of relationship they intend to keep with their customers ranging from personal relationship to automated relationship. Hoots (2005) had defined customer relationship management (CRM) as involving an understanding of customers' needs and preferences, coupled with managing the factors that impacts the organisation's performance. Hoots stressed that CRM is basis for bridging the gap between customers'

expectations and value delivery. Thus Messner (2005) noted CRM as a critical success resource for customer management which has changed the way companies handle enquires from customers, promote and market their products and services. Messner highlighted CRM as a strategic tool for emerging into industry leadership.

Social media has emerged over the past years as being significant in business, and according to Hennig-Thurau et al. (2010) in the recent past, platforms such as Facebook, Google, YouTube and Twitter have empowered customers to participate more actively in the market and they can access, and be accessed by almost anyone globally. Thus in building and maintaining relationships with customers, the social media, though not a replacement, should be an essential complement to traditional CRM tools.

Crowdsourcing ranks among several current methods of getting involved with customers and fusers. According to Weber (2011) who emphasised that relationship with customers can give rise to the development of radical and novel innovations. Weber (2011) further noted that the use of technology is a complement and not a sole channel of interaction with customers.

### ***Key Activities***

With some exceptions, the activities of organisations could vary largely from one another. Rather than the whole lot of organisations' daily activities, the term 'key activities' however refers to the most important things the organisations engage in to make their business model work (Osterwalder & Pigneur 2010). Again, the sequence, timing and quality of organisation's key activities create value for customers, and help organisations to reach the market and earn revenue. Johnson et al. (2008) described these as organisation's key processes.

### ***Key Resources***

Johnson et al. (2008) highlighted key resources as including human resources, technology and machinery, products, channels and brand which an organisation employ in creating and delivering value for the customer. Again, these could exclude generic resources. Osterwalder & Pigneur (2010) outlined key resources in the categories of physical, financial, intellectual and human resources which could either be owned or leased. Demil & X. Lecocq (2010) argued that organisations' resources gathered over time could interact with each other and create a 'bundle of capabilities' that could help the organisations to stand out.

## *Channels*

Channels describe the processes and mediums through which organisations reach their customers to convey the created value (Osterwalder & Pigneur 2010). Osterwalder & Pigneur categorised channels into five phases including awareness, evaluation, purchase, delivery and after sales.

In a perspective which is referred to as ‘an activity system perspective’, a business model could be viewed as having elements including content, a defined structure and governance; and themes including innovation, lock-in, relation of parts, and effectiveness (Zott & Amit 2010). Zott & Amit stressed on the existence of components in business models and the aspects of the relations between these components.

### *2.1.5. Static and Elastic Components*

Having considered the common components, the authors would further investigate the different components of the business model and view them in the light of what the authors refer to as ‘Static Components’ (Figure 3) and some ‘Elastic’ components. The authors would have a brief look of the static components and an extensive look at the elastic component since our study is focused on adding flexibility to the business model thereby making it dynamic.

As previously stated, a business model could have both static and elastic components (Cavalcante et al. 2011). Basically a business model has static properties which remain unchanged overtime forming the basis for the organisation’s standards/ pattern of operation. The static properties help the organisation to carry out its current activities without hitches. However in order to be innovative in the business model, organisation should incorporate and continuously consider the need to integrate elastic features in their business model. These flexible features would earn the organisation a dynamic business model which positions the organisation to be able to respond appropriately to its environment.

The phrase static business model and dynamic business model could mean different things to different people. For example, for a software developer, a static business model could be a process involving requirement gathering, development, and design; where requirements are clearly written out and given out to designers. Here dynamism would be designing to fit customers’ changing quality control requirements (Potts & Catledge 1996).

In describing the business model concept, Demil & Lecocq (2010) adopted the lenses of the static approach and the transformational approach. They argued that the word model in the phrase 'business model' depicts a lucid template or prescription that highlights the essentials of a business and their coordination. Their description included viewing a business model as a simple document easy to relate with, which provides information on how organisations conduct their businesses and generate revenue. Their idea of a business model also included a control tool which can be used as a yardstick to measure performance. Thus for many organisations this forms the bases of their operations over the years and sometimes when there are no motivations, they may remain unchanged over a period of time.

Yip (2004) had previously argued that business models could be viewed as having nine components which describes the overall process of an organisation's business, highlighting among others, the presence of a target customer, the nature of business and the ways of making sales.

The building blocks of a business model could be described as its static components while the interactions, flexibility and synergies of these components could be described as the elastic features. Demil & Lecocq (2010) who elaborated on this, stressed that the business models of organisations can be seen as having three core components including resources and competences; the structure of the organisation; and its value delivery proposition. Thus they developed a framework which represents the main components of a business model. Their framework included common items like resources & competences, value propositions, revenue & cost structures.

This was also captured in the Business Model Canvas of Osterwalder & Pigneur (2010) which highlights nine building blocks of a business model (see Figure 1). Though this may not be applicable to all, it could be taken for granted that all organisations basically inherently have the 'nine building blocks' in their businesses. Referring to them as blocks could suggest the fact that they form the basis of the operations of organisations. Although Yip (2004) argued that there is nothing wrong in having a static business model, his argument was based on the premise that such an organisation would be dominating the market and making immense profit. Yip (2004) however stressed that every company should at the least have a right objective, value proposition and a recognisable value chain. Static components being the base however, it might be impossible to create a competitive advantage by simply having it or by simply acknowledging them in organisations.

Afuah & Tucci (2001) had also proposed a framework of a business model which is to a large extent consistent with other models. The content also buttresses that organisations have base static components which they harness and which have the potentials to be made dynamic creating leverage for the organisations. Their framework which included customer value, scope, price, revenue sources was however tailored towards that of an internet business model.

Although, they included capabilities and sustainability in their list of elements of a business model, the authors choose to exclude them here as they relate more with what the authors classified as elastic components.

There is a long list of different models proposed by researchers on the essential components of a business model, however, from the above models, overall, there seems to be a consensus amongst researchers in regards to the essential components of a business model. The authors would thus present a combined view of the basic components of a business model. This is presented below in Figure 2:

BUSINESS MODEL STATIC COMPONENTS	SOURCES
Right goal or objective	Yip 2004
Value propositions	Afuah & Tucci 2001, Yip 2004, Demil & Lecocq 2010, Osterwalder 2010
The nature of inputs and outputs	Yip 2004,
Process involved in transformation of input	Afuah & Tucci 2001, Yip 2004,
A distinctive value chain, value network, channels and key partners	Afuah & Tucci 2001, Yip 2004, Osterwalder 2010
Trade-offs e.g. cost focus or differentiation focus	Yip 2004,
Cost, price, revenue and profit	Afuah & Tucci 2001, Demil & Lecocq 2010, Osterwalder 2010
Congruence of strategy components	Yip 2004,
Customer relationships	Osterwalder 2010
Key resources	Demil & Lecocq 2010, Osterwalder 2010,
Vertical, horizontal and geographic scope	Afuah & Tucci 2001, Yip 2004,

**Figure 2 Static components of a business model**

### **2.1.6. Motivations for Innovating the Business Model**

The business environment is fast changing and there is pressure on both industries; companies and even strategic business units within organisations to be responsive to the

market climate. In such a climate of turbulence in e-commerce, financial crises, unstable regulatory conditions and the speedy development of technology, organisations are left with only one choice for survival which is to reinvent their business models on a continuous basis (de Reuver et al. 2009). Porter (2008) highlighted five forces that shape organisations' strategy. He stressed that understanding these forces which include the threat of new entrants, the bargaining power of suppliers and buyers, the threat of substitutes and intensity of rivalry among competitors, could help an organisation become informed and take appropriate steps towards maintaining profitability and being less susceptible to attacks. Criticising Porter's decades old theory, Teece (2007) further touched on more areas of the competitive environment stressing the need for innovating organisations' business model. These aspects of competitive environment include complementarities, path dependency, and co-evolution of technologies and institutions.

An entire industry can be threatened by substitutes. For example the airline industry suffered major declines due to the advent of online conferences and web seminars and in the photographic film industry where dominant players like Kodak and Fuji were leading, the introduction of digital photos became a major threat to their businesses (Porter 2008). The impact can stream down from industry level to individual organisations level where for example, the introduction of no-frills (low cost) airline services by companies like Ryan air would threaten the historical success of industry leaders like KLM and Lufthansa. Thus the importance of innovating the business model cannot be overemphasised as it creates pathway for exploiting competitive advantage where the model is unique enough and made difficult for existing and potential competitors to copy (Teece 2010).

There is the risk that business models become obsolete, however, with the potentials of a vigorously active, forceful and energizing component, organisations can stay on the cutting edge and outwit the competition. Chesbrough (2010) stressed that although companies commercialise their inventions through their business models, and while they may expend huge investments in launching them, they often lack the innovative business models that will afford them success in the market. He argued that even identical ideas and inventions taken into the market via differing models would generate different results.

de Reuver et al. (2009) criticised previous literature by highlighting that previous researchers had only considered business models as 'snapshots in time' thereby narrowing the insight of how various conditions such the market and technology drive innovation of business models.

Although the base components of organisations' business models could be sources of competitive advantage, these static components should be upgraded with flexibility and in adding more components, organisations should consider the exploration and exploitation of elastic components in their business models. The authors would thus consider these elastic components.

Moreover, some organisations run multiple business models simultaneously both within the overall organisation and within each strategic business unit. This gives rise to the need for coordination. However the in-depth study of this is beyond the scope of this report.

#### ***2.1.7. Business Process and Change management***

Introducing dynamism in businesses involves improvement and modification of existing processes and implementing the change, which Kim et al. (2007) described as business process improvement. Business process management is practically performed at several levels, thus while innovating business models, if change management is not properly handled, several risks could result including losing alignment of business and IT (Weidmann et al. 2011). Kim et al. (2007) argued that a framework for managing dynamic process changes as well as improvement is required in order to provide life cycle support to business process management. Thus change management forms a crucial consideration while innovating a business model since implementing dynamism in businesses requires a whole lot of rigorous process that cuts across the organisation and some bottlenecks including lack of understanding or outright misunderstanding of the aim which could jeopardise the whole process through actions such as resistance to the change.

#### ***2.2. Theory on Dynamic Capabilities and Strategies***

According to Teece (2007) dynamic capabilities help organisations to exploit their intangible assets, such exploitation including the creation, deployment and protection of, for example, intellectual properties. Teece emphasised that although knowledge assets which could be hard to copy have been a competitive tool in the market, their ownership can no longer guarantee a sustained competitive advantage. This is a result of the speed of change in the market which allows companies to remotely emerge the competition stage and have unrestricted access to resources for innovation.

The concept of dynamic capabilities is essential in this study. For example, the changing business environment calls for some innovative actions and reactions due to the criticality of timing in businesses; competitive reduction of time-to-market; rapidly changing technology;

as well as hard-to-predict future competition and market strategies. Thus ‘dynamic’ in the phrase ‘dynamic capabilities’ refers to the an organisation’s capacity to keep its competences updated in order to achieve congruence with these factors (Teece et al. 1997). While ‘capabilities’ stresses on the management’s responsibilities in ‘*appropriately adapting, integrating, and reconfiguring internal and external organisational skills, resources and functional competences to match the requirements of a changing environment*’ (Teece et al. 1997, p.515).

Besides the potential for adaptability that comes with dynamic capabilities, dynamic capabilities also have the potential to shape the environment. (Helfat et al. 2007) argued that employing dynamic capabilities to shape the environment would result in the company being entrepreneurial in the conduct of their business. An example could be the idea of platform leadership where technological companies not only seek to create products to fit the needs of the market, but move ahead to establish products that shape the requirements or trends of the market (Chesbrough 2007). See Figure 4.

Dynamic capabilities thus include hard-to-copy capabilities of an organisation which enables it to adapt its businesses to the varying and evolving opportunities from customers and arising from technology (Teece 2007).

Dynamic capabilities can be broken down into the core competences and unique resources of the organisation. Although the emphasis of dynamic capabilities is often related to the organisation, the individuals within the organisation are the real possessors of these capabilities. Harreld et al. (2007) in their article stressed that while building on the core competencies notion, it is also important to consider the role of management in regards to building and adapting these competencies in responding to the ever changing business climate. They argued that firms often fall below their expectation of performance when changes occur in markets and technologies advance.

Overall, the emphasis on dynamic capabilities hitherto has been to highlight previous researchers’ position on how dynamic capabilities can constitute a huge leverage for innovating the business model of organisations and reiterate that managers can avoid unprofitability that could arise from perfect competition of homogeneous firms (Teece 2007).

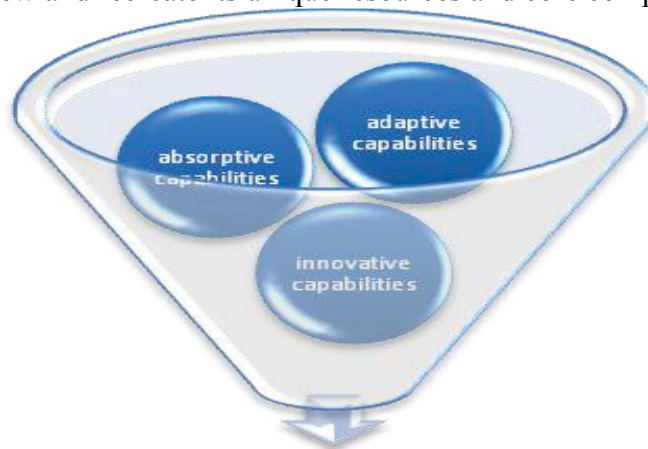
### ***2.2.1. Sensing, Seizing and Transforming***

In discussing the dynamic capabilities of firms, the authors adopt Teece's lenses of sensing, seizing and transforming. According to Teece (2007) organisations' dynamic capabilities help to sense, shape and seize opportunities, coupled with being able to maintain competitiveness by improving and making the most of all assets. Given the trend of internationalisation/ globalisation - posing threats as well as bringing opportunities for companies due to rapid and complex technological changes, and the reality of poorly developed markets; global companies have much to gain by harnessing their dynamic capabilities.

Harreld et al. (2007) also argued that firms are able to sense opportunities, gainfully engage their resources to seize the opportunities by adapting their current competences and either learning or acquiring new competences and skills. In our framework (see Figure 9), sensing, seizing and transforming form essential components of dynamic capabilities, thus the authors would consider how essential they are in achieving a dynamic business model.

#### ***Sensing***

Since the external and internal environments of a firm are susceptible to change, the ability of the firm to search and scan its immediate and wider environments becomes imperative (Teece 2007). Thus sensing could be viewed as the firm's adaptive capability which if utilised in a timely manner could help in matching flexible resource and competences with changing environment. Wang & Ahmed (2007) argued that essentially, dynamic capabilities consist of three important capabilities which are represented in the figure below (Figure 3). The Wang & Ahmed argued that these capabilities are the basis of an organisation's ability to integrate, reconfigure, renew and recreate its unique resources and core competences.



#### **Dynamic Capabilities**

Figure 3 Dynamic capabilities elements Source: Adapted from Wang & Ahmed (2007)

Chakravarthy (1982) who had argued that adaption describes an organism's or as in our case organisation's state of survival, also described adaptive capability as the ability by which an organisation spots and maximizes emerging market opportunities.

The importance of organisations adaptive capability towards the goal of having a dynamic business model cannot be overemphasised. Chesbrough (2007) highlighted six types of business model (Figure 4) in which the peak was a company's business model having an adaptive platform. Sanchez (1995) however stressed that these adaptive capabilities can be seen through inbuilt flexibility of firms' available resources and the application of those resources which was termed 'strategic flexibility'. Teece et al. (1997) emphasised that the higher the level of adaptive capability, the more dynamic capabilities an organisation possesses. Other researches over the years also show that for firms to survive and even evolve, a critical factor is the ability to adapt to environmental variations coupled with being able to align internal resources with external demands (Wang & Ahmed 2007).

Also the in sensing, organisations can adopt the resource-based view which helps to identify the strategic tool available to the firm. Teece (2007) argued that although the resource-based view is inherently static, it however has relevance to the dynamic capabilities of the firm. Teece stressed that this resource-based view helps to consider strategies for the development of new capabilities. Organisations could discover what they have within by looking inwards i.e. their resource base with which it can have an edge above its competition, for example through opportunity recognition and resources allocation processes (Helfat et al. 2007). The resource-based view of business model innovation could be considered as a tool in harnessing the strategic bundle of resources available to a firm. The importance of the resource-based view is that in innovating business models, organisations might discover huge potentials of their resources if a critical look is taken. The resource-based view could also be considered in terms of opportunity recognition, ability to organise the resources and create heterogeneous outputs (Alvarez & Busenitz 2001).

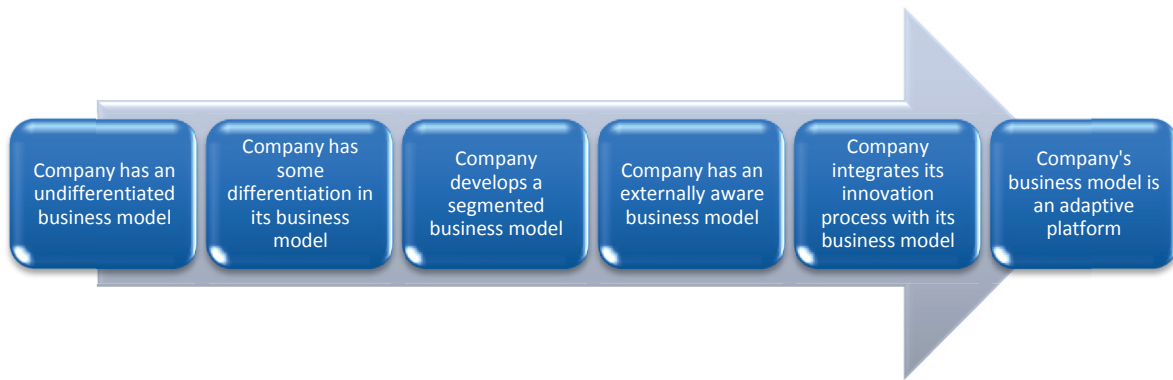


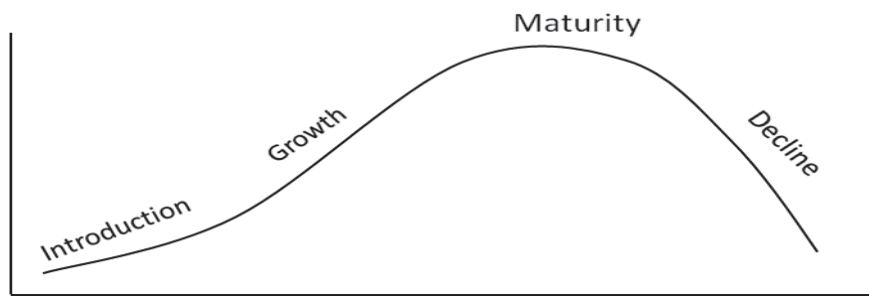
Figure 4 Types of business model innovation Source: Chesbrough's listed types of business model innovation (2007)

Organisations might 'sense' their environment for opportunities and threats by adopting the Product-Market Growth Model (Figure 5). Thus relating the 'existing product' with 'existing market' might help to identify unused potentials in the existing market and which can be explored even with an existing product. A mapping of the Product/Industry Life Cycle (Figure 6) would help to determine if the market for example still has room to accommodate the product.

		Focus of Market Growth		
		<i>Current Markets</i>	<i>New Markets</i>	<i>Both Current and New Markets</i>
Focus of Product Growth	<i>Current Products</i>	Penetration and Saturation	Market Development	Intensive Market Development
	<i>New Products</i>	Product Development	Related Diversification	Product Development With Intensive Market Development
	<i>Both Current And New Products</i>	Intensive Product Development	Market Development With Intensive Product Development	Intensive Growth

Figure 5 Product-Market Growth Model Source: Pleshko & Heiens (2008)

Oktemgil & Greenley (1997) in their research in UK had argued that adaptive capabilities have different aspects ranging from the ability of organisations to marry the scope of their product and market to the opportunities presented in the market; adopt appropriate marketing strategies and promptly respond to the varying market trends.



**Figure 6 Product/Industry Life Cycle** Source: Adapted from Komninos (2002)

### Measuring ‘sensing’ in organisations

Teece (2007) stressed that an organisation’s sensing capability includes having established processes to select and tap into new science and technological development, tap supplier and complementor innovation as well as identify changing customer needs and target market. These require a continuous review of the operational goals. Organisations usually have visions, missions, and objectives/goals. Their objectives or goals are also broken down into strategic, tactical and operational. While the strategic and tactical may change infrequently, the organisation should review its operational goals in order to be dynamic in accordance to Teece’s description.

Since sensing is of such importance towards making the business model of organisations dynamic, having reiterated its usefulness in identifying and shaping opportunities; scanning, searching and exploring technologies and markets both locally and globally (Teece 2007), it is useful to research how organisations can engage in sensing. SWOT (Strength, Weakness, Opportunities and Threats) analysis though a widely-acknowledge tool for strategic marketing assessment, usually considers opportunities and threats as being external to the firm (Piercy & Giles 1989). However with sensing, by conducting a critical analysis of the organisation’s external and internal environment, it would be observed that the opportunities and threats exist both within the organisation and outside the organisation.

Some of the actual actions in sensing would include the following (Teece 2007):

According to Teece (2007) enterprises can achieve competitive success by tapping into external innovations from parties like their component suppliers. Teece stressed that a firm’s integration both upstream and downstream and also externally is as well motivated by the need for building capabilities especially scarce capabilities within the industry.

Teece (2007) noted the possibility of a dynamic business to leverage on the customer-led innovations of customer-value, stressing that an innovative company would combine complementary innovations in solving customer problems. According to Teece, such complementary innovation streams from customers, suppliers and complementors.

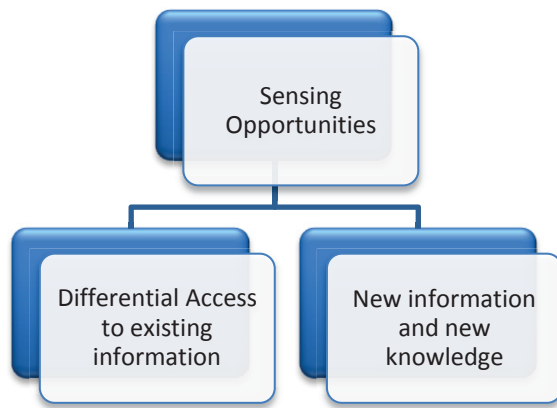
R&D investment - Although most companies especially those in the manufacturing sector usually have a R&D department, the contributions and potential worth of the research function seems grossly untapped. With open innovation, which is described as a mandate for enterprise success (Chesbrough 2003), new ideas can be gained from parties outside the firm, while firms are also able to release ideas they are not implementing to potential users. Chesbrough (2011) argued that even product based companies can become service centric by co-creating with customers thereby having a value-creating business model.

Additionally, an effective customer relationship management would help in ‘probing and re-probing’ as well as matching them with offerings of new technologies. It is important that organisations understand the demand of their customers as well as the underlying reasons for the demand. Building a working relationship would be of immense value.

As shown in the product/industry life cycle (Figure 7) organisations need to understand the evolution of their industries, the waves of their competitors and suppliers and in order to be able to come up with appropriate responses.

The organisation should engage in brainstorming to have inductive and deductive arguments regarding changing market and technology. High level management should also engage in developing hypothesis and testing them with the help of data, facts and anecdotes.

Decentralisation of the organisation as well as the business units could also be useful in sensing. Moreover, in sensing organisations should essentially target information about the development in the business ecosystem both locally and globally, and while doing this they can engage in user-led innovations. However, while focusing on the external, the potentials of internal innovations should not be undermined, thus both should be complementary. Having a framework can be useful in conducting ‘sensing’ (Figure 8).



**Figure 7 Sensing opportunities** Source: Adapted from Teece (2007)

At IBM for example, in their strategic task of sensing new opportunities, they had a *technology team* that assessed emerging technologies and reading of market; a *strategy team* assessing current market results and potentials; an *integration & values team* responsible for integrating global initiatives all through IBM. They take a *deep dive* resulting in market or technology pursuit, changed plan, or perhaps exit from a market. Overall, a thorough scrutiny of the business ecosystem is achieved and line managers are involved. Teece argued that the basic capability that sensing offers is that of being able to take well-informed timely decisions in investing despite economic fluctuations.

### **Seizing**

Having fully engaged the sensing capabilities of the firm, the next interlinked step would be engaging in ‘Seizing’. Organisations select and develop the opportunities and threats they have identified by exploiting their resources and systems both internally and externally (Teece 2007). Seizing is a firm’s ability to identify the worth of gathering processed data, understand it and apply the information appropriate for economic benefits. A certain level of knowledge and skill would be needed to apply or use the new knowledge. Thus the importance of been skilful in the exploration and application of knowledge cannot be overemphasized (Wang & Ahmed 2007). Wang & Ahmed highlighted how a higher level of absorptive capability leads to higher demonstrable dynamic capabilities. They also argued that the absorptive capability involve getting external knowledge combined to internal knowledge and making use of it internally. Learning coupled with expertise in embedding the knowledge into the firm thus forms an essential component of the absorptive capability, and the learning originates from relations with customers, partners and other parties.

Emphasising higher absorptive capabilities as basis for an efficient adoption process for successful performance, Woiceshyn & Daellenbach (2005) pointed out that the absorptive capability is a critical success factor considering the technological change in the market place.

A firm's capacity to seize opportunities is reflected by certain indicators including expend resources, learn and grasp emerging technologies (Woiceshyn & Daellenbach 2005).

According to Teece (2007) a good business model would involve activities which include analyzing multiple alternatives, having a deep understanding of user needs, analyzing the value chain thoroughly, and considering the efficiency of outsourcing.

Teece (2007) reiterated that seizing opportunities would require a firm to maintain and improve its technological competences and once the opportunity is identified, investments should be made in the winning technology and market. The business model would thereby be a guide on the commercialisation pattern. He categorized the major steps in seizing into four areas see Figure (8).

In a recent work, Lichtenthaler & Muethel (2012) stressed that seizing capacity refers to implementation. Although their work was in the context of developing licensing capabilities of dynamic technology, their argument on the importance of seizing is of relevance to our study. They argued that having sensed opportunities, organisations should engage in critical activities such as transfer of technological knowledge to appropriate parties, as well as support and control the transfer. They stressed that seizing involves exploitation, technology commercialisation and implementation. Thus they underlined deliberate learning as leverage for the enhancement of firm's seizing capacity. This followed Teece's (2007) argument that firms should do away with their biases against technologies from outside and improve their absorptive capacity through learning and the accumulation of skills.

In Teece's framework on Seizing (2007) (Figure 8) the first outlined component termed as 'delineating the customer solution and the business model' involved choosing the product and technology design, having a revenue model, identifying the specific customers in focus, and having an appropriate strategy to create, deliver and capture value. Having sensed what customers would pay for, the organisation goes ahead to create such and get value for it. It could be described as the articulation of Osterwalder's (2010) nine building blocks of the

business model (see Figure 1). In the framework Figure (8) Teece (2007) further highlighted other areas where organisations should also pay attention to.

Systemic innovation involves complex relationships between individuals, the companies they operate in, and the internal and external environment (Johannessen 2009). Organisations that would thus achieve full benefits of their technologies and innovativeness would be those who align those technologies with matching know-how in all business areas such as management of business process, personnel, marketing and customer relations.

According to Harreld et al. (2007) IBM not only had the good sensing capabilities, but they also have the mechanisms to seize them through reallocation of resources and reconfiguration of the organisation. They placed emphasis on IBM's capabilities to recombine and reconfigure assets to sooth the market and technology changes. The IBM examples depicts a conscious effort towards strategic insight, execution and leadership responsibility which made the company to establish certain systems and structures to sense and seize opportunities including *Emerging Business Opportunities*, *Strategic Leadership Forums* and *Corporate Investment Fund*.

### ***Transforming***

Transforming capabilities can be described as the ability to recombine and reconfigure assets and organisational structures with respect to markets and technologies change, the adaptation of the firm's processes over time, the renewal and optimization of processes and activities, as well as realignment for overall organisational congruence (Teece 2007; Lichtenthaler & Muethel 2012). It involves successfully identifying and calibrating market and technological opportunities, cautiously selecting technologies and product specifications, designing workable business models, and committing financial and other resources towards growth and profitability. Thus transformation is the dynamic reconfiguration of the organisations' business activities and processes.

In an interview of top managers, Ljungquist (2008) reiterated the managers' assertions that development of adaptation competences are imperative in achieving the goal of customer loyalty. According to Teece (2007, p.1335), there would always be a need for continuous alignment and realignment of specific tangible and intangible assets. Teece stated that '*a key to sustained profitable growth is the ability to recombine and reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies change*'.

According to Wang & Ahmed (2007) this transforming capability which was otherwise described as an innovative capability, is the bridge between a firm's inherent innovativeness and marketplace-based competitive advantage in regards to new products/markets. They argued that the innovative capability of a firm is what links its resources and capabilities to its product market. Lichtenthaler & Muethel (2012) pointed out that while sensing and seizing capabilities might help an organisation to succeed at the moment, it is the transforming capacity that ensures continuous success over time.

Although Schumpeter's five types of innovativeness could be a reference point – highlighting new products/services, new methods of production, new markets, new sources of supply and new organisational structure (Fagerberg et al. 2006), Wang & Ahmed (2007) stressed that the important area of innovativeness in regards to dynamic capabilities relates to new product development.

Describing the transforming capability as the 'continuous alignment and realignment of specific tangible and intangible assets', Teece (2007 p. 1340) noted four areas of focus including: decentralisation and near decomposability (described as balance between quick and precise change coupled with good coordination (Simon 2002)), governance, co-specialisation and knowledge management.

Teece highlighted that decentralisation affords managers access to varying levels of information and control of decisions which aid flexibility and responsiveness. Thus he argued for the adoption of loose structures, welcoming of open innovation and the development of integration and management skills. The governance aspect of transforming would include agency problems, costs and risks; goal congruence and rewards systems. According to Teece, 'Co-specialisation' includes the synergies that can be created from asset combinations and the ability to identify appropriate assets for the exploitation of opportunities. Although the authors do not go into the various aspects of learning, the authors want to highlight Teece's emphasis on the ability of the organisation to integrate knowledge both from within the organisation and from external parties as an important aspect of transforming capabilities.

Seizing and transforming are quite important because due to the dynamic nature of the market environment, companies might not have the luxury of time between identifying an opportunity and maximizing such an opportunity.

Overall, the higher the adaptive, absorptive and innovative capabilities levels of an organisation, the more the dynamic capabilities of the organisation. Teece thus presented a conceptual framework (Figure 8) to capture the different aspects of Sensing, Seizing and Transforming as components of the dynamic capabilities of a firm.

Below is Teece's framework which extensively depicts the various aspects of the components of organisations' dynamic capabilities. The framework provides the basis for an overall firm-level competitive advantage, and infers that the intangible assets and economic benefits an organisation can create is dependent on the level of exploitation of its dynamic capabilities (Teece 2007).

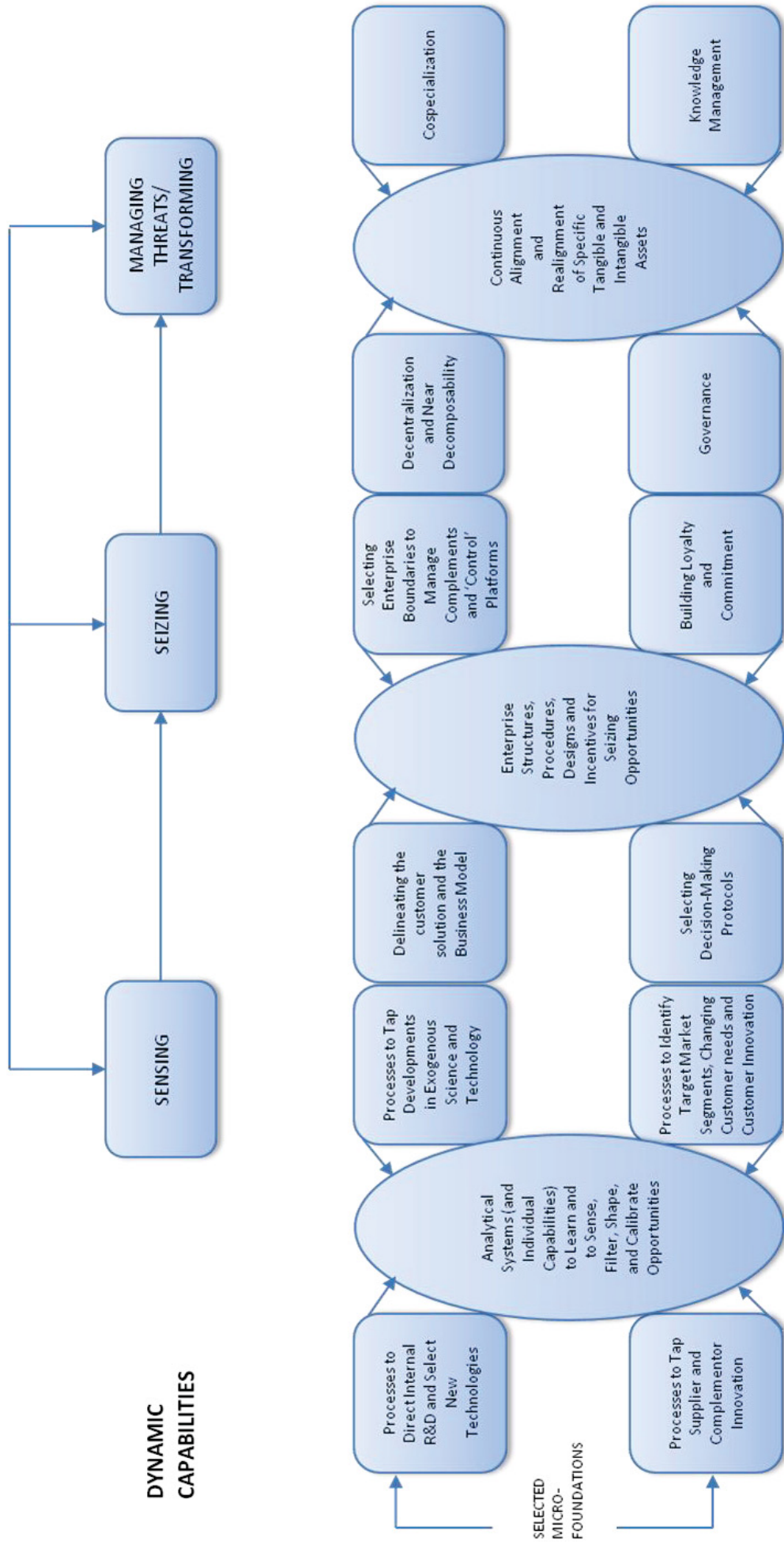


Figure 8 Foundations of dynamic capabilities and business performance Source: Teece (2007 p. 1342)

Considering what the authors termed as the basic static components of the business model (see Figure 9), organisations make use of their sensing, seizing and transforming capabilities for example, by ensuring their goals and objectives are informed by the sensed opportunities in the market presented by the current and future technologies. These also influence their value proposition to segmented customers as well as the nature of their inputs and outputs. Moreover, the exploitation of the value network, key partners and key resources would be harnessed by higher levels of adaptive, absorptive and innovative capabilities of the firm. While cost, price and revenue constitute significant aspects, organisations need careful considerations in handling them. Thus sensing, seizing and transforming capabilities have a tremendous impact on innovating the business model of organisations while building on the static components of the business model.

While having a static business model could be useful, managers should not underestimate the systemic nature of business models and they should not ignore the importance of an evolutionary view of their business models (Tikkanen et al. 2005).

In innovating the business model of an organisation, Teece (2007) highlighted that important choices include the technology, market segments, choices with respect to assets purchases (lease or buy/sell decisions), bundling/unbundling, licensing/joint ventures. Thus it includes the verification and validation of evidences regarding the costs, customers, suppliers, distributors and complements.

Also, reduction of ‘time to market’ (TTM) and ‘time to customer’ are goals organisations seek to pursue. The time to market is the amount of time it takes from when an organisation conceives a product to the time it is available for sale (Pawar et al. 1994). For industries where the product lifecycle extends extensively, the TTM might not be a major consideration; however in industries with relatively short product lifecycle, the TTM is of significant importance.

### **2.2.2. Strategy**

In our framework, the authors highlighted that in making their business models dynamic, having assessed their dynamic capabilities, organisations should consider the strategy of reaching the market. The authors pointed out the consideration of incremental and radical strategies.

Harreld et al. (2007) defined strategy as the plan and actions that helps organisations to achieve their set goals, listing how resources are allocated and developed. In their work, Casadesus-Masanell & Ricart (2010) described how firms have learnt to engage in the analysis of their competitive environment, make a fair assessment of their position, and come up with well-understood measures of how to have sustained competitive advantages. These among others describe the strategic decisions taken by executives.

It is useful to note the relationship between ‘Value Innovation’ and ‘Business Model Innovation’. Value innovation which could be seen as the concurrent pursuit of differentiation and low cost strategies, involves taking strategic moves towards the creation of untapped new market opportunities that are ripe for growth, thus creating immense value for customers which leaves competitors obsolete (Kim & Mauborgne 2005). Thus value innovation creates value for both the customer and the company. According to Zott et al. (2011) business models involves an holistic view of conducting the business which involves both value creation and value capture. Thus the authors can infer that while business model innovation involves processes and activities, one of its important components is the creation of value. Several researchers consent to the position that value proposition is an integral part of the business model (Afuah & Tucci 2001, Yip 2004, Demil & Lecocq 2010, Osterwalder 2010).

Sometimes, the terms business models and business strategies are confused in their meaning or usage. The authors would also like to draw a line between these and other related subjects – for example, business plan. Seddon & Lewis (2003) defined a business model as a representation of some of the strategies of a firm outlining the key issues to note in a bid to deliver value to customers. It is a summary of strategies including directives for a firm which also involves an alignment of updated strategies. Seddon & Lewis differentiated the business model from strategy by stating that whereas the later can be specific to a firm alone, the former could be applicable to several other firms. Thus in their opinion, an organisation’s strategy can be executed through several business models. Strategy therefore comprises the understanding of market and technology development and revolution coupled with the ability to work out the laid out plans (Harreld et al. 2007).

In their argument on whether strategy comes first or business models, Seddon & Lewis (2003 p. 246) described business models as ‘successful solutions to some way in which firms create value’, and that the combinations of various business models can be used to design strategy.

Teece (2010, p.180) noted that a business model is broader than a business strategy. Combining both however could result in sustained competitive edge and in his words *'Strategy analysis is thus an essential step in designing a competitively sustainable business model'*

A business strategy is also different from a business plan, the later being a general description of what organisations want to do and in general terms how it will be done. Milgram et al. (1999) described a business plan as a report giving the breakdown of the 'nuts and bolts' of a business idea.

Yip (2004) had noted strategy as a description of dynamic activities carried out in changing the business models of enterprises. Yip thus described two key strategies in making the business models dynamic. These are:

- routine/incremental strategy
- radical/ transformational strategy

Yip stated that organisations employ radical strategies in changing their business models while they adopt routine strategies to change the position they hold in the market. One way of viewing the incremental strategy is the replication strategy, which Winter & Szulanski (2001) described as the creation and operation of large number of similar businesses that deliver similar products or services. Their empirical evidence showed a different perspective of replication strategy as an exploring pattern leading to the creation and refining of a business model, which is followed by exploitation where the business model is established via multiple replication. Johnson et al. (2008) also argued that sometimes organisations do not need to create a new business model before having revolutionary results in the market. Usually while maintaining their routine strategies without interrupting their current business models, companies want to increase their share, improve their costs, quality and profitability positions (Yip 2004). This thus creates an argument for adopting routine strategy while innovating the business models of organisation. The incremental option helps organisations to avoid the disruption that could result from radical change.

Johnson et al. (2008) emphasized that organisation can adopt the incremental strategy if they are able to provide the customer value proposition while still maintaining 'business as usual'. This would include current profit model, engaging the current key resources and using the current processes, and running the business just as before. Companies use routine strategies

to increase their geographical scope. Some activities in routine strategies could be advertising, introducing more of the current products to current market (market penetration – see Figure 5), improving products, increasing customer satisfaction.

When the change in the business model would be phenomenal, leading to drastic impacts on the organisation, Yip (2004) stressed that a radical strategy is needed. Yip moreover noted that most of the times, organisations do not adopt the radical strategy except when the change in their business ecosystem causes their existing business models to be outmoded. Johnson et al. (2008) however described several other circumstances in which organisations could adopt the radical strategy in innovating their business model. Some of these include:

- when the firm senses opportunities to meet the needs of a potential customer segment whose needs have been largely unmet by existing solutions, the organisation can thus adapt their existing products to this new market via ‘disruptive innovation’. A classical example here would be the ‘Tata Nano’<sup>2</sup> car story
- if the release of a new technology presents the opportunity to create a niche that can be exploited through a new business model as in the case of Apple and MP3players or a globalising the scope of a locally tested technology
- when a critical analysis of the customer value chain (relevant to corporate clients) reveals opportunities for external intervention/ assistance for the creation of more value especially in areas of customers’ key activities, for example, as in the case of FedEx<sup>3</sup>
- an urgent need to change the basis of competition warranted by the market trend.

Some other circumstances where organisations could adopt a radical strategy include:

- when a dramatic change of production process can present newly increased value proposition for customers
- if according to trend the organisation is able to accurately pre-empt the future of the market or technology then they can take the lead in innovating their business model thereby having the ‘first-mover’ advantage.

Although organisations might be reluctant to innovate their static business models, especially the ones that have been successful over time, a thorough consideration of the potentials

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<sup>2</sup>Tata is an Indian corporation that addressed needs of a customer segment of low income earners by providing affordable cars (Tata Nano)

<sup>3</sup> FedEx is a logistics services company that focused on customers’ unmet jobs, helping customers to receive packages faster and more reliably

presented by dynamic business models might convince them otherwise (Osterwalder & Pigneur 2010). Johnson et al. (2008) reiterated that organisations should not feel that their current business models are threatened by the new ones, rather they should view the new as being complementary.

Teece (2007) had emphasised that an organisation analysing its multiple alternatives; understanding user needs; analysing the value chain in details for effective, economic and efficient value delivery, would have greater chances of success.

There are large benefits which can motivate an organisation to make its business model dynamic. Nenonen & Storbacka (2010) argued that organisations can radically increase the value co-creation by introducing elements that make adaptation to the internal and external environment possible to the business model basic components.

Organisations can map out the implementation of these theories as exemplified below:

**Table 1 Randomly Mapping the Implementation**

COMPONENTS	DYNAMIC CAPABILITY			STRATEGY	
	Sensing	Seizing	Transforming	Incremental	Radical
Right goal or objective	■			■	
Value propositions			■	■	
The nature of inputs and outputs		■		■	
Process involved in transformation of input	■			■	■
A distinctive value chain, value network, channels and key partners		■		■	■
Trade-offs e.g. cost focus or differentiation focus			■	■	■
Cost, price, revenue and profit	■			■	■
Congruence of strategy components		■			■
Customer relationships	■	■	■		■
Key resources	■	■			■
Vertical, horizontal and geographic scope			■		■

Table 1 above shows the authors' random description of how organisations could map out the implementation. Setting the 'Right goal or objective', an organisation could engage its sensing capabilities by scanning the environment and observing to see the change that it needs to integrate in its goals. Thereafter, the implementation of the change could be on an

incremental basis or a radical one, depending on the appropriateness *par circumstance*. Thus the shading of the boxes in Table 1 could differ from one organisation to another.

### 2.3. Theoretical Framework

#### 2.3.1. Making the Business Model Dynamic

Researchers have reiterated the need to make a business model to be dynamic (de Reuver et al. 2009) which the authors also describe as integrating dynamism into the business model. Previous works include Andries et al. (2006) exploring how new technology-based organisations in growing markets could develop their business models. Andries et al. pointed out that in designing products, services and processes, managers appear to have firm choices, however, on getting to the market, experience shows that the targeted needs might have changed or might vary in many perspectives, thus requiring an adaptation of the products, services and processes in the delivery. Our theoretical framework below (Figure 9) describes the components of a business model following Osterwalder's framework, however the authors have modified the framework. In the shaded parts are those the authors have chosen to place less concentration on in this study, while the ones having the dotted lines are those the authors have added which were not explicit parts of the initial business model framework. The motive with the framework is to consider each of these components (excluding the shaded portions) and see thoroughly which aspects of dynamism could be added to the components as well as which of these components make the entire business model more or less dynamic.

The authors chose to eliminate four items (Key partners, Customer segments, Cost structure & Revenue streams) from the original 9-building block. Cost structure according to Osterwalder & Pigneur (2010) involves finding where the organisation falls between being cost-driven and value driven. The breakdown of the *Cost Structure* component thereby consists of fixed costs, variable costs, economies of scale, and economies of scope. This is consistent with Johnson et al. (2008) description of cost structure consisting of direct costs, indirect costs and economies of scale, arguing that the cost structure essentially reflects the cost of key resources. Our argument is that apart from the fact that many companies attempt to drive costs down, the choice of either being cost-driven or value-driven might be one-off and may not come to play in innovating the business model. Cost structure and revenue streams are important considerations in businesses as cash otherwise known as liquidity is said to be of great importance in organisations (Sparrow & Ilijanic 2010), however, in terms

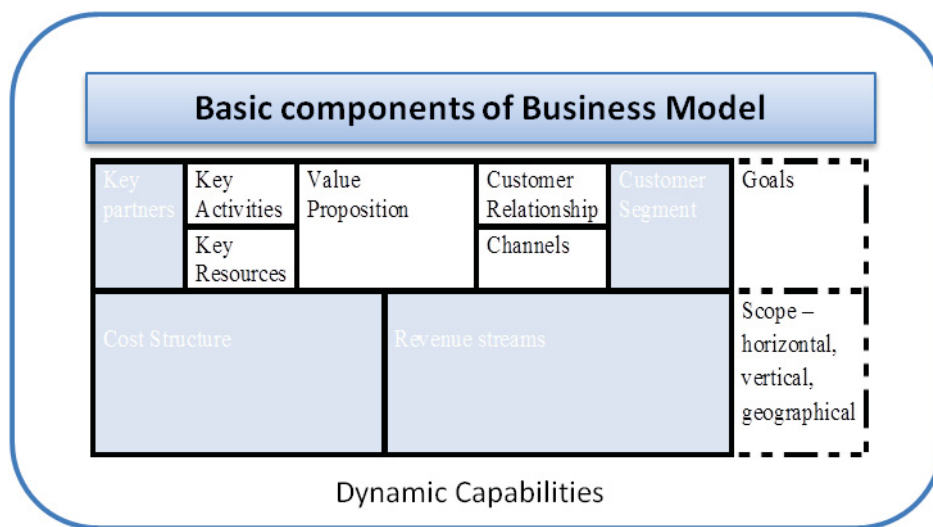
of dynamism they might simply mean cash inflow and outflow, whereas the authors are focusing on the managerial aspects of the business.

Revenue streams also infers the cash that organisations make from different segments after deducting costs (Demil & X. Lecocq 2010; Osterwalder & Pigneur 2010). Revenues streams could involve pricing, bargaining, volume considerations and margins (Johnson et al. 2008). The authors have chosen to not delve into the financials as they may include several complications and are often subjective with respect to each company. Although '*Key partners*' emphasizes the network relationships fostering business activities (Osterwalder & Pigneur 2010), in our assessment of aspects of dynamism that can be added to the business model concept, the authors give priority to customer relationship. In addition, instead of assessing individual *Customer Segments*, the authors want to focus on the Scope of the organisation. Thus the authors are excluding cost structure – which describes all costs incurred to operate a business model, revenue streams, key partners and customer segments from the original model. The authors included goal because having observed several business model frameworks of different researches, organisational goal seems to continually feature and even in Osterwalder’s framework, Goals are embedded components. Thus rather than having it at the background, the authors want to thoroughly review the dynamic aspects of Goals alongside some other components.

Key partners	Key Activities	Value Proposition	Customer Relationship	Customer Segment	Goals
	Key Resources		Channels		
Cost Structure		Revenue streams		Scope – horizontal, vertical, geographical	

**Figure 9 Basic Components of Business Model (Research Model)**

Integrating dynamism in the basic components of business models could potentially result in a dynamic business model. The components of the business model which the authors have hitherto referred to as static components of business model constitute the basic components of the business model as shown in the framework below, while the elastic components are the dynamic features which if introduced to the basic components could result in a dynamic business model.



**Figure 10 Framework for a dynamic business model**

### **3: Method**

*“A continued alert is to be aware of choices of [the available data analysis strategies and techniques] before collecting your data, so that you can be sure your data will be analyzable” (Yin 2003 p. 130)*

#### **3.1. Qualitative case study to investigate Business Model Innovation (Research Process)**

##### *3.1.1. The Theoretical Process*

The beginning of the research process of this thesis is traceable to real life challenges identified in a real organisation relating to the innovation of their business model. The theoretical study later revealed that some organisations are still faced with similar challenges even though the literature has advanced in this area. This initiated the interest to do a thorough study finding the missing link between the current literature and the persistent problem faced in organisations. The objective is not to innovate the business model of any organisation in particular. On the contrary it seeks to study how organisations can make their business models dynamic thereby focusing on what aspects of dynamism can be added to the business models of organisations. Thus other wide-ranging matters associated with the issue of business models like the financial impacts, the risks and considerations, are hereby excluded from this study.

##### *3.1.2. The Empirical Process*

The authors started out by thoroughly reviewing the existing literature in order to understand the business model concept, the components of the business models in organisations and how innovation and dynamism come to play. This process was chosen since both the existing literature and the reality of organisations in practice shows that there are a wide range of definitions, notions and conceptions of business model. Thus this gave the authors the opportunity to understand the whole concept, while narrowing down to some specific detail in order to have a tangible result within the frame of this research.

Some alternative measures could have been starting out by visiting organisations and collecting raw data from them in order to understand their ideas of business model. However this could have resulted in a shallow insight into the subject as it would be impossible to engage significant number of organisations large enough to give an overall perspective. Besides, managers or practitioners often engage in activities not been fully aware of theoretical implications but are motivated by the results to be achieved, therefore they may not be in the best position to give scientific insights. The authors however conducted preliminary and exploratory interviews during the research.

### 3.2. *Type of Study (Research Design)*

Engaging in research of broad subjects such as business model innovation could be inherently complex due to issues ranging from having appropriate definitions to verifying their correctness and dependability.

There are three basic approaches that are used in scientific researches; two includes qualitative and quantitative research while the third – mixed research method is the combination of the two. Each method is better suited to specific types of studies. According to Creswell (2009) the qualitative research is employed while exploring and gaining understanding of the meaning that both individuals and organisations give to a societal or organisational problem. While on the other hand, Creswell argued that quantitative research is adopted when assessing objective theories by examining the relationship among variables. Bryman (2008) highlighted that the main differences between the two methods is that whereas quantitative strategies revolve entirely around numbers, qualitative involves words. Basically, it would be meaningful to adopt the quantitative method in a research where the collected data is most suitably expressed in numerical terms, and where the contrary is the case, a qualitative method would be appropriate. Bryman (2008) further stressed that the quantitative approach is appropriate when the data gathered would have to be analysed using statistical tools and thereby generating more data.

Thus the two broad methods vary largely in terms of (Bryman 2008):

- Information usage
- Method of data collection
- Results generated
- Analysis
- Sources and
- Measurement of research quality

Since our purpose involves exploration and understanding of the research problem, the authors find the qualitative research more appropriate and thus choose it for this study. Moreover Ghauri & Gronhaug (2010) stipulated that qualitative research has several benefits such as giving the opportunity deeper understanding of the subject from the respondents' viewpoint. This allows for giving a holistic perspective, while affording the opportunity for observation and measurements in natural settings. Coupled with these aspects of qualitative research, the explorative orientation of the qualitative research makes it more suitable for our

research problem compared to quantitative research. Thus the authors found the qualitative approach more potentially value-adding compared to quantitative research.

### ***Strategy***

There are several research strategies under the qualitative approach. These include ethnography, grounded theory, phenomenological research, narrative research and case study (Creswell 2009).

Yin (2003) had argued that a first consideration in choosing between different strategies is the research question in the study. Thus, 'how' and 'why' questions are more favourably approached using case studies. This aligns with our research question on how to make business models more dynamic. The authors adopt the case study strategy in our study because other strategies do not fit properly. First instance, ethnography strategy would require a prolonged time period and it does not allow for generalising, phenomenological is applicable in identifying human experiences about an idea in other participants' perspective which is also a prolonged process. These are unlike the case study approach which is time-bound and also activity-bound. The case study approach allows the opportunity for the researcher to collect detailed information adopting many kinds of procedures over a specific time period (Creswell 2009). Yin (2003) had also noted that with the case study approach the researcher is able to investigate current phenomenon within real life context. Besides, according to Yin (2003) the case study relies on multiple sources of evidence with data needing to converge in a triangulating manner and resulting in a new outcome.

### ***3.3. Data Collection***

Yin (2003) stated that while gathering evidence for case studies, six sources could be used including documents, archival records, interviews, direct observation, participant-observation, and physical artefact. Our purpose with the data collection was to study our subject in a logical manner. Thus the authors adopted basically three methods of data collection including archival records, interviews, documents analysis helping us arrive at triangulation.

The data collection process firstly involved determining what information was required for the empirical study. This first step was informed by narrowing our description of the business model; developing the interview process and questions; identifying target participants/respondents; briefing them about the whole process and conducting the actual interviews.

In one of the case companies used during this study, the authors interacted with managers who were responsible for roles relevant to our study. The roles include administration, marketing and management. The authors developed an interview guide consisting of seven sections each representing the contents of our research model (see Figure 9). These included goals, scope, value proposition, customer relationship, key activities, key resources and channels. The interviews, which lasted for an average of one hour, were tape-recorded having obtained the consent of the interviewees. The authors later transcribed each interview. The authors had preliminary and exploratory interviews with the interviewees which aided our understanding of their organisation, their activities, perspectives and challenges.

The authors triangulated our interview data with secondary data (Yin 2003), that is, archival documents and annual reports. According to Denzin and Lincoln (2000) triangulation involves seeking good understanding of the research theory. It involves getting similar knowledge from different sources to verify their validity or making use of several cross-checked sources and methodology in order to avoid misleading outcomes (Christensen 2006). The authors gathered secondary data from annual reports and other published information for our case companies.

### *3.3.1. Semi Structured Interview*

The interaction with case study companies did not start with interviews, rather, the authors sought to understand the company and their processes. The authors later conducted preliminary and exploratory interviews with representatives from Company Alpha for example, which helped to build an understanding of the circumstances of their business. Thereafter, the authors later made more enquiries which provided some data for analyses, and also stand as a reference point in validating through triangulation.

The process involved an initial briefing of two managers from Alpha and then separate interviews with each of them. One manager was from a strategic business unit, while the other used to manage a strategic business unit, but currently has a role covering more responsibilities. Their positions were related to administration, management and marketing.

Although each interview lasted for about one hour, the entire meeting on the interview day with both managers lasted for about five hours. This was possible because the authors had booked an appointment via emails. Since the authors had sent the interview guide in advance, the respondents had the chance to familiarize themselves with the questions. Thus, not much

effort was required in explaining the questions. This prevented the possibility of asking leading questions while attempting to explain the questions (Yin 2003).

The authors, although had the intention among other things, of discovering the business model of the organisation, had determined not to ask them for the description due to the ambiguity of the concept. This helped in mitigating the risk of getting conflicting definitions. The recorded interviews were later transcribed.

### *3.3.2. Study of Annual Reports*

The authors studied the annual reports of Companies Alpha, Bravo and Charlie covering Year 2007 – 2011. Although Johnson & Johnson (2002) had criticised the use of such sources as there maybe potential disparity between what they portray and the reality of the organisations, the authors' aim with the annual reports was to corroborate the findings from interviews and other sources. The authors were aware of the possible bias and conflicting interests that could have been reflected in the reports, thus caution was exercised in interpreting the findings from the reports and generalising our conclusions.

### *3.3.3. Study of Archival Documents other than Annual Reports*

Other sources explored during the research included quarterly reports some press releases which aided the authors' understanding of the case and corroborated other data. However, many of these were from the companies websites which somewhat carry similar risks as the annual reports. Other documents included some reports that the contact persons in Company Alpha made available to the authors for more understanding.

### *3.4. Data Analysis Methods*

Data analysis involves examination, categorization, tabulation, testing or recombination of both quantitative and qualitative evidences in order to deal with a previously identified purpose of a research (Yin 2003). According to Miles & Huberman (1994) it is important to start iterating this analysis early enough during the research, which is particularly important when researchers have conduct a series of interviews that are transcribed (Ljungquist 2007a).

Since this research involved a case study analysis, the analysis of the data could take three strategic forms as suggested by Yin (2003) which includes, theoretical propositions, rival explanations and descriptive frameworks. These strategies help to treat the evidence fairly, come up with convincing analytic conclusions, and eliminate alternative interpretations. Yin emphasised that the absence of such strategies might leave the writer having to use the data

initially before going ahead to form systematic sense of what should be analysed and what should not.

After choosing a strategy, Yin (2003) suggested five techniques to executing the chosen strategy, four of which could apply to either single case study or multiple case studies, while the fifth applies mainly to multiple case studies. These includes: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis.

An option could have been to adopt analytical tools in this analysis such as Computer Assisted Qualitative Data Analysis Software (CAQDAS) (Welsh 2002) since such tools have some significant benefits, including the possibility to present the respondents' verbatim comments from an interview, as well as giving insights from the way words are used with their frequency pattern (Yin 2003). However, the verbatim expressions only constitute a fraction of the study. This means that the interpretations of these verbatim expressions are even more important. This perhaps is unsolvable simply by analytical tools. Yin argued that analytical tools may only be applicable where there is a deliberate and appropriate strategy for analysing.

Yin's suggested strategy of *relying on theoretical propositions* is based on the assumption that the researcher had propositions prior to the case study. In our case the authors did not formulate propositions, thus this was not applicable. Had propositions been formulated, they would have been the main lens in the data gathering, which have the potential of limiting the findings. Yin actually stated that a good proposition helps to focus attention on certain data and to ignore other data.

Yin's second analysis strategy of *thinking about rival explanations* is related to the theoretical proposition strategy. The rival strategy is similar to formulating propositions as well as counter-propositions, just as in hypothesis testing.

Though rather unpopular with Yin, our choice was the third strategy. This strategy of *developing a case description* involves developing a descriptive framework for organizing the case study. With this strategy the authors were able to identify a fixed unit of analysis and appropriate causal links to be analyzed. This unit of analysis was presented in a theoretical framework developed from the research model and literature review, which formed the basis for the data collection. Although, ideally the authors should present the raw data from the annual reports as being separate from the analysis, it is practically impossible to do so while

maintaining the anonymity of the empirical companies. Due to the sensitive information the authors came across in the process, the authors have decided to not include excerpts from the annual reports which could lead to easy identification of the empirical companies.

The techniques adopted alongside our chosen strategy included Cross-case synthesis<sup>4</sup> as against other techniques including Pattern-matching, Explanation building, Time-series and Logic models. These other techniques are all some form of pattern matching. Pattern matching as argued by Yin (2003) involves the comparison of an empirically based pattern with one that is predicted. For purposes of this study, the authors chose cross-case synthesis which specifically suits the analysis of multiple cases. Yin stressed that this technique is appropriate for studies involving at least two case studies. Yin further reiterated that cross-case synthesis can be undertaken notwithstanding whether the previous researches have been conducted separately as independent studies or even by different authors or not.

As regarding the technique, the authors used some form of time-series analysis by critically examining the annual reports of the empirical companies. According to Yin (2003), the ability to trace changes over a period of time constitutes a major strength for the case study. A time-series analysis helped to trace in detail and with some precision the changes in particular situations.

### ***3.5. The Quality of the Research (Validity and Reliability)***

*“The quality of a case study analysis is not dependent solely on the techniques used, although they are important. Equally important is that the investigator demonstrates expertise in carrying out the analysis.”*(Yin 2003, p. 138)

Qualitative researches often come with the problem of measuring and assessing the quality in regards to the validity and reliability (Ljungquist 2007a). However, some researchers have suggested that validity would be enhanced where the writer uses multiple sources, explicate the chains of evidence and if respondents ratify transcripts of interviews (Yin 2003; Creswell 2009).

Miles & Huberman (1994) recommended some measures including representativeness, the researcher’s effect, triangulation, quality of data, replicability and procedure for verification.

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<sup>4</sup> Cross-case synthesis could be used to deal with problems that might arise in developing internal and external validity (Yin 2003).

The findings from the responses were triangulated by reviewing the annual reports and the company's web pages. Triangulation is a technique that can be used to enhance validity as well as help harmonizing complementary sources of data (Ljungquist 2007a). Annual reports have the inherent limitation of being subjective as they are the managements' avenue for portraying the performance and position of company to stakeholders, which usually they present in a way that is appealing to the stakeholders. However, a critical look and a review of several years report coupled with verification from other sources increases the reliability of the data. During the review, the authors looked out for such data that could invalidate the assertions of the managers' claims in order to be objective. This is despite the fact that the authors had conducted the interview from independent managers. Miles & Huberman (1994) had given five areas of measuring quality of conclusions which include objectivity, reliability, internal validity, external validity and utilization. The validity of the work is therefore improved sensible and convincing context-rich description, moreover given that the triangulation results in generally converging conclusions. The outcome of the research is discussed in the final chapter of this study.

## **4: Case Description**

*This chapter highlights the background of the case study companies, description of their business units, their customers and the relevance of each company to our study.*

This research emanated from a real world organisational problem identified in a leading global organisation. Though the initial company was more interested in the dynamism of companies connected to them, our research was based on a universal perspective in assessing aspects of dynamism within organisations' business model. The practical problems identified therefore gave the opportunity for a thorough study of the subject in order to come up with theoretical insights towards providing answers.

### **4.1 Overview of Company Alpha**

#### *Background*

Alpha is a global leader in the telecommunication industry and it has its operations in all the continents of the world. The company has been in business for well over a century and has over one hundred thousand employees globally. As at June 2012 the operations of the company were seen to span across South East Asia & Oceania, China & North East Asia, India, Sub-Saharan Africa, Middle East, Mediterranean, Western & Central Europe, Northern Europe & Central Asia, Latin America & North America. In terms of employees, each of these regions has several thousands of employees and in particular over twenty thousand of the employees are committed to development and research. Alpha's researches spans across areas of telecommunication and latest global issues. These include wireless access networks, broadband technologies, multimedia technologies, services & software, radio access technologies, packet technologies, global services, security, sustainability and electromagnetic frequency. Alpha develops and supplies advanced systems and services for both fixed lines and mobile communications to operators. The company supplies end-to-end solutions for the transmission of voice, data and multimedia communication. (Alpha's website).

In terms of financial performance, Alpha turns over billions of SEK and currently reports about 6% operating income for the Second quarter of 2012. The products and services of Alpha is broadly categorised into Networks, Services and Support Solutions. The Networks arm of the organisation account for over 50 percent of Alpha's turnover, whereas Services and Support Solutions account for the balance. Alpha leads in the supply of mobile networks and in the supply of IT services, it ranks among the top ten. (ibid.)

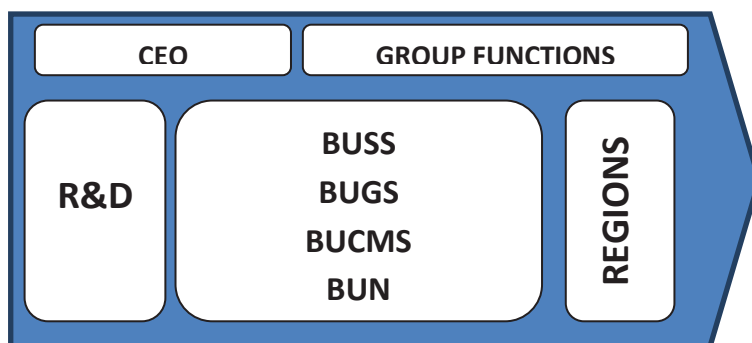
Decision making in Alpha is centralised and decentralised, depending on the task in question. The speed at which decisions are made are therefore dependent on several factors including the type of decision and where such decision can be made. Some other factors affecting decision making include the response time from units within the organisation. (ibid.)

Company Alpha’s strategy and their process of establishing companywide processes usually consider customers’ demands and expectation and those of other stakeholders. This helps Alpha to align their objectives and measure their activities all through the company. The company makes use of balance scorecards in breaking down strategic objectives into performance indicators for each operational unit in the entire organisation and the scorecards are updated annually. (ibid.)

The company exploits the competitive advantages it possesses through its global scale and has been able to replicate the same process and information technology tools all through the organisation. Alpha prioritizes identification of customers’ requirements and continually seeks to clarify and formalized them into the company’s business processes towards meeting the needs. Moreover, the company continuously improves it processes and tools thereby cost efficiency and effective process flow. (ibid.)

*Description of Business units*

Alpha has an overall CEO and several group functions. The company has two categories of structure namely: operational structure and legal structure. With the operational structure, Alpha coordinates and unifies the process flow of it activities irrespective of country or region borders. On the other hand, the legal structure reflects the tax and statutory composition. The organisational chart of Alpha Company, which reflects its operational structure, can be roughly sketched as follows:



**Figure 11 Company Alpha's Organisational Chart**Source: Alpha’s website

The various business units under the overall group functions is consistent with that of many telecommunication organisations with operations in various countries. (ibid.) Alpha’s organisational structure is not necessarily rigid over time as the company has changed in structure in response to market trends and needs; and from time to time Alpha engages in mergers (also demergers) and acquisitions. Figure 12 below shows the iterative nature of Company Alpha’s business process.



**Figure 12 Company Alpha's Business Process** Source: Alpha’s website

*Description of customers*

Alpha’s customers are majorly corporate clients and these include operators and other businesses in related fields such as TV & Media, public safety and utilities. They are equally and even more spread across the globe. In dealing with the corporate customers, Alpha appears to keep the interest of their ultimate customers – end-users in perspective. The company has a wide range of customers including governments and governmental corporations; companies in transport industries – roads, railways; and even companies in utilities industries such as energy. Alpha involvement with the energy companies for example, help to deliver sustainable, profitable and safe electricity supplies through the integration of generators and consumers. (ibid.)

Alpha also provides a portal for developers by providing labs, modules and tools. Their labs provide open environment and all the supports that developers could need, thus encouraging open source innovations. The company exploits its competences and resources to provide

portfolio of products for device manufacturers by offering different modules including broadband modules and power modules. Alpha integrates with channel partners and continually seeks more of such partners. The relationship with the channel partners create mutual benefits for both parties. (ibid.)

#### *Why the company is important for this study*

Right from the chairman, to the president and down the line to the managers and employees, everyone in Alpha seems to be talking innovation. The company seems to have a shift from technology innovation to business innovation. Thus the authors find it most appropriate to study such an organisation that seems to capture our research interest. To Alpha, business model innovation is not just a theoretical concept but a subject the company likes to make an integral part of their system. The authors were therefore curious to see the perspectives of an industry leader and its staff in regards to this contemporary research area. The study of the organisation therefore afforded us the opportunity to compare our theoretical discoveries with the ‘real world’ scenario. (ibid.)

The company continuously strives to maintain and improve its position in the marketplace. As part of its innovativeness, Alpha participates and even leads in some industry standardization organisations. For example in the 3<sup>rd</sup> Generation Partnership Project, Association of Radio Industries and Businesses, Alliance for Telecommunication Industry Solutions, European Telecommunications Standards Institute, Institute of Electrical and Electronics Engineers and several others. (ibid.)

## **4.2 Company Bravo**

### *Background*

Company Bravo operates in a different industry from Alpha and Charlie. Bravo is a leader in the energy industry especially in Europe. The company generates both electricity and heat. Bravo, which is a state-owned organisation, has a workforce of over thirty thousand employees. The company vision shows their concern for sustainable processes and products, diversity as well as both long term increased profits and growths. In the pursuit of greater profitability and value creation, Bravo recently took a new strategic direction and has been making concerted efforts towards keeping to its strategy. The strategy has four key components including: more focus on profitability and value creation; focus on core markets; three main products; and reduce environmental impact. The company’s core values include

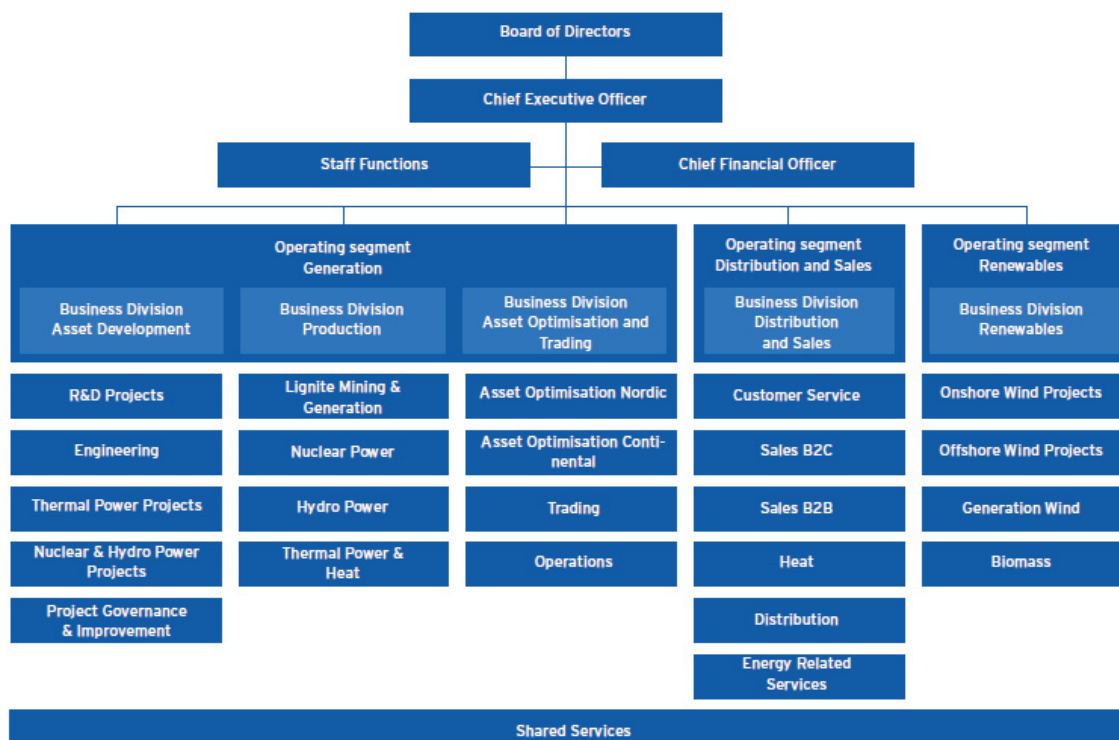
safety, performance and cooperation. Moreover, Bravo has very long term goals and measures to reach them are already being identified. (Bravo's website)

The company's operation span across many countries in Europe including Belgium, Denmark, Finland, Poland, France and UK; while their core markets are in Sweden, Germany and the Netherlands. The company is thus diversified geographically and in its balance of energy sources and electricity, heat and gas production. The diversity helps Bravo to be generally less affected by falling demands in different countries and different products. The mix of products includes hydro power, nuclear power, fossil-based power, wind power and biomass-based power. (ibid.)

Recent operational result of the company shows a turnover figure of close to two hundred billion Swedish Krona and an operating profit of about thirteen percent. Bravo engaged in some performance improvement activities which include freezing new recruitment and consulting assignments, as well as accelerating IT initiatives and purchasing savings. The company highlighted further improvement areas which include improving their purchasing coordination, and standardisation of processes and routines. They aimed to also increase the focus of the organisation on their core business, increase the efficiency of processes and cross-border standardisation. (ibid.)

#### *Description of Business units*

Bravo's organisation chart shown below depicts an organisation with multi functional areas under the company's three broad segments. It is an improvement from a previous region-based structure.



**Figure 13 Company Bravo's Organisational Chart** Source: Bravo's website.

With the new structure, Bravo is able to streamline the process of decision-making and create significant synergies in cost, personnel and knowledge. Specific benefits of the company's new structure include operational improvements, more transparency and accountability, cost efficiency and personnel synergies, increase customer and employee focus. Main products of Bravo include gas, electricity and heat. In some of these areas, Bravo's activities cut across all the value chain from generation, to distribution and sales. (ibid.)

#### *Description of customers*

Bravo's customers are segmented by the products offering and the size of the customers. The company's has retail customers, corporate customers and resellers in many countries. Although the company has three major markets (countries), its operations extend to several other big markets in Europe. Bravo's markets differ in a some ways. For example end-user electricity sales market is deregulated, thus have differing exposure to risk. The intensity of competition also differs with the number of suppliers, thus leading to price competition and low margins. The end-user market in some regions are also highly fragmented. (ibid.)

The company's customers are segmented into electricity retail customers, district heating customers, gas customers, business customers, and network customers. In some of Bravo's

market, it is easy for electricity retail customers to switch between suppliers which further increases competition. For this customer segment, price is of high importance, and determines the extent of their satisfaction. However, in some regions, Bravo's offering include value added services such as advisory, insulation, and installation of efficient systems for heating. (ibid.)

Bravo leads in several district heating markets even though there are varying economic fundamentals of this customer segment, considering the various regulatory conditions that must be met. However, this market is a leverage for Bravo to meet EU's energy efficiency and CO2 emission targets. Bravo's share of the gas market grew significantly through recent acquisitions, and heating accounts for large proportion of gas consumption. In regards to business customers which include resellers, Bravo engages in customisation and establishment of long term contracts with fixed prices to lower their investment exposures. For the network customers, the supply of electricity without outages is critical and Bravo makes huge investments every year towards improving the reliability of the delivery. (ibid.)

#### *Why the company is important for this study*

It is interesting to study a company wholly owned by the state. State-owned corporations have a reputation of being highly bureaucratic in structure and processes. One should be curious to see how a company in a capital intensive industry coupled with been wholly state-owned, yet faced with competition would handle innovating its business model. The authors are curious to identify the business model of the organisation and study the aspects of dynamism that can be added to the business model, as well as what aspects makes the business model more or less dynamic.

Bravo shows the ability to differentiate between measures that could be taken quickly towards their long term goals and those that cannot be executed until much later. Thus while being ambitious, the company is able to critically assess its strengths and weaknesses. (ibid.)

### **4.3 Company Charlie**

#### *Background*

Charlie is in the same industry as company Alpha. Charlie is a part of a bigger telecommunication company which provides network and telecommunications services. As an international company with presence in the Nordic and Baltic countries and some other countries including the Eurasia – Russia and Turkey, and even in Spain, the company has

emerged as a leader in Europe. The company has been in operation for over a century and half. Charlie currently has over twenty thousand members in its workforce and its turnover is in hundreds of million Swedish Krona. Charlie focuses on creating value for customers rather than merely providing technical solutions or network connections. The company thus has the objective of building an outstanding service company, securing high quality in their networks, and having an efficient cost structure. Moreover, Charlie claims to be at the forefront in bringing new technology to the market and offering new services to customers in an environmentally friendly way. Charlie wholly owns several Brands, and has part-ownership of others. (Charlie's website)

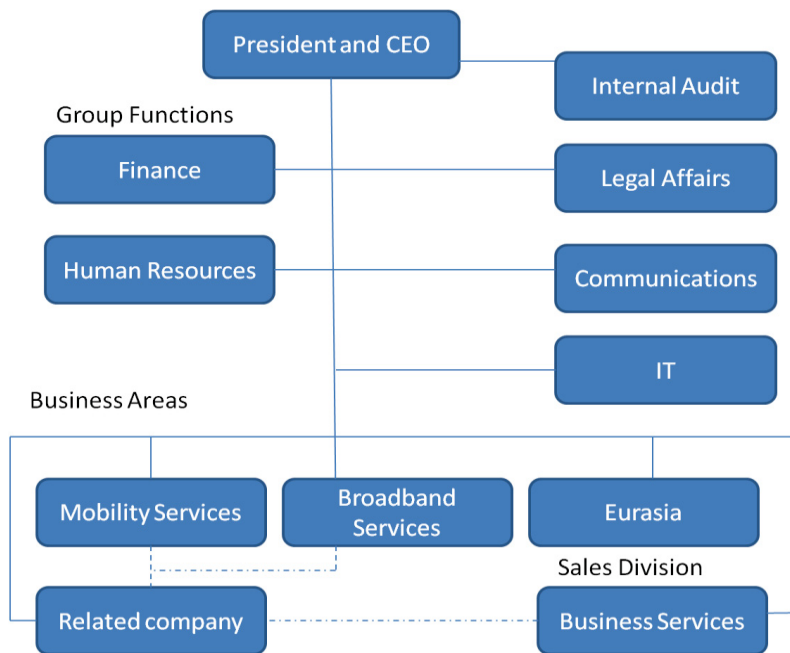
Although an international company, Charlie acts locally thereby acting as local operators in each market and being able to be in close touch with local customers and tailoring all sales, offering and marketing to their needs. The company builds on its common strengths and relies on the synergies from all its footprint in the marketplace. (ibid.)

Charlie conducts its business in three international business areas which include Broadband services, Mobility services and Eurasia; while the company's products range include mobile telephony, mobile broadband, broadband, TV, fixed telephony and some combinations. Charlie also provides support services. (ibid.)

The company recognises the rapid change of customers within the industry it operates in. In response to this change, Charlie acknowledged the need for a change in their business model, from being voice centric to becoming data centric. With the data centric model, Charlie introduced new ways of packaging their offers and charging their customers which is based on data usage. Charlie however, recognised the need to modify their structural cost base as well as improve their processes in order to ensure the company is still profitable. The company offers additional value by driving down international roaming charges, and establishing premium partnership with providers of service. Charlie takes leadership position by providing the platform for the discussion and improvement of industry wide issues. (ibid.)

#### *Description of Business units*

Given the fact that Alpha and Charlie operate in same industry, Charlie has a similar organisation structure to that of Alpha. Charlie is organised in three broad business areas on an international scale in order to provide a strong leverage for profitable growth and synergies across borders. (ibid.)



**Figure 14 Company Charlie's Organisational Chart** Source: Charlie's website

The President/CEO at the head, group functions including finance, HR, Legal, Communication and IT follows, and below these the company has its specific business areas (units). A matrix organisation structure seems glaring as the business units' operations cuts across countries. Each of Charlie's business areas has full profit and loss responsibilities. (ibid.)

*Description of customers*

Charlie has both corporate clients and individuals as customers. The company cooperates with its suppliers and partners in the delivery of best current and future solutions to its customers. Different business divisions cater for the needs of different customers. For example, one of Charlie's business areas provides mobility services to consumers and enterprise mass market. While revenue on voice was reducing, Charlie had increased revenues in data due to strong demand for mobile internet access. (ibid.)

*Why the company is important for this study*

Choosing Charlie as a case study company also seems to be an exciting decision as the company also claims it has a strategy of presenting solutions based on deep understanding of what customers want. Moreover, their claim involves continuous effort to adapt to the changing environment and meeting dynamic customers' needs. Charlie engages in innovation, research and development and the motivation for the company is to sustain their

pioneering role in the telecom industry, whilst ensuring increased profit and cost reduction. Charlie's innovation and R&D focuses on offering users excellence experiences by developing reliable and innovative products, services, systems and concept.(ibid.)

It would therefore be interesting to see how dynamism comes to play in an organisation with these claims. Besides being an industry leader, the peculiarity of Charlie as a very old company and yet striving to be modern, which suggests possibility of several changes, make the study to be of interest.

## 5: Analysis

This chapter presents the findings from the interviews and the analysis of the five-year reports of the three empirical companies referred to as Companies Alpha, Bravo and Charlie. The authors did not include the excerpts from the annual reports in order to preserve the anonymity of our cases. The presentation includes assessment of their business models as well as consideration of the dynamic aspects and non-dynamic aspects. At the end the authors present the summary of the dynamic and non-dynamic aspects in a table.

### 5.1 Company Alpha

A review of company Alpha's annual report for a five year period from 2007 to 2011 revealed the following findings. Company Alpha strives to achieve technology leadership. Alpha is an example of a company that runs multiple business models, as the company has several recognisable business models. One of the ways of identifying these business models are the operations of each business segment. Each business segment has a business model. Most recent trend in Alpha's overall business model is the recognition of the possibility/opportunity to offer help to their clients as regards clients' business models.

Key Partners	Key Activities	Value Proposition	Customer Relationship	Customer Segment	Goals
	Key Resources		Channels		
Cost Structure		Revenue Stream		Scope	

\*Scope – Alpha operates on a global scope

**Figure 15 - A representation of Alpha's Business Model in our Framework**

### *Dynamism of Goals*

Company Alpha organisation's goals are updated annually, whereas their strategies are more long term, that is, 3-5 years. They have long term, medium term and short terms goals. The two respondents from the company reaffirmed that the organisation's overall goal is broken down into smaller fragments which is translated into business unit's goals and then to individual's competence domain/ performance objectives. The realisation of individual goals leads to the success of the overall goal.

It might be that while having a long term strategic foresight for the overall organisation, maintaining a short-term orientation that allows for flexibility would be a major requirement for the dynamic business model. Though external influences might very much aid the process of goal updates, allowing internal influences such as individual employees' input to influence the overall goal (a bottom-up approach) might also be useful. Development of organisational and individual competence is important while introducing dynamism to goals and objectives.

Alpha appears to have continually done a close monitoring of their alignment to or misalignment from their overall goal. Though Alpha has large infrastructure and technology, their primary goal is still focused on creation of value to customers by addressing customers' needs. This is seen all-through the annual reports. This is also consistent with the view of the managers engaged in interviews. Although Alpha recognised the need for innovative technology leadership and operational excellence, their priority was to address customers' needs. Thus unlike traditional companies whose primary objective is to bring profits to shareholders and increase their wealth, Company Alpha rather focuses on customer value. An example of this was their strategy to lowering ownership cost for their customers.

An observation is that on the face of their financial statement for a year, Alpha claimed that a review of their strategy, business environment and operations showed that they had an effective strategy which shouldn't be changed, in a subsequent year; the company acknowledges the need to adjust to global macro-economic environment. This suggests some good sensing capability.

Alpha claims to have both medium and long term views informed by inputs from numerous surveys of their customer's representative. The achievement of their value creation as well as customer and employees satisfaction is measured annually.

## ***Sensing***

Company Alpha set their goals based on external factors such as market, customers and competition. They use the Customer Unit and Business Intelligence Unit to sense and assess whether the update of goals has to be changed incrementally or radically. Once goals are set, they are sustained for the whole year.

One manager said:

*“In assessing whether the goals are incremental or change drastically, it is dependent on type of activity: if in close link to the customer, we take forecast from the customer - how the future looks from their perspective and with the forecast we try to fill the gap by building competence in those areas. But in the factory, production of software with quality, speedily (time) might be the goals. Therefore overall goals are determined by customers”*

Although updating the overall goal of the organisation is influenced by external factors such as the market - customers and competition, which translates into the update of different business units' goals, there is also a potential for bottom-up approach of reviewing and making changes to the business units' goal based on the outcome of Individual Performance Measurement (IPM). Though external influences might very much aid the process of goal updates, allowing internal influences such as individual employees' input to influence the overall goal might also be useful. This is achievable from the part of feedback system. Company Alpha follows-up with each individual 3-4 times a year. Whereas for the business units, they have Key Performance Indicators (KPIs) that are used to assess the unit's performance. Besides, there are follow-ups in assessing how much individuals are contributing towards the common goal. This includes, for example, filling of forms for measuring how much the individual is meeting the individual goals which is a subset of the unit's goal, which increases the consciousness that the overall goal is achieved when individual unit's goals are achieved.

## ***Seizing & Transforming***

A factor considered to be of great importance to the dynamism of the organisation with relation to its goals is the development of competences (a part of key resources) that match the goals set. In assessing whether the goals are incremental or change drastically, for Company Alpha it is dependent on type of activity for example. On one hand, if in close link

to the customer, the company takes forecast from customer including details such as how it future looks from their perspective and with the forecast they try to fill the gap by building competence in those areas. On the other hand, in the factory, production of software with quality, speed (time) might be the goals. The respondents acknowledge a need to be innovative in their objectives and activities driven by the need in the internal and external environment, however, they stressed on the need to develop required competence matching the innovativeness. Thus development of organisational and individual competence is important while introducing dynamism to goals and objectives.

### **Dynamism in Scope**

At the overall company level, Company Alpha in its usual strategy of merger and acquisition, merged with another company. This merger and acquisition strategy of expanding their scope had been stated in the interview responses, and the annual reports showed that the major essence of the merger was to deliberately improve their capabilities. However, Alpha started being sceptical from the beginning and was ready to divest should the merger not yield expected results. Mergers and acquisition are strategic decisions, however, dynamic business models inculcate flexibility even here, in that strategic decisions can be reversed or counter-decisions made. Acquisitions are vital to the company as they able to move swiftly into new territories and complement current areas of strengths as well as move into new ones. An important element making Alpha's acquisitions successful is the company seizing and transforming capability of integration these acquired companies. Year after year, the pursuit of collaborations continued. In a bid to braze against negative economic impact, Alpha all expands its scope not only geographically but all in areas of business. Alpha does a close follow-up with its acquisitions and further strategies are employed to ensure their profitability.

Alpha also pioneers industry-wide technology and service improvement and innovations and it was noticed that the more dynamic the scope of Alpha's business, the more need for key resources and this usually leads to increased value proposition.

Though a global company in Scope, the statements on the annual report suggest that Alpha 'glocalizes' – thinking globally, acting locally. This is done by segmenting their operations. Although a global structure, their robust local capabilities help to understand and respond to local customers' unique challenges. The acquisitions continued even in subsequent years, establishing Alpha's positioning in the market, thereby increasing their scope. A more recent

trend about Alpha's business model in terms of their scope is the expansion into new customers segments including governments, health industry, transport and utilities.

### ***Sensing***

Company Alpha has several ways of scanning the market for expansion including product development unit, Customer Unit and Business Intelligence Unit. One manager stated that: *"The main interface to know the needs of the market is the Customer Unit. They work together with customers and they are able to identify customer's future needs/actions. The needs may not be related to our business but we might be able to meet the needs somehow. The Business Intelligence Unit looks beyond the current customer base – using surveys, industry reports and expert reports. They also scan within the company for unused potentials within current competences. Besides we also go into forums, standardisation forums in order to join both customers and regulators in thinking about the future."*

Alpha has been a first-mover in reaching several emerging markets in their area of business showing good scanning capability in expanding market. These suggest good sensing within the company which involves being able to know and understand what present customers need.

*"Sometimes we get the push from customers wanting faster and more delivery. We have a method where they have to fill their requirements and we conduct an analysis...so we have a method called product customization especially if there is requirement for us to change in the core design"*

### ***Seizing***

They also pointed out that they ensure they are not restricting individual employees to their areas but allowing them to think outside the box (flexibility) and not only in their core areas, for example - technology; but also involves allowing collaboration with other colleagues. Company Alpha also involves itself in sharing the risk with customers; creation of an environment where people listen and take customers' needs forward.

The Customer Unit has some criteria and methods in the selection of the sensed opportunities, and also the Business Intelligence Unit and Researchers are involved in the selection of the sensed opportunities.

*One manager in Alpha said:*

*“When we see lots of business coming and we don’t have the competence, so much can be drawn from the wider organization...and sometimes when we don’t have the competence, we buy companies that have the competences or form an alliance with them...[although these are strategic decisions taken at the top management level].*

### ***Transforming***

Company Alpha appears to be continuously reconfigured to match their dynamic business. For example in some region the company searched for new business models, such as supporting their customers rather than selling new products to them. This turned to be a model that became widespread in the company.

*“[Alpha] right now is very innovative with business models, ...we started [a new business activity] that now moves around the world ...so that was a new business line, many times key resources are the drivers for new innovation”*

The organisational structure in Alpha is relatively decentralised and it appears this helps to easily reconfigure its resources and to also quickly adapt to changing environment.

*“If you look at the organisation, we are quite structured, but people are allowed to go outside their boundaries”*

Thus the flexibility of the organisation appears to contribute to the dynamism of their operation.

### **Dynamism in Value Proposition and Customer Relationship**

Value proposition the review showed Alpha launching a new brand offering increased value to customers. The company started to offer customers an opportunity to reuse their current infrastructure which again brings increased value.

Sometimes having critically analysed their clients’ business Alpha can offer their clients the more valuable options in the clients business model which Alpha has capacity for and thus ‘create and meet’ needs in the clients business.

In order to be able to gain valuable insight into consumers’ behaviour and needs, Alpha contacts its customers. A company might not be more innovative than paying attention to customers’ needs and solving them. At some point, the company conducted tens of thousands

interviews through a consumer forum. One of Alpha's fundamental strategic components is the customer intimacy where highly qualified employees work closely with customers to create effective solutions. The authors observed increase in their staff strength.

During the global economic downturn, Alpha acknowledged the difficulty of forecasting customers' demand. (Improving on sensing capabilities irrespective of economic climate might be helpful). Alpha had to resolve to defensive strategies which may not be sustainable, thus non-dynamic. Some analysis they conducted suggested the emergence of a new kind of industry. Alpha also recently launched online platforms for knowledge sharing which is accessible both internally and externally. This again showed some sensing capabilities to scan the environment.

While the company acknowledges the importance of adjusting due to macro-economic factors, the annual reports show a company that only adjusts based on its customers' sensitivity. Thus their responsiveness is not self-interest based, but the customers' interest based. In relating with customer Alpha sometimes creates the opportunity to test their products and give feedback. Another observation with Alpha is that it appears the company has a profile of leading industry players as customers which could be a marketing strategy of being able to easily gain other players loyalty.

### ***Sensing***

*“We use Customer Unit; Business Intelligence Unit; and other means such as Customer User groups – we meet customers and customers meet each other. They share ideas and create synergy. We have a whole organization to keep tracks of customer preferences they only look into customers, assess markets, see customer needs and they go out when we have a new project.”*

Alpha had a system that helped in doing assessment of the market, they view and analyse the result and share it with customers. This helps to identify with the customers' needs and pain whilst presenting them with solutions.

Moreover, in the terms of customer relationship, although Alpha has 'self service portals' the managers believe that the social media is a vital role and they already exploit it vastly in their operation. Thus social media is not only an innovative platform for customer relationship, but it is quite dynamic for managers to turn to it for business relationships with their customers.

*“People might feel shy to express their anger when you are with them, but a freeform social*

*media platform like the Facebook allows expression of unbiased opinions...For a solution I worked on, the major means of gathering the public opinion was by looking at comments that have been posted on the internet”*

Besides, the managers also pointed out that their physical interaction with the customer is of vital importance other than traditional automation. Thus they have many various forums of interacting with the customers. However, they expressed the limitation of the social media platform, whilst also stressing that it is not a replacement of the old, but a complementary to it.

*“One outstanding benefits from communicating with customers in being able to see the similarity of requirements between different customers, thus we can reuse resources and competences sometimes up to 80%”*

### ***Seizing***

Alpha has the room to give up unused resources thereby opening up/creating room for new ones. What they have is already known, but the new resources that could flow in could be more competitive. One of the managers stated that *‘most successful operators are those that share’*.

*“We are like teams with different backgrounds; we have made case studies based on which we know the values, on which could sell or try to sell because we can’t come with a brochure and say that we have value for it or for something what we find in internet.”*

### ***Transforming***

In adjusting to the changing preferences/needs of customers, there can be several challenges, including being placed on the spot to solve customers’ highlighted problems; as such Alpha has to be able to understand their business model, and advise appropriately.

*“Other things come up along the line besides technology, for example, Change Management. We can’t change technology, if we can’t change the mindset of the organisation.”*

Other challenges include where the company has had to take over customers’ value activities e.g. some of their operation. It might involve lots of restructuring which could involve lots of issues including communication, cultural differences. A lot of care is also needed here because it involves downsizing.

Besides, in marketing their products, the pattern is improved based on the experiences of sales people. The exploration of the value propositions therefore seems to be a dynamic part of the business model. For example a manager stated that:

*“We create value for our customers in a market, and if it succeeds, we replicate this in other emerging markets without modification; but also in some mature market, modification will become pertinent”*

### **Dynamism in Key Activities**

The key activities - the company seeks to improve its processes, methods and tools. Some key activities they engaged in included focusing on acquisitions, partnerships, building of competences, safeguard leadership position, improve capital efficiency as well as their margins. Sometimes the most creative strategies are conceived in an atmosphere of economic pressures. Thus Alpha recognised the need for robust sensing capabilities for example in R&D investments. The partnership results in some strategic alliances such as joint ventures.

Alpha’s sensing capability for value proposition included continuous recognition of competitors and analysis of their strategies and main offerings. Whereas the company still continues in collaborations, a transforming capability Alpha displays is to know when divesting would be appropriate. Alpha also has a team that manages their group activities, in order to create synergies from within the group.

In a year, the authors observed landmarks in Alpha’s key activities, which involved accomplishment of a large project that drastically reduced time frames. This showed improved transforming capabilities of a dynamic model. The authors also noticed this pattern continued in subsequent years which suggests a sustained model built on their transforming capabilities. Moreover, their innovativeness was shown as they began to move towards offering lower-cost packages to customers. Alpha seems to have a culture of developing and launching highly rated technology in different areas of their business.

A new trend was observed in recent years, where Alpha had to control and reduce their spending, in which they had to outsource and focus on key business priorities. This showed some adapting capabilities having sensed the environment, which for Alpha led to greater operational efficiency, lower risks and reduced complexities. Simultaneously, Alpha was ‘insourcing’ staff from their customers to further enhance their competences development.

### ***Sensing***

Alpha does not only scan the market for opportunities, but also creates opportunities in the market by being involved in decision making forums. The company takes follow-ups and customer feedback seriously, striving to assume full understanding of customers' need.

### ***Seizing***

Having perceived the trend of the market and its future direction, Alpha at times takes the advantage of the first mover by going ahead to create what the future market would require. This seizing capability helps to stay ahead of the competitors.

*“We also follow the projects through with the customer. Because of the cost of time, we ensure that we have good analysis ahead of time including good description, good design, before going ahead into execution; in order to avoid acting based on assumptions, because assumptions can be costly”*

### ***Transforming***

Alpha also conducts review, and highlight inefficient members, as well as the possible frictions within teams. They seem to aim at ensuring the staff members are at their best and the customer is served the best way. Some of their activities involve learning about the product, teaching the customer how to use it, and spreading the information in the market. It can be complex due to short time frames, and lack of competence in every region.

Some members of Alpha Company act as ‘Intrapreneur’, whereby they behave like entrepreneurs, only that the ideas they are selling are from within the organisation and their aim is to promote the overall goal. So for such individuals it is imperative that they know and understand what is going on. A manager in Alpha said: *“how can I sell it if I don't know what it is”*, stressing the importance of knowledge sharing across the organisation. Speed is of essence because imitating organisations might want to outrun the company in question, thus time to market must be reduced continuously.

### **Dynamism in Key Resources**

Investment in key resources is another key strategy which Alpha adopts. This is in line with Osterwalder's argument that innovative companies would be ready to invest even when they aren't certain of the returns the investment would yield. Alpha's annual report showed that the company continuously invests which in their opinion paves way for future upgrades and expansion. This helps the company to increase their market share.

Having a global view and coordination of the staff as key resource helps Alpha to not only account for their workforce accurately but also coordinate and maximally exploit their competence. Year in and year out, Alpha is able to account for its employees, and the interview with managers revealed that some staff are moved from one location to another based on the need of their competence. These are good seizing and transforming capabilities.

Osterwalder's idea of organisations key resources includes physical, intellectual, human and financial capacities. Alpha senses where and how they can support their business networks. With a very strong financial capacity, Alpha supports their operators even financially and after successfully coming out of crises, such operators find Alpha a good business partner! This gives Alpha an edge showing seizing and transforming capabilities being explored to increase their market share. This thus makes the company more dynamic.

One manager also said about their human resources:

*“We follow certification programme within the company – where people are certified. The certification contains huge processes of how we work. Individuals are driven towards acquiring those certifications. The certifications are given when individuals meet some set of forward looking criteria, and there are various levels of the certifications. The certifications are also of various sorts depending on the individuals. The content of the criteria are standard based, but it changes with business – because we need to have business understanding and understanding of current technology. The criteria are mostly same, but the content to meet the criteria changes with the business and technology.”*

Alpha company highlighted that in service business, providing documents in ways that help customers to understand and continuously improving on such makes the company dynamic. Whereas in delivering software, licensing; supports; and after sales are innovative moves. *“We make use of the various revenue models. We consider the need or appropriateness of new versions of software or come up with entirely new products...we also keep abreast of customers' preferences which informs our choice.”* Moreover, Alpha offers training to their customers.

*“In engagement organization we have assessment programme where you get assessed. I am a senior software engineer and for that I have to fulfil some requirements I have to complete some courses and I have to be involved with the customers; and every year the requirements for the assessment changes depending on what is happening in market”*

*“When a certification is found useful to an individual making the individual relatively more productive, then such certification becomes popular in the company. Some innovative decision involves timely acquisition of required competences and reduction of our service delivery time. Also depending on the location, the company sometimes register lots of patents, and in some other places, we register less.”*

### **Dynamism in Channels**

Alpha has two-dimensional structure of legal entities and operational units which are widespread.

*“Our channels add value to us. Sometimes we do all by ourselves. Other times, we use subcontractors to deliver some of our product and services and the value they bring in include – local presence, local knowledge, and local network. So we don’t have to spend huge resources setting up everywhere we have business, especially if they are one-off businesses.”*

Alpha gets some feedback which relate to quality and cost. There are risks that some channels don’t uphold the company’s values, *“which would indicate a bad choice on our part; or the channels don’t find us appropriate to deal with.”*

Good logistics and channels are important to improve Time to Customer (TTC), and good production line – in relating to hardware products. But in software or systems integration, time to customer is improved through the way the company manages customers’ requirements and the product.

*“We need to ensure proper understanding of their requirements from onset and on an ongoing basis. Preferable to measure time to customer in terms of when the product is delivered rather than when it is made ready.”*

Highlighting the challenge faced in transforming, Alpha acknowledged that the process of integration is always very complex. It shows an area the company needs to improve on.

*“We first seek understanding, and then we move to how to get there, which could take some time as it involves both technical and business solutions; it also requires various levels of approvals; and needs of different competences. This is why negotiations take years before it starts. One of the results in bringing efficiency to firms - reorganisation includes people losing their jobs which are not always a pleasant experience. So such activity must be handled carefully.”*

Executive/Top level Managers usually see such discussions as delicate, as they are strategic decisions which place reputation of the offering companies at stake. So organisations should keep coming up with innovative ways of caring this out.

From the discussion, it is noticeable that the face-to-face interactions with customer [as against using channels] help to build trust and get adequate relevant information, which serves as a feedback towards improvement.

In seizing opportunities, Alpha offers dynamic discounts for customers' outsourced service to them. Where the company senses customers are struggling, they offer to take up the activities and offer their services at a lesser price.

### ***Overall***

Alpha's scope and value proposition are interrelated and these aid the dynamism of the company. Their leadership position as well as efforts to maintain the same makes the company pursue more dynamism in all areas of its business. Key resources of Alpha are more dynamic as they help the company propose more and more value. The customer relationships component is also more dynamic as they engage customers in some form of 'crowdsourcing' for example engaging tens of thousands of customers in interview.

However, components like the channels and key activities are less dynamic compared to the rest of the business model.

## 5.2 Companies Bravo and Charlie

### Company Bravo

<i>Key Partners</i>	<i>Key Activities</i>	<i>Value Proposition</i>	<i>Customer Relationship</i>	<i>Customer Segment</i>	<i>Goals</i>
	<ul style="list-style-type: none"> <li>•Production</li> <li>•Value adding activities</li> <li>•Consulting</li> <li>•Contracting</li> </ul>		<ul style="list-style-type: none"> <li>•Customer Retention</li> <li>•Customer Acquisition</li> </ul>		
		<ul style="list-style-type: none"> <li>•Brand</li> <li>•Customer Base</li> <li>•Physical–Machinery</li> <li>•R&amp;D</li> <li>•Certifications</li> </ul>	<ul style="list-style-type: none"> <li>•Own channels</li> <li>•Dedicated business units</li> </ul>		
<i>Cost Structure</i>			<i>Revenue Stream</i>		<i>Scope</i>
					<ul style="list-style-type: none"> <li>•Horizontal</li> <li>•Vertical</li> <li>•Geography</li> </ul>

**Figure 16 - A representation of Bravo's Business Model in our Framework**

\* Scope - The company's operation span across many countries in Europe including Belgium, Denmark, Finland, Poland, France and UK; while their core markets are in Sweden, Germany and the Netherlands.

#### *Business model components and their dynamic aspects*

#### **Goal**

Bravo has a very ambitious vision of leading its industry in Europe. However, as usual with visions, Bravo's vision is not easily measurable, thus they are broken down into measurable strategies and operational plans. For example the company has five interrelated strategic ambitions highlighted below under value proposition. Whereas the overall goal remains the same over the years, the broken down goals change from time to time. Bravo's goal penetrates all its business aspects and thus their dynamism in goals aids dynamism in other areas of their business. A good sensing capability is shown for example where the company outlines its goal in a joint venture in terms of meeting specific customers' need. Such description placed on a high bar drives the organisation, could also be competitive and would

be measurable per time. An observation in the annual reports of Bravo is a continuous comparison of their current position with their long-term future goals. Such assessment could be helpful in identifying the gap and getting some drive.

Recently Bravo faced challenges which included weaker market position, pressure on profitability as well as its processes. This led to change in the strategic direction which suggests good sensing and transforming capabilities. Companies often find it difficult to change their overall strategy which makes some companies result in failure. But Bravo was able to successfully formulate a new vision and started a new direction which led to a new organisation structure. This however did not stop their most recent acquisition.

### ***Scope***

The report showed an expanding scope of operation with more market share added over the years in individual countries as well as in Europe. Bravo has a strategy of acquiring several companies within its industries across borders (sensing capabilities). An observation in the report is that the company spells out its goals of acquisition and a review of the subsequent year would show the acquisition was done successfully (seizing and transforming). Contrary to the widespread reach, Bravo recently began to focus on countries where they have had strong presence. This, which is consistent with the dynamism of their goals, again suggests Bravo's increasing seizing and transforming ability, however, on the other hand, it could also suggest a lack of sensing capabilities for completely new markets.

### ***Value proposition***

In some markets, Bravo is involved in the overall value flow - from the generation of the offering, all through the value network to every stage of its value chain. The report showed that the R&D of the company impacts the entire value chain. Bravo's value proposition expressed in their strategic ambitions include prioritizing customer's interest; care for the environment; profitable growth; industry leadership; and employees' interest. A review of Bravo's report shows that the company believes that through these five offerings, they would be the preferred choice. Bravo's concern about the environment comes to the forefront as the type of business impacts a lot on the environment, thus a competitive value proposition would be offering of sustainable products. This is also consistent with the company's goal. Their recognition of this suggests some sensing capabilities while, the ability to offer such product include seizing and transforming capabilities. The report stated that the company

recognised that customer value comes from customer satisfaction. The company's sensing capability is also reflected in their ability to learn from best practices from both within and outside their industry considering the fact that regulations are on the rise in the industry.

Bravo also joins some other companies in strategic alliance in manufacturing of certain unique products.

### ***Customer relationship***

In a bid to pursuing customer satisfaction which Bravo believes is attained through customer value, the company seeks improvement on the customer relationship. For example they have an online facility that guides retail customers across countries. The company sensed a need for improved customer service, simplified billing and provision of clear information to customers. One could argue that this should be common knowledge for companies, however, Bravo's increased customer base suggest increased customer satisfaction, which also could be as a result of the increased customer value.

Bravo has a platform for providing advice to customers and the general public; this has brought in more business opportunities to Bravo (seizing capabilities). Besides, the company claims to continuously improve the quality and effectiveness of their service processes directed at customers. Also Bravo signs long-term cooperation agreements with some of its customers which locks the customers-in, as well as help the company to comfortably invest in dedicated services to such customers.

The company makes use of results of research projects in sensing the market and determining the company's next lines of actions.

### ***Key activities***

Bravo engages in production of its core products as well as additional value adding activities including consulting and contacting. Production of Bravo's core products occur in individual countries.

In improving their offerings, Bravo engages in continuous measurement of the effects of environmental work.

Some most recent key activities have been divestment of less important operations and plants. The company also recently moved towards cutting costs.

### ***Key resources***

Bravo has huge investments in the searching for new sources of raw materials for its core products. This indicates innovativeness following Osterwalder's description of an innovative company being able to invest enormously even when the returns are uncertain.

Bravo not only acquires new machinery, the company engages in maximizing their existing machinery which suggests some seizing capabilities. Bravo obtains certification for some of its environmental management systems in some countries.

Bravo's goal setting includes some high cost reduction targets which shows a high level seizing and transforming capabilities. The achievement of such goals results in phenomenal financial benefits.

Besides, the company engages in global coordination of its competences for example, Bravo rotates some of its professions internationally and even aiding managers' mobility. Also, moreover trendy issues such as increasing share of women managers are taken seriously in Bravo.

### ***Channels***

Bravo has a dedicated business unit through which they distribute their products and services. Besides the company has centralised functions that handle their trading, treasury, insurance, R&D, and IT services.

The company explores online channels in reaching their customer and getting feedback. Bravo uses in-house staff in scanning business opportunities in new regions. The company also combines its individual country group functions in order to create synergies.

### ***Overall***

The goal of Bravo is a major driver of their dynamism. Their dynamism is fostered by the expansion strategy, as it could be seen that activities and achievements were targeted towards the goal. The goal helps dynamism of their scope and also the dynamism of their value propositions. Thus it was noticed that dynamism was somewhat hampered when the company altered its goal.

The company’s dynamism is also fostered through its customer relationships.

The industry in which Bravo operates however is generally less responsive to change unlike that of Alpha and Charlie. Alpha and Charlie’s industry experiences rapid changes thus creating an atmosphere that demands more dynamism.

## Company Charlie

### *Business model components and their dynamic aspects*

<i>Key Partners</i>	<i>Key Activities</i>	<i>Value Proposition</i>	<i>Customer Relationship</i>	<i>Customer Segment</i>	<i>Goals</i>
	<ul style="list-style-type: none"> <li>•Network Maintenance</li> <li>•Services Provisioning</li> <li>•Marketing</li> </ul>		<ul style="list-style-type: none"> <li>•Customer Acquisition</li> <li>•Customer Retention</li> </ul>		
	<i>Key Resources</i>		<i>Channels</i>		
	<ul style="list-style-type: none"> <li>•Patents</li> <li>•R&amp;D</li> <li>•Open innovation</li> <li>•Network</li> <li>•Brand</li> <li>•Customer Base</li> </ul>		<ul style="list-style-type: none"> <li>•Own channels</li> <li>•Partner channels</li> </ul>		
<i>Cost Structure</i>			<i>Revenue Stream</i>		<i>Scope</i>
					<ul style="list-style-type: none"> <li>•Horizontal</li> <li>•Vertical</li> <li>•Geographical</li> </ul>

**Figure 17 - A representation of Charlie’s Business Model in our Framework**

Charlie seeks to build a world-class service company with high quality network while simultaneously achieving cost efficiency. Charlie’s goals form the basis for the spread in scope. The company in achieving its vision for simplicity prioritizes having deep understanding of customers’ current and future needs. This suggests that there is not only a link between the company’s Customer Relationship component and its Goal, but also that the goals are improved upon through the feedback from customer interaction. The sensing capabilities of the company are also exhibited in taking track of industry report and setting

goals towards solving industry wide problems. The overall goal was expressed in five short & medium term priority areas which were later reduced. These informed the key activities the company engaged in. The reduction became necessary when the company perceived it had achieved some of the goals. Charlie's sensing capabilities lead to dynamism of their goals.

### ***Scope***

Charlie's geographical scope of operation covers the Nordic and Baltic countries, Spain and Eurasia (Russia and Turkey). The company continues to seek expansion of their market and product for example through acquisitions. A major change in their structure was noticed as Charlie changed from a country-based profit centre organisation to a product-based business area organisation. It was noticed that Charlie continuously adjusts their structure which suggests some transforming capabilities having sensed a need in the market place. This flexibility could give an edge in competition. Charlie also engages in complementary acquisitions, increasing ownership in core-holdings and expansion of its distribution channels. These collaboration as well as vertical and horizontal integration perhaps led to new value propositions, for example in new markets or new products/services.

It was later noticed that in more recent years, Charlie halted their expansion into new markets and rather increase their share of existing markets. The company even did some divestment.

### ***Value proposition***

Charlie's value proposition is to a large extent connected to their expansion strategies – the scope component in their business model. The company's scope and value proposition are interrelated, as it was seen that while they extended their value to expanded markets, the new markets/ new alliances with other companies give them opportunities to create new customer value. Charlie claims to start all discussions based on customers' needs while offering more value than their competition. Having gained understanding of customers' needs, the ability to create value for customers streams from their size and ability to transform customer knowledge into actions.

Charlie is a first mover in several innovative products within the industry, which was sometimes achieved by joint efforts with some other companies. They also offered innovative internet tools for customers. A first changing industry like the telecoms offers first movers lots of benefits. Charlie claims to do this frequently and at reduced cost offerings. This shows a very good seizing and transforming capabilities.

Charlie realises that customer base can only be improved through improved customer service and customer satisfaction. Thus the company claims to strive towards contributing to the development of their clients' core businesses. This requires high sensing capabilities.

Besides, the company offers quality and has measurable increases in its quality offering. One of Charlie's value offering is the development the most flexible and adaptable service in one of their markets. Besides, Charlie collaborates with local players to offer low cost services to customers.

### ***Customer relationship***

The reports showed that Charlie's customers call in into the company and Charlie strives to improve this process by shortening answering times as well as solving the request on the first call. Being more of a service-based company, the customer relationships component provides the opportunities for improving the company's key activities. Though Charlie is not seen to be dynamic *per se* in its relationship with customers, the interactions with customer provide a basis for fostering dynamism. Charlie also has a web platform for interacting with its customer. The company engages customers in strategic discussions to help them solve their needs. This suggests some level of sensitivity. The company measures the effectiveness of their customer relationship through the use of some index.

### ***Key activities***

Charlie engages in management of migration to mobile and IP based services. The company also strives for improvement in their traditional businesses. The company however runs a common operating model in all its markets. This might impair dynamism as each market usually has some form of uniqueness thereby possibly requiring a unique strategy. Charlie's claim to act locally is in terms of customization of product and not on the business model level. Due to the series of acquisitions, Charlie engages in lots of integration. This presents another area where dynamism could come to play.

One of the actions that fosters dynamism in Charlie is the setting aside of certain dedicated business units to handle certain aspects of their business.

Charlie invests in R&D and adopts the open innovation approach which gives room for more innovativeness. They engage in user-friendly services, integration of third-party solutions and cooperation with external innovation clusters.

Besides, the company engages in the use of business process improvement models to improve the activities. This could foster dynamism, as theoretical concepts are applied in their operations which potentially could expose them to more improvement concepts.

### ***Key resources***

Charlie's key resources are interrelated to several other components of their business model including the scope – where they have had to acquire/ improve more key resources as a result of expansion and alliances (the alliances however, could have helped Charlie to have access to control new key resources); dynamism in key activities also require acquisition of new assets or learning new skills.

Charlie's staff have shared values that guide their daily operations which include adding value, showing respect and being involved. Besides, an activity that fosters dynamism about their human resources is the freedom of movement offered to their employees.

Moreover, the company collaborates with Universities in developing their staff and they also own a business school.

Charlie has increasing ownership in core holding and they continue to scan the market for new opportunities both within existing market and beyond. This suggests some sensing capabilities. Their strategy appears to be the same in each new market, which suggest a non-dynamic approach to seizing the opportunities, although the company claims to act '*locally*'.

Charlie's growth calls for increased sizeable investment in technology for good coverage.

The company has a strategy of maintain the same identity, logo and colour scheme for its main brands, even though they have their individual names. This could be a seizing capability as it would help penetration in new markets due to previous reputation.

### ***Channels***

The company has a dedicated sales organisation that sells their products and services to business customers, whose activities are measured by growth in market share and sales efficiency. As Charlie seeks expansion, the requirement to improve their channels and make them dynamic also follows.

## ***Overall***

In Charlie's case, the leading component fostering dynamism is the scope. The pursuit of the scope strategy – either increase or decrease, fostered or hampered dynamism of other components of their business model respectively. Dynamism of value proposition was seen as both a cause and an outcome of dynamism in scope.

Vertical and horizontal integration, as well as collaborations as initiators of dynamism or as components that fosters dynamism can lead to new value proposition through new offerings, which can be taken to different markets thereby expanding their geographical scope. This could also enhance the key resources through access to local knowledge and expertise, and likewise increase and improve their distribution channels. This trend is of particular importance to Charlie as one of their key strategies is complementary acquisitions.

Customer relationship is another component that fosters dynamism. The company is able to improve their strategies and their key activities by interacting with customers. However, this is not extensive in Charlie's situation. This can complement the open innovation model of their R&D department.

### 5.3 Case Comparison - Analysis table

Components of Business Model	Alpha		Bravo		Charlie	
	Dynamic aspects	Non-dynamic aspects	Dynamic aspects	Non-dynamic aspects	Dynamic aspects	Non-dynamic aspects
Goal	<ul style="list-style-type: none"> <li>Overall company goals are reviewed annually and are split into performance indicators with balance scorecards</li> <li>Goals are dependent on external factors such as customer current &amp; future needs, market trends</li> <li>Goals are split into long, medium and short terms as well as functional, departmental, unit &amp; individuals' goals</li> <li>Customers' future needs inform goal setting such as development of matching competence</li> </ul>	<ul style="list-style-type: none"> <li>Competences could as well be developed to match market needs rather than merely seeking markets for existing competences</li> <li>Lack of enough flexibility, thus little or no paradigm shift in their goals even when the need arises – perhaps due to organisation's size and complexity</li> </ul>	<ul style="list-style-type: none"> <li>A long-term perspective to divestments and acquisitions</li> <li>Also a recognition and consideration of EU's overall strategy on electricity in goal setting could aid dynamism</li> </ul>	<ul style="list-style-type: none"> <li>Infrequent changes of the goals and too long-termed focus.</li> </ul>	<ul style="list-style-type: none"> <li>The ability to/ act of setting goals that are informed by feedback from customers.</li> <li>Goals are more short/medium-termed and achieved goals are quickly ticked-off</li> <li>The goals are clear-cut and easily understandable</li> <li>Goals impact all other parts of the business model</li> </ul>	<ul style="list-style-type: none"> <li>Less obvious acknowledgement of the impact of technology and market trends in goal setting may hamper dynamism</li> <li>Competitors' activities could also inform goal setting</li> <li>There seem to be less or no expressed emphasis on innovative goals although the value proposition suggests innovativeness</li> </ul>
Scope	<ul style="list-style-type: none"> <li>Customer units work hand-in-hand with customers to identify and anticipate their needs</li> <li>Business intelligence unit (BIU) looks beyond current customer base and uses surveys, industry and experts reports</li> </ul>	<ul style="list-style-type: none"> <li>Use of singular departments in identifying or anticipating customers' need might be inhibiting</li> </ul>	<ul style="list-style-type: none"> <li>Divestment of many foreign operations helped the company focus on core market's operations.</li> <li>Moreover switching to a global perspective as against regional perspective of some of their operations led to positive synergies</li> </ul>	<ul style="list-style-type: none"> <li>Non-exploration of entirely new markets</li> </ul>	<ul style="list-style-type: none"> <li>Rather than organic growth, forming alliances shows dynamism.</li> <li>A dynamic move to collaborate helps to create new/ increased customer value</li> <li>Dynamism in scope impacts some other components like value proposition, increased distribution channels.</li> </ul>	<ul style="list-style-type: none"> <li>Although Charlie continually expands the share of current markets, trends showed that no new market has been penetrated the past few years</li> </ul>
Value proposition	<ul style="list-style-type: none"> <li>Alpha assesses customer value by engaging in customer interactions 'B&amp;C' 'C&amp;C&amp;B'<sup>5</sup></li> <li>Value is influenced/ determined by end-user as well as immediate customer</li> <li>Customer value and preferences is assessed through an independent organisation during new projects</li> </ul>	<ul style="list-style-type: none"> <li>Less attention paid to retail market</li> </ul>	<ul style="list-style-type: none"> <li>Varied level of involvement in the value chain in the different major businesses. E.g. Active in all parts of the value chain in electricity and heat; whereas in gas, the company is active in sales.</li> <li>With increasing concerns on the environment, Bravo also concentrates on renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Underutilization of resources across global markets</li> </ul>	<ul style="list-style-type: none"> <li>Charlie has been a first mover in introduction of global technological breakthrough.</li> <li>Another driver for dynamism in value proposition is the key resources – e.g. R&amp;D leads in product development</li> <li>The Open innovation model help to target their solutions towards customer needs</li> <li>New value propositions that are successful locally are seen as basis for penetrating new market</li> </ul>	<ul style="list-style-type: none"> <li>More engagement of customers is key for retail businesses</li> </ul>

<sup>5</sup> B&C :- Business-Customer; C&C&B :- Customer-customer-business relationships

Customer relationship	<ul style="list-style-type: none"> <li>• Self-service portals are engaged</li> <li>• Alpha use dedicated business units/ functions for CRM<sup>6</sup></li> <li>• Social media platforms are engaged as integral parts of CRM</li> <li>• Direct engagement with customers through key account managers</li> </ul>	<ul style="list-style-type: none"> <li>• Little consideration of business potential retail customers</li> </ul>	<ul style="list-style-type: none"> <li>• Bravo classifies its customers as retail and industrial customers.</li> <li>• Provision of advice to customers and general public</li> <li>• Very recently, a reorganisation of the company due to customer focus among other things.</li> </ul>		<ul style="list-style-type: none"> <li>• Charlie makes use of social media platforms such as blogs to release latest information as well as gather direct customer feedback</li> </ul>	<ul style="list-style-type: none"> <li>• The company prioritises the use of some index (EPSI) through 3rd parties in measuring customer satisfaction</li> </ul>
Key activities	<ul style="list-style-type: none"> <li>• Maintaining and improving on their operational capacity</li> <li>• Activities are improved through reviews conducted by external entities</li> <li>• Industry forums gives opportunities for knowledge sharing</li> <li>• Participating in standard setting also helps to be first-movers</li> </ul>	<ul style="list-style-type: none"> <li>• Huge capital intensive solutions that make change costly less quick</li> </ul>	<ul style="list-style-type: none"> <li>• Continuous review of focus shows dynamism where the company discontinues some activities</li> <li>• Aggressive sourcing for input material has been leading to new value propositions</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistent with key activities in all markets</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of customer waiting time</li> <li>• First-hand solutions to customer complaints</li> <li>• Use of process improvement approaches such as six sigma</li> </ul>	<ul style="list-style-type: none"> <li>• Assessment of performance should be a core internal process</li> </ul>
Key resources	<ul style="list-style-type: none"> <li>• Enormous global network of facilities &amp; expertise</li> <li>• Ability to reuse core competences and resources in new business lines</li> <li>• Developing latest technologies and pre-empting future ones</li> <li>• Coordination/ Redeployment of resources globally</li> <li>• Huge investments in R&amp;D</li> <li>• Acquisition and management of patents</li> <li>• Owning and accessibility to finance for vendors</li> </ul>	<ul style="list-style-type: none"> <li>• Redundant resources in remote locations requiring efficient coordination</li> <li>• Though a strong brand, yet not well known among retailer which would hamper increased patronage</li> <li>• More open innovation could achieve better and quicker results rather than closed R&amp;D (less patents)</li> </ul>	<ul style="list-style-type: none"> <li>• Sizeable investment in sustainable energy sources which reflects flexibility and corporate responsibility</li> <li>• Allocation of resources is based on value creating level</li> <li>• Continuous consciousness of the need of balancing investments pace</li> <li>• Bravo is rich in alternatives to sources of its input materials</li> </ul>	<ul style="list-style-type: none"> <li>• Bravo appears to be setting a cap on their investments which can becloud their quest for dynamism</li> <li>• More open innovation could achieve better and quicker results rather than closed R&amp;D (less patents)</li> </ul>	<ul style="list-style-type: none"> <li>• First mover – Charlie attempts to be initiators in some products/ markets based on business &amp; technological competence and as well as size</li> <li>• Brand and reputation becoming increasingly popular</li> <li>• Charlie's R&amp;D embraces open innovation</li> <li>• Increased investments in emerging markets</li> <li>• Continuous Investments in joint ventures and assets</li> </ul>	
Channels	<ul style="list-style-type: none"> <li>• Own interaction with customers as well as having complementing intermediary organisations</li> <li>• Added value as a key factor in choosing channels e.g. avoidance of unnecessary fixed costs</li> <li>• Focus is on reducing time to customer (TTC)</li> <li>• Exploitation of e-channels and as well as physical channels</li> </ul>		<ul style="list-style-type: none"> <li>• Bravo has a mixed strategy in its channels. In some market, the company distributes its products whereas in other market it stays away from distribution.</li> </ul>	<ul style="list-style-type: none"> <li>• No mention of after-sales among core activities</li> <li>• Not enough awareness of value offerings</li> <li>• More integration with customer could increase value</li> </ul>	<ul style="list-style-type: none"> <li>• Charlie partners with local operators of new markets for quicker, easier and more efficient accessibility</li> <li>• The geographical scope tends to increase the number of channel</li> <li>• Dissemination of timely and understandable information to customers is key in Service-based businesses/ environment – Charlie uses interactive channel</li> </ul>	

<sup>6</sup> CRM – Customer relationship management

*The table above highlights the findings from the three Companies – Alpha, Bravo and Charlie. It presents the result of critical assessment of the information gathered about each of the companies and a list of the dynamic and non-dynamic aspects observed in their business models. Each component of our framework was considered.*

### ***Further analysis***

Some observations across the companies also include following. As regards goals, Business units goals are split based on competence domain and proactive local managers take ‘deviating’ actions to seize opportunities even when ‘not consistent’ with set goals.

With regards to *scope*, a flexible organisation structure and policies enables dynamism through decentralisation. It was also noticed that some companies seemed to be covering all areas of operational scope within the industry. While expansion into other countries is eased by market leadership in home country as well as downsizing non-core areas of operation.

On value proposition, value is enhanced when customers are offered with a total package towards implementation. There seemed to also be increased consciousness of environmental friendly products/service and processes across all the three organisations.

In their key activities, Alpha ensures customers’ understanding of patterns, while Bravo showed that it has clear-cut areas of key activities and allocates resources accordingly. Alpha puts lots of efforts in analyzing, describing and designing before execution. The company engages in pre-testing of products prior to launching in market and their post-execution includes follow-ups, feedback and reviews.

In Alpha, identified key resources include technology & services leadership, global presence and scale. Certification programmes for staff and continuous improvement of certification criteria. Appropriate and updated documentation of key processes as well as the updating of software and release of new ones. Their business intelligence unit also engages in identifying unused potentials within company’s competences. For Bravo, even though having access to huge capital, the company is cautious with investments that are prone to political instability.

## **6: Discussions and Conclusions**

The observation however revealed that organisations concentrate on certain aspects of their business model thereby putting in more energy, time and resources in those areas. Such areas often favourably result in dynamism and even initiate dynamism of some other areas of the business model. For example, organisations which have acquisition as one of their main goals invest in expanding their scope thereby reaching different regions. This in turn resulted in making their key resources dynamic as well as helping to improve its key activities and increase its channels.

Thus it could be observed that rather than these components been detached and independent of one another, they are rather somewhat interconnected and sometimes mutually related (Osterwalder & Pigneur 2010). The organisation's pursuit of dynamism in one often leads to dynamism in the order. The study showed that dynamism in certain components drives the dynamism of many other areas. For example, a company with a dynamic goal which can be translated into dynamic objectives often has to become dynamic in most other areas or at least see a need to be dynamic in them.

The authors also noticed the existence of multiple business models at both the overall organisation level and even at individual business unit level (Osterwalder & Pigneur 2010). Besides, the authors noticed that at the overall business level, a new trend of dynamism for organisation is offering their customers the workability of their business model. It was noticed that corporate customers often face the problems the organisations solve with their own business model, thus, offering their customers help as regards implementation of the business model could be a dynamic aspect.

While many organisations seek innovativeness in their value delivery, some stress more on these and makes it widely known than others. A company should not only be innovative in their offerings but should also be seen to be innovative. This could be an aspect that organisations should seek to improve on.

Organisations today are seen to have sustainability and corporate social responsibility as important issues. They show increased consciousness of environmental friendly products/service and processes. This is of increasing importance in today's climate where individuals' awareness of renewable/sustainable alternatives is on the rise.

Companies operating in a fast changing industry are forced to either be innovative or risk being hedged out, and their innovativeness is prevalently reflected in their value proposition (Chesbrough 2011). This is easily traceable to the intensity of competition, short life span of product, rapid change in technology as well as changing customers' needs. This dynamism in value proposition however is traceable to the dynamism of their scope. For example, by collaborating with complementors, competitors and other industry players they are able to frequently offer new and increased value to customers (Koput & Powell 2004). Koput & Powell pointed out that collaborations amongst firms should not be perceived as a one-off action or step to achieving success, but as an important practice within organisations in high-tech fields.

A service-based telecommunication company would need to continuously interact with customers thus it might be helpful to come up with dynamic ways of improving their interaction processes and channels (Lewis et al. 2007). The dynamism could lead to improvement in quality, speed of attending to customers' needs and relevance to customers' needs. Having a process in place to identify target market trends, changing customer needs and customer innovation make the business model dynamic. Some organisations use independent business units like Customer Units and Business Intelligent Units for this. Future market needs of competences should be envisaged and acquired. There might be need for co-specialisation also.

As regards goals, the authors could state that "Goals makes businesses dynamic, dynamic goals makes businesses more dynamic". Scope as a component of the business model could be said to more dynamic because as organisation seek expansion especially through dynamic means, they would alongside be creating new value proposition (Kim & Mauborgne 2005), increasing their distribution channels, while also improving their key resources.

For some organisations, dynamism includes being able to know and understand what present customers need; their ability to share the risk with customers; creation of an environment where people listen and takes customers' needs forward.

Companies have been realizing the importance of customer feedback and as such the measurement of their satisfaction (Hoots 2005; Weber 2011) should not be left into the hands of third parties whose assessments and reports are prone to personal prejudices.

Customer relationship management should be an all-encompassing platform that engages latest technology and trendy channels (including social media) (Hennig-Thurau et al. 2010) for suiting interactions with customers. Also, although organisations have their target classes of customers, a dynamic business model should include continuous consideration of potentials with other classes of customers. Retail customers for example account for huge proportion of the market, and thus, organisations should see how they can be penetrated. Even though this might be at the risk of competing with own corporate customers, strategies could be adopted to explore the retail market.

According to Teece (2007) a good business model would involve activities which include analyzing multiple alternatives, having a deep understanding of user needs, analyzing the value chain thoroughly, and considering the efficiency of outsourcing. It should also be noted that integration with channels involves strategic decisions and learning.

### ***6.1 Limitations***

As usual with researches there are several limitations pertaining to this study. Since the authors did a case study, the empirical generalisations are weak, more so being three companies from only two industries. Thus further studies covering the wider range of industries and more companies within different industries might be useful. This study built on the current literature and especially the nine building blocks business model, readers should however be aware of the existence of several other business models in the business literature and in the industry.

Also, the anonymity of the case companies reduced the level of explicit information that would have made the report richer in context. Thus future studies could seek permission to be explicit with organisations' detail. As highlighted above, the authors only considered seven components of the business model components and the empirical study was conducted in only three companies. Futures researches can include more components of the business model, the issue of multiple business models and the coordination of different business models within an organisation or business unit. Also more empirical companies can be studied to have more insight into operationalizing the dynamism of business models. Future researches could also include multiple business models at both overall organisation level and individual business unit levels.

Some other issues not covered in this thesis include the Business Motivation Model which is an enterprise architecture providing a defined structure for building, relating and managing

business plans. Also the ITIL (Information Technology Infrastructure Library) life cycle support which include strategies, design, in-transition, operations and phase-out. Further researches can explore all these, for wider understanding.

## 6.2 Conclusions

Since organisations achieve dynamism by making their goals flexible and responsive to customers/market needs, more efforts should be put in being able to gather customers/market needs as much, richly and quick as possible. A *Telco* company, even though having a long term overall strategic objective, should make its goals as short as possible due to the speed of change in the industry (Wang & Ahmed 2007; Wulf & Zarnekow 2011).

These are the conclusions:

1. Forming alliance and collaborating with other companies and customers is a way of being dynamic, therefore organisations could do well by strengthening their competences in identifying, assessing, and integrating with alliances and collaborators (Osterwalder & Pigneur 2010; Weber 2011).
2. Whereas organisations' vision, mission and strategic goals may be non-dynamic, an innovative business model would require frequent review of tactical and operational goals. Moreover, hyper-dynamic organisations would not only update their operational goals, but also their tactical and strategic goals, as well as their missions and visions. Though external influences might very much aid the process of goal updates, allowing internal influences such as individual employees' input to influence the overall goal (a bottom-up approach) might also be useful (Weihrich 1982).
3. Development of organisational and individual competence is important while introducing dynamism to goals and objectives (Ljungquist 2007b). Companies' innovative business models should help in opportunities recognition and aid horizontal, backward & forward vertical integration (including upstream & downstream) whilst seeking expansion. (Afuah & Tucci 2001, Yip 2004)
4. Considering the frequency and magnitude of customers' changing needs, dynamic value proposition would involve combining complementary innovations while offering newness, performance, customisation, design, brand, price, accessibility and convenience benefits to the customer (Zhang et al. 2010). Having created customer value, organisations should engage value adding (time saving, cost saving, and benefit driven)

channels in delivering goods and services (Cherie Blanchard, Clare L. Comm, & Dennis F.X. Mathaisel, 2008).

5. Not only should organisations' key resources including physical, financial, intellectual and human resources be kept up-to-date, they should also be recombined and reconfigured as well as made adaptable to customers changing needs. Overall making customers needs and preference priority makes the business dynamic rather than sticking to structures and patterns (Weber 2011).
6. The implication is that if organisations focus on the components of their business model that are more dynamic than the others, overall, they would achieve more dynamism in their business model(s) which would impliedly include even the less dynamic areas (Johannessen 2009).
7. Risk averse companies try to make haste slowly with their investment which could well secure shareholders' funds to an extent but equally hamper the dynamic moves that could have improved overall performance (Harreld et al. 2007).

### ***6.3 Implications***

The study has included consideration of the parts of organisations' business model that are more dynamic (initiating or fostering dynamism) and which parts are less dynamic (appearing as resultant dynamism).

This study makes contributions to the research on business model innovation. First, by showing how the business models of organisations from different industries can be represented in an easy-to-understand model. Although the authors had to reduce the components the authors assessed in order to achieve sufficient detail level and at the same time not make the research too wide. This highlights the need for increased level of detail in future researches. Secondly, the authors were able to show how the business model, essentially through its components, can be made dynamic by employing the organisation's dynamic capabilities of sensing, seizing and transforming.

The above analysis revealed that rather than the components being independent of one another, dynamism in some of them lead to dynamism in others and an iterative pattern was even observed. Thus managers should view their peculiar cases and consider the components of their own business model which fosters dynamism. They should also be conscious of the ripple effect it could have on the entire business model and act with this consciousness. The

above study was also able to identify some of the factors that make individual components of the business model either more or less dynamic.

In today's world, companies should consider the possibility of deriving value not just from operating their business model, but from also offering/selling their business model as a solution because their customers might also need similar solutions within their businesses.

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#### *Other References*

Alpha Company Website 2012 & Annual Reports

Bravo Company Website 2012 & Annual Reports

Charlie Company Website 2012 & Annual Reports

## Appendix

### *Interview Guide*

Questions on Business Model Components:

*The following questions help to assess whether there is a connection between the dynamic capabilities (DC) of the organisation and its business model (BM); assess how the DC impacts the components of BM; and discover which components makes the business model more or less dynamic.*

#### GOAL

1. What is the frequency, method and motivation for updating your Business Unit's goals? How do you incorporate the changes into the Unit's processes?

#### SCOPE

2. How do you scan your market for expansion? How do you assess and integrate this into your business unit? What innovative factors aid or limit the expansion of your Business Unit- e.g. probably the structure of the unit? For example a technological orientation (an innovative factor) could blur insights into business opportunities...

#### VALUE PROPOSITION

3. How do you keep track of changes in customer preferences/needs? How do you adapt to those changes?

#### CUSTOMER RELATIONSHIP

4. Please describe the methods through which the business unit interact with its customers. How do they help your innovation process?

#### KEY ACTIVITIES

5. How do you improve on your major activities? What internal and external influences (e.g. technological change, customer, employees, competitors, suppliers and complementors) could aid the improvements?

#### KEY RESOURCES

6. How do you maintain the competitiveness of your assets like staff, intellectual properties, machinery and processes?

#### CHANNELS

7. How do your current distribution channels increase customer value? Are there possibilities of improvements for example from customer feedback