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Business model innovation
– the drivers, enablers and inhibitors of firms facing disruptive change

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Abstract

Firms exist in a world where change is no longer incremental but rather discontinuous, abrupt and seditious. A firm's survival is dependent on its ability to adapt to these changing factors to achieve better alignment between the firm and its environment.

Business model innovation, defined as an innovative way to create and capture value, can allow firms to recreate themselves in a way that leads to sustained competitive advantage. Change creates uncertainty, which may impact performance and as change becomes more rapid and more sophisticated, embracing business model innovation as a core competency may assist firms in successfully managing these changes.

This qualitative exploratory study, through 14 interviews with C-suite executives from a range of industries, sought to understand the components, drivers, enablers and inhibitors of business model innovation, and how these aspects were navigated by firms. The objective was to gain a deeper insight of the concept and to highlight those aspects that should be considered when designing business model innovation processes.

The findings show that business model innovation is a complex and intricate pursuit, one fraught with a multitude of pieces that needs to be managed both individually and as part of the whole.

Keywords

Business models, business model innovation, disruption, innovation

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Nicolette Mudaly

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1. CHAPTER 1 – INTRODUCTION TO THE RESEARCH PROBLEM

1.1. The Context

Change has become a typical feature of the modern economy, with shifts in the way we live and do business (Pisano, Pironti, & Rieple, 2015). Hamel (2000) refers to this time as the age of revolution, where change is no longer incremental but rather discontinuous, abrupt and seditious. Deregulation, privatisation, technological advances and globalization have been held to be some of the influences that have driven such change, as they have allowed the exploitation of capital, technology and skills globally (Voelpel, Leibold, & Tekie, 2004) (Prahalad & Oosterveld, 1999).

For an organisation, disruptive change creates uncertainty, which may impact performance as change becomes more rapid and more sophisticated. In times of change it becomes imperative for firms to reinvent themselves to achieve better alignment between the firm and its environment (Ganesh, Madanmohan, Jose, & Seshadri, 2004). While these uncertainties may be disconcerting to organisations, changes create new opportunities that could improve performance as firms capitalise on these trends (Pisano, Pironti, & Rieple, 2015).

This reinvention can take the form of business model innovation which can be defined as an innovative way to create and capture value (Amit & Zott, 2001) (Chesbrough, 2010) (Teece, 2010) (Frankenberger, Weiblen, Csik, & Gassmann, 2013). There is a rapidly gaining acceptance that innovation alone does not lead to improved competitive advantage, and instead, it is the use of innovation with an appropriate business model, that can optimally deliver customer value, which in turn leads to a successful operation (Teece, 2010) (Keeley, Pillel, Quinn, & Walters, 2013). Several studies show that business model changes do in fact result in the most sustainable forms of innovation and firms should not merely engage in business model innovation, but instead should embrace business model innovation as a core competency that leads to sustainable competitive advantage (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) (Wrigley, Bucolo, & Straker, 2016).

1.2. Research Objective

It has been proven that firms who face disruptive change and adapt through their resources, capability and strategic flexibility, will continue to create value for their customer (Nicholls-Nixon & Woo, 2003). Netflix is a characteristic example of a company adept at continuous business model innovation. They have moved from a convenient and speedy DVD-hiring company that competed primarily with Blockbuster, to an on-demand television streaming service competing with players such as Amazon and Hulu, to more recently producing original television show content and now competing with the likes of ABC Studios and CBS. Examples such as Netflix show how agility and flexibility in thinking about a firm's business model has resulted in not only financial success, but also a complete overhaul of market dynamics.

However, despite these opportunities, some firms choose not to revise their business model and instead focus on business as usual. The most notable example of this is Eastman Kodak, once one of the most valuable brands in the USA, who became so confined to their traditional business model that they lost sight of the true needs of their consumers in a rapidly changing world. Kodak consumers wanted to capture moments that they could share easily; they were not so concerned about capturing these memories on film (Bereznoi, 2014). This refusal to adapt their model resulted in Kodak filing for bankruptcy in 2012. This then presents an interesting question as to why some firms survive and even prosper through disruptive change, while other firms fail when faced with similar disruptive factors. The focus of this study was on business models and the ability of firms to successfully innovate its business model to remain sustainable. The study focused on the components, drivers, enablers and inhibitors of business model innovation, in an attempt to more deeply understand the interconnected nature of the business model and those factors which drive, enable and inhibit business model innovation.

This study sought to understand components, drivers, enablers and inhibitors of business model innovation, and to analyse how these aspects were navigated by firms. The objective was to gain a deeper insight of the concept of business model innovation, in order to highlight those aspects that should be considered when designing business model innovation processes.

1.3. The Significance of the Research Question

The concept of the business model has garnered much interest from both academia and practitioners, with an estimate that between the years 1995 and 2011, there were 1 177 peer-reviewed journal articles published, in addition to the multitude of conference and other papers published on the subject (Zott, Amit, & Massa, 2011). Despite the dearth of literature on this topic, few studies have presented a unified approach to the concept that can be applied across industries. Instead, most of the research on this topic has developed in silos with contexts mainly involving (1) e-business and information technology, (2) strategic aspects such as competitive advantage, and (3) innovation and technology management (Zott et al, 2011).

The concept of a business model is not a novel aspect of literature, and constructs into this area have been well documented. Yet this has not detracted from many authors debating the very nature of what a business model is (Afuah, 2014) (Johnson, Christensen, & Kagerman, 2008) (Kaplan, 2012). According to Teece (2010), like most interdisciplinary topics, the concept of a business model is mentioned frequently, seldom analysed and, accordingly, poorly understood. The ongoing discourse in this concept highlights the significance of this concept in the strategic management field and its applicability across a wide range of industries.

More and more businesses are turning traditional business models on their head by questioning the very notion of how to deliver value to customers in a particular industry. Examples include Amazon Web Services, which challenges that notion that businesses need to own their own web infrastructure, or TaskRabbit, which shows that one can get incremental parts of complete tasks done by using a global workforce instead of full-time, permanent employees (De Jong & Van Dijk, 2015). The study of Sosna, Trevinyo-Rodríguez, and Velamuri (2010) show that business model changes are among the most sustainable forms of innovation which can lead to sustainable competitive advantage if used correctly (Teece, 2010)

However, whilst the success of business model innovation can reap many benefits it is not without complexity. It has been suggested that despite the appeal of business model innovation, the course is complex and prone to failures (Pauwels & Weiss, 2008). Authors took the view that this is due to the interdependent components of a business model which make development more complex and difficult (Andries & Debackere, 2007) (Baden-Fuller & Mangematin, 2013) (Klang, Wallnöfer, & Hacklin, 2014).

The very nature of this means that configuration of an effective business model should consider all components holistically, which increases the possible effects to take into account, and thereby makes the considerations more intricate (Gavetti & Levinthal, 2000). This research addresses some of these considerations and provides firms with an opportunity to gain a deeper appreciation of the concept which they can implement in their own processes.

2. CHAPTER 2 – LITERATURE REVIEW

2.1. The Business Model

2.1.1. *Introduction*

The concept of the business model emerged as a widely discussed term that, despite the growing interest by practitioners, has lagged behind in academic research (Zott, Amit, & Massa, 2011).

Authors contended that the concept was first used in academic literature as far back as 1957 by Bellman, Clark, Malcolm, Craft and Ricciardi (1957) (Jones, 1960) (McGuire, 1965) (Osterwalder, Pigneur, & Tucci, 2005). While the appearance of the term was used more frequently post-1975, the concept of a business model as a management tool only became apparent with the creation of the electronic business (Wirtz, Pistoia, Ullrich, & Gottel, 2015).

Various interpretations have been put forward as to why the concept has gained traction over recent years. Authors have suggested a host of theories ranging from the advent of the internet (Amit & Zott, 2001) to the rapid growth in emerging markets and bottom of the pyramid issues (Prahalad & Hart, 2002) (Seelos & Mair, 2007) (Thompson & MacMillan, 2010), or even the growth of those industries dependent on post-industrial technologies (Perkmann & Spicer, 2010).

Notwithstanding the reason for the increase in academic literature on this topic, what is significant was the shift from the business model as a process or operational instrument to that of a strategic management tool. This transition can be seen in **Figure 1**, which succinctly presents the evolution of this concept over time.

2.1.2. *Definition*

Given the insular approach of the literature on this concept, a singular definition has not emerged, with many proposed definitions having partial overlap that had left much open to interpretation (Zott, Amit, & Massa, 2011).

The varying literature defined the business model as a statement (Stewart & Zhao, 2000), a description (Applegate, 2000) (Weill & Vitale, 2001), a representation (Morris, Schindehutte, & Allen, 2005) (Shafer, Smith, & Linder, 2005), an architecture (Dubosson-Torbay, Osterwalder, & Pigneur, 2002) (Timmers, 1998), a conceptual tool or model (George & Bock, 2011) (Osterwalder, Pigneur, & Tucci, 2005), a structural template (Amit & Zott, 2001), a method (Afuah & Tucci, 2001), a framework (Afuah, 2004), a pattern (Brousseau & Penard, 2006), and a set (Seelos & Mair, 2007).

In fact, as far back as 1969, innovation as a management concept was aptly defined by Myers and Marquis (1969) as not merely a single action but instead a total process of interrelated sub-processes. Therefore, one could infer that these comprehensive process and sub-processes could take the form of a business model.

The absence of a consistent definition of the term meant that it was difficult to build a solid foundation on this subject matter, and therefore the potential for future research was limited. Table 1 highlights the varying literature on the concept of business models from 2002 to 2016.

Table 1: Definitions of Business Models in Literature, 2000 to 2016

Source	Business Model Definition
(Eriksson & Penker, 2000)	Business models revolve around five key aspects: 1. to understand better the key mechanisms of an existing business for control purposes (logical relationships) 2. to act as a basis for improving the current business structure and operations (efficiency) 3. to design a structure of a new business (architecture, implementation) 4. to identify outsourcing opportunities (innovation and restructuring) 5. to experiment with a new business concept or to imitate or study a concept used by a competitive company, for example benchmarking on the model level (innovation).
(Magretta, 2002)	The author postulated that business models are stories that describe the workings of an enterprise. The author explained that good business models answer the following questions: 6. Who is the customer? 7. What does the customer value? 8. How does one make money in this business? and 9. What is the economic logic in delivering value to customers at an appropriate cost?
(Morris, Schindehutte, & Allen, 2005)	A concise representation of interrelated decision variables, namely venture strategy, architecture and economics, in order to create lasting competitive advantage.
(Osterwalder, Pigneur, & Tucci, 2005)	A business model is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm.
(Zott & Amit, 2007)	A business model clarifies how a firm is linked to external stakeholders and how it engages in economic exchanges with these stakeholders, in order to create value for all involved.
(Zott & Amir,	A structural template of the relationships between a firm's customers,

2008)	partners and vendors and their connection to factor and product markets.
(Bailetti, 2009)	A business model is essentially a market offer that used conceptual tools to communicate and deliver this to stakeholders.
(Doganova & Eyquem-Renault, 2009)	The business model is a narrative and calculative device that contributes to the techno-economic network of innovation.
(Osterwalder & Pigneur, 2010)	Business models are blueprints to implement the strategy, and which consider aspects such as organisational structure, processes and systems.
(Chesbrough, 2010)	A business model: 1. achieves the value proposition 2. specifies a target market 3. clarifies how revenue is generated 4. defines the structure of the value chain and required assets to deliver 5. calculates cost structures for profit estimations 6. describes the competitive positioning of the firm.
(Johnson M. W., 2010)	A business model is the way in which value is delivered to a set of customers at a profitable margin.
(Teece, 2010)	The way the firm delivered value, enticed customers to pay for value and converted those payments into profits
(George & Bock, 2011)	1. The organisational design 2. Link between resources and business outcomes 3. Narrative of the organisation 4. Suggested opportunities for innovation through the creation of links between technological innovation and the organisational structure 5. How transactions are structured 6. Intermediaries in the process of moving from opportunity to value creation
(DaSilva & Trkman, 2010)	A frequently misused term that can encompass strategy, economic models and revenue models
(Gassman, Frankenberger, & Csik, 2014)	The business model is the unit of analysis to describe how the business of a firm works.

(Wirtz, Pistoia, Ullrich, & Gottel, 2015)	The business model is a simplified and aggregated representation of the relevant activities of a company. It describes how marketable information, products and/or services are generated by means of a company's value-added component. In addition to the architecture of value creation, strategic as well as customer and market components are taken into consideration in order to achieve the superordinate goal of generating – or rather securing – the competitive advantage. To fulfill this latter purpose, a current business model should always be regarded critically from a dynamic perspective, thus within the consciousness that there may be the need for business model evolution or business model innovation, due to internal or external changes over time.
(Wrigley, Bucolo, & Straker, 2016)	A business model includes all aspects of a company's approach to developing a profitable offering and delivering it to its target customers

Recognising this, Spieth, Schneckenberg and Ricart (2014) called for a unified definition to pave the way for much needed future research on a concept that, increasingly so, is being seen as a key factor in business success.

Understandably, the vagueness associated with the term "business model" posed complexity for businesses wishing to use this as their competitive advantage within the industry. What was clear, however, was that the business model concept encompasses several key business areas that collectively could be defined as a company's business model (Eriksson & Penker, 2000) (Osterwalder, Pigneur, & Tucci, 2005).

Authors were clear that while the concept of business models should take a strategic outlook, and while these concepts intersect, there was growing consensus that these terms are distinct (Al-Debei, El-Haddadeh, & Avison, 2008) (Amit & Zott, 2001) (Casadesus-Masanell & Ricart, 2010) (Osterwalder, 2004) (Tikkanen, Lamberg, Parvinen, & Kallunki, 2005). Casadesus-Masanell and Ricart befittingly stated that while related, a business model is a result of strategy but is not strategy within itself.

The all-encompassing nature of the business model is appropriately defined by Magretta (2002, p. 91), where she stated that: *"Business models describe, as a system, how the pieces of business fit together."*

2.1.3. *Components of the Business Model*

Despite the definitional differences in the concept, there has been recurring key themes that the various definitions encompassed. Bereznoi (2014), using these key themes, discussed the business model as the method in which the company:

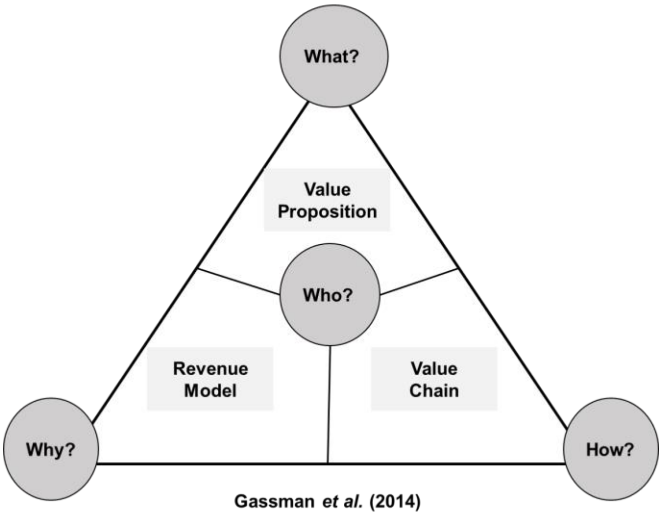
1) creates consumer value and delivers it to its consumers
2) uses these characteristics as a means to generate profits
3) uses existing resources and processes to promote the stable interaction of mechanisms for creating consumer value and generating profit as well as ensuring enduring competitive advantages.

Building on Bereznoi (2014) and incorporating the key themes, Gassman, Frankenberger and Csik (2014) proposed that the business model provides answers to four questions namely:

1) Who is the target customer?
2) What is offered to the customer?
3) How does one create the value proposition?
4) How does one generate revenue?

The authors referred to their model as the magic triangle, which is depicted pictorially in **Figure 1** (2014). As can be seen from the figure, the authors placed the various elements as a connected whole with the customer at the centre of the model.

Figure 1: Business Model Definition – The Magic Triangle



The authors essentially took various components from the literature and combined them to provide a holistic interpretation of what constitutes a business model (Frankenberger, Weiblen, Csik, & Gassmann, 2013).

The who component places the customer at the centre of the business model and builds on the literature of Hamel (2000), Afuah and Tucci (2001), Chesborough and Rosenbloom (2002) and Teece (2010), who have highlighted the importance of defining the target customer clearly and ensuring the business model places central focus on them.

The element of customer centricity at the heart of the model, is deemed as a critical factor in ensuring business models remain innovative (Brannon & Wiklund, 2016). Teece (2010, p. 17) referred to the importance of a firm identifying and understanding its customer, by stating that firms need to *"develop an understanding of some 'deep truth' about the fundamental needs of the customer."* Understanding this deep truth provides firms with an opportunity to exploit the insights by proving a unique customer value proposition through its business model (Brannon & Wiklund, 2016).

The what element addresses the question of what is on offer to the customer. That is, the customer value proposition that Osterwalder (2004, p.43) referred to as the *"overall view of a company's bundle of products and services that are of value to the customer."*

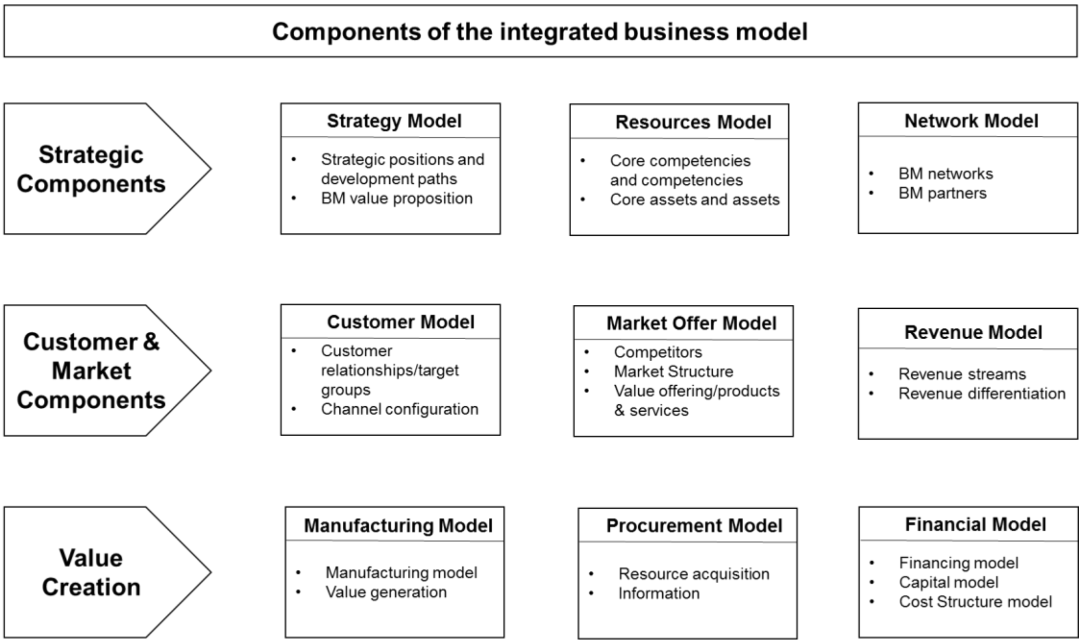
The how feature refers to the value chain and the pocessess and activities that enable the firm to deliver the value proposition to the customer. Included in the how aspect are resources and capabilities of the firm (Morris, Schindehutte, & Allen, 2005).

The why dimension addresses the financial viability of the model, including the cost and revenue structures. The why essentially answers the question as to how the business will make money (Frankenberger, Weiblen, Csik, & Gassmann, 2013).

According to Gassman et al. (2014), business model innovation occurred where there were changes to at least two of the stated dimensions of the magic triangle. That is, to any two of the following: the customer (who), value creation (how), revenue creation (value), or the customer offering (what). This is covered in more detail in paragraph 2.3.

Building on this concept and the comprehensive view of a business model, Wirtz, Pistoia, Ullrich, & Gottel (2015) developed the components and partial models of an integrated business model as depicted in **Figure 2**.

Figure 2: Components and Partial Models of an Integrated Business Model



(Wirtz, Pistoia, Ullrich, & Gottel, 2015).

In formulating this outline, the authors were cognisant of producing a framework that organises the value creation of the firm in a way that ensures profitability. In doing so, they used the history of literature on the business model concept to create a comprehensive model that factors in all the necessary elements.

While the minority of the literature took the position that business models are comprehensive, one can see a pattern emerging by reviewing the literature over time, that there was a growing consensus that an all-encompassing definition is more suitable to analysing the business model concept.

2.1.4. *The Importance of the Business Model*

Despite definitional differences across the literature, an undisputed proposition was the importance of a business model from a corporate strategy and firm performance point of view. There was an increasing trend that showed industry leaders looking to business model innovation as a pivotal source of differentiation and competitive advantage (Brown, 2008). Studies have shown that business model change resulted in sustainable innovation for a firm, and highlighted the importance of designing a suitable business model that supports a firm’s strategy appropriately (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010).

Markides and Sosa (2013) explained that innovative business models are crucial not only to early entrants but also to entrants who come into the market after the industry has grown into a mass market.

According to Spieth, Tidd, Matzler, Schneckenberg and Vanhaverbecke (2013), this acknowledgment resulted in the business model itself being subjected to innovation, which is discussed in greater detail in paragraph 2.3 below.

Authors argued that in times of instability, business model innovation can provide companies with a way to navigate intense competition that traditionally revolves around easily copied products and services (BCG, 2009). By differentiating itself on this basis, a firm is likely to traverse disruptive forces in a sustainable manner.

2.1.5. *Towards a Common Definition*

This research focused on the business model construct as more than merely the vehicle or mechanism through which the company operates. The author concluded that this simplistic view would do little in developing insights to answer the research question. Instead, the research used the features of the business model construct as espoused by Bereznoi (2014), Gassman et al. (2014) and Wirtz et al. (2015) to identify specific characteristics to test as part of this research (2014).

2.2. Innovation

2.2.1. *Introduction*

While innovation on its own is not the focus of this paper, a succinct assessment of the subject provided a fitting backdrop to the concept of business model innovation.

In its traditional sense, innovation can be defined as the ability of a firm to create additional value and add newness to its business, customers, processes, services, products and/or procedures (Groenewegen & De Langen, 2012). In this way, innovation could be said to increase customer value of a product or decrease the cost of production, thereby creating competitive advantage for a business.

Keeley, Pillel, Quinn and Walters stated that innovation requires companies to evolve, adapt, be flexible and continuously improve to thrive and survive (Keeley, Pillel, Quinn, & Walters, 2013). Morris proposed that firms who wish to survive must innovate because innovation itself is the only defence against innovation (2009). This proposition highlights the ability of innovation to cause both disruption and successes for a business.

2.2.2. *Disruptive Innovation*

Schumpeter's (1942) seminal work on the "gales of creative destruction" laid the foundation of disruptive innovation as being waves of discontinuous technological innovations that destroy old industries while creating new ones. Disruption of an industry emphasises that organisations must reinvent themselves continuously in order to survive and prosper in a changing market (Danneels, 2004), which means that firms should look to adjust their strategies and structures in order to sustain performance (Haveman, 1992).

The concept of disruptive innovation is wide ranging, and there has been and abundance of literature that speaks to the concept by other names such as disruptive technologies or disruptive change. According to Christensen (1997), who popularised the term, the typical platform for disruptive innovation occurs in low-end markets with inferior quality relative to the established technology. To this end, the disruptive force displaces existing market incumbents by offering performance improvements (Christensen, 1997). Christensen also differentiated between this and sustaining technology, which he held were more expensive products that served the mainstream market, with superior performance features that exceeded the expectations of the customer. Christensen's work was based largely on his exposure to the hard disk drive (HDD) industry, and it has been held that this led him to make many differentiations between technological and other innovations, which critics argued was a technical and not useful distinction (Markides, 2006). This led to Christensen evolving the theory of disruptive technology to disruptive innovation to make it more general to different types of innovations (Christensen & Raynor, 2003).

Much of the literature on disruptive innovation focused on technology as the driver of change within an industry, but few works have explored the change as driven by a new business model. Markides (2006) held that to qualify as an innovation, the new business model must enlarge the existing economic pie, either by attracting new customers into the market or by encouraging existing customers to consume more.

2.3. Business Model Innovation

2.3.1. *Introduction*

Just as the concept of the business model is still being developed in the literature, academic researchers confirmed that the concept of business model innovation is also a field under development (Wirtz, Pistoia, Ullrich, & Gottel, 2015). Building on a comprehensive review of the literature, Frankenberger, Weiblen, Csik and Gassmann (2013) contended that a business model innovation can be defined as an innovative way to create and capture value (Amit & Zott, 2001) (Chesbrough, 2010) (Teece, 2010). Frankenberger et al (2013) argued that this is achieved through a change of one or multiple components in the business model as outlined in **Figure 2**. Authors suggested that business model innovation goes further than a mere product introduction, and instead introduces new opportunities of economic exchange (Hamel, 2000) (Mendelson, 2000) (Mitchell & Coles, 2003).

Innovating business models have the potential to disrupt market dynamics by challenging the status quo and growing the market (Spieth, et al., 2013). Airbnb is a contemporary example of a company that changed the traditional accommodation model by placing the consumer at the centre of the business model and delivering value in accordance with customer wants and needs (De Jong & Van Dijk, 2015).

More and more businesses are turning traditional business models on their head by questioning the very notion of how to deliver value to customers in a particular industry. Other examples include Amazon Web Services, which challenges that notion that businesses need to own their own web infrastructure, or TaskRabbit, which shows that one can get incremental parts of complete tasks done by using a global workforce instead of full-time, permanent employees (De Jong & Van Dijk, 2015).

In line with Eriksson and Penker (2000), one can conclude that the business model can be used as a means to innovate, whether as a result of external forces (disruptive innovation) or as part of a strategic review to ensure that the firm's business model will continue to be sustainable in light of changing market dynamics.

Organisations are realising that long-established traditional business models may not guarantee permanent success considering changing market factors and, accordingly, are looking to business model innovation to maintain performance (Chesbrough, Business model innovation: it's not just about technology anymore, 2007) (Desyllas & Sako, 2013).

The more traditional notions of innovation in business rely heavily on technology or products to differentiate a firm's value proposition, but authors argued that these aspects can be easily copied and quickly beaten (Morris, 2009) (Keeley, Pillel, Quinn, & Walters, 2013). While technology is often seen as a core component of innovation, technology without a value-creating business model achieves little in the way of competitive advantage. Teece (2010) and Chesborough (2010) spoke to this as the appropriate commercialisation of the technology by using a suitable business model to deliver customer value.

There is a rapidly gaining acceptance that innovation alone does not lead to improved competitive advantage; instead, the use of innovation with an appropriate business model that can deliver customer value optimally leads to a successful operation (Teece, 2010) (Keeley, Pillel, Quinn, & Walters, 2013). Several studies showed that business model changes do in fact result in the most sustainable forms of innovation (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010).

In conducting research over the past 10 years, Sinfield, Calder, McConnel and Colson (2012) found that there was a considerable link between business model innovation and value creation for a firm. BCG contended that typically businesses that have innovated earned an average premium that was four times greater than those firms that merely introduced product or process innovations (BCG, 2009). Despite the clear connection between business model innovation and value creation, there was evidence that organisations did little to build formal competencies around innovating business models, unlike the competencies created and built for technology and new products or services (Sinfield, Calder, McConnel, & Colson, 2012).

These findings provided a strong motivator for companies to organise themselves to be adaptable and responsive to change within their industries. Wrigley, Bucolo and

Straker aptly put forward this proposition, arguing that businesses should not merely engage in business model innovation, but instead should embrace business model innovation as a core competency that leads to sustainable competitive advantage (2016).

2.3.2. *Triggers to Business Model Innovation*

Business model innovation usually occurs as a result of some form of change within a firm's industry. Notably, the literature spoke to the change being disruptive to the industry and forcing firms to rethink the way in which they are delivering value to a customer (Markides, 2006).

Authors suggested that the typical external drivers of business model innovation include globalistion, deregulation and the advancement in information and communication technology (Casadesus-Masanell & Ricart, 2010). These same authors, however, also concluded that more so, socially-oriented firms that service the bottom of the pyramid segment are also causing firms to rethink and innovate their business models (Casadesus-Masanell & Ricart, 2010).

Authors identified the following as the central triggers for business model innovation:

1) The macro-economic climate that impacts the target customer (Giesen, Riddleberger, Christner, & Bell, 2010)
2) A market crisis or change (Comberg, Seith, German, & Velamuri, 2014)
3) Recognition that the existing business model is failing (Schneider & Spieth, 2013).

While the reasons for reimagining a business model may be as a result of varying factors, what is clear is the common understanding that business model innovation has become a necessary part of ensuring a firm's success and sustainability (Desyllas & Sako, 2013).

2.3.3. *Strategic Flexibility*

Business model innovation allows a firm to respond to the changing dynamics of its environment, in order to ensure sustainability (Schneider & Spieth, 2014). Therefore, a critical enabler for a firm in ensuring its ability to transform itself continuously is the ability to remain dynamic and to implement changes with minimal difficulties. Authors referred to this capability as strategic flexibility (Schneider & Spieth, 2014) (Combe & Greenley, 2004).

Strategic flexibility is the ability of a firm to adapt to environmental changes in a quick and sustainable manner (Schneider & Spieth, 2014) (Combe & Greenley, 2004). The concept was also defined as the firm’s capability to generate and to keep options and alternatives (Johnson, Lee, Saini, & Grohmann, 2003) (Matthyssens, 2005). Nadkarni and Hermann (2010) referred to it as an important organisational capability that allows firms to build and maintain competitive advantage in volatile markets.

The literature suggested many ways for firms to develop and promote this capability. Schneider and Spieth (2014) proposed three key components of building strategic flexibility capability:

1) Firms must have resources that are flexible and that can be applied in new forms of value creation.
2) Firms must create the capability to assign and coordinate resources flexibly.
3) Firms must promote managerial flexibility and the commitment to drive changes within the organisation.

Bock, Opsahl, George and Gann (2012) suggested that collaborations with other firms may be a way to gain access to new knowledge and resources to assist the firm in innovating its business model. Noteboom (1999) proposed that cooperative partnering creates mutual value, such as trust, transparency, and governance mechanisms.

2.3.4. *Inhibitors to Business Model Innovation*

Business models are never complete and nor are they static (Wrigley, Bucolo, & Straker, 2016). Business model innovation is, therefore, an iterative process that many argued does not generate success on its first attempt (Sosna, Trevinyo-Rodríguez, & Velamuri, 2010). Instead, the process is seen to be an exploratory one that develops through discovery and experimentation (Andries & Debackere, 2006) (Ireland & Webb, 2007).

This dynamic nature presents many challenges to organisations wanting to undergo business model innovation.

2.3.4.1. *Conflict Between Old and New Business Model*

For established firms, the literature identified the issue of formulating a new business model in parallel with an existing one (Mezger, 2014). It was suggested that this further complicates the development of a new business model by creating potential conflicts between the old and new (Mezger, 2014) (Chesborough & Rosenbloom, 2002). While this is identified as a challenge, the authors recognised the potential benefit for firms to realise synergies between the old and new business models, and thereby create an even more sustainable competitive advantage (Berends, Smits, Reymen, & Podoynitsyna, 2016).

2.3.4.2. *Dominant Logic*

A considerable challenge that emerged from a study of the literature is the firm's inability to overcome the dominant logic within the firm's industry (Wrigley, Bucolo, & Straker, 2016). The dominant logic is considered to be a set of heuristic rules, norms and beliefs that managers create to guide their actions (Prahalad & Bettis, 1986). The dominant logic of a firm, and therefore its managers, is used when considering new opportunities or innovations for a firm. Thus, it follows that dominant logic can sometimes filter out those ideas and behaviours that do not correspond with the firm's dominant logic. This phenomenon can result in a firm foregoing critical opportunities and losing its competitive advantage over time, as the industry adapts and changes (Chesborough & Rosenbloom, 2002).

2.3.4.3. *Complexity in Implementation*

It was suggested that despite the appeal of business model innovation, the course is complex and prone to failures (Pauwels & Weiss, 2008). Authors took the view that this is due to the interdependent components of a business model which make development more complex and difficult (Andries & Debackere, 2007) (Baden-Fuller & Mangematin, 2013) (Klang, Wallnöfer, & Hacklin, 2014). The very nature of this means that configuration of an effective business model should consider all components holistically, which increases the possible effects to regard, and thereby makes the considerations more intricate (Gavetti & Levinthal, 2000).

Authors suggested that when designing new business models, it would be beneficial to include a form of experimentation that tests the commonly held assumptions and logics within an organisation (Doz & Kosonen, 2010) (Wrigley, Bucolo, & Straker, 2016) (Wirtz, Pistoia, Ullrich, & Gottel, 2015). In doing so, firms create an iterative process that incrementally tests the idealness of the new business model. Authors put forward that business model innovation is best achieved through a process of experimentation and learning, and firms testing and adapting their business model based on the actual implementation experience (Morris, Schindehutte, & Allen, 2005) (Sosna, Trevinyo-Rodríguez, & Velamuri, 2010) (Teece, 2010).

2.3.4.4. *Inadequate Leadership*

The literature also highlighted the issue of inadequate leadership as a barrier to innovating an organisation’s business model. Doz and Kosonen postulated that without a management team willing to reimagine and take the necessary risks involved in business model innovation, such a process would be nearly impossible to achieve (2010).

2.3.4.5. *Deficient Organisational Designs and Culture*

Another factor that has challenged the ability of a firm to innovate its business model is the lack of organisational structures and processes (Santos, Spector, & Van Der Heyden, 2009) (Teece, 2010). It is fairly obvious that if a firm cannot implement a new business model because its organisational structure does not support this innovative way of operating, then the ability of a firm to be dynamic is impeded severely.

In addition to organisational structures and processes, it has been held that culture is a critical aspect of a firm's informal infrastructure and one which influences innovativeness (Teece, 2010). Bock, Opsahl, George and Gann (2012) hold that a creative organisational culture underpins a business's dynamic capability to adapt and, accordingly, culture positively impacts strategic flexibility and supports business model innovations. Markides (2013) proposed that firms should consider the creation of autonomous, independent units to focus on business model innovation to create what she called the 'entrepreneurial spirit' required to succeed.

2.3.4.6. *Managing Stakeholders*

Scholars contended that because the business model concept involves a multitude of components, it follows that through it, a firm has to capture value for a multitude of stakeholders (Amit & Zott, 2001) (Chesborough & Rosenbloom, 2002) (Magretta, 2002) (Shafer, Smith, & Linder, 2005) (Chesbrough, 2007) (Teece, 2010).

This means that stakeholders need to support the new business model for it to have maximum impact. This leads to the literature's proposition that stakeholder management is an important component in ensuring that business model innovations succeed (Adner & Kapoor, 2010).

2.4. Conclusion

Teece, Peteraf and Leih (2016) identified the above challenges and proposed that firms who possess strong dynamic capabilities (which the authors suggested is the precursor to business model innovation) are characterised by highly effective entrepreneurial management teams and robust organisational designs. In addition to this, Teece et al hold that an organisation's values, culture and dynamic capability are integral to the ability of the firm to introduce a new business model successfully.

Using the literature as the backdrop, the research attempted to understand what innovative changes companies make to their business model when faced with industry disruption. The researcher sought to unpack these insights and find common themes across industries that practitioners can use when choosing to innovate their business model, in order to grow within the market.

3. CHAPTER 3 – RESEARCH QUESTIONS

In view of the burgeoning literature on the concept of business models, it can be inferred that practitioners and academics see the value in developing this concept as worthwhile of academic study and relevant in practice (Zott et al, 2011). In fact, Spieth confirmed the value of ongoing research in this field as firms seek to develop new value and to create value-capturing activities (Spieth, Schneckenberg, & Matzler, 2016).

Given that the conceptual basis of business models as a construct is still developing, exploratory research that seeks to identify insights to properly define and develop the concept (which is the aim of this research) was deemed useful. This research has attempted to explore these key areas for future research.

Casadesus-Masanell and Ricart (2010) confirm that triggers to business model innovation are not entirely settled from a literature point of view. While certain triggers have been identified, as discussed under section 2.3.2 above, it is apparent that these triggers are evolving, given the pace of change in the current business environment.

In an attempt to explore deeply the concept of business model innovation, and to add to the definitional certainty, the research also sought to understand the enablers and inhibitors to business model innovation. The researcher was of the view that insights in this area would add to the overall clarity around the business model concept as espoused by Baden-Fuller and Mangematin (2013) and Klang, Wallnöfer, and Hacklin (2014).

In addressing these questions, the researcher sought to deliver interesting insights for the phenomenon of business model innovation, and to assist in clarifying the linkage of the business model concept to related theories of strategy and innovation.

Accordingly, the research questions addressed in this paper were as follows:

Research Question 1

Do firms have a clear understanding of what components make up a business model?

This question sought to examine respondents' views on what made up a business model, and the interaction between the various identified components. The responses would be useful in adding to the calls for a consistent definition, on this topic, within the literature.

Research Question 2

What are the drivers to business model innovation?

The literature has expressed certain views on those factors driving business model innovation. This question attempts to examine the motivating factors that drive firms towards business model innovation. In doing so, it is hoped that firms can glean meaningful insights into ways to manage these drivers.

Research Question 3

What are the enablers to business model innovation?

This question analyses respondents' experience with business model innovation processes and the enablers in achieving a successful business model. By understanding such enablers, the research could further the literature by outlining the aspects necessary to facilitate business model innovation within a firm.

Research Question 4

What are the inhibitors to business model innovation?

This question seeks to identify those aspects that inhibit business model innovation. Identifying and understanding factors that inhibit business model innovation will add to the literature on why business model innovations fail.

4. CHAPTER 4 – RESEARCH METHODOLOGY

4.1. Introduction

This chapter details the research methodology used by the author to gather and analyse the data that informed the research. It addresses the rationale for the chosen method and provides an outline of the research design, population, unit of analysis, sample set and the data collection and analysis.

4.2. Research Design and Approach

A qualitative, inductive approach was used for this study, in an effort to develop a deeper understanding of business model innovation within disrupted industries. It was intended that the research would contribute to the developing theory around business model innovation.

An exploratory study was employed as it allowed the analysis of the research questions in depth and in detail (Patton, 2002). The author sought to gather insights into the relationship between business model innovation and a company's ability to absorb the innovation. The questions could not be measured by predetermined answers, and instead the research aim was to uncover thoughts, provide ideas to develop theory, and encourage further research (Turner, 2010). On this basis, a qualitative exploratory study was the most appropriate choice to solve for these aims.

An inductive approach allowed the study to uncover new insights that could be used in constructing general patterns. While there were certain aspects of deductive reasoning that arose through this process, given that the research aimed to explore the aspect of business innovation and its impact on a company's business model, and measured by the company's ability to innovate, there was little presupposing on the issues done in advance (Patton, 2002). The study therefore used both inductive and deductive strategies in order to uncover meaningful insights.

Face-to-face, semi-structured, in-depth interviews were chosen for this study as the gold standard of qualitative research, which provides an opportunity for an in-depth exchange between the researcher and the respondent (Barbour, 2008). The semi-structured approach was guided by an interview schedule containing questions that related to the various themes of the research question. The semi-structured approach provided the author with the flexibility to steer the discussion towards the key issues that were identified as central to the research, which is a design supported by Jankowicz (2005).

While the interviews allowed for many insights to be uncovered, they were not without limitations. Impartiality of the data will always be questionable given that the insights gained are as a result of a subjective interaction between the interviewer and interviewee within a particular context (Bloomberg & Volpe, 2012). Further limitations are addressed in section 4.10.

4.3. Population

The population is the complete set of members from which the sample was taken (Saunders & Lewis, 2012). Accordingly, the population for this study was C-suite executives and senior business leaders in South Africa (as representatives of the company), operating in the specified industries, who exercised influence in developing the company's strategy and who existed in industries that have faced disruptive change.

This population was chosen for their ability to offer relevant and insightful views on the impact of innovation on a company's business model. Employees without strategic influence or seniority could not add to the breadth of discussion that the research was seeking to achieve and, accordingly, only C-suite and senior managers were included.

The total population size could not be determined conclusively given the range of companies and industries, and the varying understanding of what constitutes senior managers who fall within the population. However, given that the analysis of the research question did not require statistical significance, this did not pose a major constraint to the quality of the study (Saunders & Lewis, 2012).

4.4. Unit of Analysis

The unit of analysis describes the level at which the research was performed and which objects were researched (Blumberg, Cooper, & Schindler, 2008). This research sought to analyse the organisation as a unit of analysis.

4.5. Sampling

The qualitative nature of this study lent itself to an information-rich sample that would provide valuable insights to understand better the research questions. Accordingly, a non-probability, purposive sampling strategy was used in line with literature best practice (Patton, 2002). This strategy allowed the researcher to use her judgement to choose an appropriate sample that would add value to the research questions (Saunders & Lewis, 2012). Given the limiting factors of geographic location, availability of respondents, and time and financial constraints, a random probability sampling technique was not considered.

The sample chosen was homogeneous in the sense that it consisted of one sub-group that allowed the author to explore characteristics in greater depth and to identify differences more easily (Saunders & Lewis, 2012). The researcher approached her networks that were C-suite executives or senior managers in industries that were relevant to the topic.

The sample consisted of 14 interviews and was based on the likely data saturation point for homogenous populations as espoused by Saunders & Lewis (2012).

4.6. Data Collection

4.6.1. *Introduction*

Saunders and Lewis argue that collecting data for qualitative research is both naturalistic and interactive (2012). Recognising this, the primary method of data collection was semi-structured in-depth interviews, with open-ended questions. The researcher chose the interview method understanding that this approach would prompt a rich discussion that provided participants with the opportunity to clarify statements, build on their responses and increase the depth of their insights and opinions (Bloomberg & Volpe, 2012). Open-ended questions proved valuable in eliciting views and opinions from the sample without constraining them by answering specific questions (Cresswell, 2009).

Background data was gathered through publicly available information on the industries that were part of this study. This provided the researcher with some context prior to the interviews.

4.6.2. *Interview Schedule*

An interview schedule was drafted before the commencement of the interviews to provide a semi-structured basis for the interview. A consistency matrix was used to develop the interview schedule to ensure that the key themes would be tested during the interview. An example of the interview schedule is attached as **Annexure 1**.

4.6.3. *Pilot Interview*

The researcher conducted a pilot interview with one of her former business colleagues. This colleague was involved in strategy development in one of the chosen industries of this research. This pilot was undertaken to test whether the proposed interview schedule used language and terminology that would be understood properly by participants. Further, the pilot was conducted to familiarise the researcher with the interview process and potential shortcomings of the process and the interview schedule.

After conducting the pilot interview, changes – that related mainly to language – were made to the interview schedule. This was done to ensure that participants comprehended the context of the research and what the research was attempting to achieve.

4.6.4. *The Interviews*

The interviews were conducted over a month. Participants were advised that the interview would take approximately 60 minutes, but the actual time taken for the interview depended on the participant's willingness to discuss their insights. On average the interviews lasted between 15 and 53 minutes.

Participants were briefed on the anonymity of the interviews prior to the actual interview, and consent forms were sent to them to review prior to the interview. The consent forms for the interviews conducted in person were signed at the beginning of each interview. The consent form for the interview that took place over Skype was signed and emailed back to the researcher within a few days of the interview. A copy of the consent form is attached as **Annexure 2**.

4.7. Interview Transcription

Each interview was recorded with the permission of the interviewee, and all the interview recordings were transcribed using a transcription service. Once the transcriptions were received, the content was verified by the researcher and any necessary amendments were made to the document. Sections that were marked as inaudible were interpreted by the interviewer based on listening to the portion of the recording and using recollection from the actual interview.

4.8. Coding and Analysis in ATLAS.ti

The qualitative approach used for this research was an iterative process that required analysis prior, during and post the interview process (Miles & Huberman, 1994). This process demanded meticulous organisation of the many components of the data collection and analysis phase.

All the interviews were recorded, with the consent of the interviewees, using Voice Record Pro on the interviewer's mobile phone. Voice Record Pro is a professional voice recording application that was selected by the interviewer based on the clarity, features and security of the application. Each interview was transcribed, and this transcript was used to analyse the data in ATLAS.ti.

Notes taken during the interview were transferred to an electronic format after the interview. In addition to local storage, both the recordings and electronic notes were uploaded onto a secure cloud server in order to protect the original data and ensure that back-up copies were available.

All interviews were transcribed verbatim and the verified transcripts were converted into an RTF file in accordance with Friese's (2014) recommendation for coding in ATLAS.ti. These files were then imported into ATLAS.ti and coded. The process of coding involved organising segments of the data into themes that arose from the data. The researcher chose to use open coding, which named and categorised emerging patterns by closely analysing the data line by line. While this was time-consuming, the process proved valuable in identifying patterns and linkages throughout the sample. After coding the transcripts, the emergent themes were then categorised into families or holistic themes, which are presented in paragraph 5.3.

When analysing the data, the researcher was cognisant of the fact that while dissecting the data was a meaningful exercise, caution had to be exercised to ensure that the relationship of the various parts of the data remained intact (Miles & Huberman, 1994). Coding the data required continuous enhancement and refinement in order to ensure that emerging themes that were not taken into account in the initial framework that formed part of the findings. The list of codes that were used in ATLAS.ti is attached as **Annexure 3**.

A total of 14 interviews were scheduled and conducted over the course of a month. The first eight interviews revealed significant and valuable themes relevant to the research topic. However, from interview nine onward, the emergence of new themes declined significantly. The researcher chose to continue to conduct the balance of the interviews to confirm that saturation had been reached and to ensure a wider sample. On this basis, it was concluded that no additional interviews were necessary.

4.9. Quality, Reliability and Validity

In order to contribute meaningfully to the academic literature on the topic of this study, consideration had to be given to the quality of the research design and approach at all stages of the research.

Saunders and Lewis (2012) explain that reliability can be assured where the data can be replicated with consistent findings in accordance with the data collection methods employed. However, in qualitative research, replication of results is rather improbable, given the complexity of the topic and the particular contexts within which the interviews were conducted.

Validity relates to the ability of the study to gain exposure to a participant’s knowledge and opinion on the topic, and the ability to find relevant meaning from aspects such as the language used during the interview (Miles & Huberman, 1994). Semi-structured interviews have the potential to attain high levels of validity based on the fact that the semi-structure allows for clarifying questions and a deeper exploration of the topic with the participant (Saunders & Lewis, 2012).

Triangulation was used in order to understand a participant’s context and to allow for different perspectives on the responses (Bloomberg & Volpe, 2012). Prior to the interviews, research on the business and the participant was conducted in order to understand industry dynamics and the participant’s career history, which would inform their responses.

4.10. Limitations

4.10.1. *Researcher Bias*

Using a qualitative design may have led to the interpretation of the results being influenced by the researcher’s bias and prior expectations, which must be considered when assessing the usefulness or applicability of the study (Leedy & Ormond, 2001). The researcher has a background in some of the industries that formed part of the study. This could have resulted in some researcher bias.

Triangulation, as discussed in quality, validity and reliability above, was used to take into account Yin’s (2015) caution relating to interview data being filtered through the researcher’s own cognitive lens. Acknowledging this limitation led the researcher to allow the participant the freedom to discuss topics as they emerged with minimal interference or guidance.

While it is likely that unconscious researcher bias may have arisen in this study, employing triangulation and awareness techniques may have minimised this limitation.

4.10.2. *Non-probability Judgmental Sample*

Non-probability sampling does not represent the entire sample size fully and, accordingly, the results may not represent the whole population.

4.10.3. *Longitudinal Effects*

Given the time constraints imposed on this research project, it was not possible to conduct a longitudinal study that explored the impact of whether business model innovation resulted in the long-term sustainability of a business.

4.11. Ethical Considerations

Prior to commencing this study, ethical clearance was obtained from the ethics committee of the Gordon Institute of Business Science. A copy of the clearance certificate is attached as **Annexure 4**.

Once this clearance was obtained, participants were contacted and fully informed of the voluntary nature of the study and the anonymity attached to the study. Participants were encouraged to raise any concerns prior to and during the interview, and this was addressed by the researcher. Signed consent forms were obtained from all participants and only these interviews were included in the study.

Given that qualitative research involves the subjectivity of the researcher, the information gathered through the interview process would be dependent largely on the researcher's own experience in gathering relevant data. This may limit the research findings to a degree.

4.12. Conclusion

This chapter outlined the methodology employed in this study. A qualitative approach was chosen and data was obtained through semi-structured interviews. The design of the research considered the quality, validity and reliability of the data, while acknowledging and attempting to minimise the limitations that arose during this study. Ethical considerations were a priority in this research and all aspects of ethics were adhered to strongly. Collectively, all these aspects facilitated the various insights that emerged when answering the research questions.

5. CHAPTER 5 – RESULTS

5.1. Introduction

This chapter is a discussion on the interviews that were conducted in answering the research questions. It begins with a summary of the sample and a discussion of the processes used by the researcher during the data gathering phase. The chapter also discusses the content of the interviews and the themes that emerged during this process.

5.2. Sample Characteristics

5.2.1. *The Industries*

In general, existing innovation research, to a considerable degree, focused on challenges of disruptive innovations faced by high-tech industries in developed economies (Christensen, 2006) (Henderson, 2006) (O'Reilly & Tushman, 2004) (Gilbert, 2003).

In a literature review on the strategic management of innovation (Keupp, Palmie, & Gassmann, 2012), that focuses on the organisational level of analysis, it was found that of 248 articles published until 2011, and based on the OECD Science Technology and Industry Scoreboard standard on what constitutes high, medium and low technology industries:

1) 84 involved high technology industries such as pharmaceutical or computer manufacture
2) 14 involved medium-high technology industries such as chemical or equipment manufacture
3) six involved medium-low technology industries, such as the manufacture of transport equipment or fabric products.

The balance of the studies involved disparate industries including transportation, financial and insurance services and professional services, with only 92 studies performing this type of analysis across industries (Keupp, Palmie, & Gassmann, 2012).

Furthermore, few comprehensive studies exist that provide insight into how companies reinvent their business models to enable disruptive innovations in developing economies such as South Africa. Examples in developing economies such as Kenya's M-PESA which is a mobile money transfer service that is essentially branchless banking developed by Vodafone, India's Nano, an inexpensive car developed by Tata Motors, and China's LePhone a cheaper alternative to the iPhone, developed by Lenovo for the Chinese market, show that disruptive innovations are no longer restricted to developed economies. Thus, South Africa provides a good platform to explore the concept of business model innovation within business.

Specifically, the study focused on those industries that have faced or are currently facing some disruptive change that has resulted in attracting more consumers to the industry or encouraged existing customers to consume more (Markides, 2006).

The study chose a sample from the financial services industry and through a snowballing technique, encountered participants from the retail, healthcare and travel and tourism industries.

5.2.2. *The Sample*

Interviews were conducted with executive level individuals who worked in a broad range of industries, and who had direct influence on and exposure to the strategy of the company. Of the 14 participants, twelve individuals were part of well established companies that held a considerable market share in their respective industries. One participant was part of a financial services firm that entered the market in 2014 and, who between then and the time of the interview, had already made a tangible impact in their market, measured by their ability to grow the actual market. The fourteenth participant had opened three franchised stores, in the retail space, within 5 years and was rapidly gaining market share, evidenced by the fact that demand had created an opportunity for the opening of a fourth store by the end of 2016. Table 2 provides a list of the participants that were interviewed as part of this study.

Table 2: List of Participants Interviewed

	Industry	Job Title and Brief Description	Interview (min)	Word Count
P1	Financial Services: Payments	Managing Director P1 is the South African MD of a global leader in the secure electronic point of sale solutions.	38:44	6 756
P2	Healthcare	Head of Healthcare P2 previously held a strategic role at one of the largest hospital providers in South Africa and is currently the Head of Healthcare of an investment company in East Africa.	30:09	4 700
P3	Digital Banking	Head of Smart P3 is employed at one of the largest four banks in South Africa and has extensive experience with innovation and technology.	32:33	5 774
P4	Financial Services: Payments	CEO and Founder P4 is the founder of a company involved in finance technology products that entered the market in 2014.	37:33	5 776
P5	Healthcare	Former CEO P5 has extensive experience in healthcare and was the former CEO of one of the largest hospital groups in South Africa. Currently he is consulting for numerous international investment funds looking for healthcare investments in different parts of the world.	52:21	8 649

	Industry	Job Title and Brief Description	Interview (min)	Word Count
P6	Financial Services: Digital Banking	Head of Strategy P6 has extensive strategy experience within retail banking and is part of one of the largest four banks in South Africa, currently undergoing a business model innovation process.	50:52	6 931
P7	Financial Services: Payments	Managing Director P7 has extensive experience in the payments space in South Africa. He is currently the MD of a leader in managed electronic payment and collection solutions and has first-hand experience in business model innovation processes.	33:35	4 775
P8	Healthcare	Former Group Executive Strategy P8 has over 20 years of experience in healthcare and previously was an executive involved in strategy and business development at one of the largest hospital groups in South Africa. He is currently consulting to firms involved in healthcare investments.	46:53	7 700
P9	Financial Services: Payments	Director Merchant Sales and Solutions P9 has extensive financial services experience and is currently tasked with managing the sub-Saharan African region, at one of the leading payment network operators in the world.	47:47	8 280
P10	Financial Services	Executive Director Fractal Solutions P10 has extensive experience in financial services and in particular securities.	46:40	8 495

	Industry	Job Title and Brief Description	Interview (min)	Word Count
P11	Financial Services: Digital Banking	COO Corporate Bank P11 has experience with the world's leading investment banks and is currently COO at one of the leading investment banks in South Africa.	53:16	8 523
P12	Travel and Tourism	P12 has a background in strategic project management and is the Head of Property Development for one of the leading hotel groups in South Africa.	15:05	2373
P13	Travel and Tourism	P13 has a background in information technology and is currently the Group IT Business Analyst at one of the leading hotel groups in South Africa.	15:05	2373
P14	Retail	P14 has a background in marketing and is currently the Managing Director of four stores that are a franchise of an international food retail chain based in Amsterdam.	32:59	5021
		Average	**38:06**	**6 151**
		Total	**562:22**	**86 126**

All 14 participants had undergraduate qualifications at a minimum and had varied backgrounds, including accounting, law, engineering, computer science, medicine and management consulting. Each had considerable years of experience and was directly involved in crafting the strategy of their company at some point in their career. All the participants had experience with changing market factors which had led them to innovate some aspect (if not all) of their business models.

Nine of the interviews were conducted at the participants' offices, as this was the most convenient location for the participants in question. Two of the interviews were conducted via Skype internet calling, as the participants resided in Nairobi and Lusaka. The remaining three interviews were conducted at: a private office space that the interviewer hired for the day; GIBS; and a participant's home, as these three participants did not have formal offices in Johannesburg.

The interviewer was solving for saturation of the data, and based on the literature it was predicted that this would likely mean seven interviews (Saunders & Lewis, 2012) (Yin, 2015). A total of 14 interviews were scheduled and conducted over the course of three weeks. The first eight interviews revealed significant and valuable themes relevant to the research topic. However, from interview nine onward, the emergence of new themes declined significantly. The researcher chose to continue to conduct the balance of the interviews to confirm that saturation had been reached and to ensure a wider sample. On this basis, it was concluded that no additional interviews were necessary.

Of the 14 respondents, five were known to the interviewer prior to the interviews. The interviewer was cognisant of ensuring that this did not create differences in the technique used during the interviews and that objectivity was maintained throughout the process, regardless of the prior association the interviewer had with the known respondents. Participants in the study shared information willingly and were forthcoming with their insights and experiences. This led to the collection of a rich data sample.

5.3. Results

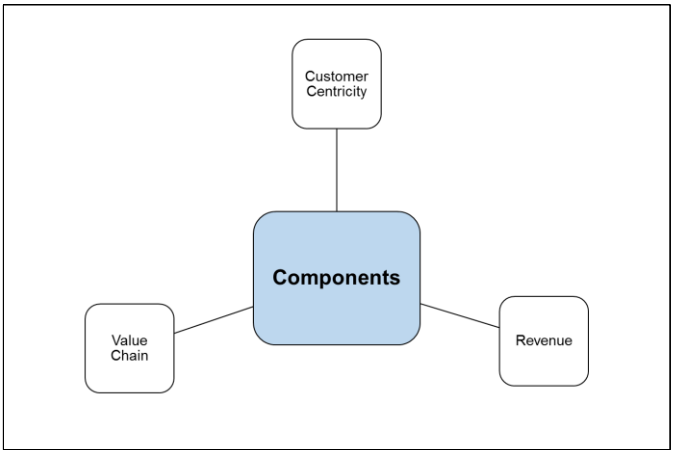
This section describes the findings of the interviews and has been organised per the themes that the interviewer was seeking to test. While the interviews were semi-structured and no single interview followed the same path, the discussion in each interview ultimately covered each of the themes that was being tested.

5.3.1. *Components of a Business Model*

Given the non-definitive approach in the literature, Research question one sought to uncover the understanding of the sample as to the components that constitute a business model.

Respondents were asked to describe their understanding of those components, and the findings were grouped in ATLAS.ti and are depicted in **Figure 3**.

Figure 3: Emerging Views on Components of a Business Model



As can be seen from **Figure 3**, respondents understood the components of a business model to involve: 1) a customer whose needs the firm would be meeting; 2) a revenue stream; and 3) a value chain that supports delivery of a product/service.

5.3.1.1. *Customer Centricity*

Customer centricity as a component of a business model was mentioned 33 times throughout the interviews, making it the most frequently mentioned of the identified components. According to P1, the imperative of the business model was to "*bring more value to the customer*."

P3, who works for a firm that has driven much of the innovation in the sector, referred to the key of the business model as: "*Always think about the customer; let's think about how do we make the customer's life easier. There is a genuine sense of this in the DNA of the organisation*."

P4 also spoke strongly about the customer, holding that: *"A good business model transformation is when customers are at the centre of the discussion, and if they are not, then you are having a different discussion and probably not a good one."*

From these excerpts one gets the sense that customers are not only a component of a business model but, in the respondents' views, are in fact at the centre of the business model construct.

Customer centricity came out strongly during the interviews, and most of the respondents framed their responses in the context of meeting customer needs. So entrenched was this philosophy that P3 spoke of a business model that took into account the fact that their consumers had a long commute in public transport with no access to charge their phone. In designing their product offering, they included a battery pack to solve the customers' need to charge their phone. This did not strike me as usual, but was a telling response given that his firm was the innovation leader in its market, in addition to being highly successful, based on financial, customer and brand metrics.

In discussions with all 14 respondents it was clear that when designing a business model, it was critical that the customer was positioned as the central component around which the other factors of the business model was built.

5.3.1.2. *Revenue*

Revenue was mentioned as a key component of a business model 14 times during the interviews. Most respondents understood the importance of a revenue stream as part of the make-up of the business model. P4 stated:

"… The business model can be drilled down to how is your business generating revenue and income, and how much is it costing to generate that revenue in simple terms, and out of that comes profit."

P8 further enhanced this point by affirming that: *"On the revenue side, how you engage with your provision, whether it's directly through managing it yourself or through outsourcing it, or however you structure yourself around that."*

Revenue was mentioned as a component of the business model in eleven out of the 14 interviews and was the second highest component referred to by the respondents. P10 referred to it as an *"absolutely essential"* part of a business model, with most of the respondents sharing this understanding. It was clear that revenue was considered the "why" component of a business model, articulated as the obvious reason for firms to enter and operate in a particular market.

P9 fittingly addressed the need for revenue to be a part of the business model construct, given that disrupters to the market were likely to rethink and change the traditional revenue generation model of existing players. He used the example of bank cards, which are swiftly becoming an obsolete concept with the advent of ApplePay or Snapscan which mostly offer the same functionality. According to P9, ensuring that the revenue component was part of the business model forced companies to rethink their position within industries with fast changing dynamics. In this way, firms could ensure their relevance to the end customer and, ultimately, the sustainability of their business.

P10 spoke thoughtfully around the concept of revenue generation in light of the new trend, which P10 referred to as innovating for innovation's sake. P10's response created a strong sense that sustainable revenue should be a central feature when developing a business model. In this regard P10 states:

"What needs to happen is that your focus doesn't have to be on ideas and building something; your focus has to be on building a sustainable business - that's what it's about. So even if you have to run with it for a while and entrench it and get it off the ground; that has got to be the focus. It's not on products and it's not on ideas, but instead it's on building a revenue stream, and you should be measured rather on building that revenue stream in the long term, not on ideas and products that you produce, because actually anybody can produce ideas."

5.3.1.3. *The Value Chain*

Respondents referred to some form of a value chain being an element of a business model. This concept appeared 13 times in the interviews, with P2 highlighting the interconnectedness of the elements and the importance of the value chain, stating:

"It's how are you actually creating value for your customer and how does that translate into value for you, and I think when you look at it from that perspective, it's a combination of strategy but then also operations, because you have to have a great idea of how you are going to fetch the future and then the value from the customer et cetera et cetera. But ultimately you have to think about how you configure the pieces in the business to actually deliver on it."

There was definitive consensus from the respondents that the value chain is a fundamental consideration when firms think of a sustainable business model. There was a clear understanding that how a firm delivers value to a customer is a significant component of the overall business model of the firm. P4 spoke about how their value chain was built around a three-page customer journey and that the value chain was designed towards supporting that customer journey. This insight showed the interconnectedness between the various components of the business model.

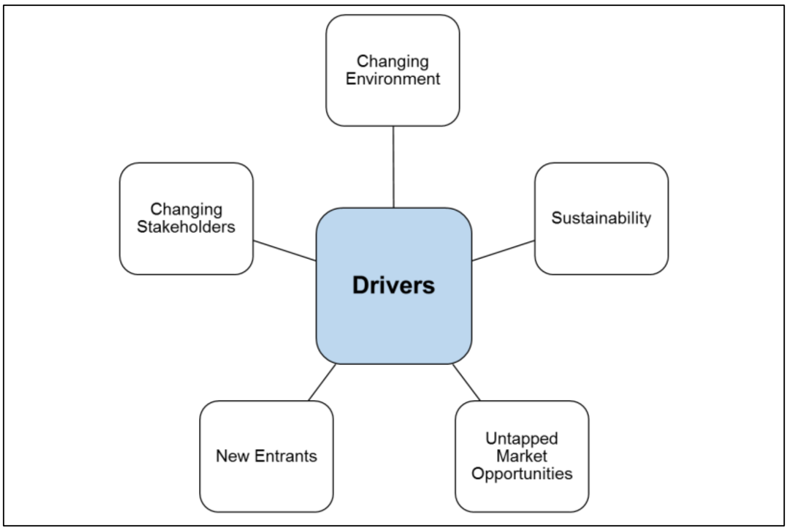
Notably, only three respondents did not specifically mention the value chain as part of the definitional discussion. However, in the broader conversation around the topic, the value chain was mentioned in every interview as being part of an effective strategy of a company. Respondents viewed the value chain as a means to make themselves more efficient when compared to their competitors, and as a way to create value for their business. P8 spoke at length on ways to generate value through effective organisation of a firm's value chain.

The importance of the value chain emerged as a compelling factor when considering the business model. It was evident from the interviews that participants deemed the value chain as an integral part of how firms structure themselves in delivering customer value.

5.3.2. *Drivers of Business Model Innovation*

Research question 2 sought to understand those factors that drive firms to innovate their business models. Respondents were asked to discuss their observations as to their experience of what drove business model innovation. The results were coded in ATLAS.ti. **Figure 4** presents the findings of the discussions.

Figure 4: Emerging Views on Drivers of Business Model Innovation



5.3.2.1. *Changing Environment*

A changing environment, which respondents described as disruptive forces, new technologies, new regulatory frameworks and new market structures, was raised

63 times collectively during the interviews. This highlights the significant impact the environment and industry dynamics have on firms and their business models.

In explaining the impact of the environment in driving innovation around a business model, P1 stated: *"I think the speed of change is so quick that you and your company have got to be a lot more flexible and agile and all of those good words, because the world is so much more open now so it becomes difficult to ignore."*

It was apparent from all the interviews that the respondents had first-hand experience in innovating their business models as a result of environmental factors that were out of their control. Highlighting this impact, P7 submitted that: *"It's not business as usual, it's business as unusual; we are looking out for the Uber in our world that forces us to change the fibre of our businesses."*

P5 confirms this point by adding the following:

"I think you have an absolute responsibility to deal with the external environmental factors and you cannot ignore them. As a business, you have to decide 'Do I run against the wall head first forever, or do I just acknowledge that there is a problem and then decide how to mitigate it?' It may not be the easy route, but if you don't do that, then you will never change and your business will ultimately fail."

These extracts highlight the consensus among the respondents that a changing environment drives companies to rethink their existing business models to remain sustainable (covered under paragraph 5.3.2.2 below).

5.3.2.2. *Sustainability*

All but one of the 14 respondents raised sustainability as a key criterion in motivating companies to innovate their business models. These respondents held the view that wanting a business to remain sustainable was a vital motivator for ensuring a company's business model continues to deliver value into the future.

P10 addressed this in a direct manner by using the analogy of a dying planet. In P10's view, *"In a lot of ways people say that planet Earth is dying and we need to go and find planet Mars in order to survive."*

Respondent P3 spoke about looking at alternative revenue streams, given that the traditional competitors are not the only firms threatening a firm's revenue stream. P3 used the example of WeChat now competing with banks in respect of mobile money transactions. This trend, in P3's view, forces companies to rethink their business model to remain relevant and to survive.

These views highlight the fact that in times of change it is an imperative that a firm continually solves for ensuring its relevance to its customers by delivering value and generating sustainable revenue. As P3 stated: *"The company needs to change in order to survive."*

5.3.2.3. *Untapped Market Opportunities*

Identifying an opportunity that currently is not being serviced within the market has led to firms innovating their business models to realise these prospects.

These untapped market opportunities present favourably to companies who are wishing to grow their revenue and/or market share. Respondent P7 spoke about this through the lens of a firm changing its traditional business model to harness a new advantageous prospect. P7 states:

"One has to have an open mind. You've just got to challenge yourself every day to say, 'This is not the way it's going to be,' and not look in the rear-view mirror and instead look at new opportunities."

P5's view was that not pursuing opportunities because a firm's business model did not contemplate it or provide for it was merely *"letting money fly out the door"*. Instead, he suggested that once these opportunities were uncovered, firms should transform their business models to pursue these unexploited avenues actively.

Many of the respondents acknowledged that these opportunities forced them to rethink their strategy and their business model. P5, referencing the healthcare industry, indicated that many firms within the industry were rethinking their business models based on them identifying trends in the international market which they could capitalise on in the South African context.

In illustrating this point, P6 referenced Capitec, who in his view, created a successful company purely by identifying an unmet customer need in the market and building a business model that solved to meet this need. This example perfectly articulated the point that unmet opportunities drive business model innovation.

5.3.2.4. *New Entrants*

Twelve of the 14 respondents understood the entrance of new players into the market to drive business model innovation within a particular market. A new entrant, according to the respondents, typically entered the market at a time when prevailing structures were well-entrenched and the customer value proposition of existing firms was fairly similar and ingrained. These new entrants sometimes challenged this traditional approach by introducing a business model dissimilar to any of the existing players. This often resulted in them stealing market share or, in some instances, growing the actual market by bringing new customers into the fold.

Many respondents spoke to the fact that new entrants frequently entered with business models different from the traditional and existing business models of the other firms in the market. According to them, this made existing players question their own models, which often led to these firms innovating their business models to compete adequately with new entrants.

P2 shared her experience with new entrants in the healthcare space in India who were challenging the notion that patients needed to visit doctors' rooms in person to receive treatment. She referenced an online doctor consultation platform launched by the Indian hospital Apollo Hospitals, which was launched as a direct result of new entrants within the market, who had introduced these platforms during the past few years. This fundamentally changed the business model of Apollo Hospitals, whose traditional model operated on the basis of patients physically visiting the hospital.

P9 revealed a similar view where he spoke of new entrants forcing them to rethink their established business model for payments. He states:

"… For us it's actually how do you remain relevant with your card in the market, especially with the advent of all these disruptors, firms who are entering this market and saying you probably don't even need a card – the essence of our model. So we've developed new solutions in response to these disruptors in order to protect our business so that we can continue to be relevant."

These selections demonstrate the tendency of new entrants to trigger business model innovation within established firms.

5.3.2.5. *Changing Stakeholders*

A change in a firm's stakeholders emerged as a recurring theme that respondents raised as a trigger to business model innovation. While only seven of the 14 respondents raised this aspect, the conversation on this theme was considered a powerful insight into the discussion on triggers to business models.

Stakeholders were considered broadly, and through the interviews, respondents included in this group key executives, the board and the shareholders of the firm. It was suggested that a change in any of these constituents had sometimes been the trigger for a firm to transform its business model.

P1, who was part of a firm that had undergone a restructure as part of their business model innovation process, stated:

"You had different shareholders, you had different people brought in, and their views of the world and how it needs to be changed were different to the old guard. They then started relaxing some of the rules, and as soon as you relax rules, you are actually

asking more people to think differently, so I think that was another driver for the business model change."

The composition of the firm's board and changes in this constituency featured strongly in P5's experience with this theme. His experience revolved around a changing board that demanded different deliverables in relation to the business model. It was through this process that the firm's business model had to be revised.

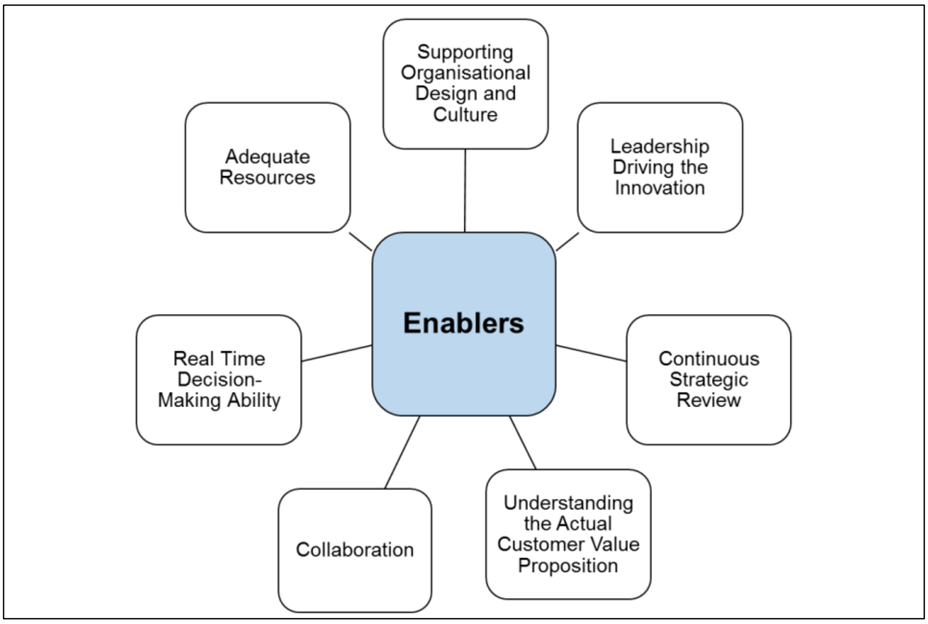
P3 spoke of his experience in the firm transitioning from one dynamic CEO to an equally dynamic new CEO, and the changes introduced by the new CEO to the business model, despite the original business model being successful.

These observations painted a complete picture of how changes within a firm's community of stakeholders could influence when and how a firm decides to innovate its business model.

5.3.3. *Enablers to Business Model Innovation*

Respondents were asked to discuss their views on and experiences of those factors that enable business model innovation. The question was seeking to uncover the aspects that aided firms in reassessing and transforming their business model. **Figure 5** graphically depicts these aspects which are discussed in detail below.

Figure 5: Emerging Views on Enablers to Business Model Innovation



5.3.3.1. *Supporting Organisational Design and Culture*

An organisational design that supported an environment conducive to innovation and change was heralded as the greatest enabler to business model innovation, with every respondent raising this as an aspect to consider.

Respondents reflected that 'design' was a more holistic term than that of 'organisational structure', with P2 summarising the following:

"I will use the word 'design' because I think it's more than structure; I think it includes structure but I think it's also how you think about human capital and what you reward and incentivise in your business right, so all of those things need to be aligned to create a culture encouraging to business model innovation."

Organisational design was considered an enabler for its ability to allow challenges to traditional ideas that persisted in an organisation. P2 aptly described it as follows:

"I think and I'm sure, in your thorough academic approach to thinking about this, you will find many examples of big businesses that maybe had the strategic vision and the aspiration of being innovative, but in reality they didn't have an organisational design

that allowed them to be innovative. I mean, to be innovative in this type of an organisation; the organisation basically ends up eating up the innovative ideas."

As part of organisational design respondents also spoke about organisational culture and its ability to promote the appropriate thinking needed for innovating and, in particular, innovating around a business model. P4 summed it up appropriately when he stated:

"Agile, intuitive thinking has meant that you only have to think you know a little bit upfront and then you quickly test that idea and you throw it out or you move on. So this iterative, fast, agile approach is enabled by skill and capability, but it's actually driven by mindset and culture. So that's why it's so important now, because you can't outthink your competition, you can only out execute them, and that's why the culture of doing that, the culture of execution, the culture of trying and the culture of doing, of experimenting, of learning, of not being afraid to fail has never been more pivotal."

All the respondents spoke extensively about the importance of recruiting the appropriate people to enable an environment that thinks about its business model innovatively. P12 confirmed his firm's biggest strength was their people and their ability to promote the core values whether in Umhlanga or Cape Town. The definition of what constitutes appropriate people however raised an interesting dilemma which P2 summed up appropriately:

"If [you] think about the type people that you have in the organisation and the type of people that you even want in that kind of organisation, you currently have people who want to come to work and do the same thing every day; tell them the rules and then they execute the rules every day.

If you now then decide you want to be an innovative business, that is a very different kind of human capital base that you now need. I think that can always be a challenge and it's not as simple as just waking up and deciding that we are going to be innovative now and we basically leverage the same people that we've asked to do the same thing every day for the last 20 years to drive innovation.

So thinking through what are the skills sets and capabilities that you actually need to drive innovation in the context of an established big corporate, how are those different from the skill sets that you have, and then how do you bring in those additional skill *sets and then create an environment that's conducive to the entire thing and actually delivering on what you bring them in to do."*

While verbose, this statement perfectly describes the importance and the dilemma of designing an organisational structure, establishing a culture of innovation and then recruiting appropriate people to support the goals of the firm.

5.3.3.2. *Leadership Driving the Innovation*

Leadership was identified as a critical enabler to driving business model innovation. Most respondents agreed that business model innovation required a top-down approach in driving this transformation. They viewed a change to the business model as a mammoth shift that required not just the buy-in from but the actual driving by the leaders of the firm.

Each participant shared an account of being part of a business model change process and the key role played by the management team in driving this innovation throughout the organisation.

P2 fittingly positioned these sentiments by stating that: *"It comes down a lot to the leaders within the business and their orientation and their capability to imagine that different world."*

This ability of leaders to imagine a *'different world'* and to drive this change throughout an organisation was acknowledged as central in the process of innovating a firm's business model.

5.3.3.3. *Continuous Strategic Review*

The participants described continuous strategic review as the ability of firms never to settle, always to challenge, and to have steadfast determination in ensuring the survival and sustainability of the firm. This entailed reviewing a firm's business model not only at reactive times (as result of a threat or incident in the market) but at reflective times to pre-empt the *next big thing* that would disrupt the market.

P2 illustrated it appropriately by stating the following:

“Being able to be successful and innovating requires that you can imagine a different world. It’s about saying our strategy is actually not just about winning in the world that we exist in now; it’s actually about figuring out how to win in the world we will be in. If you can imagine in a soccer match, it’s not about playing the ball where it is, but actually saying we know where the ball is going to move to next and we are aligning our players to be in that space before the ball gets there.”

This mindset of continuous strategic review was a necessary enabler to firms innovating their business model, and as P6 stated:

“In the kind of era that we’ve entered into now, it demands that we look at those business models on a frequent basis and change them in order to remain relevant and successful.”

Respondents indicated the necessity of business models to be designed with some sort of flexibility in order to ensure continuous strategic review was possible. P10 expressed the following sentiments:

“To me, your business model has to factor in some sort of element of risk for failures and flexibility. Things like that have to be very clear in order to ensure your business model continues to win.”

5.3.3.4. *Understanding the Actual Customer Value Proposition*

There was consensus among all 14 respondents that including customer centricity as a component of the business model led to business model innovation being a natural process for an organisation. This aspect was mentioned specifically as part of the conversation around enablement, as respondents believed this structure to a business model allowed for the identification of and ability for business model innovation.

As P13 points out understanding the needs of the customer allows firms to deliver appropriate value. He states:

"*Frankly being able to adapt to the client has proven to be our biggest competitive advantage that has allowed us to show growth relative to our peers. This understanding of what the customer actually wants allows us to deliver this to the customer in a way that creates value."*

5.3.3.5. *Collaboration*

Collaboration, both with external parties and internally between teams and different divisions, was identified as a major enabler to business model innovation.

P4 stated that establishing collaboration with other players in the value chain is an important means to ensuring sustainability. He said:

"Our view is that the institutions that set themselves up for these partnerships open themselves up in the right type of way. The institutions that gear themselves up for that will remain relevant going into the future and those that don't are going to end up where the mobile operators are now, struggling for survival in light of a multitude of new competitors."

P4's sentiments were grounded on the fact that collaboration and partnerships allow firms to concentrate on their core business, instead of merely solving to own every part of the value chain if it is not essential to their core. P6 also raised this theme and emphasised the benefit of collaboration by stating:

"In some instances you will really not be able to compete and in some instances we have to work together with some of these companies. In some instances, they really help us as the old incumbents; they help us to move towards that digital direction much quicker."

P7 spoke of internal collaboration being a strength that allowed for quicker and a more holistic business model innovation. He explained that his company's successful experience with this began with the breaking down of those barriers that existed among different business units. He stated:

"Even though you have all this in your own grasp and it's part and parcel of what you do, there's always a resistance to do things as a collective, and you tend to start to look after your own patch. So the first thing that we've done on this business model innovation journey is encourage collaboration by implementing measures such as measuring performance across all our business units and not just your own. So, for example, bonuses that are paid to executives [are] not dependent on their business unit, [they're] dependent on all the business units. This was a quick way to encourage synergy and support between different units."

5.3.3.6. *Real-time Decision-making Ability*

The ability to make decisions in real time in response to an event was considered an enabler by the majority of respondents, being mentioned 28 times in the interviews.

The form of this real-time decision-making was mentioned mainly as a decentralised model of management, where managers in a firm had the authority to make certain decisions without having to follow an often bureaucratic and time-consuming process of obtaining senior approval. Respondents mainly referred to this as an owner–manager culture.

According to participants, this ability led to more strategic thinking and assisted firms in moving quickly in response to events that required attention. P6 indicated that he believed that the ability of new entrants to be successful in disrupting the market for their benefit was often as a result of their agility. In his view, their nimble nature allowed them to move quickly and, as such, have a better sense of what the customer needs were. In this way they were better equipped to respond by providing a quick solution that aimed to meet those particular needs. P8 emphasised the need for speed of delivery and speed of change, and concluded that in his experience: *"If you can't do it fast enough, you've got a problem."*

While most participants endorsed a decentralised model, P8 cautioned against complete decentralisation, holding that it is a balance, in terms of the evolution of the organisation.

5.3.3.7. *Adequate Resources*

The majority of the respondents saw the decision to allocate adequate resources to a business model transformation as a necessary enabler.

P5 spoke about successful business model innovation and expressed his view that only the big companies would manage to make the big change. His reason for holding this opinion was because of the scale of these firms, as well as their resources (ranging from intellectual capital and money), which would allow them truly to disrupt the market.

P6, speaking to his view on the success of a competitor company versus his firm, indicated the following:

"You have CEOs of businesses within this big organisation and pretty much you are allowed to do whatever it is you want. You are allowed to innovate, and you get that by the organisation in terms of financial backing and being encouraged to take the risks.

So I think they've been so successful because this decentralised model has made it much easier for them to let go of their old ways of thinking and move into this new space. A lot of the other business - almost all of them, even us - we are not structured like this. We are structured differently with decision rights that are concentrated at the top so, yes; this does stifle us from quickly reacting to market changes."

P10 spoke of a business model innovation process in her firm that had resulted in an entirely separate division being created, whose sole mandate was to look to innovating the business model. Recognising the importance of this new creation, the commitment was supported by the fact that 20% of the firm's resources would be dedicated to this division.

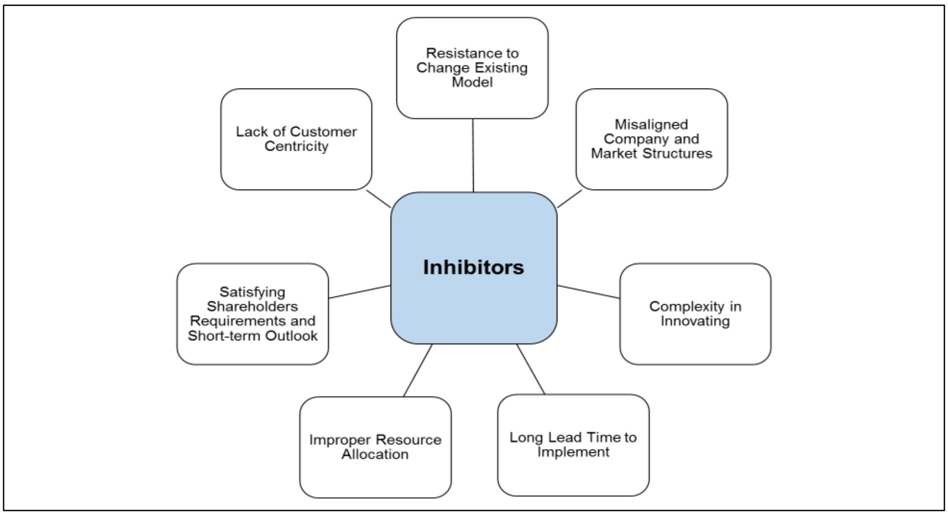
These responses show the importance of dedicating adequate resources in order to enable business model innovation.

5.3.4. *Inhibitors to Business Model Innovation*

Research question 4 sought to understand those factors that hinder business model innovation.

Respondents were asked to discuss their experiences with the biggest challenges when going through a business model innovation. The results were coded in ATLAS.ti. **Figure 6** presents the findings of the discussions.

Figure 6: Emerging Views on Inhibitors to Business Model Innovation



5.3.4.1. *Resistance to Change the Existing Model*

Resistance to change the established business model overwhelmingly emerged as the biggest inhibitor to business model innovation, arising 46 times as a point of discussion in the interviews.

Each respondent shared a personal experience of resistance to a business model, not necessarily because resistors had a viable reason against the new model, but rather because there was merely a reluctance to change the existing model. P2 referred to it as an *"entrenched playbook"* that makes it difficult for companies to be agile and responsive when such agility demands a form of change different from the existing business model. As illustrated by P2 and confirmed by P6 and P13, moving away from a business model that traditionally has worked, and in most cases brought the company success and profit, is incredibly difficult because it requires a cognitive shift on the part of the firm and its employees.

Respondents indicated that the shift demands that employees take risks and face the consequences, even if the shift was demanded by the leaders themselves. As P2 stated:

"The struggle sometimes with big corporates is that ability to take that risk. To say we are actually going to put bigger human and or financial resources around things that may not work. I think that can become difficult internally, not necessarily because of a lack of strategic vision, but because the reality is that there are so many things competing for those resources, that I think there's a tendency to say, 'Let's rather channel our efforts on things that are sure bets.'"

P13 shared his experiences in managing this change by empowering the resistors with knowledge. He states:

"I went to them one by one, I discussed it and started to realise that if people are negative against change, empower them with knowledge. Teach them and once they understand, then they are usually happy with it. A lot of the time people are resistant to change because they fear being in a position of not knowing."

5.3.4.2. *Misaligned Company and Market Structures*

All 14 respondents cited misaligned company and market structures as one of the reasons business model innovation becomes difficult. Highlighting this, P2 stated:
"Many of these big ships are not optimally organised or even orientated from a strategic perspective, to be able to relatively quickly make some of the radical shifts that being at the front end of innovation currently requires."

Many respondents raised market structures as an inhibitor to business regulation. In their views, market structures related to aspects such as regulation, established supply chains, or other processes that were geared towards bigger players and their traditional business models.

5.3.4.3. *Complexity in Innovating*

Complexity in innovating emerged as a major inhibitor to business model innovation, with this theme being raised in every interview. P8 referred to the fact that because a business model involves various interconnected components, innovating becomes a complex task that requires a deep and technical understanding of the business.

Compounded by other inhibitors such as the lack of adequate resources, the complexity in innovating a business model is often insurmountable. P14 supports this proposition by highlighting the difficulty for smaller firms to in attempting to lead a business model transformation process, given the firm's lack of resources compared to larger competitors.

5.3.4.4. *Long Lead Time to Implement*

A long lead time was identified as an inhibitor by seven of the respondents. Many spoke of the fact that business model innovation was a process that took time given the interconnected nature of the business model. Respondents indicated that this long lead time meant it was imperative to identify trends early enough in order to adapt within the appropriate time period.

Many respondents shared experiences with implementing projects around their business model that, in some cases, had taken years to develop, and that had become meaningless at the actual time of implementation. As P10 appropriately stated, timing should therefore feature in the design of a firm's business model, given the potential for long lead times to inhibit the innovation.

5.3.4.5. *Improper Resource Allocation*

Resource allocation was identified as an inhibitor by the majority of the respondents. As P1 indicated, there is an inherent difficulty in balancing the resources necessary for business model innovation and future returns and the present core business of the firm.

In his view this created conflict in the firm and had the potential to hinder innovation. He quantified:

"Sometimes you can't always do both, you can cut massive R&D or innovation budgets that ensure better present returns, or you can invest more in R&D or innovation to show better returns for the future."

5.3.4.6. *Satisfying Shareholder Requirements and Short-term Outlook*

An interesting theme that emerged was the aspect of satisfying shareholder expectations at the expense of business model innovation. Participants were of the view that this created a short-term outlook for the company and, accordingly, did not encourage interest in driving a new paradigm.

P5 spoke of personal experiences in having to manage the continual conflict between shareholder's expectations and the long-term future of the company.

P1 indicated that the ideal position to prevent short-term thinking stifling business model innovation was to create a definitive split between people focusing on the future while the business is doing the day-to-day *"stuff"*, but he conceded that this was not always possible.

5.3.4.7. *Lack of Customer Centricity*

The lack of customer centricity in a firm's business model developed as a theme throughout the interviews. Respondents were of the view that where a business model was not built around the customer, there was resistance to innovate the business model, because there was no compelling value proposition to do so. P4 referred to this as a focus on supply-side dynamics and not demand-side dynamics that made innovation difficult.

P6 spoke frankly about his firm's own failures, where a lack of customer focus led to this firm losing substantial market share in the past few years. The impact was so severe that the firm is now investing substantial money in trying to understand its customers better in order to innovate its business model appropriately.

5.4. Conclusion

The interviews produced many interesting results that support the literature on business model innovation. In addition, insights emerged from the interviews that provide a good basis to further the literature on the topic. These insights are discussed in Chapter 6 below.

6. CHAPTER 6 – DISCUSSION OF RESULTS

6.1. Introduction

Innovating business models undoubtedly creates value and, as the literature holds, often leads to a sustained competitive advantage of firms (Brown, 2008) (Sosna, Trevinyo-Rodríguez, & Velamuri, 2010).

As this field of research is still developing (Wirtz, Pistoia, Ullrich, & Gottel, 2015), this paper sought to add to the existing literature on the concept of business model innovation, as discussed in Chapter 2, by exploring the elements of the topic, in order to enhance one's understanding of the concept.

The author was of the view that a better understanding of the concept would assist firms in thinking through the various features involved in business model innovation. While the literature highlights some of the more obvious aspects such as the elements encompassed in business models (Gassman, Frankenberger, & Csik, 2014) (Bereznoi, 2014) (Wirtz, Pistoia, Ullrich, & Gottel, 2015), this paper also endeavoured to explore the more nuanced issues such as the role of leadership, organisational design or culture within this conversation.

Accordingly, four research questions were formulated and the insights from the interviews are presented below.

6.2. Research Question 1: Do firms have a clear understanding of what components make up a business model?

6.2.1. *The Business Model is All-encompassing and Multifaceted*

What emerged from the interviews is that, in practice as with the literature, the concept of the business model is somewhat varying and all-encompassing (Eriksson & Penker, 2000) (Osterwalder, Pigneur, & Tucci, 2005) (Zott, Amit, & Massa, 2011).

As can be seen from paragraph 5.3.1, respondents across the spectrum identified three key features of a business model that, in their minds, were an essential part of the model. The components of customer centricity, revenue and the value chain were spoken about in an interwoven way, with recognition that neither component on its own constituted a successful business model. This sentiment is in line with the model proposed by Gassman et al (2014) where a holistic approach was taken in building the business model, which is found at **Figure 1** in Chapter 2.

Although the value proposition was not mentioned directly, respondents chose to include this as part of the discussion around customer centricity. For most respondents, understanding a customer and placing them at the centre of the firm's business model was key in delivering a product that had a compelling value proposition. The respondents validated the literature by confirming that identifying the target market was a critical factor in designing the business model. These findings support the literature by confirming that customer centricity is a key feature of business models and, in turn, makes business model innovation processes more successful (Hamel, 2000) (Afuah & Tucci, 2001) (Chesborough & Rosenbloom, 2002) (Teece, 2010).

As can be seen from the findings in paragraph 5.3.1.3, the value chain arose as an additional feature of a business model. Respondents identified the value chain as a competitive differentiator, and it was evident that understanding the best way to deliver the product or service to the customer was an aspect of circumspection for most respondents when designing a competitive business model. Resources (both financial and otherwise) were raised as part of this discussion, which emphasised the finding that the value chain was an integral feature of business models, confirming the findings of the literature (Morris, Schindehutte, & Allen, 2005).

As discussed in paragraph 5.3.1.2, a sustainable revenue stream was considered a critical success factor of a business model. Not surprisingly, the common consensus between the respondents was that delivering value without the benefit of sustainable revenue, and essentially profitability, was meaningless.

These findings confirm the multifaceted and interconnected nature of the business model, as espoused by the literature (Magretta, 2002) (Bereznoi, 2014) (Gassman, Frankenberger, & Csik, 2014). When explaining their understanding of the concept, respondents spoke about these components interchangeably, as part of the broader conversation around the research topic. This indicated that, in practice, designing a business model involved the interaction and consideration of many components that were all integral to the proper implementation of a business model. These findings echo Magretta's (2002) proposition that the business model is a system that encompasses many pieces that fit together.

This interconnectedness raises many details, including the complexity in innovating a business model and aspects for firms to manage when going through a business model innovation process. These aspects are well-documented in the literature and are covered in further insights below.

6.2.2. *Conclusion*

The overall finding on Research question 1 is that respondents had a clear sense of those components that should make up a business model.

While the literature has been divided as to the exact components of the business model, what was surprising from the interviews was the distinct similarities in thinking from the various industries. Although there may be an argument that in South Africa financial service companies have had far more radical transformations to their business models when compared to other industries, this difference did not emerge in the responses to Research question 1. Respondents shared well-defined and structured answers as to their views which, as Chapter 5 shows, were uncannily similar.

6.3. Research Question 2: What are the drivers to business model innovation?

Understanding the reasons behind business model innovation would allow for a better understanding of how firms think about business model innovation. Insights on this aspect could go some way in identifying the aspects firms wish to address when innovating their business model.

6.3.1. *External Factors are the Biggest Driver of Business Model Innovation*

Macro factors in a firm's environment, such as the advent of new technologies or a new regulatory framework, were identified as the largest impetus for firms to innovate their business model. Given the continuous and rapid pace of change most businesses face, it becomes usual for firms to engage in business model innovation as a means to rethink their customer value proposition (Markides, 2006).

External factors could have a far-reaching impact on a business. Many respondents highlighted this impact by sharing their own experiences of being forced to innovate their business model as a result of external factors. As Giesen, Riddleberger, Christner and Bell (2010) point out, the macro-economic climate can change the target customers' needs, as can a market crisis or change, as advocated by Comberg, Seith, German and Velamuri (2014). These authors highlight the importance for firms to monitor their external environment continually in order to evaluate whether their business model needs to be changed.

The ability of firms to identify these changes and innovate their business model accordingly is likely to lead to the sustained competitive advantage, as confirmed by the literature (Eriksson & Penker, 2000) (Chesbrough, 2007) (Desyllas & Sako, 2013).

6.3.2. *Ensuring Sustainability Motivates Firms to Innovate their Business Model*

Continually delivering value into the future emerged as a key theme during the interviews, and one which can be seen to be a vital motivator in the process of business model innovation. Schnieder and Spieth (2013) found that recognition of a failing business model is a central trigger for business model innovation. Inferring from this proposition, one can draw the conclusion that inherent in the recognition that one's business model is failing, is the desire of the firm to remain sustainable. Respondents emphasised the changing world we live in and the fact that established companies are recognising the possibility of being out-innovated or stripped entirely of their revenue, through the offer of a more valuable customer value proposition by another firm.

Sustainability as a motivator to business model innovation is an important consideration in light of the resistance associated with a business model innovation process. A firm's survival is of paramount interest not only to those driving a change, but to every stakeholder involved in the venture. A business model innovation usually solves for ensuring a firm's success and sustainability (Desyllas & Sako, 2013). Acknowledging this, using sustainability could be a valuable tool in managing resistance to a business model transformation endeavour.

6.3.3. *Business Model Innovation Can Enable Firms to Pursue Unexplored Market Opportunities*

The process of business model innovation, by its nature, forces companies to challenge the various components of their existing business model, in order to properly evaluate areas for improvement. This allows a firm to create and capture value (Frankenberger, Weiblen, Csik, & Gassmann, 2013), and to build a viable revenue stream (Mendelson, 2000).

Respondents confirmed their own experience with changing components of their business model in order to pursue new market opportunities, which in some instances led to them growing the market, which confirms the position proffered by Spieth et al

(2013). The example, raised by the respondents, of Capitec's success as discussed in paragraph 5.3.2.3, typifies the ability of firms to transform certain components of their business model in order to generate a viable revenue.

6.3.4. *New Entrants Are Often the Catalyst for Business Model Innovation*

The literature did not deal directly with new entrants as a catalyst to business model innovation, however, Markides and Sosa (2013) did recognise the importance of innovative business models not only to early entrants but also to firms who enter the market after it has grown to a mass industry. Given that new business models can disrupt existing market dynamics, the entrance of new players who deliver value to customers in a different way, does trigger a defensive move from existing firms to rethink their customer value proposition (BCG, 2009).

Respondents in the financial services industries in particular indicated their experience with new entrants who disrupted the industry and forced existing players to change their business model in order to retain or claw back market share.

6.3.5. *Stakeholders Influence Business Model Innovation*

An interesting observation was that business model innovation was often driven by the requirements of the multitude of stakeholders encompassed in a firm, ranging from the board, to the shareholders, to the key management.

Respondents addressed experiences where requirements of stakeholders often drove firms to rethink their customer value proposition being delivered to the market. An often-cited example was that of shareholders demanding greater returns and forcing boards and management to consider alternative models that were available in the broader market but not at the firm. The findings reveal many instances were demands by various stakeholders introduced a short-term mindset in the leaders of the firm, which did much to stifle business model innovation. This led firms to not innovate at all and rather focus on business as usual, while it was still profitable, regardless of what the future outlook was. Alternatively, this created a practice of innovating for innovation's sake and was sometimes catalysed as a reaction to stakeholder demands, which often led to poorly thought through strategies.

Although, the literature did not speak directly to this finding, respondents were unified in their experiences in managing this aspect, as part of their business model transformation processes. This echoes the views of Adner and Kapoor (2010) who indicated that active stakeholder management was key in garnering support for the new business model. Interestingly, understanding this type of motivation as a driver will allow firms to manage business model innovation processes in a way that is sensible instead of completely reactive.

6.3.6. *Conclusion*

Research question 2 was concerned with understanding the drivers behind business model innovation. Gaining a deeper appreciation of these aspects has the potential to equip firms to formulate optimal processes that realise the true value from business model innovation. The findings illustrate the various nuances associated with a particular driver and highlight the fact that understanding the motivator essentially could add to more optimal business model innovation processes.

6.4. Research Question 3: What are the enablers to business model innovation?

Identifying the enablers to business model innovation could assist firms in developing a capability for business model innovation. This question sought to uncover what factors and/or features of the firm supported successful business model innovations.

6.4.1. *An Organisational Design that Promotes an Innovative Culture Promotes Business Model Innovation Capability*

An organisational design that fosters an innovative culture arose as a critical success factor in business model innovation processes. The findings show that an organisational design geared towards creating a culture of innovation and accountability allowed firms to successfully redesign their value creation and delivery to the customer.

The literature supports this finding by confirming that a lack of organisational structures and processes challenges the ability of a firm to implement a successful business model innovation (Santos, Spector, & Van Der Heyden, 2009) (Teece, 2010). Organisational culture is also identified as a critical component that must promote the skills and capabilities necessary for a successful business model innovation. (Teece, Peteraf, & Leih, 2016) (Bock, Opsahl, George, & Gann, 2012).

The findings revealed the consequence of fostering the right dominant logic within an organisation, with the inference that if the dominant logic does not support innovativeness, firms will struggle to implement business model innovations and, accordingly, will not survive. The literature supports these findings, and it therefore becomes imperative for the firm to take heed that the dominant logic of the firm does not filter out or impede business model innovation processes (Chesborough & Rosenbloom, 2002).

6.4.2. *Leadership is a Critical Success Factor in Enabling Business Model Innovation*

In line with the literature, the findings emphasise the significance of leadership in driving business model innovation processes. Respondents were resolute that it was not merely the support of leadership that was required, but that the pinnacle of business model innovation relied on leaders actually driving the transformation throughout the organisation.

Imagining a new world took not only perspective but also courage, and the leadership of the organisation had a responsibility to reimagine and take the necessary risks involved in business model innovation in order to achieve a successful outcome (Doz & Kosonen, 2010).

The importance of leadership in business model innovation cannot be overstated, and the findings indicate that many respondents experienced failed business model transformations as a result of inadequate leadership. While these “softer” factors may seem innocuous to some, practical experience has shown that these could in fact be make or break elements to ensuring the success of business model innovation within an organisation.

As Teece et al (2016, p. 19) states: *“Managerial decisions determine how the enterprise creates, shapes, and deploys capabilities. When this is done well, the effort results in innovative combinations of resources supported by profitable value-capture mechanisms.”* Firms are well advised to take heed of these sentiments when undergoing business model innovation.

6.4.3. *Firms who Review their Business Model on an Ongoing Basis Tend to Be More Successful in Business Model Innovation*

A culture of continuous improvement and review was found to be a crucial precursor to successful business model innovation processes. As declared by Teece, Peteraf and Leih (2016, p. 21), *“Just as inventors see the world differently, so must managers*.*”*

Fetching the future required a review of a firm’s business model, not only because of disruptive events, but also proactively, as part of a reflective process. Helfat and Peteraf (2014) appropriately determine that a crucial feature of dynamic capability is a firm’s ability to sense opportunities before they fully materialise and ahead of rivals. In industries characterised by uncertainty, where the pace of change is swift, companies that sense and/or generate options for growth before the market responds ultimately will survive (Teece, Peteraf, & Leih, 2016).

Continuous review of a firm’s business model compels a firm to consider regularly the value proposition it is delivering to the customer, and whether this is the optimal configuration. It is apparent that such a review creates the necessary foundation for firms to implement successful business innovations in a more controlled manner. Essentially, doing so will lead to a sustained competitive advantage (Wrigley, Bucolo, &

Straker, 2016) (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) (BCG, 2009).

6.4.4. *Being a Customer Centric Organisation Enhances a Firm's Dynamic Capability*

There is no doubt that customers are a necessary part of a successful business model (Wirtz, Pistoia, Ullrich, & Gottel, 2015) (Chesborough & Rosenbloom, 2002) (Teece, 2010) (Johnson M. W., 2010) (Zott & Amir, 2008) (Markides, 2006) (Magretta, 2002).

The findings as discussed in 5.3.3.4 not only support this proposition, but also reveal that in addition to being a key component of business models, customer centric organisations do far better at innovating their business model. The literature speaks to the fact that a deep understanding of a customer allows the firm to exploit novel insights and create distinctive value, both of which can be used to innovate a business model (Brannon & Wiklund, 2016).

The findings show that organisations that have a clear focus on their customers, their profiles, and their needs and wants, have succeeded with their business model innovation processes. This is in stark contrast with firms that traditionally have not taken customer centricity seriously enough, and now have been forced to change this mindset in order to succeed in the market.

Fostering customer centricity within a firm will build the capabilities necessary for fostering business model innovation. Firms who do not shift this focus are likely to be left behind (Brannon & Wiklund, 2016).

6.4.5. *Internal and External Collaboration Accelerates Business Model Innovation*

Collaboration and its ability to enhance and accelerate business model innovation was an interesting finding of the research as discussed in paragraph 5.3.3.5.

Increasingly so in our current world, the ecosystem of business is becoming intertwined and interdependent. Firms now look to leveraging flexible organisational forms and view collaboration as a means to build competitive advantage (Schneider & Spieth, 2014).

The findings of this research show that firms are cognisant of the benefits that can result from collaboration, both internally between teams and externally between different partners. Business model innovation processes are no different, and the literature supports the use of collaboration as an accelerator to business model innovation (Bock, Opsahl, George, & Gann, 2012). Cooperative partnering results in greater knowledge sharing, access to resources, and potentially a reduced cost burden through the sharing of investment costs (Noteboom, 1999) (Bock, Opsahl, George, & Gann, 2012).

The findings emphasise that firms solving for internal collaboration created structures and processes that encouraged this sharing of knowledge, which ultimately was supported by an organisational culture that fostered this approach. External collaboration was sourced through finding partners in the industry who shared the objectives and culture of the organisation, and whose skills were a necessary component for each firm to leverage.

6.4.6. *An Entrepreneurial Culture and Design Supports a Firm's Ability to Innovate its Business Model Successfully*

A holistic review of the findings revealed that an owner–manager structure, one in which managers had autonomy to make decisions, supported successful business model innovation processes. These findings support the literature, which proposes an entrepreneurial structure that fosters innovation is a critical success factor in making sustainable change (Markides, 2013).

These findings tie into the discussion above, relating to a firm creating a culture that is conducive to dynamic thinking. The findings confirm the proposition that an innovative culture and organisational design create the appropriate breeding ground for successful business model innovation, and firms should bear these aspects in mind when going through a business model transformation process.

6.4.7. *Without the Commitment of Adequate Resources, Business Model Innovation is Likely to Fail*

The results show that firms need to commit to dedicate adequate resources to business model innovation, as this is a critical enabler to its success.

Firms who could navigate this process successfully all confirmed the presence of adequate resources, both financial and human. Schneider and Spieth (2014) support these findings with their proposition that the flexibility of a firm to reallocate its resources in order to adjust its strategies is critical in ensuring its ability to steer innovation processes successfully.

Resources feature as a fundamental component of the business model, and there is therefore an imperative that business model innovation processes include the commitment of the necessary resources to support the change. The findings show that many failed business model innovations were because of the inadequate resources dedicated to them. So much so that in later attempts of business model transformations, firms have decided to create completely separate and autonomous divisions to minimise the conflict associated with the sharing of the resources.

6.4.8. *Conclusion*

Understanding the enablers to business model innovation provides firms with an appreciation of the multiple components involved, in launching and managing a successful business model innovation process.

The findings reveal critical insights which firms should consider when contemplating a redesign of their business model. As the results show, it is not merely a brilliant business model design that ensures success, but instead it is also the management of the surrounding factors that ultimately will enable a successful implementation

6.5. Research Question 4: What are the inhibitors to business model innovation?

While there is much consensus that business model innovation leads to value creation for a firm (Markides & Sosa, 2013) (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) (Brown, 2008), some authors take the view that it is a complex process that is prone to failure (Pauwels & Weiss, 2008).

The intention of this question was to understand the barriers that firms face when innovating their business models, and to appreciate the practical realities of how firms manage these barriers. Section 6.45.3.4 provides the detailed findings of those factors that inhibit business model innovation. Many of these factors emerged as aspects that if managed well, enable business model innovation as shown in section 6.4. In an effort to avoid repetitiveness these aspects are not covered in this section. This section instead, focuses on those aspects which have not been addressed in section 6.4.

6.5.1. *Established Firms with Historically Winning Business Models May Struggle to Undergo Business Model Innovation*

The findings exposed the reality of managing internal conflict while attempting to implement a business model innovation.

Usually, resistance to change was identified as being as a result of the view that the existing business model was working and a change was not necessary. This resistance typically occurred in established firms who had built up a large market share. The impetus for change had not necessarily filtered down to the people needing to be involved with or implement the change. The literature does recognise this as a potential barrier to business model innovation and speaks to the fact that this resistance is usually a by-product of a bad organisational design and/or culture (Christensen, 1997) (Amit & Zott, 2001) (Christensen & Raynor, 2003).

As suggested by the academics, this conflict between the old and new should be identified early in the business model innovation process and managed up front (Mezger, 2014) (Chesborough & Rosenbloom, 2002).

While conflict may be a feature of a business model innovation process, firms should not ignore the potential benefit of using the resistance to test the proposed business model thoroughly. In addition, firms could view the resistance as a motivator to uncover synergies between the old and new business models and create an even more sustainable competitive advantage (Berends, Smits, Reymen, & Podoynitsyna, 2016).

6.5.2. *The Complexity of Business Model Innovation May Prove Insurmountable*

The findings suggest that in most instances business model innovation was a complex undertaking that required consideration of multiple and interconnected factors.

Respondents conceded that even with all the necessary enablers in place, at times business model innovation did not flourish, due to the difficulty in ensuring that all the interconnected pieces were optimally revised as part of the process. These findings support the literature's contention that most failed processes underestimate the complexity and interconnectedness of business model innovation (Baden-Fuller & Mangematin, 2013) (Klang, Wallnöfer, & Hacklin, 2014) (Andries & Debackere, 2007).

Respondents found that the best way to tackle this complexity was to be iterative in their approach to implementing a new business model. To this point, strategic flexibility becomes a vital competence to foster as it allows the firm to not only feel comfortable with continual adaptation but to formulate the best suited business model at the end of the day (Morris, Schindehutte, & Allen, 2005) (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) (Teece, 2010).

Firms are well advised to consider the complex and interrelated pieces of a business model before embarking on a change process. This will enable them to design a business model that considers the different components and potential impediments. Allowing for flexibility through experimentation and continual adaptation will go some way to overcoming the barriers associated with implementing a new business model.

6.5.3. *Conclusion*

The question sought to gain deeper insight into factors that impede business model innovation processes. Given the value-creating nature of a business model innovation, lessons gleaned from exploring the factors that constrain it prove useful in considering the most appropriate means to implement such transformation.

As the findings show, business model innovation is a complex and intricate pursuit, one fraught with a multitude of pieces that needs to be managed both individually and as part of the whole. The lessons from Research question 4 are that when embarking on such processes, firms must remain cognisant of the multitude of factors that are involved, and must manage them accordingly.

7. CHAPTER 7 – CONCLUSION AND RECOMMENDATIONS

7.1. Introduction

This section consolidates the research by distilling the key findings of this study.

The section begins by highlighting the pertinent aspects that emerged in performing this research and goes on to address the implications and limitations of the study. It then concludes with the suggested areas of future research.

7.2. Principal Findings

The findings show that business model innovation is a complex and intricate pursuit, one fraught with a multitude of pieces that needs to be managed both individually and as part of the whole. There were four questions that the research sought to understand in order to enhance the theory around business model innovation. The outcomes are presented for each question below.

7.2.1. *Research Question 1: There is consensus that the business model is multi-faceted and interconnected*

In support of the literature, the study revealed that firms understand the business model to include many components that together operate to deliver customer value (Eriksson & Penker, 2000) (Osterwalder, Pigneur, & Tucci, 2005) (Zott, Amit, & Massa, 2011). Primarily the components were identified as customer centricity, revenue and the value chain. Interestingly, these components perfectly fitted the model proposed by Gassman et al (2014) found at **Figure 1**.

Respondents understood the model to be interconnected and spoke about the components interchangeably. This was indicative of a firm's holistic consideration when redesigning and innovating its business model.

7.2.2. *Research Question 2: The drivers to business model innovation show that firms do so to pursue sustainable competitiveness*

The findings show that the business model innovation is primarily driven by a firm's desire to remain competitive and to ensure its sustainability. This supports Markides' (2006) contention that continuous change has resulted in firms using business model innovation as a means to rethink customer value proposition, in order to remain competitive.

Respondents identified a changing environment, ensuring sustainability, pursuing untapped market, opportunities, the emergence of new entrants and a firm's changing stakeholders, as the main catalysts for business model innovation.

The ability of firms to identify changes in their market and innovate their business model accordingly, is likely to lead to the sustained competitive advantage, as confirmed by the literature (Eriksson & Penker, 2000) (Chesbrough, 2007) (Desyllas & Sako, 2013). The study has proven that change has forced firms to innovate their business model or be faced with the possibility of being pushed out the marketplace.

A firm's aspiration to survive and prosper is trite and busines model innovation can be a powerful tool in ensuring a firm's success and sustainability (Desyllas & Sako, 2013). The results show that ensuring a firm's sustainability is a vital motivator in the process of business model innovation.

The findings demonstrate that the pursuit of untapped market opportunities often compels companies to challenge the various components of their existing business model, in order to capitalise on new prospects.

Given that new business models can disrupt existing market dynamics, the entrance of new players who deliver value to customers in a different way, does trigger a defensive move from existing firms to rethink their customer value proposition (BCG, 2009). The study confirmed that firms are often led to innovating their business model as a result of a new entrant doing things in a way that challenged the status quo.

The findings showed that business model innovation was often driven by the requirements of the firm's stakeholders, ranging from the board, to the shareholders, to the key management. In line with the sentiments of Adner and Kapoor (2010) where they indicate that active stakeholder management was key in garnering support for the new business model, understanding this type of motivation as a driver will allow firms to manage business model innovation processes in a way that is sensible instead of completely reactive.

A clear understanding of the drivers of business model innovation has the potential to equip firms to formulate optimal processes that realise the true value from business model innovation. The nuances associated with each driver highlight the fact that understanding the motivator essentially could add to more optimal business model innovation processes.

7.2.3. ***Research Question 3: The enablers to successful business model innovation are both behavioural and structural***

This question sought to uncover what features of the firm supported successful business model innovations to assist firms in developing a capability for business model innovation.

The findings revealed that an organisational design geared towards creating a culture of innovation and accountability, allowed firms to successfully redesign their value creation and delivery to the customer. The finding supports the literature that confirms a lack of organisational structures and processes challenge the ability of a firm to implement a successful business model innovation (Santos, Spector, & Van Der Heyden, 2009) (Teece, 2010). As the research shows culture is a critical enabler in promoting the skills and capabilities needed for a successful business model innovation (Teece, Peteraf, & Leih, 2016) (Bock, Opsahl, George, & Gann, 2012).

A culture of continuous improvement and review was found to be a crucial precursor to successful business model innovation processes. As declared by Teece, Peteraf and Leih (2016, p. 21), *"Just as inventors see the world differently, so must managers."*

The findings confirm that customers are a necessary part of a successful business model and reveal that in addition to being a key component of business models, customer centric organisations do far better at innovating their business model. This verifies the literature's proposition that a deep understanding of a customer allows the firm to exploit novel insights and create distinctive value, both of which can be used to innovate a business model (Brannon & Wiklund, 2016).

The findings of this research show that firms are cognisant of the benefits that can result from collaboration, both internally between teams and externally between different partners. Business model innovation processes are no different, and the literature supports the use of collaboration as an accelerator to business model innovation (Bock, Opsahl, George, & Gann, 2012). Cooperative partnering results in greater knowledge sharing, access to resources, and potentially a reduced cost burden through the sharing of investment costs (Noteboom, 1999) (Bock, Opsahl, George, & Gann, 2012).

An owner–manager structure, one in which managers had autonomy to make decisions, was found to support successful business model innovation processes. These findings tie into the discussion above, relating to a firm creating a culture that is conducive to dynamic thinking. The findings confirm the proposition that an innovative culture and organisational design create the appropriate breeding ground for successful business model innovation, and firms should bear these aspects in mind when going through a business model transformation process.

The findings show that resources feature as a fundamental component of the business model, and there is therefore an imperative that business model innovation processes include the commitment of the necessary resources to support the change. This is in line with Schneider and Spieth (2014) who support these findings with their proposition that the flexibility of a firm to reallocate its resources in order to adjust its strategies is critical in ensuring its ability to steer innovation processes successfully.

The findings reveal critical insights which firms should consider when contemplating a redesign of their business model. As the results show, it is not merely a brilliant business model design that ensures success, but instead it is also the management of the surrounding factors that ultimately will enable a successful implementation

7.2.4. *Research Question 4: Resistance to change and the complexity of business model innovation inhibit successful transformations*

The intention of this question was to understand the barriers that firms face when innovating their business models, and to appreciate the practical realities of how firms manage these barriers.

Internal conflict with the traditional business model while attempting to implement a business model innovation arose as an inhibitor. Resistance to change was identified as being as a result of the view that the existing business model was working and a change was not necessary. This resistance typically occurred in established firms who had built up a large market share. As suggested by the academics, this conflict between the old and new should be identified early in the business model innovation process and managed up front (Mezger, 2014) (Chesborough & Rosenbloom, 2002).

The findings show that at times business model innovation did not flourish, due to the difficulty in ensuring that all the interconnected pieces were optimally revised as part of the process. These findings support the literature's contention that most failed processes underestimate the complexity and interconnectedness of business model innovation (Baden-Fuller & Mangematin, 2013) (Klang, Wallnöfer, & Hacklin, 2014) (Andries & Debackere, 2007). An iterative approach was found to therefore be critical in implementing a new business model. To this point, strategic flexibility becomes a vital competence to foster as it allows the firm to not only feel comfortable with continual adaptation but to formulate the best suited business model at the end of the day (Morris, Schindehutte, & Allen, 2005) (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) (Teece, 2010). The ultimate finding was that business models should be designed to consider the different components and potential impediments. Allowing for flexibility through experimentation and continual adaptation may help overcome the barriers associated with implementing a new business model.

7.3. Recommendations for Management

Research has proven that business model innovation is a pivotal source of differentiation for a firm and leads to a sustained competitive advantage (Brown, 2008) (Sosna, Trevinyo-Rodríguez, & Ramakrishna Velamuri, 2010) and in times of uncertainty, business model innovation can be used to navigate intense competitive dynamics (BCG, 2009) (Markides & Sosa, 2013).

Managers looking to remain competitive can use business model innovation to capture the full potential of a firm in delivering value to the customer. There are many contemporary examples of how business model innovation not only successfully captured market share from existing players, but in fact grew the existing market through disrupting the traditional business model – Uber being the case in point. Managers who build in this capability within their firms are likely to be at the forefront of the disruption or at the very least have the strategic flexibility to quickly respond to the change.

Understanding the enablers and inhibitors to business model innovation allows firms to structure themselves to nurture the enabling behaviours and eliminate or manage the inhibitors. At the very least, an understanding of both aspects will allow firms to identify potential barriers to its success, which it can use to respond accordingly.

7.4. Limitations

Whilst every effort was made to ensure the results of this study were valid and reliable, this was not always possible and these shortcomings are addressed below.

This study was limited to a sample of 14 participants across multiple industries and the conclusions may not be transferable to a broader sample from different industries.

Further non-probability sampling does not represent the entire sample size fully and, accordingly, the results may not represent the whole population.

The researcher has first-hand experience with some of the industries that formed part of the study and this may have influenced the questions asked and the interpretation of the research. Whilst the researcher sought to minimise this influence, it is worth noting this as a limitation of this study.

Exploratory research by its nature is not as exact as quantitative research and may not precisely answer the hypotheses. While the sample used in this research was limited, this could form the basis for future research.

7.5. Suggestions or Future Research

Whilst this study revealed similar themes uncovered during the literature review, the research also uncovered certain themes that the current research does not address in great detail. These themes are discussed below as suggestions for future research.

7.5.1. *The Relationship between Stakeholder Expectations and Business Model Innovation*

As identified in the literature, the impact of stakeholder influence on business model innovation, arose as a driver and a potential inhibitor. This finding does not appear to be sufficiently addressed in the literature and future research in this area could prove to be significant, especially in light of the move to more inclusive participation by all stakeholders in company operations, for example as espoused in the King Code.

7.5.2. *Exploring the Impact of Collaboration on Business Model Innovation*

The majority of the respondents raised collaboration, both internal and external as a driving factor in enabling business model innovation. In most instances collaboration either between teams within a firm, or with external partners, provided for greater insight and synergy in innovating a firm's business model.

A review of the literature did not reveal this as a significant factor to consider in business model innovation yet most respondents in this study identified collaboration as an important enabler in business model innovation. As the world moves to a more collaborative and inclusive approach to business operations such as through the sharing economy, there could be value in exploring this aspect through future research.

7.5.3. *The Isolation Approach to Foster Business Model Innovation*

Many of the interviews spoke to the issue of isolating their innovation team from the rest of the organisation, as a means to enable them to innovate the business model without the threat and bureaucracy of existing within the "rest of the organisation."

Whilst there have been many contemporary examples of such a strategy, most notably, Google X, the success of such a strategy remains largely unaddressed in literature. Markides (2013) is one of few authors who did propose the creation of autonomous, independent units to focus on business model innovation to create what she called the 'entrepreneurial spirit' required to succeed. Future research building on this concept could prove an interesting topic for future research as firms look for practical ways to implement processes around business model innovation.

7.6. Concluding Remarks

The study produced many interesting findings that builds on the theory of business model innovation. As the research shows, business model innovation can be used as a powerful tool in revitalising companies, with the potential to create a sustainable competitive advantage.

By deeply understanding those aspects that drive, enable and inhibit business model innovation, companies can build capabilities that foster this mindset to succeed in the constantly changing environment.

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Annexure 1: Interview Schedule

Gordon Institute of Business Science
University of Pretoria

INTERVIEW SCHEDULE

INTRODUCTION

Thank you for participating in this study. The primary aim of the interview section of the study is to understand the impact of innovation on business models, measured by the ability of an organisation to not just survive but thrive in a disrupted market.

Please read the consent forms and sign them accordingly. By signing the consent form, you agree that you accept and understand the content of the form and are happy to participate in this research. If you have any questions or concerns, please contact me or my supervisor on the details listed on the consent form and I can clarify these aspects.

QUESTIONS

Please confirm your consent to an audio recording of this interview.

A. *Understanding the Industry*

1. Please describe the industry that your company operates in terms of:

i) Size – how much revenue/profit/value/impact does the industry generate?
ii) Competitors – who are the main players in the market?
iii) Market outlook – where is the future of the industry?

2. How many new entrants have there been in the past 10 years?

3. What would you say are the major barriers to entry into this industry?

4. What are the challenges that the industry has faced in the past 10 years?

5. Generally, what have been the major changes that have impacted a company's strategy in the past few years?

6. How would you describe the bargaining power of the different participants in the industry, specifically in relation to:

i) Competitors
ii) Customers
iii) Suppliers
iv) Regulators?

B. *The Business*

1. Please describe your business and your role in the business.

2. In high level terms, please describe the company's strategy.

3. What would you describe as your company's competitive advantage?

4. Please describe your typical customer profile.

5. Do you believe that there are untapped opportunities (i.e. room for growth) for players, existing or new, in this industry and market?

C. *The Business Model*

1. Does your company have a specific business model that determines its operation in the market?

2. How was this business model developed?

3. How frequently is this business model revised, and what are the circumstances that give rise to these revisions?

4. What are the defining features of this business model?

5. How are resources and processes organised to support this business model? Please address issues such as budgets, resource allocation, hierarchy in the organisation etc.

6. What level of participation is there in creating the business model?

D. *Disruptions in the Market*

1. Do you consider this industry to be dynamic or stable?
   If answer to question 1 is dynamic, go to question 2. If answer to question 1 is stable, go to section E.

2. Has the company had to respond to significant changes in the market over the past five years?
   If answer to question 2 is yes, go to question 2(i). If answer to question 2 is no, go to section E.

(i) If so, please describe some of these changes and responses.

3. Was the business model revised in a specific way?

4. If so, why and how did this change take place?

E. *General*

1. Are there any other companies that you would identify as having innovative business models in your or other industries?

2. Are there any other areas that you wish to discuss that may be of value to this discussion? If so, what are these aspects?

3. Could you put me in touch with another person or company in this or another industry?

4. Would you like a copy of the final report which will be available in November 2016?

In concluding our interview; I would like to thank you once again for your participation in my study. Further, I would like to remind you that while the results of this study will be made public, confidentiality will be assured.

ETHICAL CONSIDERATIONS

- All participants' details will remain confidential.
- All participants will be made aware that participation is completely voluntary.
- The author will make use of personal and professional networks to contact respondents.
- Respondents will be contacted either telephonically or through email correspondence.

Annexure 2: Consent Form

Gordon Institute of Business Science
University of Pretoria

PARTICIPANT CONSENT FORMS

General consent to participate

I am conducting research on the impact of innovation on business models, measured by the ability of an organisation to not only survive, but thrive, in a disrupted market.

My objective is to uncover what innovative changes companies make to their business model when faced with industry disruption. Your personal views and experiences in this area will be invaluable in solving this research question and developing linkages and insights to this topic.

The interview session will take approximately 60 minutes.

Your participation in this session is voluntary and you can withdraw at any time without any consequence. All data will be kept confidential. Your feedback will be submitted without identifiers, in an aggregated format in the final research report. If you have any questions or concerns, please contact either myself or my supervisor. Our details are provided below.

Nicolette Mudaly (Researcher)	Simon Swanich (Supervisor)
Email: nicolette.mudaly@gmail.com	Email: swanich@gmail.com
Phone: +27 71 675 5402	Phone: +27 72 888 6888

Signature of participant: ___________________________ Date: _______________

Signature of researcher: ___________________________ Date: _______________

Annexure 3: ATLAS.ti Codes

components_customer centricity
components_revenue
components_value chain

drivers_changing environment
drivers_changing stakeholders
drivers_new entrants
drivers_sustainability
drivers_untapped market opportunities

enabler_adequate resources
enabler_continuous strategic review
enabler_leadership driving the innovation
enabler_real-time decision-making ability
enabler_collaboration
enabler_supporting organisational culture
enabler_supporting organisational design
enabler_understanding actual value proposition

inhibitors_complexity in innovating
inhibitors_lack of customer centricity
inhibitors_long lead time to implement
inhibitors_market structures
inhibitors_misaligned company structures
inhibitors_resistance to change traditional model
inhibitors_improper resource allocation
inhibitors_satisfying shareholder requirements
inhibitors_short-term view

Annexure 4: Ethical Clearance Confirmation

Dear Ms Nicolette Mudaly

Protocol Number: **Temp2016-01574**

Title: **The impact of innovation on business models, measured by the ability of an organisation to grow in a disrupted market**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker

Annexure 5: Turnitin Report

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by Nicolette Mudaly

FILE	TURNITIN_COPY.PDF (1.3M)		
TIME SUBMITTED	03-NOV-2016 09:53AM	WORD COUNT	24517
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ORIGINALITY REPORT

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SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to University of Pretoria Student Paper	%1
2	upetd.up.ac.za Internet Source	%1
3	The Process of Business Model Innovation, 2016. Publication	%1
4	Submitted to University of St. Gallen Student Paper	%1
5	www1.unisg.ch Internet Source	%1
6	repository.up.ac.za Internet Source	%1
7	Frankenberger, Karolin, Tobias Weiblen, Michaela Csik, and Oliver Gassmann. "The 4I-framework of business model innovation: a structured view on process phases and challenges", International Journal of Product Development, 2013.	<%1

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18	Adam J. Bock. "The Effects of Culture and Structure on Strategic Flexibility during Business Model Innovation : Flexibility During Business Model Innovation", Journal of Management Studies, 03/2012 Publication	<%1
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36	UcaktÃ¼rk, Ahmet, Mustafa Bekmezci, and TÃ¼lay UcaktÃ¼rk. "Prevailing During the Periods of Economical Crisis and Recession through Business Model Innovation", Procedia - Social and Behavioral Sciences, 2011. Publication	<%1
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39	Schneider, Sabrina, Patrick Spieth, and Thomas Clauss. "Business model innovation in the aviation industry", International Journal of	<%1

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