The role of networks in business model innovation

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The role of networks in business model innovation: three shaping processes supporting cognitive shifts

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Scholars regard the implementation of sustainability-oriented innovations as a business model challenge (Boons, Montalvo, Quist and Wagner, 2013; Schaltegger, Lüdeke-Freund and Hansen, 2012). Business model innovation is regarded as an important instrument for commercializing new ideas and emerging technologies (Chesbrough, 2010; Spieth, Schneckenberg and Picart, 2014), for innovative technologies do not in itself have economic value, but incorporate latent value that may be commercialised by the business model (Chesbrough & Roosenbloom, 2002).

One of the functions of the business model is supporting management in defining and developing the firm’s strategy (Spieth et al., 2014). The business model is further seen to be developed through creating encounters with potential users and possible partners (Boons & Lüdeke-Freund, 2013; Doganova & Eyquem-Renault, 2009). Stakeholders and in particular (potential) customers are an important source for business model innovation (Spieth et al., 2014). Especially for sustainable business models, stakeholder integration may radically change the
business logic and help to revise the business model (Schaltegger et al., 2012). In respect to strategic decisions and adaptation of business models cognition plays a central role (Foss & Saebi, 2017; Spieth et al., 2016), challenging basic assumptions, including the belief system, and changing the dominant logic (Cavalcante, Kesting and Ulhøi, 2011; Doz and Kosonen, 2010; Tikkanen, Lamberg, Parvinen and Kallunki, 2005). How cognitive change reframes the dominant logic (Cavalcante et al., 2011; Spieth et al., 2016), and how stakeholders are integrated into business model innovation need further research (Massa, Tucci and Afuah, 2014; Spieth, Schneckenberg and Matzler, 2016).

In this study we focus on interfirm-level collaboration of actors in business model innovation (Spieth et al., 2016). Our research approach is a multiple case study design, enabling within-case analysis and cross-case synthesis, using pattern matching logic for explanation building (Yin, 2013). We build on three cases concerning sustainability-oriented innovations, each case constituting a cognitive shift that resulted in a fundamental redesign of the business model, including the value proposition. The data consists of 12 semi-structured interviews, and 82 additional data sources. We closely look at the commercialisation stage in which a change of cognition and redesign of the business model take place, and create codes for value creation activities and the roles different partners play in these activities, prior and after the change occurs.

Our findings show that interaction with the network contributes to business model development in two different ways. The cognitive shift in the entrepreneurs’ mind, emerges from external barriers (e.g. reluctance of potential customers to adopt the innovation, and new competition), and changes his perception of the added value of his innovation for different stakeholders. Based on an analysis of the encounters that take place, the roles that partners play and the activities that are collaboratively undertaken, we find that this cognitive shift consists by three processes that are interrelated and support business model innovation. Each type of shaping consists of different activities and involves different partners in different roles:

- **Product/service offerings shaping.** (Re)shaping the offering that ascertain optimal customer value creation through interaction with (potential) end customers and complementary partners, e.g. changing from delivering functionality towards creating total solutions;

- **Credibility shaping.** Employing the companies network to enhance the credibility of the value proposition, e.g. changing from collecting evidence, towards gaining legitimacy;
— Market approach shaping. (Re)shaping the market interface and go-to-market strategy in collaboration with strategic partners, e.g. changing from technology push towards market pull.

The findings add to the business model literature by showing how stakeholder integration contributes to changing the dominant logic in business model innovation (Spieth et al., 2014). The three processes can be viewed as an extension of the process of distancing, abstracting and reframing as proposed by Doz and Kosonen (2010). They provide a deeper understanding of the business model innovation process, by showing what type of activities and kind of partnerships may contribute to redesign business models to adapt to the market, and by showing how firms may co-create business models (Spieth et al., 2016). The main contribution of this paper is a conceptual framework with a cognitive shift supported by three interrelated shaping processes that provide a fine-grained perspective on value creation through collaborative networks. It allows academics to further study the role of cognition in business model innovation, the roles specific partners play in each shaping process, and how entrepreneurs can organise the activation of the three processes.

References


