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Which management and organizational capabilities determine the success of the process of Business Model Innovation?

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Preface

After finishing my Bachelor Business Economics, Finance and Accounting in 2008 my ambition was at some day to get a master degree. After doubting a while whether or not to start, I eventually started a specialization in business controlling which I finished in 2012. As a business controller I prepared many strategic documents and since I was working in a production environment I got inspired by operations management. After a while I decided to look for an opportunity to learn more about strategic- and operations management which I then could combine with a finance background. In the summer of 2016 I applied for the Part-time Master Business Administration. I was on my way to achieve my ambition.

During the study I learned a lot about setting priorities within a tight timeframe and got better insights in theoretical backgrounds. Due to this study I got a better understanding of the relation between theory and practice. Furthermore I learned to think more upfront in concepts and models which helped to achieve better results. The course strategic management appeared to be most of my interest and the choice for a master thesis in strategic management was easy made. After looking at many different strategic subjects I decided to do a research on the subject of business model innovation. This thanks to Justin Jansen, who inspired me in November 2018 to look at the process of business model innovation. Later on he inspired me as a coach to combine this with organizational capabilities and leadership. A solid foundation for a master thesis had been laid. The learning's about the business model innovation process combined with the role of leadership and organizational capabilities were very refreshing.

Looking back I realize that the last two years were very time consuming and a lot of effort needed to put in place. Something which would I could not succeed without the support and patience of my girlfriend. Thanks you for that. Also I would like thank Justin Jansen for coaching me throughout the process and René Olie as a co-reader during the thesis. Furthermore I would like to thank my employer, and especially the executive and management, for support during the study and the cooperation during my research.

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Abstract

The traditional balance between customers and suppliers has changed because of rapidly changing developments in the global economy. Those developments are pushed by increasing technology and more diversified demands from customers, which lead to a more customer-centric approach. As a company to respond to those developments management needs to be able to innovate its business model. Business model innovation takes place when: (1) new activities are added, (2) activities are linked together in a new way, or (3) one or more parties are changed that perform any of the activities. By changing one of these three elements, the business model is innovated. (Amit & Zott, 2012).

Business model innovation gives rise to different challenges. One of these challenges is changing an existing business model into a new one; this appeals to the leadership when leading the change. But also organizational aspects such as how to allocate resources and how to cope with conflicts during business model innovation. The focus of this research is on the role of these leadership qualities and organizational capabilities during different stages of business model innovation process. This leads to the following research question:

Which management and organizational capabilities determine the success of the process of Business Model Innovation?

By addressing this question, this thesis makes three important contributions to the business model innovation literature. First, the thesis increases insight into the different stages of the business model innovation process. This strengthen the theory on business model innovation processes and by doing so it addresses a limited researched area of business model innovation. Second, this thesis addresses the role of leadership qualities and organizational capabilities in the different stages. Third, the momentum of management skills in the process of business model innovation is uncovered. In doing so, this thesis answers pleas from experts who argue that the “process of business model innovation and their identification, design and evaluation is under examined. (Schneider and Spieth, 2014). And addresses a significant gap in empirical research in business model innovation (Spieth, Schneckenberg & Ricart, 2014).

During this research the management and organizational capabilities of business model innovation are explored within a firm making use of a single-case study. The prime source of data is semi-structured interviews. By interviewing several people within the organization with a different set of experiences and viewpoints, the data is enriched. The researched business model is in the beverage industry and is known as the world's largest independent bottler with the production, trade and distribution of beverages to food retailers, wholesalers and brand owners. The process of business model innovation is based on the last three years whereas the focus from make-to stock towards make-to-order customers led to a change in the business model. This affected the structure and thus activities were linked together in a new way. This had a huge effect on the way the business model was carried out in term of management and organizational capabilities.

The results are organized based on the four stages of the business model innovation process, whereas the highlights are viewed in a timeline. During every stage the challenges are mentioned and the constructs of the conceptual framework with concepts which influence this stage are shown. The summary of the constructs of the conceptual framework with concepts which influence this stage are the following. The initiation stage is about acceleration on renewal while getting alignment on the needs as well as the coordination and integration of change drivers. During the ideation stage reconfigurate the business model while coordinate and integrate the process and manage tension and get alignment on ideas are important. Furthermore during the integration stage the integration of different components while managing tension and get loyalty and commitment on resources are important. During the last stage which is referred to as the implementation stage, manage tension and get loyalty and commitment on resources while coordinate and integrate (right) on time seemed to be the most important aspects.

In the chapter discussion and conclusion the process model shows the (mutual) relations from organizational capabilities and leadership in the different stages of the business model innovation process and the propositions are formulated. Finally the process of business model innovation and its results within the researched object are shown in the conclusion.

Chapter 1 Introduction

Nowadays the traditional balance between customers and suppliers has changed because of rapidly changing developments in the global economy. Those developments are pushed by increasing technology and more diversified demands from customers, which lead to a more customer-centric approach. In other words: to secure a competitive position, companies need to consider how they do business (i.e., business model) rather than what they do. Beautiful examples of the above phenomenon are incumbent firms such as Apple, Netflix and Nestle who have successfully innovated their business model. Their success cannot be explained by adding more products or service but rather their novel way of doing business as a whole. This indicate the strength of business model innovation making it a powerful tool. The role of the business model is also underlined by Chesbrough (2010) who explained that new ideas and technologies are commercialized through the business models and therefore concerned this as a key ingredient. Also positive outcomes are linked to business model innovation (Amit & Zott, 2012) raising its importance for practitioners. There are many different views on a business model. Teece defined a business model as a "*the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit"* (Teece, 2010, p. 172). As a company to respond to those developments management needs to be able to innovate its business model. Business model innovation takes place when: (1) new activities are added, (2) activities are linked together in a new way, or (3) one or more parties are changed that perform any of the activities. By changing one of these three elements, the business model is innovated. (Amit & Zott, 2012).

In the past a lot of research has been done on business models as the main topic where innovation was seen as a theme within. For example Zott, Amit, and Massa (2011) who researched innovation and technology management and Lambert and Davidson (2013) who mentioned business model innovation as a theme. Also Wirtz, Pistoia, Ullirch, and Gottel (2016) who appointed this as a research foci on business models. Recently the number of research on the topic of business model innovation itself has increased significantly. This is for several reasons. First, business models innovation can be seen as a source of future value. Second it is far more complicated to imitate or replicate an entire novel activity system than a single novel product or process. Finally the innovation of the business model as a competitive tool can be so powerful that manager must stay attuned to the possibility of competitor's effort in this area. (Amit & Zott, 2012).

Looking at what has been done so far, I have noticed that opportunities and barriers for business model innovations are highlighted by Chesbrough. (2010). Those barriers are real and cannot be overtaken only by using the right tools. Organizational processes must also change and learning from experimentation needs to be encouraged which emphasizes the role of leadership in those processes. A role-based approach is taken by Spieth, Schneckenberg en Ricart (2014). Those roles relate to explain how to make money and sustain the profit over time. Running the business by providing guidance and support in how to manage operations and developing the business by looking at opportunities to achieve a competitive advantage. Other aspects are the concept and classification of business mode innovation (e.g. Teece (2010), Amit & Zott (2012), Santos, Spector & Van der Heyden (2009). This is often a static view on the business model. The outcome or performance of business model innovation in a specific industries, market context or firm setting with the goal to identify or to describe innovative business models is also a stream of research. (e.g. Souto, (2015), Witell & Löfgren, (2013). Schneider and Spieth (2013) made another categorization by dividing the literature into (1) conditions for executing, (2) elements and processes and finally the (3) effects of business model innovation. This stream of research sees business model innovation as a process. Earlier studies suggest that not technological capabilities but business capabilities drive the successful business model innovation (Chesbrough, 2010). Those capabilities have to manage the process of innovation instead of actual technologies currently available to the firm. As for example Demil and Lecqoc (2010) point out the role of leadership and organizational capabilities by developing "dynamic consistency" or in other words during the change in business model still build and sustain firm performance. But also Achtenhagen, Melin, & Naldi, (2013) called for "critical capabilities" referring to find the right balance in the use of resources, leadership roles, organizational culture and employee commitment but also how to experiment and exploit new business opportunities. Another aspect is the role of leadership and decision-making which is highlighted by Smith, Binns, & Tushman (2010). The role of learning and experimentation is researched by Sosna, Trevinyo-Rodriguez, & Velamuri (2010) during the Naturehouse Case, a Spanish dietary products business. During this study the importance of trial-and-error learning is emphasized.

Furthermore the role of experimentation and learning may be seen as a significant tacit component and is likely to be required (Teece, 2010). Also the role of cognition during the business model innovation process is for example researched by Aspara, Lamberg, Laukia, & Tikkanen, (2013) by using Nokia as a case to demonstrate the important role of executives' cognition during the transformation process.

Business model innovation gives rise to different challenges. One of these challenges is changing an existing business model into a new one; this appeals to the leadership when leading the change. Another challenge to be accepted is to take learning's from data which is generated from experimental action. But also organizational aspects such as how to allocate resources and how to cope with conflicts during business model innovation. In analyzing this process I will focus on the role of these leadership qualities and organizational capabilities during different stages of business model innovation process. This leads to the following research question:

Which management and organizational capabilities determine the success of the process of Business Model Innovation?

To answer the above research question the following sub questions are being researched.

- What is a business model?
- How does the process of Business Model Innovation looks like?
- What organizational capabilities and leadership qualities are important for Business Model Innovation?
- At what point in time do management skills play a role in the process of business model innovation?

The different stages of this process need to be defined. Several studies on the different stages of the innovation process have been done (e.g. Van de Ven, Polley, Garud, & Venkataraman, (1999), Hansen & Birkinshaw (2007)). Based on research of innovation processes Myers and Marquis (1969) have proposed a three-step innovation process which characterize the business model innovation process of idea development, problem solving or integration and implementation. The first step is the initiation step which focused on acquaintance with the first principles. Followed by the second step problem solving or integration, this is part of building the new business model. The last step is implementation which is focused on getting the business model realized. By dividing the business model innovation into the different stages it will be possible to identify the key challenges and different roles of leadership qualities and organizational capabilities which goes along.

The term business model is commonly used by the practice community (George & Bock, 2010). A business model is established as soon as you start a business enterprise. Making it an important topic to understand the significance of business models (Teece, 2010). A sound business model is the basis to build a viable organization (Magretta, 2002). Or in other words it is not about what you do, but why you do it (Amit & Zott, 2012). Meanwhile in the academic literature no commonly accepted definition of what business models are have yet been established due to development of literature in silos causing a lack of clarity and potentially lead to confusion and promote dispersion (Amit & Zott, 2012). Some look at business models as a *reflection of strategy* (Casadesus-Masanell & Ricart, 2010) as a *logic* (Chesbrough & Rosenbloom, 2002)*,* or as *a good story* (Magretta, 2002). Others try to give insights in the business model by describing the different *elements* which will create value (Johnson, Christensen, & Kagermann, 2008)*,* (Amit & Zott, 2001)*,* (Teece, 2010). Some describe the business model as an *architecture* (Timmers, 1998) or as a *concise representation* (Morris, Schindehutte, & Allen, 2005). Despite the different definitions, the business model as a unit of analysis which creates a holistic view and where the activities of the firm play an important role while seeking both how to create and capture value, are elements which are commonly accepted (Amit & Zott, 2012).

Besides the definition of business models several studies has been done on the conceptualization. For example the concept of interlocking elements of a successful business model such as customer value proposition, profit formula, key resources and key processes. (Johnson, Christensen, & Kagermann, 2008) or the concept of a business model between technical and economical outputs, where the business model consists of different elements such as the market, value proposition, value chain, cost & profit, value network and competitive strategy (Chesbrough & Rosenbloom, 2002). But also Teece's elements of business model design (Teece, 2010). Business models in fact can change over time.

"Business modeling is the managerial equivalent of the scientific method– you start with a hypothesis, which you then test in action and revise when necessary"

(Magretta, 2002, p. 5)

According to the quote above, business model innovation as a topic for research was about to develop over time. Business model innovation takes place when: (1) new activities are added, (2) activities are linked together in a new way, or (3) one or more parties are changed that perform any of the activities. By changing one of these three elements, the business model is innovated (Amit & Zott, 2012). Business model innovation recently gained massively attention (Foss & Saebi, 2017) as a topic for research after shedd light on the phenemenon (Zott, Amit, & Massa, 2011). Since the construct of business model innovation relies on the literature of business models, the same charateristics are applied such as lack of construct clarity. (Suddaby, 2010). It is not a coincidence that business model innovation started to take off since positive outcomes are linked to business model innovation (Amit & Zott, 2012) raising its importance for practitioners. As a company to respond to those developments management needs to be able to innovate its business model.

Contribution

The contribution of this thesis to the field of business model innovation literature is to achieve a better understanding of what management and organizational capabilities determine the success of the process of business model innovation. By addressing this question, this thesis makes three important contributions to the business model innovation literature. Earlier research has focused on the definition of business model innovation and the dimensions of the business model along which companies can innovate (Foss & Saebi, 2017). Business model innovation takes place when: (1) new activities are added, (2) activities are linked together in a new way, or (3) one or more parties are changed that perform any of the activities (Amit & Zott, 2012). Other research is done on the outcome of the organizational change for particular types of business model innovation and their implications (Foss & Saebi, 2017). First, the thesis increases insight into the different stages of the business model innovation process. This strengthen the theory on business model innovation processes and by doing so it addresses a limited researched area of business model innovation. Second, this thesis addresses the role of leadership qualities and organizational capabilities in the different stages. Third, the momentum of management skills in the process of business model innovation is uncovered. In doing so, this thesis answers pleas from experts who argue that the "process of business model innovation and their identification, design and evaluation is under examined. (Schneider and Spieth, 2014). And addresses a significant gap in empirical research in business model innovation (Spieth, Schneckenberg & Ricart, 2014).

Methodology

For the research the qualitative approach is used. In order to investigate the phenomenon of the business model innovation process conducted a single case study in a organization in a certain period of time. I used the process theory instead of variance theory since in process theory the historical context and previous events are for the narrative explanation very critical (Van de Ven & Engleman, 2004). By observing the actual practice I provided insights from the field which can deviate from a theoretical point of view or confirm the current theory. By observing only one case I had the opportunity for depth of observation. Despite that *"single-case study is limited to circumstance only and can be too context specific"* (Eisenhardt & Graebner, 2007, p. 26). The purpose is theory building. Edmonson and McManus (2007) describe theory-building research using a single or multiple case studies to address 'how' and "why' research questions in unexplored research areas to suggest new relationships. In this case I identified or described the variables and linkages between variables within the process of business model innovation. The unit of analysis is business model innovation.

The prime source of data is semi-structured interviews. Other data such as personal observation, informal conversation and documentation such as strategic documents were also included. Also collection of objective data or the review of archival data, attendance at meetings and other events during the observation period were part of the case study. The semi-structured interviews had been supported by a set of questions which were used in interviews. This is done in accordance with the funnel model, which started broad and open and then became more specific during the interview. By interviewing several people within the organization with a different set of experiences and viewpoints, the data is enriched. The data is analyzed and sequenced in time so this will give a good overview of events which happened during the different stages of the business model innovation process. By preparing the semi-structured interviews endured the construct validity. The prepared questions also contributed to the internal validity. The external validity is covered by having enough interviews with several people within the organization. Reliability is the extent to which a study's operations can be repeated, with the same results (Yin, 1994, p. 36). The interviews were recorded in order to contribute to the reliability.

Research object

The researched business model is in the beverage industry and is known as the world's largest independent bottler with the production, trade and distribution of beverages to food retailers, wholesalers and brand owners. Alcoholic beverages such as beer, wine, spirits and liqueur but also non-alcoholic drinks as soft drinks, water and juices. Historically the local market has relatively low volatility but the sector is strongly relying on distribution which has an effect on the dynamics. Nowadays stricter rules and regulations for the sector creates new challenges. (e.g. sugar intake and alcoholic restrictions) resulting in lower sales and smaller packages. Furthermore there is a strong changing pattern of end customer preferences which leads huge changes in product portfolio. This is driven by for example sustainability in a market where food retailers, wholesalers and brand owners expect economies of scale from the manufacturers and thus lower prices. The question is how to deal as a company with all those changes in the industry without being competitive and lose your added value for your customers? In other words how would the perfect business model looks like which fits perfect in this environment? All those changes require the management to look at the company's business model and see if there are possibilities to create and exploit new opportunities within the existing or a new market. This led to implement a customer-driven make-to-order business model that partly replaced the traditional make-to-stock model. The old business model was focused on huge economies of scale, with low costs and a less differentiated product portfolio and was based on food retailers and wholesalers (retail business) with relatively low volatility. The new business model is mainly orientated on the market for brand owners. Those type of customers have a higher volatility, smaller run sizes and more complex products and therefore it is more difficult perform. By changing the focus from make-to stock towards make-to-order customers the business model has changed. The structure is affected and thus activities were linked together in a new way. This had a huge effect on the way the business model was carried out in term of management and organizational capabilities. This is what happening at the researched company in the last three years making it a perfect case for analyzing the process of business model innovation in the past three years and what management and organizational capabilities determined the success of the process of business model innovation.

Structure of the thesis

This thesis is organized as follows. First I introduced why business model innovation is relevant to the field of research. In this chapter I also formulated the research question as well as the sub questions. In the next chapter the theoretical part of the thesis is provided by a review of the existing literature of business models and the process of business model innovation. The aim is to provide a theoretical foundation for the thesis. In the next chapter the methodology is explained. Furthermore the researched company and the case will be illustrated. The results of the interviews, quotations will be shown in chapter 4. In the last chapter the discussion and conclusion including the answers to the research question and sub questions will be shown. Also the limitations and areas for further research will be provided.

Chapter 2 Literature review

This chapter discusses the literature and starts with some historical background information about business models and most common definitions and end with answering the sub question: "What is a Business model?". In the next section of this chapter the literature on business model innovation will be discussed in terms of definition, typology, roles and aspects as well as it importance. Then this chapter will continue with opportunities and barriers of business model innovation. Followed by the process of business model innovation in order to answer the sub question: "How does the process of Business Model Innovation looks like?". After this I will present literature on the antecedents of business model innovation but also the role of leadership qualities and organizational capabilities which play an important role during business model innovation. I will only focus on those two elements while leaving others out. This chapter ends with the research question and the theoretical framework.

2.1 Business model

The history of business model goes back to 1957 where it is found to be used by Bellman et al. (1957) for the first time (Osterwalder, Pigneur, & Tucci, 2005). In the early phase around 1975 it was mainly technology-oriented. Afterwards the usage of the term business model has become more common since it was no longer seen as a operative plan only but also successfully contributed in the process of management decision-making (Wirtz, Pistoia, Ullirch, & Gottel, 2016). Since 2000 it started take off with the rise of the new economy and where business models are used for analyzing the completive structure and strategic decision-making (Hamel, 2000) leading to more differentiation. Besides technology-oriented, the business models are now also organization theory-oriented and strategy-oriented. On the next page you will see an overview of the literature review on business models based on Wirtz, Pistoia, Ullrich & Gottel (2016). Here you can see how the orientation started to differentiate overtime. Similar research on the usages of the term business model is done by Foss & Saebi (2017) showing a massive increase in the last two decades.

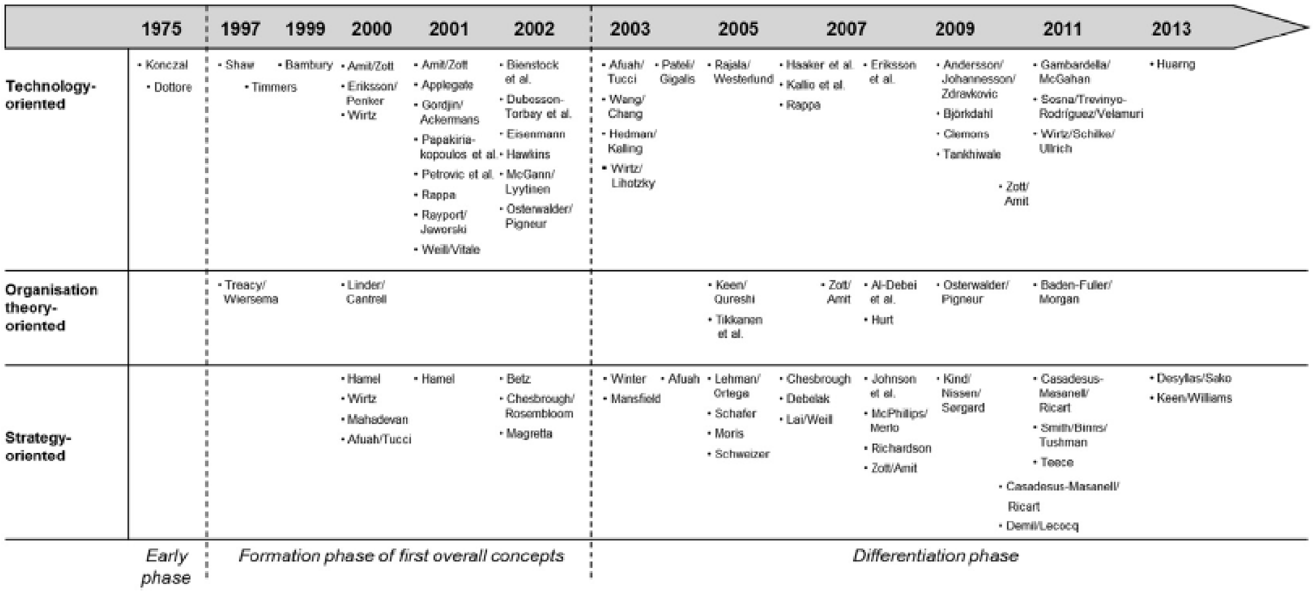

Figure 1: Literature review on business models (Wirtz, Pistoia, Ullrich, & Gottel, 2016, p. 3).

As already noticed the orientation started to differentiate overtime, what about the definition of a business model. It seems that in the academic literature no commonly accepted definition of what business models are have yet been established due to development of literature in silos (Zott, Amit, & Massa, 2011). *"This lack of definitional clarity represents a potential source of confusion, promoting dispersion rather than convergence of perspectives and obstructing cumulative research progress on business model"* (Zott, Amit, & Massa, 2011, p. 1023). In order to clarify this point I will give some examples of different definitions. Some look at business models as a result: *"A business model, we argue, is a reflection of the firm's realized strategy"* (Casadesus-Masanell & Ricart, 2010, p. 195) or as a logic "*A successful business model creates a heuristic logic that connects technical potential with the realization of economic value"* (Chesbrough & Rosenbloom, 2002, p. 529) and *"What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?"* (Magretta, 2002, p. 4). Others try to give insights in the business model by describing the different elements which will create value: "*Business models consist of four interlocking elements, that, taken together, create and deliver value"* (Johnson, Christensen, & Kagermann, 2008, p. 60) or "*a business model depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities*" (Amit & Zott, 2001, p. 511) but also as "*a set of key decisions that collectively determine how a business earns its revenue, incurs its costs, and* *manages its risks*" (Girotra & Netessine, 2014, p. 98). According to Voepel et al (2004) the business model is based on *"the business's value proposition(s) for customers; its configurated value network(s) and its leadership and governance enabling capabilities to continually sustain and reinvent itself to satisfy the multiple objectives"* (Voelpel, Leibold, & Tekie, 2004, p. 261). The elements of creating, delivering and capturing value are also mentioned in the definition of Osterwalder, Pigneur & Tucci, (2005). In 2010 Teece came up with the following definition: *"Defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit"* (Teece, 2010, p. 172). Later on Amit & Zott changed their definition of business models as: " *a business model is a bundle of specific activities — an activity system — conducted to satisfy the perceived needs of the market, along with the specification of which parties (a company or its partners) conduct which activities, and how these activities are linked to each other"* (Amit & Zott, 2012, p. 37). As it turns out that there are many different definitions of a business model due to the development in the literature overtime and the various perspectives and purposes. It seems clear that there are different definitions, perspectives and purposes. The business model in general can be defined as a way to create a holistic view in order to explain how the business of the firm works (Amit & Zott, 2012) whereas the business model design described the way it creates, delivers and captures value (Teece, 2010).

Besides the definition of business models several studies has been done on the conceptualization. For example the concept of interlocking elements of a successful business model such as customer value proposition, profit formula, key resources and key processes. (Johnson, Christensen, & Kagermann, 2008) or the concept of a business model between technical and economical outputs, where the business model consists of different elements such as the market, value proposition, value chain, cost & profit, value network and competitive strategy (Chesbrough & Rosenbloom, 2002). But also Teece's elements of business model design (Teece, 2010). Based on an analysis of most important elements of the business model (figure 2) which is done by Wirtz, Pistoia, Ullrich & Gottel (2016) who refer elements as components, there seems to be found most agreement between authors on value proposition and resources as most important elements (Wirtz, Pistoia, Ullirch, & Gottel, 2016).

Component / Author	Strategy	Resources	Network	Customers	Market offering (value proposition)	Revenues	Service provision	Procure-ment	Finances	Spectrum of the Components
Hamel (2000)	Core Strategy, Strategic Resources		Value Network	Customer Interface						◔
Mahadevan (2000)			Logistic Stream		Value Stream	Revenue Stream				◔
Wirtz (2000)	Combination of production factors for strategy implementation	Core competencies & Core assets		Market & customer segmentation	Service offer & Value proposition	Systematization of revenue forms	Combination & transformation of goods & services	Production factors & Suppliers	Financing & Refinancing	◕
Hedman/Kalling (2002)	Managerial and organizational, longitudinal process component	Resources		Customers	Competitors, Offering		Activities & Organization	Factor & Production Input Suppliers		◕
Bouwman (2003)		Technical architecture		Customer Value of Service					Financial arrangements	◔
Afuah (2004)	Positions	Resources			Industry Factors		Activities		Costs	◑
Mahadevan (2004)				Target Customers	Value Proposition	Revenue Model	Value Delivery			◔
Voelpel/Leibold/ Tekie (2004)		Leadership capabilities	Value Network (Re)Configuration for the Value Creation		Customer Value Proposition					◔
Yip (2004)	Scope, Differentiation	Organization		Nature of Customers, Channels	Value Proposition, Nature of Outputs		How to transform inputs (including technology)	Nature of inputs		◕
Lehmann-Ortega/Schoettl (2005)					Value Proposition, Value Architecture	Revenue Model				◔
Osterwalder/ Pigneur/Tucci (2005)		Core Competency	Partner Network	Target Customer, Distribution Channel, Relationship	Value Proposition	Revenue Model	Value Configuration		Cost Structure	◕
Tikkanen et al. (2005)	Strategy & Structure		Network				Operations		Finance & Accounting	◑
Al-Debei/El-Haddadeh/Avison (2008a)			Value Network		Value Proposition, Value Architecture				Value Finance	◔
Demil/Lecocq (2010)		Resources & Competences, Organization			Value Proposition	Volume & Structure of Revenue Streams			Volume & Structure of Revenue costs	◑
Johnson (2010)		Key Resources			Customer Value Proposition	Profit Formula	Key Processes			◑
Osterwalder/ Pigneur (2010)		Key Resources	Key Partners	Customer Relationships, Channels, Customers Segments	Value Proposition	Revenue Streams	Key Activities		Cost Structure	◕
Intensity of use	◑	◕	◑	◑	◕	◑	◑	◔	◑	

○ Very low ◔ Low ◑ Moderate ◕ High ● Very high

Figure 2 Overview of selected business model components (Wirtz, Pistoia, Ullirch, & Gottel, 2016, p. 8).

Osterwalder, Pigneur & Tucci, (2005) defined the elements of the business model as nine building blocks which can be divided into the business model design of Teece (2010). Value creation (1) consists of partner network, resources (e.g. Doz & Kosonen, 2010) and processes (e.g. Johnson, Christensen, & Kagermann, 2008). Value delivering (2) consists of offerings, market segments, channels (e.g. Magretta, 2002) and customer relationship. Value capturing (3) consists of revenue streams (e.g., Teece, 2010; Girotra & Netessine, 2014) and cost structure (e.g. Osterwalder, Pigneur & Tucci, 2005). Osterwalder & Pigneur (2010) turned these elements into the business model canvas showing the relationship between the business model design and the elements in the business model.

2.2 Business model innovation

Business model innovation recently gained massively attention (Foss & Saebi, 2017) as a topic for research after shedd light on the phenemenon (Zott, Amit, & Massa, 2011). Let's have a look at the different definitions of business model innovation. According to Amit and Zott (2012) business model innovation takes place when (1) new activities are added for example by forward or backward integration, (2) how activities are linked together in a new way or (3) one or more parties are changed that perform any of the activities, so who performs the activity. Those elements are referred to as design elements of the business model which are named content (1), structure (2) and governance (3). By changing one of these three elements, the business model is innovated (Amit & Zott, 2012). Osterwalder and Pigneur (2010) are referring business model innovation as a sustained value creation of the business model by shaping, adapting and renewing the underlying business model of the company on a continuous basis which lead to the way how to creates, delivers, and captures value (Osterwalder and Pigneur, 2010). Teece (2010) defined a business model as a "*the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit"* (Teece, 2010, p. 172). By changing this manner the business model is innovated. Girotra & Netassine (2014) describe business model innovation as *"changes to the decisions: what your offerings will be, when decisions are made, who makes them, and why"* (Girotra & Netessine, 2014, p. 48). When the combination revenue, costs and risks is improved along these dimension the business model innovation is declared successful according to Girotra & Netessine (2014). Similar definitions are "*the initiative to create novel value*" (Aspara, Hietanen, & Tikkanen, 2010, p. 47), "*the process of developing novel replacements*" (Mitchel & Coles, 2004a, p. 17) and "*the search for new logics of the firm and new ways to create and capture value, generate revenues and define value propositions*" (Casadesus-Masanel & Zhu, 2013, p. 464). As the construct of business model innovation relies on the literature of business models, the same charateristics are applied such as lack of construct clarity (Suddaby, 2010). Althought in the above mentioned definitions we still find similarities where as the defintion of Amit and Zott (2012) will be further used in this thesis as a base definition for business model innovation.

Besides the definition of business model innovation there are also different roles and aspects to it. For example a role-based approach is taken by Spieth, Schneckenberg en Ricart

(2014). Those roles relate to explaining how to make money and sustain the profit over time. Running the business by providing guidance and support in how to manage operations and developing the business by looking at opportunities to achieve a competitive advantage. Other aspects are the concept and classification of business model innovation (e.g. Teece (2010), Amit & Zott, (2012), Santos, Spector, & Van der Heyden, (2009). This is often a static view on the business model. The outcome or performance of business model innovation in a specific industries, market context or firm setting with the goal to identify or to describe innovative business models is also a stream of research. (e.g. Souto, (2015), Witell & Löfgren, (2013). Schneider and Spieth (2013) see business model innovation as a process and made another categorization by dividing the literature into conditions. First conditions for executing such as globalization (Lee, Shin, & Park, 2012), behavioral developments (Wirtz, Schilke, & Ullrich, 2010) and re-conceptualization of knowledge management (Malhotra, 2000). Second on elements and processes for example adapting to changes in the environment (Demil & Lecocq, 2010) and the role of leadership and decision-making (Smith, Binns, & Tushman, 2010). Finally the effects of business model innovation in financial terms (Aspara, Hietanen, & Tikkanen, 2010) or industry logics (Sabatier, Craig-Kennard, & Mangematin, 2012).

Furthermore business model innovation can be divided based on certain characteristics a so called typology. Novelty is commonly used as a main characteristic (e.g. Schumpeter, 1911) Another characteristic is related to the amount architectural and modular changes of the business model (Foss & Saebi, 2017). Whereas the architectural changes relate to the firm's business model design (Teece, 2010) and modular changes refer to individual components of the business model by for example fine-tuning (Demil & Lecocq, 2010) or targeting an new market segment. Foss en Saebi (2017) translated those characteristics into four typologies of business model innovation based on novelty and the amount of architectural and modular changes (scope) as shown in the figure below:

Business Model Innovation (BMI) Typology

		Scope	
		Modular	**Architectural**
Novelty	**New to firm**	Evolutionary BMI	Adaptive BMI
	New to industry	Focused BMI	Complex BMI

Figure 3: Business model innovation typology (Foss & Saebi, 2017, p. 217)

Evolutionary is related to individual components of the business model which occurred often naturally by voluntary and emergent changes involved during a fine-tuning process (Demil & Lecocq, 2010). While at *adaptive* business model innovation the complete architecture is changed while responding to the external environment forced by competitive situation (Teece, 2010). In both cases the business model is new to the firm and drives the innovation. Something else occurred at focused and complex business model innovation where the changes are driven by new business models within industry actively driven by the management. Whereas *focused* business model innovation is limited to an individual component such as targeting a new market segment while at the same time keep up with the existing one and thus broaden the value proposition, delivery and capture mechanisms. The business model architecture is changed entirely at the *complex* business model innovation while having a new to the industry business model.

Earlier another characterization is made by Zott & Amit (2010) which draws attention within the literature of business model innovation. Their typology contains four "*dominant value creation drivers*" and referred to as design themes. The first one is *novelty* which is common to Schumpeter (1911) and is also used in the model of Foss and Saebi (2017) afterwards. Novelty refers to "*the adaption of new activities (content), and/or new ways of linking the activities (structure), and/or new ways of governing the activities (governance)*" (Zott & Amit, 2010, p. 223). Followed by *Lock-In* which is driven by high switching costs and thus *keep third parties attracted as business model participants* (Zott & Amit, 2010, p. 223). Another design theme are *complementarities* which draws on bundling activities and thus "*provide more value than running activities separately*" (Zott & Amit, 2010, p. 223). The last one is efficiency which refers to the reduction of transaction costs or in other words "*achieving greater efficiency through design of their activity systems*" (Zott & Amit, 2010, p.

223). Before 2010 these design themes are summarized by them in 2001 while identifying the sources of value creation in e-business which are shown in the figure on the next page.

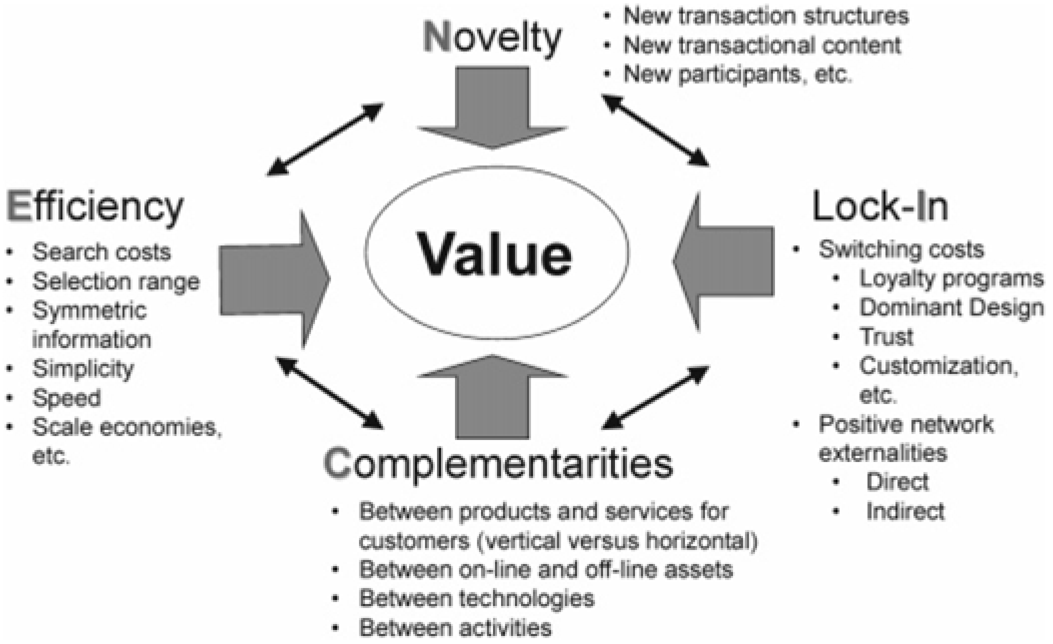

Figure 4: Sources of value creation in e-business (Amit & Zott, 2001, p. 504)

The publications of Zott en Amit in 2001 and the years afterwards inspired Santos, Spector, & Van der Heyden (2009) to come up with their typology of business model innovation constructing four forms for configuration of activities. The changes relate to relinking

Classification	Type	What changes	Examples
Relinking – altering the linkages between units performing activities	Regoverning	The governance of transactions among units	An arms-length relation with a supplier becomes an alliance
	Resequencing	The order in which activities are performed	Design and procurement activities become mutually reciprocal instead of sequential
Repartitioning – altering the boundaries of the focal firm by moving activities and the units that perform activities	Insourcing	Moving inside activities that were performed outside the focal firm	A manufacturer opens its own retail stores to supplement its dealers
	Outsourcing	Moving outside activities that were performed inside	A firm outsources its IT activities
Relocating - alerting the (physical, cultural, and institutional) location between units performing activities	Off-shoring	Moving activities from a unit in the firm's home country to a foreign country	A bank moves back-office activity to a foreign subsidiary
	On-shoring	Moving activities from a foreign country unit into the home country of the firm	A call center is moved back to the original country
Reactivating – altering the set of activities performed by the firm	Augmenting	Adding a new activity to the firm	A free give-away newspaper adds people to hand out the paper at subway stops.
	Removing	Removing an activity from the firm	An airline removes cooking hot meals from its service.

Figure 5: Typology of business model innovation - Reconfiguring a Firm's Activities (Santos, Spector, & Van der Heyden, 2009, p. 19)

(connection) repartitioning (physical, cultural and institutional bounderys) relocating (distance) and reactivating (set of activities). In the figure above which is taken from Santos, Spector, & Van der Heyden (2009) the classifation are shown in relation to the type (e.g outsourcing or insourcing) and what have changed in the business model supplemented with an example.

Recently the number of research on the topic of business model innovation itself has increased significantly. For several reasons business model innovation has become important as a topic for research. First, business models innovation can be seen as a source of future value. Second it is far more complicated to imitate or replicate an entire novel activity system then a single novel product or process. Finally the innovation of the business model as a competitive tool can be so powerful that manager must stay attuned to the possibility of competitor's effort in this area. (Amit & Zott, 2012). So it is not a coincidence that business model innovation started to take off since positive outcomes are linked to business model innovation (Amit & Zott, 2012) raising its importance for practitioners. According to Teece (2010) an innovated business model will increase value to the customer or lower the cost, meanwhile it is not easy to replicate by its competitors and brings the opportunity to generate higher revenues (Teece, 2010). This is underlined by Voelpel, Leibold, & Tekie (2004) calling for the key elements (value proposition, value network and leadership capabilities) as important sources of competitive advantage (Voelpel, Leibold, & Tekie, 2004). Based on practical insights of Achtenhagen, Melin, & Naldi (2013) business models need to change over time in order to achieve sustainable value creation (Achtenhagen, Melin, & Naldi, 2013). This is quite similar to Doz en Kosonen (2010) who realized that successful companies run the risk of fail if they do not adapt to changing environments and continue to do what they do for so long (Doz & Kosonen, 2010). Chesbrough (2010) who explained that new ideas and technologies are commercialized through the business models and therefore concerned this as a key ingredient describe why the role of business model innovation is so important. He stated "*companies need to develop the capability to innovate their business models, as well as their ideas and technologies*" (Chesbrough H. , 2010, p. 356)

2.3 Opportunities and barriers of business model innovation

After clarifying the phenomenon of business model innovation and why this is important, it is worthwhile to look at the opportunities and barriers for business model innovations since it is identified as highly challenging (Chesbrough H. , 2010). One of the challenges is to leave the status quo and change the business model while experiencing inertia (Doz & Kosonen, 2010). This tension is illustrated by Johnson, Christensen & Kagermann (2008) who explain that "*it lies not only in getting the model right but also in making sure the incumbent business doesn't in some way prevent the new model from creating value or thriving*" (Johnson, Christensen, & Kagermann, 2008, p. 8). Another challenge is the one of changing the business model of an already existing organization into a new one. Breaking the rules by being free to decide what rules to apply is one solution but also being able to identify new competencies and tap into existing expertise and be patience for success (Johnson, Christensen, & Kagermann, 2008). According to Chesbrough (2010) the role of leadership during the change is vital (Chesbrough H. , 2010). Barriers mentioned by Giesen, Saul, Bell, & Blitz (2007) is how to overcome from idea to implementation (Giesen, Saul, Bell, & Blitz, 2007). Furthermore challenges to be accepted are to take learning's from data which is generated from experimental action. But also organizational aspects such as how to allocate resources (Doz & Kosonen, 2010) and how to cope with conflicts during business model innovation (Chesbrough H. , 2010).

2.4 Business model innovation process

In this section I will provide earlier research views on business model as a process. Many companies see business model innovation as an ad hoc process (Girotra & Netassine, 2014). In order to be systematic about the process of business model innovation a framework is needed to take this to the level of reliable and improvable discipline otherwise inexpensive opportunities to improve profitability and productivity will be missed out (Girotra & Netassine, 2014). Business model innovation as a process in stages on how to be achieved is widely neglected (Frankenberger, Weiblen, Csik, & Gassmann, 2013). For example Teece (2010) provided steps on how to achieve sustainable business models, others describe business model innovation as a continuous process (e.g. Mitchell and Bruckner Coles, 2004) or steps on how to generate new business (e.g. Osterwalder and Pigneur, 2010). Few is done on business model innovation as a process (DaSilva & Trkman, 2014) in different stages but when systemized as a process of identifying, selecting and refining it provide a promising opportunity (Girotra & Netassine, 2013). By defining the different stages it helps to identify barriers and facilitators (Hartley, 2006). Based on a literature study of Foss & Saebi (2017) I found that in the period between 2000 and 2015 the first research on business model innovation as a process in different stages has started in 2012 by Pynnonen, Hallikas, & Ritala, (2012). In this research the perspective is taken from a customer-driven business model which provides a systematic four stage process framework. The first step is to analysis of the customer value in the current business model, followed by refinement of the current business model according to customer needs. Third stage is to test the business model by implementing a customer survey. The last stage is followed by adjusting the tested business model and implementing the change (Pynnonen, Hallikas, & Ritala, 2012). According to the this research business model innovation is like a iterative process, but now included with stages, which continues to adapt to changes due to customer preferences, state of technology and infrastructure changes. This conclusion is similar to the research of Mitchell and Bruckner Coles (2004). Other research is done by Frankenberger, Weiblen, Csik, & Gassmann (2013). They developed a framework which describes the process in several stages (Frankenberger, Weiblen, Csik, & Gassmann, 2013). Similar to Pynnonen, Hallikas, & Ritala, (2012) they identified also four stages which occur during business model innovation. Four stages are common according to prior research of (Eveleens, 2010) on innovation process models. First the process starts with analysis of the current business model in her environment called initiation. Followed by the generation of new idea's called ideation. During this stage the opportunities need to be transferred into concrete ideas for business models. After this stage of building a new business model started to take off which is referred to as integration. The focus here is on the development of the chosen ideas. Eventually the implementation starts with focus on realization of the new business model (Frankenberger, Weiblen, Csik, & Gassmann, 2013).

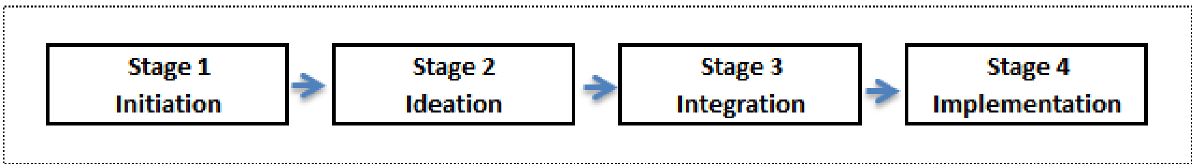

Figure 6: Stages during Business Model Innovation (Frankenberger, Weiblen, Csik, & Gassmann, 2013)

Based on the results of this research Frankenberger, Weiblen, Csik, & Gassmann, (2013) conclude that those four stages provide a good high-level representation of what the business model innovation process looks like (Frankenberger, Weiblen, Csik, & Gassmann, 2013). Later on a research is conducted by Geissdoerfer, Savaget, & Evans (2017) where they aim to provide a better guidance through the business model innovation process and their phases (Geissdoerfer, Savaget, & Evans, 2017) which actually confirmed the view of Frankenberger, Weiblen, Csik, & Gassmann, (2013). To explain the model of Geissdoerfer, Savaget, & Evans (2017 a little bit further. They came up with a three phases. First a concept design followed by a detail design and the third phase is the implementation. Whereas each phase has several processes which is shown in the figure below (Geissdoerfer, Savaget, & Evans, 2017) and will be shortly highlighted afterwards.

Figure 7: The Cambridge business model innovation process (partly) (Geissdoerfer, Savaget, & Evans, 2017, p. 266)

First *ideation* where they define the purpose the value proposition and first conceptual ideas. Second the *concept design* to develop and document the key elements. The last process of the concept design phase is called the *virtual prototyping*. In this process the business model concept is communicated based on a range of prototypes which are generated and revised and refined. Furthermore benchmarking with other parties take place. During the second phase *experimenting* takes place followed by the fifth process namely *detail design*. During this process the interaction of the elements of the business model is conducted including an in-depth analysis. The last process in this phase is the *piloting* where the concept is tested in a subsection of the target market. The last phase is *implementations* which consists of two processes. Launch where the business model is rolled out and the *adjustment & diversification* process where the business model is revised which may lead to repeat the entire process in order to start the business model innovation (Geissdoerfer, Savaget, & Evans, 2017).

The main difference between these three phases and the four stages of Frankenberger, Weiblen, Csik, & Gassmann (2013) lies in the initiation. This first stage is not taken into account as a phase in the model of Geissdoerfer, Savaget, & Evans (2017).

Despite the barriers mentioned earlier in this chapter with regards to business model innovation (e.g. inertia or tension) it is also good to have an understanding of difficulties and major challenges during a specific stage of the business model innovation. Based on earlier research of several authors (e.g. Frankenberger, Weiblen, Csik, & Gassmann, 2013; Geissdoerfer, Savaget, & Evans, 2017) the following challenges can be derived.

The first stage is the initiation stage which is the starting point for business model innovation and is challenged by *understanding the needs* and therefore require a close monitoring. Furthermore the *change drivers* need to be identified such as new technology opportunities and changes in laws and regulations (Frankenberger, Weiblen, Csik, & Gassmann, 2013). During this stage the challenges are driven from an external perspective. Something similar to this is mentioned by Pynnonen, Hallikas, & Ritala, (2012) who ask for a simple analysis of the values that drive and explain the changes whereas the attributes of the value elements have a technical, social or economic background hinting on understanding the needs (Pynnonen, Hallikas, & Ritala, 2012).

During the second stage which is referred to as ideation stage where the transformation of opportunities takes place the main difficulty is to *overcome the current business logic* or in other words it requires divergent thinking. This is not only required for business logic but also for *the entire business model* which is quite different compared to product solution thinking. Furthermore a *lack of systematic tools* for the development of business model ideas are to be managed (Frankenberger, Weiblen, Csik, & Gassmann, 2013). As of this stage the challenges are internally related. According to Pynnonen, Hallikas, & Ritala, (2012) refining the business model in order to fit is essential otherwise is has to be redesigned (Pynnonen, Hallikas, & Ritala, 2012). According to Geissdoerfer, Savaget, & Evans (2017) challenges due to failure of integration of top management and failure to indicate opportunities are likely to appear. Furthermore understanding of bounderies of the companies capabilities and insufficient mutal understanding are also challenges during this second stage (Geissdoerfer, Savaget, & Evans, 2017).

At the integration stage the first major challenge is to *integrate and align all the different components* of the new business model which requires *involvement and management of* *partners*, getting support and agreement about required changes which is defined as the second challenge during this stage (Frankenberger, Weiblen, Csik, & Gassmann, 2013). In addition to this how to handle with failure or highly unfavorable circumstances decision making, character and resilience on how to move forwards plays an important role (Sosna, Trevinyo-Rodriguez, & Velamuri, 2010). Furthermore unsuited level on detail which lead to poor understanding and risk on alignment is a challenge (Geissdoerfer, Savaget, & Evans, 2017).

The last stage is implementation which is known for its difficulties challenges her arise on the subject of managing *internal resistance* while convincing the organization but also having commitment from decision makers on resources. Furthermore *managing the roll-out* in a step-by-step manner. For example take learning's during the process and make sure learning's are adjusted into the business model (Frankenberger, Weiblen, Csik, & Gassmann, 2013). The topic of internal resistance is mentioned earlier as a topic by Amit & Zott (2001) who argued that this is often driven by managers whose ongoing value to the company might be reduced in the future (Amit & Zott, 2001) and Chesbrough who mentioned that recognizing the right business model is not the problem but its development due to conflicts with the current business model due to resistance (Chesbrough H. , 2010). According to Geissdoerfer, Savaget, & Evans (2017) communication issues and inadequate timeframe or expectations and thus too late or too little adjustment are challenges to arise in this stage (Geissdoerfer, Savaget, & Evans, 2017).

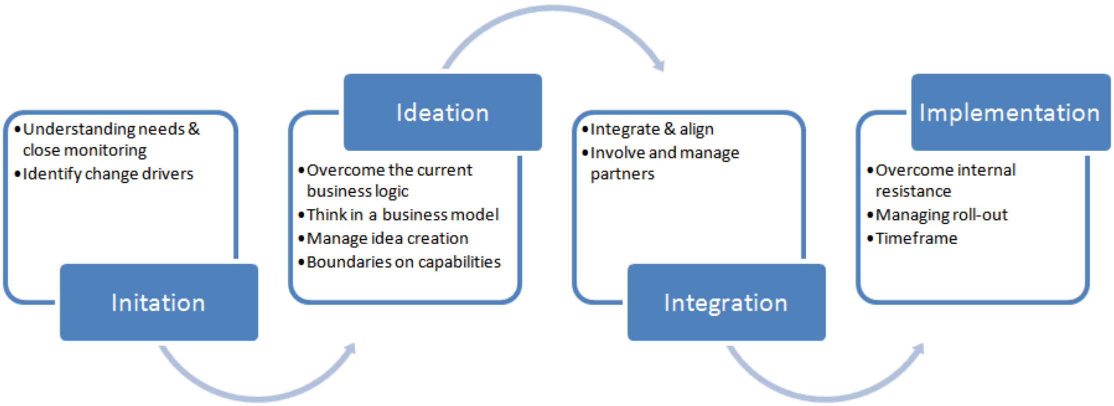

Figure 8: Challenges Business Model Innovation

2.5 Antecedents for business model innovation

Before companies start to pursue business model innovation they have to be full of confidence for the future that the opportunity will be worth the effort and that this will be in some ways new to them as well as for the market or industry (Johnson, Christensen, & Kagermann, 2008). So one or more events are happening which drives the opportunity which some refer to as calling forth (Foss & Saebi, 2017) while others see these as the antecedents for business model innovation. Antecedents for business model innovation can differ in many ways. From an external perspective this can be driven by a change in customer needs (e.g. Johnson, Christensen, & Kagermann, 2008) a new technology (e.g. Chesbrough H. , 2010) a competitive situation (e.g. Doz & Kosonen, 2010) or globalization (Voelpel, Leibold, & Tekie, 2004) or due to a change in rules and regulations (Voelpel, Leibold, & Tekie, 2004). Business model innovation from an internal perspective can be driven by several antecedents. The first one here to mention is the risk of intertia (e.g. Doz & Kosonen, 2010). Business model innovation can be helpfull to reduce the risk of intertia. The risk of intertia is related to existing structures, processes and beliefs throughout the organization combined with the interlinked connections of the current business model which makes changes difficult to implement (Doz & Kosonen, 2010). This risk will increase whenever a company has been succesfull overtime with its existing business model (Achtenhagen, Melin, & Naldi, 2013). A commitment for business model innovation alone is not enough since the status quo will be defended. So to solve the issue leadership actions are to be expected (Doz & Kosonen, 2010). Furthermore small incremental changes to the business model instead of a huge dramatic change will also reduce the risk (Achtenhagen, Melin, & Naldi, 2013). Also a change in strategy is an important antecedent. "*A fundamental question of strategic management is how firms achieve and sustain competitive advantage*" (Teece, Pisano & Shuen, 1997, p. 509). According to Spieth, Schneckenberg, & Ricart (2014) a strategy refers to "*choice of business model through which the firm will compete in the marketplace*" (Spieth, Schneckenberg, & Ricart, 2014, p. 238). A superior anticipation will maintain strategic advantage by for example exploring future usage concepts (Doz & Kosonen, 2010) and thus will impact the business model. In order to successfully achieve business model innovation different capabilities are needed (Achtenhagen, Melin, & Naldi, 2013). Dynamic capabilities include "*difficult-to-replicate enterprise capabilities in order to adapt to changing customers and technological opportunities*" (Teece, 2007 p. 1319). This is in line with DaSilva & Trkman (2014) who argue that continually developing and strengthening the dynamic capabilities will contribute to outperform the competitors. Also other authors argued the importance of resources and competents as a building block of the business model (Wirtz, Pistoia, Ullirch, & Gottel, 2016). Zott, Amit, & Massa (2011) describe the dynamic capabilties to be key in order to response to changes in the external environment (Zott, Amit, & Massa, 2011). This is underlined by Teece (2007) who mentioned that dynamic capabilities are able to enchance, combine, protect and reconfiger companies intangible and tangible assets by (1) sensing and shaping opportunities and threats, (2) seize opportunities, and (3) maintain competiveness (Teece D. , 2007). The same is reconfirmed by Demil & Lecocq (2010) who mentioned dynamic consistency of organizational capabilities and leadership are permanently interacting (Demil & Lecocq, 2010). In additon the role of leadership while managing effectively the business model innovation is pointed out by Smith, Binns & Tushman (2010). They focus on leadership of senior leaders and their characteristics to achieve both integration and leadership unity while having contradictory business models with clear distinction and differentiation (Smith, Binns, & Tushman, 2010). They propose a dynamic pattern of decision-making which means dealing with trade-offs (Smith, Binns, & Tushman, 2010). Achtenhagen, Melin, & Naldi, (2013) described the different leadership styles such as autocratic leaders. Also Doz en Kosonen (2010) state that in order to overcome rigidity companies need to be more agile. This can be achieved by the development of three meta-capabilities: strategic sensitivity, leadership unity, and resource flexibility. While leadership also plays an important role in searching and experimenting, and in knowing when to shift business models which is highlighted by McGrath (2010) who also mentioned that business models must be learned over time through experimentation (McGrath, 2010). Furthermore the role of learning and experimentation emphasized by several authors as an antecedent for business model innovation for example Sosna, Trevinyo-Rodriguez, & Velamuri (2010) researched this during the Naturehouse Case, a Spanish dietary products business. During this study the importance of trial-and-error learning is emphasized. This role may be seen as a significant tacit component and is likely to be required (Teece, 2010). The importance to focus on learning and make adjustments to the business model are emphasized by Johnson, Christensen, & Kagermann (2008) who mention this to be as important as focus on execution. Also the role of cognition during the business model innovation process is for example researched by Aspara, Hietanen, &

Tikkanen (2013) by using Nokia as a case to demonstrate the important role of executives' cognition during the transformation process.

Table 1: Antecedents of business model innovation

Antecedents	Type	Studies
Change in customer needs	External	Johnson, Christensen, & Kagermann, 2008; (Pynnonen, Hallikas, & Ritala, 2012)
New technology and opportunities	External	Johnson, Christensen, & Kagermann, 2008; Voelpel, Leibold, & Tekie, 2004; Chesbrough H. , 2010; Achtenhagen, Melin, & Naldi, 2013
Globalization	External	Voelpel, Leibold, & Tekie, 2004;
Competitive situation	External	Doz & Kosonen, 2010; Voelpel, Leibold, & Tekie, 2004; Johnson, Christensen, & Kagermann, 2008
Rules and regulations	External	Voelpel, Leibold, & Tekie, 2004
Risk of inertia	Internal	Doz & Kosonen, 2010; Achtenhagen, Melin, & Naldi, 2013
Change in strategy	Internal	Doz & Kosonen, 2010; Schneider & Spieth, 2014
Organizational capabilities	Internal	Doz & Kosonen, 2010; Voelpel, Leibold, & Tekie, 2004; Chesbrough H. , 2010; Demil & Lecocq, 2010; Achtenhagen, Melin, & Naldi, 2013; Zott, Amit, & Massa, 2011; Teece, Pisano & Shuen, 1997; Teece, 2007; DaSilva & Trkman, 2014
Leadership roles	Internal	Achtenhagen, Melin, & Naldi, 2013; Doz & Kosonen, 2010; Smith, Binns, & Tushman, 2010; Teece, 2007;
Learning and experimentation	Internal	McGrath, 2010; Sosna, Trevinyo-Rodriguez, & Velamuri, 2010; Teece, 2010; Aspara, Lamberg, Laukia, & Tikkanen, 2013; Johnson, Christensen, & Kagermann, 2008
Cognition	Internal	Aspara, Hietanen, & Tikkanen (2013)

I will focus on leadership qualities and organizational capabilities and thus leaving out the others such as the role of learning and experimentation. The first two are important for my thesis since organizational capabilities are part of the organization and the role of leadership will influence business model innovation. The role of learning and experimentation for example is something which is more in between since what you will learn during experiments will be changed in the business model. In the next sentence leadership and organizational capabilities will be highlighted more deeply.

2.6 Organizational capabilities and leadership

Earlier studies suggest that not technological capabilities but business capabilities drive the successful business model innovation (Chesbrough, 2010). Those capabilities have to manage the process of innovation instead of actual technologies currently available to the firm. Just to be clear about capabilities versus resources those are not the same for two reasons. First a capability is embedded within the organization and processes while this does not apply to an normal resource. Due to this embeddedness the ownership of the capability cannot be transferred from one to another in an easy manner without transferring the ownership of the organization which is the second reason (Makadok, 2001). This is also mentioned by Teece, Pisano & Shuen (1997) who argued resources will remain after the organization is dissolved while its capabilities would disappear (Teece, Pisano & Shuen, 1997). The definition of a capability according to earlier research of Amit and Shoemaker (1993) is a *"firm's capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end"* (Makadok, 2001, p. 388). Organizational structures, which are part of the organizational processes, and managerial processes are the capabilities which support productive activity and need to be understood. The manner how things are done (e.g. routines, patters, best-practice and learnings) are part of those organizational and managerial processes. For other companies this makes it hard to replicate since those are properties of an internal organization which are developed overtime by the organization (Teece, Pisano & Shuen, 1997). In 1997 Teece, Pisano & Shuen reffered to this dynamic capabilities. Its official formulation was a *"firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments"* (Teece, Pisano & Shuen, 1997, p. 516). Later Teece (2007) changed his definition of dynamic capabilities into "*difficult-to-replicate enterprise capabilities in order to adapt to changing customers and technological opportunities*" (Teece D., 2007 p. 1319). In the same article he mentioned that dynamic capabilities are able to enchance, combine, protect and reconfiger companies intangible and tangible assets by (1) sensing and shaping opportunities and threats, (2) seize opportunities, and (3) maintain competiveness (Teece D. , 2007). Those three items are supported by the core of the three organisational and managerial processes namely (1) coordination/integration (2) learning and (3) reconfiguration (Teece D. , 2007). Or in other words the key strategic function of an executive is to sense and seize opportunities as well as threats and configure whenever changes appear in order to maintain competiveness (Teece D. , 2007). This is in line with DaSilva & Trkman (2014) who argue that continually developing and strengthening the dynamic capabilities will contribute to outperform the competitors. Zott, Amit, & Massa (2011) describe the dynamic capabilities to be key in order to response to changes in the external environment (Zott, Amit, & Massa, 2011). Doz en Kosonen (2010) describe meta-capabilities as a reaction on business model renewal driven by change. Those meta-capabilities refer to strategic sensitivity (1) which is about perception, awereness and attention towards strategic developments. Leadership unity (2) which refers to decision making and will be further explained in this sentence later on and resource fluidity which refers to the internal capability to rapidly reconfigure capabilities and redeploy resources. Here you notice the importance of resources and competents as a building block of the business model (Wirtz, Pistoia, Ullirch, & Gottel, 2016) and thus the organizational capabilities for business model innovaton. Furthermore Achtenhagen, Melin, & Naldi, (2013) called for "critical capabilities". Those critical capabilities consist of three elements. First how to experiment and exploit new business opportunities. Second in finding the right balance in the use of resources and third the role of leadership, organizational culture and employee commitment. As for example Demil and Lecqoc (2010) point out the role of leadership and organizational capabilities by developing "dynamic consistency" or in other words during the change in business model still build and sustain firm performance while *"resources and competences of a firm, its organizational system and the value propositions it offers are permanently interacting"* (Demil and Lecqoc, 2010, p. 242). The same is reconfirmed by Demil & Lecocq (2010) who mentioned dynamic consistency of organizational capabilities and leadership are permanently interacting (Demil & Lecocq, 2010).

How leadership relates to business model innovation is demonstrated by Teece (2007) who mentioned how new and radical changes threat existing structures and thus create internal resistance whereas strong leadership can frequently overcome such tension (Teece, 2007). Chesbrough confirmed the role of succesful leadership to overcome such barriers during business model innovation (Chesbrough H. , 2010). The ones who overcome the gap between idea and implemention are the ones who found a powerfull way to differentiate themselves (Giesen, Saul, Bell, & Blitz, 2007). The same is highlighted by Doz en Kosonen (2010) who state that a repertoire of leadership actions are needed to accelerate the renewel and transformation of business models since this will enable the meta-capabilities which will contribute to organization agility (Doz & Kosonen, 2010). This shows the relationship between business model innovation, organizational capabilities and leadership. Leadership and business model innovation also relate around evaluating new opportunities but to put leadership in the right perspective when bad business models are in place its not likely to be solved with good leadership (Teece, 2007). Nevertheless by demonstrating leadership it will contributie to the firm's performance due to loyalty and commitment and will sustain dynamic capabilities (Teece, 2007). Based on Achtenhagen, Melin, & Naldi, (2013) leadership can be described as *"achieving coherence between an active and clear leadership"* (Achtenhagen, Melin, & Naldi, 2013, p. 432). One example of different roles of leadership is a "*autocratic leader displaying clear and active leadership, with trustful relationship between her and employees*" (Achtenhagen, Melin, & Naldi, 2013, p. 433). Another aspect is the role of leadership unity and integration by achieving strategic agility which is described by Doz and Kosonen (2010). Whereas leadership unity can be defined as "*the ability of the top team to make bold, fast decisions, without being bogged down in top-level 'win-lose' politics*" (Doz & Kosonen, 2010, p. 371). This leadership unity can be achieved by surfacing and sharing assumptions (dialoguing), making personal motives (revealing), building interdependencies (integrating), sharing common interest (aligning) or by caring through empathy and compassion (Doz & Kosonen, 2010). According to the above this leadership shows significant similarities with transformational leadership according to Howell & Avolio (1993) where this is stated as leaders who concentrate their effort on inspiring with their vision and encouraging employees in creative and innovative behaviors by providing support, share their vision and coach them to take responsibility (Howell &

Avolio, 1993). According to other research on leadership the transformational leadership and strong capabilities are mentioned as relevant conditions for business model innovation (Alberto Aragon-Correa, Garcia-Morales, & Gordon-Pozo, 2007). Looking at leadership roles two specific leadership roles are identified as necessary according to Witte (1973) to overcome barriers during innovation which later on is supplemented with a third one by Hauschildt and Kirschmann (2001) namely a *power promoter* (1) to overcome organizational unwillingness, *process promoter* (2) to overcome changed responsibility and *technical promoter* (3) to overcome organizational ignorance and by education (Hauschildt & Kirchmann, 2001). Furthermore research of Harborne & Johne showed senior leaders should not micro-manage during innovation despite their high involvement as well as co-leadership which does not lead to the feeling of having responsible (Harborne & Johne, 2003). Also the role of leadership and decision-making is highlighted by Smith Binns, & Tushman (2010). They focus on leadership of senior leaders and their characteristics to achieve both integration and leadership unity while having contradictory business models with clear distinction and differentiation (Smith, Binns, & Tushman, 2010). They propose a dynamic pattern of decision-making which means dealing with trade-offs (Smith, Binns, & Tushman, 2010). According to Santos, Spector, and Van Der Heyden (2009) the role of the executives is to collaboratively work and dialogue with business units leaders towards potential business model innovation in order to be accountable for alignment and to capture value as a result (Santos, Spector, & Van der Heyden, 2009). While leadership also plays an important role in searching and experimenting, and in knowing when to shift business models which is highlighted by McGrath (2010).

2.7 Synthesis

With this literature study I have shed light on business models, business model innovation and its opportunities and boundaries but also on business model innovation as a process highlighting different stages and challenges. Furthermore the antecedents of business model innovation have been discussed. By adding literature on organizational capabilities and leadership I would like to build a bridge in the business model innovation process between the different stages in this process and the role of leadership and organizational capabilities. By building this bridge I am able to address the research question (*Which management and organizational capabilities determine the success of the process of Business Model Innovation?*) and show the relationship towards the empirical investigation. Based on this literature study I have derived the conclusion on how this study present an adequately view the elements of a business model (value creation, value capturing and value delivering), business model innovation (by changing one of those elements) and their opportunities and barriers. But also I have showed the different stages (initiation, ideation, integration and implementation) of the business model innovation process and their challenges per stage which are to be expected. Furthermore I have highlighted the organizational capabilities which support productivity and thus need to be understood and leadership which refers to the management processes. In order to change the organizational processes the role of leadership must be emphasizes in those processes. This makes clear that both organizational capabilities and leadership have a strong relationship and are permanently interacting. In order to understand the process of business model innovation I highlighted the different stages and the role of leadership and organizational capabilities during those stages. This leads to a theoretical framework which provides support to empirical investigation.

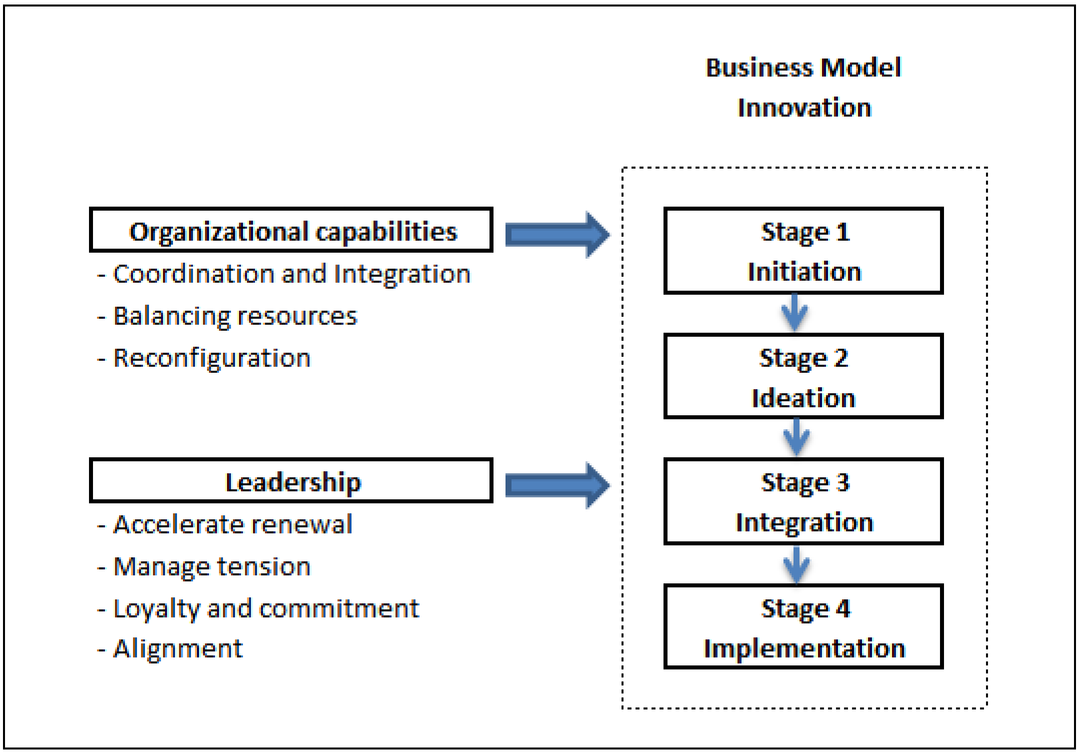

Figure 9: Theoretical framework

Chapter 3 Methodology

In this chapter the methodology is explained. First this starts with explanation of the research design, followed by the way the data is collected and how the data is analyzed. This chapter ends with a description of the researched company including an illustration of the case.

3.1 Research design

For the research the qualitative approach is used. In order to investigate the phenomenon of the business model innovation process I conducted a single case study in a organization in a certain period of time. A case study is described as "*a phenomenon drawn from multiple sources of evidence"* (Voss, Tsikriktsis, & Frohlich, 2002, p. 197). I used the process theory instead of variance theory since in process theory the historical context and previous events are for the narrative explanation very critical (Van de Ven & Engleman, 2004). By observing the actual practice I provided insights from the field which can deviate from a theoretical point of view or confirm the current theory. By observing only one case I had the opportunity for depth of observation. Despite that *"single-case study is limited to circumstance only and can be too context specific"* (Eisenhardt & Graebner, 2007, p. 26). The purpose of this research is theory building. According to Wacker (1998) theory building consists of four components namely definitions of terms and variables, a domain, the relationships and specific predictions (Wacker, 1998). Van de Ven (1989) described cases to be a very strong when theory is being build (Van De Ven, 1989). Edmonson and McManus (2007) describe theory-building research using a single or multiple case studies to address 'how' and "why' research questions in unexplored research areas to suggest new relationships. According to Voss, Tsikriktsis, & Frohlich (2002) an outstanding strength of the case reasearch is that this *"can be studied in its naural setting and meaningful, relevant theory generated from the understanding gained through observing actual practice"* (Voss, Tsikriktsis, & Frohlich, 2002, p. 197). In this case I identified or described the variables and linkages between variables within the process of business model innovation. Therefore a theoretical framework is build which is a reflection of constructs and variables included in the study. The unit of analysis is business model innovation.

3.2 Data collection

The prime source of data is semi-structured interviews. Other data such as personal observation, informal conversation and documentation such as strategic documents are also included. Also collection of objective data or the review of archival data, attendance at meetings and other events during the observation period are part of the case study. The semi-structured interviews are supported by a set of questions which are used in interviews. These questions are the core of the protocol. The questions were formulated in accordance with the funnel model, which started broad and open and became more specific during the interview. In short every interview started with a short introduction to the subject business model and business model innovation. Then the process is highlighted. During this phase I have checked whether the interviewee recognize the several stages of the business model innovation process in their existence and what for them were important events.

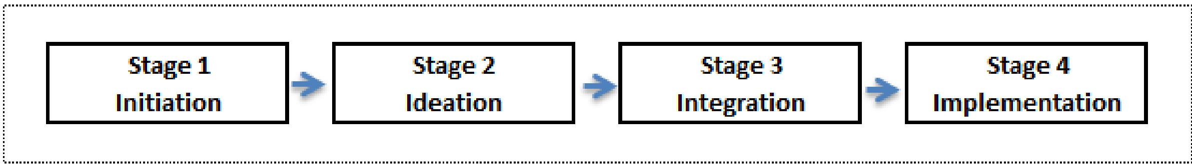

Figure 10: Stages during Business Model Innovation (Frankenberger, Weiblen, Csik, & Gassmann, 2013)

These important events were the basis for further questioning and then are followed by the different leadership qualities and organizational capabilities during these stages in the process since this is the focus of the research. This will made it possible to setup a timeline of import events over the interviewed period. During the semi-structured interviews notes were taken of potential areas of interest while at the same time the interview was recorded which contributed to the exactness of what have been said. By interviewing several people within the organization with a different set of experiences and viewpoints, the data is enriched. The interviewees exist of executives and managers. Hereafter you will find a list of the interviewees within the organization and their position within the teams during this period. Those are selected because they were to be expected to have most knowledge about the data being researched. Triangulation which is known as *"the use and combination of different methods to study the same phenomenon"* (Voss, Tsikriktsis, & Frohlich, 2002, p. 206) is covered by the use of interviews as well as direct observations and the content analysis of documents and archival research.

Table 2 Interviewees

Team	Role
Management	Managing Director
Management	Finance Director
Management	Manufacturing Director
Management	Supply Chain Director
Management	Sales Director
Middle management	IT manager
Middle management	Supply chain manager
Middle management	Co-packing manager

3.3 Data analysis

The data is analyzed and sequenced in time so this will give a good overview of events which happened during the different stages of the business model innovation process. This is done by organizing quotes from the interviews into the timeline which then were grouped (coding) to a certain stage of the process. This contributed to the effectiveness of the case research. According to Miles & Huberman (1994) it's important to reduce data into categories (Miles & Huberman, 1994) so after organizing the quotes this were allocated to a stage and then subdivided to the selected variable which in this case is leadership or organizational capabilities. This then is used for further analysis.

By preparing the semi-structured interviews I endured the construct validity. The prepared questions also contributed to the internal validity. The internal validity is known as *"the extent to which we can establish a causal relationship, whereby certain conditions are shown to lead to other conditions, as distinguished from spurious relationships"* (Yin, 1994, p. 35). The external validity made sure the study's finding could be generalized. This is covered by having enough interviews with several people within the organization. Reliability is the extent to which a study's operations can be repeated, with the same results (Yin, 1994, p. 36). The interviews are recorded in order to contribute to the reliability.

3.4 Research object

The researched business model is in the beverage industry and is known as the world's largest independent bottler with the production, trade and distribution of beverages to food retailers, wholesalers and brand owners. Alcoholic beverages such as beer, wine, spirits and liqueur but also non-alcoholic drinks as soft drinks, water and juices. Historically the local market has relatively low volatility but the sector is strongly relying on distribution which has an effect on the dynamics. Nowadays stricter rules and regulations for the sector creates new challenges. (e.g. sugar intake and alcoholic restrictions) resulting in lower sales and smaller packages. Furthermore there is a strong changing pattern of end customer preferences which leads huge changes in product portfolio. This is driven by for example sustainability in a market where food retailers, wholesalers and brand owners expect economies of scale from the manufacturers and thus lower prices. The question is how to deal as a company with all those changes in the industry without being competitive and lose your added value for your customers? In other words how would the perfect business model looks like which fits perfect in this environment? All those changes require the management to look at the company's business model and see if there are possibilities to create and exploit new opportunities within the existing or a new market. This led to implement a customer-driven make-to-order business model that partly replaced the traditional make-to-stock model. The old business model was focused on huge economies of scale, with low costs and a less differentiated product portfolio and was based on food retailers and wholesalers (retail business) with relatively low volatility. The new business model is mainly orientated on the market for brand owners. Those type of customers have a higher volatility, smaller run sizes and more complex products and therefore it is more difficult perform. By changing the focus from make-to stock towards make-to-order customers the business model has changed. The structure is affected and thus activities were linked together in a new way. This had a huge effect on the way the business model was carried out in term of management and organizational capabilities. This is what happening at the researched company in the last three years making it a perfect case for analyzing the process of business model innovation in the past three years and what management and organizational capabilities determined the success of the process of business model innovation.

Chapter 4 Results

This chapter provides the results of the research based on the interviews, quotations and coding of the researched object. First the highlights will be shown in a timeline and shortly illustrated. Then this chapter continues with the four stages of the process in accordance with the theoretical framework. During every stage the constructs of the conceptual framework with concepts which influence this stage will be shown. This construct will be explained while taking notice of the several highlights during this stage. Finally a summary will be shown at the end of the chapter.

4.1 Timeline

The timeline of the business model innovation process of the researched object is shown in the figure below.

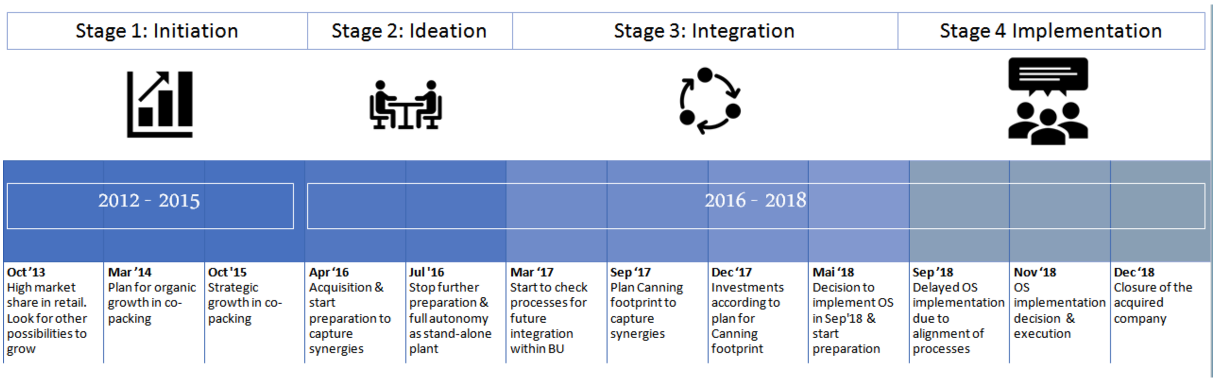

Figure 11: Timeline highlights business model innovation

During the first stage three highlight are mentioned. First to start with the historical perspective of where the high market share in retail business led to a bottleneck in the ambition to grow. Followed by a plan to start building market share in order to grow a different segment called co-packing which later on was strengthened with strategic growth.

The ideation stage started with the acquisition and preparations to capture synergies which then were stopped and autonomy as a stand-alone plant was giving to the acquired company. The next stage was highlighted by the start to check the processes for future integration within the business unit followed by a plan for a canning footprint and corresponding investments. This stage ended with the decision to implement a new operating system in September 2018 which enforced preparations to meet the deadline. During the last stage the most important highlights are the delay of the operating system due to alignment issues on the process followed by a decision to implement driven by the managing director. The last highlight during the implementation stage is the moment the acquired company is closed.

4.2 Stage 1 Initiation

The historical perspective

In the beginning the founders increased profitability by growth in a so called 'buy and build' strategy within the make-to-stock market. While at the same time the strategy was driven by lowering cost and reducing bottlenecks and complexity without explicitly knowing how much is earned per customer. Later on these insights were added to further improve the profitability of the company within the current market segment. In 2012 the market share for make-to-stock customers known as retail business was already 90%. According to the supply chain director "W*e already did business with 90% of the retailers so there was little opportunity to grow in this segment".* The same is confirmed during the interview with the sales director who mentioned "W*e already have a market share of 90% in retail*". The managing director mentioned *"We have to come up with something new in order to move forward, so we have to reinvent ourselves"* setting direction for business model innovation in 2013. By doing so he accelerated renewal. So in order to further grow the management needed to looked for opportunities in another segment of the market which is make-to-order customers known as co-packing business. So management decided to start looking for opportunities in the co-packing business without losing their market share in retail which shows ambition and an act of leadership. This underlines the need for business model innovation. The process of alignment within the management team was easy according to the supply chain director while *"the direction was logically explained".* This created a common interest. Later on the strategy to grow in co-packing was mentioned in the annual report of 2013 where was stated that volume growth was mainly driven by the co-packing business.

In order to change the business model from a make-to-stock driven company with its specific business aspects (e.g. cost-driven) into a company which combines both make-to-stock and make-to-order more equal the management need to pay attention to both the role of leadership as well as organizational capabilities. The main challenges which are likely to appear during the first stage are *understanding the needs* by explaining the plan and to identify what the *change drivers* are. This is shown in the figure below and will be further explained in this section.

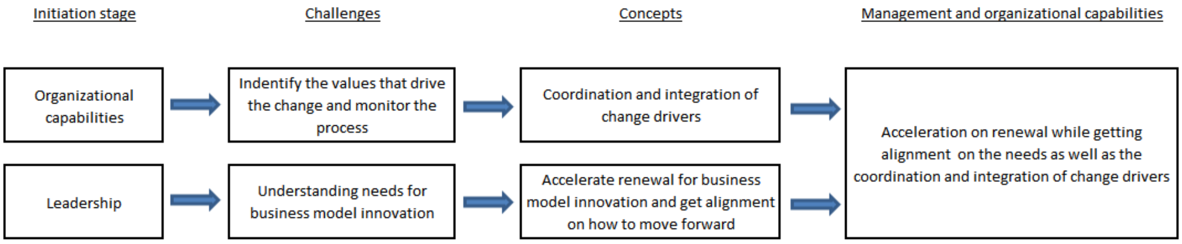

Figure 12: Challenges, concepts, management and organizational capabilites during the initiation stage

Understanding the needs: Why a plan for growth in co-packing?

One of the goals of every interview was to find out wether business model innovation had taken place in accordance with the literature study and if so, what design elements are then changed. To shortly recall: Business model innovation according to Amit and Zott (2012) takes place when (1) new activities are added, (2) how activities are linked together in a new way or (3) one or more parties are changed that perform any of the activities. Those elements are referred to as design elements of the business model which are named content (1), structure (2) and governance (3).

The sales director explained the plan in the following way: "*Organic growth is realized by adding new customers to the portfolio, whereas as long as you have enough capacity, no choices between retail or co-packing customers have to be made. But since the capacity contraints are occuring and profitability needs to be increased the focus on co-packing increased.* He mentioned the following reasons "*First the length of the contracts in co-packing are longer compared to retail contracts which makes it easier to do investments in the company based on those contracts. Second co-packing does not necessarilly has better margins compared to retail but the volumes are commited. Third co-packing leads to a long term relationship with the customer whereas the retail business is anticipating on overcapacity in the market and therefore contractlengts are short.* Other advantages according to the co-packing manager are that due to the high market share in retail *"new customers are hard to find and by focusing on growth in co-packing high-end small customers can be added".* Furthermore he mentioned *"risks for the company driven by changed customer demand are mittigated more between the two segments"*. But also by "b*alancing the segments more the possibity to improve your negotiation position are increased which has a positive impact on the gross margin and thus the profitability".* The last advantage mentioned by the copacking manager is is driven by the "*significant differences between retail (make-to-stock) and co-packing (make-to-order) and therefore a good balance can be found during the low and peak season"*. This gives the company the possibility to balance the resources more equally. According to the supply chain director the growth in co-packing was realized in two ways. The first way is *"by adding new customers with high potential growth"* and which are focused on the marketing and branding of their company and were captured by the business unit self. The other way was *"driven by the huge network which belongs to a firm with such a global character"*. The importance of this network increased since the huge co-packing customers are also global players around the world and they were starting to see the advantages of outsourcing their business compared to own production facilities.

By explaining the plan for co-packing the change in the business model will be visible. First new customers are added with different types of contracts and with longer contract periods and committed volume. This also has an effect on the relationship (e.g. longer, more intense and high degree of collaboration) with the customer. This effected the structure of the business model. The activities and resources are affected due to balancing effect of resources during the season and the manner the resources are used to produces in accordance with changed customer demands and type of contracts and thus the content is changed. The revenues are increased by a positive effect on the negotiation position and risk mitigation of the portfolio but also the cost structure changed driven by another production method (make-to-order vs. make-to-stock) which has a significant impact on production run sizes and where a cost-driven focus versus value-driven focus started to change. So ultimately all three components of the business model are expected to change and thus business model innovation is expected to take place.

According to the changed direction towards growth in co-packing the IT manager mentioned: *"The growth in co-packing was communicated during several meetings such as Top40 and Top100*". During these meetings the top managers and other layers of the business unit were invited and the future plans were shared. But also according to the supply chain manager who mentioned: *"The growth in co-packing was communicated during the Top40, Top100 but also during the sales & operation plans meeting"*. He told me this seems logical while the market share in retail business was extremely high. Furthermore he told me that *"the strengths of repeating the same plans over and over again during different meetings"* was important to him. Furthermore this strategy was underlined by investments in certain technology which was focused on co-packing customers. The sales manager mentioned *"the strategy became visible after creating a separate role which was focused on the co-packing customers".* From a leadership perspective the focus was on dialoging in order to get a shared common interest which refers to alignment towards the changed strategy.

Change drivers during business model innovation?

In the current business model the main focus was on retail customers while the co-packing part was limited to a few co-packers who outsourced some volume driven by their own overcapacity. The volume was stable and when the portfolio changed it was known upfront making it easy to handle. The IT managers said *"The change requests from the co-packers to the company were limited and not very complex due to clarity on expectations and outcomes".* Furthermore he mentioned *"there were a lot of similarities compared to the retail business".* On the other hand while the company already had some co-packing customers they had a certain expectation towards this business. The supply chain manager said *"We know how to handle these new co-packing customer since we already have other co-packers".* In other words the organizational and managerial processes like routines, patterns, best-practices and learning's are familiar. Later on this seemed to be a underestimation while the new customers had different demands which requested different approaches. The supply chain director said: *"In retro perspective this aspect was overseen".* So no real attention had been paid to change drivers during this stage. The sales director said: *"We had set a point on the horizon and then just started to look for new customers in co-packing that's how we typically work here".* This showed that the organizational capabilities were underestimated during this stage and not everyone was aware of the impact of the changed strategy on these organizational capabilities.

Up and till now the impact of the plan to build the co-packing business for the total business unit was rarely noticeable and therefore a real change in the business model was not yet realized. The role of co-packing business started to increase within the business unit as soon as a big competitor in this segment in march 2016 was taken over by the company. This decreased the ratio of retail to a more equal level compared to co-packing and automatically the effected the business model. The managing director said *"It is important to build market share in co-packing and the customers of this acquired company were mainly in the co-packing business. So we did not have the same customers while on the other hand we make the same products, so this was a perfect fit to us".* This was an important step to accelerate the strategy. Here you notice the leadership by acceleration on renewal. On the other hand this acquisition was not known by other people of the business unit. The managing director said this was *"due to rules and regulations towards their stock exchange listing".* While this was not known it putted pressure on the next stage of the business model innovation process. During the interviews this was confirmed by the interviewees who mentioned this to be an announcement and then the process up and till implementation was up to the business unit.

4.3 Stage 2 Ideation

This step is characterized by the ideation stage during this stage the transformation of opportunities takes place. This section described the two most important highlights during the ideation stage. The main challenges mentioned in chapter two which are likely to appear during the second stage are *overcome the current business logic* whereas the solutions need to be *thought of in a business* model. Furthermore *managing the process of idea creation* and *understanding boundaries* are important challenges. The role of leadership and organizational capabilities will be highlighted during those challenges. This is shown in the figure below and will be further explained in this section.

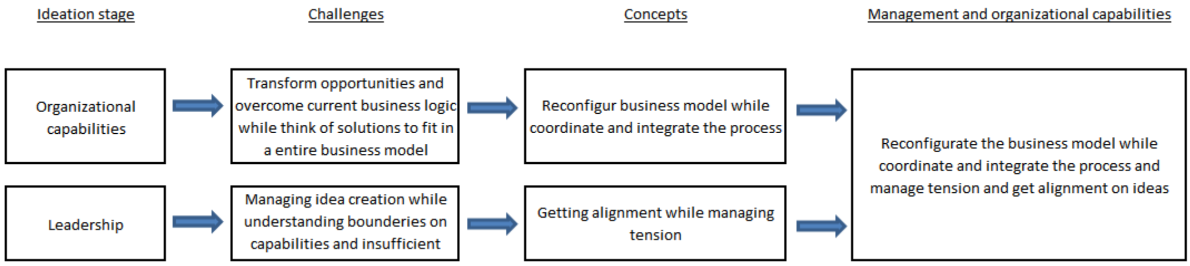

Figure 13: Challenges, concepts, management and organizational capabilites during the ideation stage

Acquisition & start preparation to capture synergy

The acquisition took place in march 2016 which lead immediately to a decrease of the ratio of retail to a more equal level compared to co-packing. This automatically effected the business model and accelerated the current strategy for growth. The communication took place immediately after the takeover was announced in public. Many employees heard the news via the media while at the same day the acquisition was explained by the managing director to the personnel as a perfect fit in the strategy for growth in co-packing. The co-packing manager said *"This takeover was a little bit strange since they were the competitors in the past year and suddenly they are a part of the business unit".* The managing director told me the following: "*Normally the process after an acquisition is to immediately start prepare integration to capture as soon as possible the synergies. Furthermore the operating systems are changed within three months according to existing procedures, policies and other organizational entanglements*". Then he continued and said: "*This includes also the logo's, names and other symbolic items of the former company to be taken off the wall*". This to illustrate the takeover. Based on the interviews with several managers this is what was expected by the management after the acquisition in accordance with the past.

During the interview with the IT manager he said: "*The process started and several people of the business unit were introduces to see how the existing procedures, policies and other organizational entanglement can be implemented as soon as possible"*. All this in order to make a blueprint. The same was confirmed by the supply chain manager who said: *"I have been asked by the supply chain director to visit the acquired company in order to start preparations"*. The co-packing manager told me the following: *"The first ideas were to reduce all the small customers within the portfolio in order to structure the process in the same way".* The process was not structured very well according to the manufacturing director and then he said: *"Everyone was able to do what ever thought was necessary".* During the interview with the financial director he said: "*Not everyone was very positive about this behavior*". According to the supply chain director *"The goal was to have every process in place by the end of the year, but this appears to be a misjudgment while it seems to be too much effort to do it in such a short notice".* Purchase was implemented successfully after 3 weeks to capture as fast as possible the synergies according to the managing director. He said: "*Purchase was the first thing we did*". This was quite easy since it did not really depend on processes or people but on changing existing contracts. About the behavior the IT manager said: *"The process led to a lot of resistance in the acquired company, since the results of the former company were very well, and those people did not experienced the need to be taken over".* Furthermore the IT manager said: *"The communication of the takeover within the former company was poorly explained and they felt a hostile attitude driven by the former competitiveness".* So the internal changes led to friction. Then the IT manager said: *"There was almost no cooperation toward the blueprint".* On the other hand he mentioned that to start immediately changing the processes without asking why the former company had achieved so much success felt as arrogance for them. During the interview with the financial director he said: *"The company did not well understood at first instance what was bought",* whereas the same arrogance was noticed. Followed by: "*Those issues occurred while the company was not aware of the different organizational capabilities".* This was needed to handle co-packing customers which do not have their own production facility and fully rely on outsourcing". "*Simply copy the same structure of the existing company was not the way to move forward"*, this was mentioned by the IT manager who noticed these issues quite soon. After a few months the same was noticed by the supply chain director who said

"Co-packing was a different game". If the company started to push the change on a short timeframe the resistance to change will further grow and profitability will go down. At that moment in July 2017 the managing director decided to stop the preparation for a while and to pull back his managers and give fully autonomy to the acquired company. So no changed were made besides capturing the synergies in purchasing. This process would start later on. During the interview with the managing director I asked why he used his leadership to stop this process. He said the following: *"First I noticed the different approach towards the co-packing customers whereas some might leave if they start to approach them as they are used to"*. Then he said: *"I could not risk the chance on lower profitability if the acquired company kept having so much resistance".* He explained that normally the profitability is quite low when a company is taken over but in this case the company was not taken over due to bad performance but due to their customer portfolio and so appeared the organizational capabilities that were used to manage them. The third reason for him he said: *"We had already lost some of the key personnel due to the way the process was started".* He mentioned later on that the organization was not ready for such as process. The financial director confirmed the same on this topic when he said: *"The acquired company had some tacit knowledge which became visible afterwards".* The interview that followed was with the supply chain manager who said on this topic: *"The process went to fast in the beginning".* When I raised this topic during the interview with the supply chain director he said: *"The operational and IT related implications of a such a company into our the organization have been misjudged".* To invigorate the decision of the managing director he said to me: *"I had consciously kept the logo's, names and other symbolic items of the former company the way it was as if nothing has changed".* As mentioned by both the supply chain director and the commercial director this decision was quite special since this is not in line with the policy. Up and till now the process of managing idea's did not take place. The starting point seemed to be fixed as from the beginning which shows that the process of overcoming the business logic had yet failed.

Due to the decision to stop the process the pressure at first instance on the managing director increased which requested explanation to this management. He said to me: *"By making this decision I had taken the pressure on me, while at the same time everybody kept saying we had to continue with the process, literally everyone except for X (the financial* *director)"*. So no commitment for the decision came from his management except from the financial director. During this process it became important to get alignment on his decision while managing the tension. Since the interview with the managing director was one of the first interviews I had the opportunity to check this with some of his team members. Based on the interview with the manufacturing director he said to me: *"At first instance I was itching to start, but eventually I accepted since I stepped back from the operations"*. The supply chain manager said: *"The decision was a management decision which not needed to be agreed on"*. The IT manager said *"This decision was needed to first better understand their current processes which requested time to pass by"*. Later on the commercial director said during the interview: *"This decision was different than expected at first instance"* and then he said *"I understood the decision since the company needed to learn the way the customer relations were handled".* Despite the fact that the management eventually understood the decision it became difficult the moment the results were not fully met, which kept a kind of pressure during the whole process up and till implementation. The managing director said: *"This decision had been tough since I had to explain this over and over again".* So he needed to get alignment over and over again. Eventually the process of overcoming the business logic was not yet achieved and time was needed to start thinking about the right solution and new ideas.

What are the different organizational capabilities?

As mentioned before the company came from a retail driven company with a few co-packing customers which changed after the acquisition, the decision to stop the preparation of the integration was partly driven by a different set of organizational capabilities. This underlined the importance of organizational capabilities during business model innovation. Therefore a part of the interviews are focused on the differences to see what is needed to innovate the business model. According to the supply chain manager the approach of he said: *"was more customer oriented compared to the business unit".* Then he explained this by the following example: *"Solutions were met even if this led to extra personnel costs in order to meet customers' demands".* So customer satisfaction was the driving force whereas cost reduction was not as important. The manufacturing director said: *"The main difference between the two companies was that the acquired company was driven by customer value with the highest amount of flexibility even if this was very costly. This in comparison to the business* *unit where the cost driven approach was the Holy Grail and thus automatically lead to a certain structure to met this approach*. Then he explained this with a metaphor. He said: "*We were like train, which you can choose step in or wait for the next one. While the acquired company was like a cab, you can call whenever you want and they bring you immediately".* So for some customers it was clear to choose for one of the two approaches. Furthermore he said *"The current business model did not suit the new co-packing customers very well, since their demand were changing more frequently"*. Thus the business unit could learn from the acquired company how to incorporate this. Another difference was noticed in the key processes on how to handle small run sizes which were often required by co-packing customers in contract to the retail customers. According to the co-packing manager *"The acquired company had a different mindset towards small changes to further fulfill customer demands, if something was not yet possible they created a new solution, again no matter the costs"*. Also he said: *"The handling speed was much higher which led to the possibility to fast reconfigurate when necessary and the speed to gather the needed knowledge was much easier*". The commercial director said: "*The acquired company is able to fulfill demand on specialties which is a huge advantage".* On the process side the operating systems was very flexible created so the coordination and integration of customer demand with regards to customer reports and other customer related details were made possible. This is something which is mentioned as an important capability by the IT manager who said: *"This was underestimated upfront".* An interesting view of the supply chain director is the difference towards organizational capabilities. He said: *"For example the proposition of the acquired company towards their customers en cooperation is heavily customized as well as their processes en systems, compared to the standard processes of our company where the mindset was, if it does not fit our standard procedure then we will not do it".* So as you will notice the huge difference in organizational capabilities led to many boundaries and eventually together with the other reasons to the decision to stop the process op preparations towards integration for a while. Then the supply chain director told me that *"the business unit took the time to gain better insights and to learn from those differences before the integration to proceed".* Or in other words as mentioned earlier the management team started to work on overcoming the business logic by learning from the acquired one and to think about new ideas to fit in a business model.

4.4 Stage 3 Integration

The next step in the process is integration. During this section the highlights are described chronologically combined with the challenges and the role of leadership and organizational capabilities. According to chapter two several challenges are likely to appear. To recall shortly the first two ones are to *integrate and align all the different components* of the new business model which requires *involvement and management of partners*. During this stage the role how to handle with failure or highly unfavorable circumstances decision making, character and resilience on how to move forwards are important. Furthermore the risk on tension due to poor understanding driven by a high level of detail can lead to poor understanding. This is shown in the figure below and will be further explained in this section.

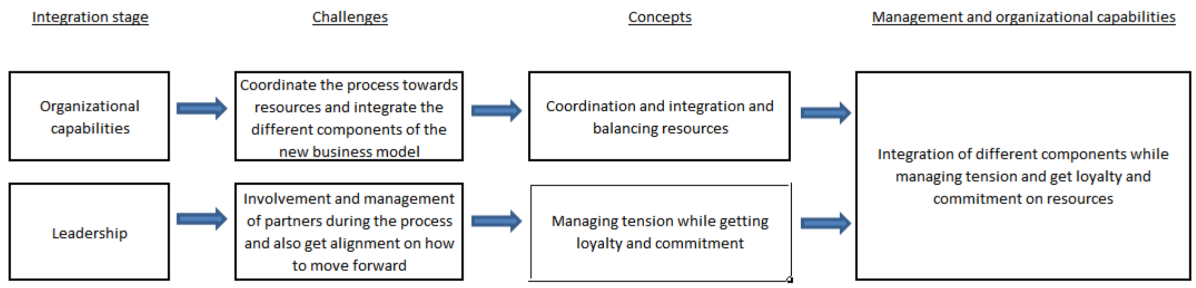

Figure 14: Challenges, concepts, management and organizational capabilites during the integration stage

After the decision of the managing director to stop the preparation for a while and to pull back his managers and give full autonomy to the acquired company in July 2017 the acquired company focused on achieving their targets. During this period the plant manager was a direct report of the managing director. The manufacturing director said to me: *"Off course I played a role as sparring partner for him".* This was not in line with the overall structure of the company. The managing director said about this the following: *"Such structure was needed while otherwise the acquired company could not have full autonomy which may lead to lower profitability".* As long as profitably equals the agreed level no change in command was to be expected. The supply chain manager said about this: *"This structure led to uncertainty while yet a plant manager was also part of the management team whereas his colleagues of the other plants were not, so he had a special position"*. According to the commercial director this separation led to *"both internal and external haziness and inefficient commercial strategy"*. Notice that despite the fact that everyone had agreed with full autonomy in July 2016 not everyone was fully convinced in practice. Eventually since the goal was to capture synergies and to raise profitability the managing director decided to start checking the processes after almost a year of autonomy. So in March 2017 the process started for future integration within business unit which is seen as the first step in the integration process.

According to the supply chain director *"The process was coordinated as a project to investigate all the processes and to look for similarities and differences"*. Then he told me what the goal was while he said: *"The goal was to fully integrate to the current operating system while take notice of the learning's but with as limited adjustments as possible".* Furthermore he said: *"Since autonomy for the plants seemed to be important I told the project members to be aware of compensative behavior towards the plant management en other personnel".* So no one interfered with the current operations of the acquired company. By organizing different project groups divided into different key processes with key people from both the business unit and the acquired company this led to new ideas, visions and eventually a blueprint for integration with so what he called *"red zones"* which appear to be the main differences. A very important attention point for this approach was according to the IT manager balancing resources while he said: *"The key players were both running the project as well as the daily business".* Then he said: *"Among these key players not everyone had a huge willingness to integrate".* According to Hauschildt and Kirschmann (2001) a power promoter would have helped to overcome organizational unwillingness. When I asked about the red zones the supply chain director said to me *"This led to huge discussions and leadership was necessary"*. With this he meant alignment by sharing common interest. The managing director told me: *"I need to interfere to accelerate the process on the blueprint".* Eventually despite the time consuming process the supply chain director said: *"This led to a better understanding and improved the outcome and showed on the other hand new possibilities which were new to the business unit".* During the interview with the IT manager he confirmed this by saying: *"Best practices were meant to be taken over for future implementation".* On the other hand the IT manager said: *"The management had communicated no major changes will appear in the current way of working. This was taken literally by the personnel and led to a paradox since a new operating systems will affect the current way of working, but now no one seemed to collaborate on this"*. The he said *"In order to align the different components both parties need to open-minded to make changes but resistance for change kept and was strengthened by the communication of the management* *that no changes will appear".* So support and agreement about required changes were challenging. The financial director said: *"Both organizations needed to change, but the difficulty was how to handle this, which eventually led to loss of key personnel during this process".* Another complicating factor which was said by the IT manager was the following: *"The process was driven by a high level of customization while the current way of working which was interwoven in their operating system, so in understanding this structure, problems arose due to the high level of detail which the business unit was unfamiliar to"*. Furthermore he placed questions marks toward openness and willingness if this leads to an unfavorable outcome and may lead to a change in autonomy in the future. So he said: *"No reconfiguration took place at all".* On the other hand the IT manager showed an example about the difference in organizational capabilities. He said: *"The business unit was used to standard processes which were clear and the same for every customers while the acquired company had a everything customized in order to create maximum of customer satisfaction"* and later "*Finding the right balance in what to change in the business model was difficult"*. So due to difficulty in aligning these components the process was slowed down. Furthermore he said: *"The speed on how to handle changes in the process was high in the acquired company due to different approach, whereas in the business unit everything needed to be the same to changes were not very common and the organization was used to be rigid which led to frustration"*. The same was confirmed by the co-packing manager who said: "*In the acquired company the people are able to handle changes very fast, which is not common in our business unit"*. After a while the attention towards the project groups started to reduce since little progress was made in the coordination and integration process. The IT manager said: *"No real leadership from the steering comity to accelerate the process, to set deadlines and how to move forward in order to coordinate the process was taken"*. Also he said: "*The key people were too busy with daily operations and did not favor to demand for progress"*. Since the IT organization itself was also busy with other group projects the process on this side started to act slow and not really active on developing solutions needed to fill the gaps. According to the supply chain manager *"Only small steps were taken to close the gap on the differences due to a lack of collaboration which is coming from the acquired company"*. The goal of the co-packing manager during this stage was not to change the organization but so he said: *"To look for similarities and what can be learned from each other".* Despite this open mindset the personnel experienced this as a threat since they were not willing to give up autonomy and this felt as a first step in reducing this. During this process both organizational capabilities and leadership played an important role. The first step was to overcome resistance listening and gaining trust. The co-packing manager said: *"I talked to the different parties, listen to them and explicitly tell them what they do best and what the business unit can learn from them"*. For example he said: *"I told them that the way they manage their customer relationships and show flexibility towards customers and how they capture value for extra services and turn this into profit was phenomenal"*. Due to this tension started to lower.

While the process for future integration was slowing down, the market for co-packing, especially the canning business, started to take off in September 2017. The financial director said: *"The market was booming"*. Whereas the acquired company was purely focused on canning for co-packing customers "*The cooperation within the business unit was not longer a request but a must in order to capture the synergy and fulfill customer demands"* so he said. So a plan for a canning footprint was born. First the plan was prepared by the manufacturing director. He said: *"I prepared the plan and looked for cooperation with the plant manager from the acquired company to share thought on this idea"*. This was for the first time since July 2017. In order to create loyalty and commitment the manufacturing director said: *"I showed the opportunities to grow together and shared my vision on best practices for operational performance within the plants of the business unit"*. By sharing common interest and show other possibilities instead of telling what to do, he gained the trust needed to build future cooperation which can be seen as a way of showing leadership. The commercial director said: *"The canning footprint is the foundation for the new 3 year plan".* By highly valuating this project he empowered this plant manager even further. According to the financial director this plan led to huge investments in the acquired company to accelerate the grow which gained loyalty and commitment in return. The supply chain director said: *"These investments gave the right signal towards the acquired company".* Further cooperation and alignment between the business unit and the acquired company of the components in one business model would bring success in the future to all.

While the plan was ready and investments were about the be made, the IT manager said: *"the process of integration almost stopped"* and then followed with *"no real coordination* *had taken place from the steering comity and in the meantime"*. He explained further that the IT department had not finished new developments and the project teams did not agree on a final blueprint. By the end of the year 2017 not even the implementation stage started. The managing director said: *"The way this process was handled led to a lot of pressure coming from the holding".* Who company who demanded for finishing the implementation process which was already moved from end 2016 up to end 2017. Some referred to this as a lack of leadership due to poor coordination but now there was simply no other option then to finish first the blueprint and other unfinished business before even the implementation stage could be started. Now new targets were set to finish in the beginning of 2018. Eventually since the implementation could not be finished before the high season, the managing director decided in May 2018 to move this stage towards September 2018. The commercial director said: *"This decision was taken while the learning curve should have been to short in this timeframe towards the high season, so the implementation could only take place in the fall"*. During the interview with the co-packing manager he said: *"I understood the decision and there was no other option but in the organization due to so many changed directions it came to a standstill and everybody was waiting for decision what to do".* During an interview with the commercial director he said: *"This standstill was driven by a loss on key personnel whereas the implementation stage was waiting for the right moment and did not appear to be right before the high season"*.

4.5 Stage 4 Implementation

The last stage of the process of business model innovation is called the implementation stage. This stage is known for its difficulties. Challenges according to chapter two are managing *internal resistance* while convincing the organization but also having commitment from decision makers on resources. Furthermore *managing the roll-out* in a step-by-step manner. But also the development of the business model while facing conflicts with its current business model due to resistance. The last one mentioned in chapter two is about communication issues and inadequate timeframe or expectations and thus too late or too little adjustments. The highlights during this stage will be discussed together with the role of leadership and organizational capabilities. This is shown in the figure below and will be further explained in this section.

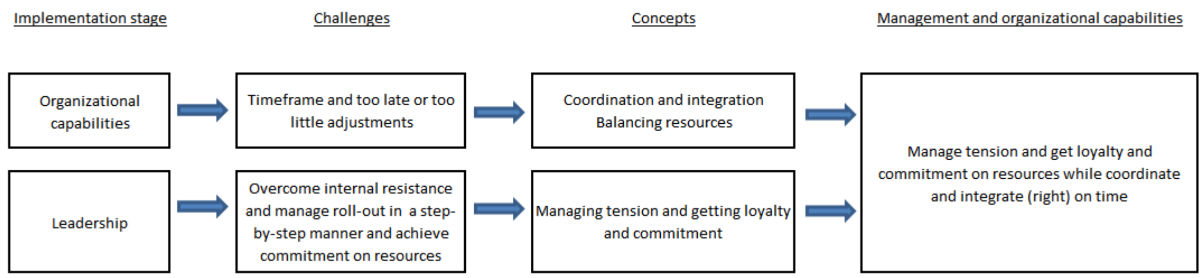

Figure 15: Challenges, concepts, management and organizational capabilites during the implementation stage

Since the moment the managing director decided to move the start of the implementation towards September 2018 he instructed the steering comity to meet the agreed timeframe. To be honest the implementations of a new operating system was used during this whole process as a starting point for implementing the business model innovation as mentioned by the supply chain manager during an interview. Since the decision to implement in September time was now limited which led to nervousness. As soon as managing director discovered help was needed he said: *"I have asked the supply chain manager to assist the project group since the planning is at the moment the biggest problem".* This was confirmed by the supply chain manager who said: *"I have been asked by Y (managing director) to go over and assist the project group".* During the interview I asked how he got the people so far to accept help. He said *"I enforced the people to move forward by explaining their operations to be a centre of excellence".* The components of the business model needed to be fitted in the overall process. Then he said: *"By making those people important he counted on loyalty and commitment in order to get alignment around the final blueprint"*. While at the same time the blueprint was not very open for discussion. He said: *"The processes needed to be standardized and organized the way it is in the business unit since he got no problems their"*. So communication was different compared to action. The financial director said later in an interview *"I was not aligned with the supply chain manager on this".* Furthermore the supply chain manager said: *"I have listened very well to the informal leaders within the acquired company since I have seen who the informal leaders are, and they can help me, and tell me information about what happens when I am not around".* Then he continued and said: *"By doing so I learned about the tension which played around".* The financial director said quite the same: *"My style was to listen to the people and explain why the changes were necessary while at the same time I told them that their organizational capabilities had let to a successful company in the past".* By doing so he counted on loyalty and commitment. The managing director said during the interview about the acquired company: *"They acted as superior compared to the business unit who acquired the company*". During the implementation process the IT manager said: *"The people were still against the implementations of a new operating systems which would take off their autonomy"* and then he said: *"The people kept explaining why this operating system was a bad ide*a. *This kept firing up the resistance and needed leadership to make clear that there was no way back, but this did not occur"*. About this operating system he said: *"The operating system started to be the symbol of resistance and this resistance now had a face"*. At the business unit *"more manager at that time were pushing to get approval to join the project group"* so the co-packing manager said. But up and till now he said that *"Y (managing director) kept his promise with regards to the autonomy despite some difficulties"*. As the deadline is approaching the message changed from working together on aligning the process, which took too much time and effort, towards the *attitude "I don't care as long we will proceed"* as noticed by the IT manager. Here the leadership style started to change driven by external pressure. Also *"The pressure on resources on the IT side started to become visible"* as said by the IT manager since "*the actual work which had have been done before could at that time be finished which led to pushing problems ahead"*. Eventually the processes to move towards the final steps of implementation were not ready and thus the implementation got delayed pointing out the first highlight during this stage.

At that moment profitability started to come down according to the financial director since he said: *"The production results are getting worse since September which impacted our EBITDA"*. I asked the supply chain manager what was happening he said: *"The key personal was doing both the operations and the project and Z (plant manager) put people against the implementation"*. The financial director said: *"Yes there was internal resistance towards the implementation but on the other hand I saw the people working day and night".* He did not particular mentioned the tension was created by the plant manager. So resource pressure was confirmed and this combined with a boiling point on internal resistance pushed away the final implementation. The supply chain manager said *"Z knew his job was about to end the way it was carried out before".* Hinting that internal resistance came from the plan manager who saw the ongoing value towards the future started to decrease. During an interview with the commercial director he confirmed this by saying: *"The role of the plant manager towards his plant team with regards to the implementation was very negative"*. Now the managing director agreed on letting go the autonomy, he said: *"As long as the results are good, I will not change a thing, but this not any longer the case"* and the manufacturing director joined the process together with the commercial director. Both confirmed that they had joined during their interview. The process of implementation were on high pressure and there were no more possibilities to once again move the deadline. The managing director said: *"It had become an organic process, which needed to end*" and thus the managing director set the deadline on November 2018 which is referred to as the second highlight during this stage.

The implementation took place in November 2018 *"not because everyone was ready but because now the deadline was fixed"* which said by the supply chain director. This caused a lot of troubles in the operating process the day the new operating system was alive. The commercial director said: *"not all the people were well prepared with training and did not really understand which buttons to push"* and then he continued and said: *"This confirmed to them the system was wrong"*. According to the IT manager *"the technical side of the change was not so complicated in contrast towards the organizational aspects such as training and education"*. This can be seen as a call for a technical promoter in terms of Hauschildt and Kirschmann (2001). Furthermore the IT manager said: *"the blueprint did not seemed to be fully compatible"* and *"best practices driven by the manner the organization process was* *managed were not fully taken into account"*. Here you notice the issues towards adjustments to be too little and too late. According to the manufacturing director *"The design of the operating system together with the training had failed"* then he explained why this happened: *"Driven by internal resistance and the willingness to prove this decision wrong on the system"*. I asked how he solved these implementation issues then he said: *"I started to make clear that there was no way back, and people needed to be trained*". Then he told me that *"Clarity was needed in order to move forward".* Also he said: "*The gaps need to be fixed but this takes time".* This is a good example of how the initial business model development had become the victim of conflicts due to resistance. Furthermore the manufacturing director said *"The way of working was totally different compared to the business unit but fitted much better in the business model for co-packing"*, so the internal resistance could also be driven by defense in order to protect profitability. The last highlight is the closure of the acquired company which was partly interwoven into the business unit structure. Although changes towards the business had been made, the process of business innovation had to suffer and was by the end of 2018 far from complete.

In accordance with the introduction a summary is shown below.

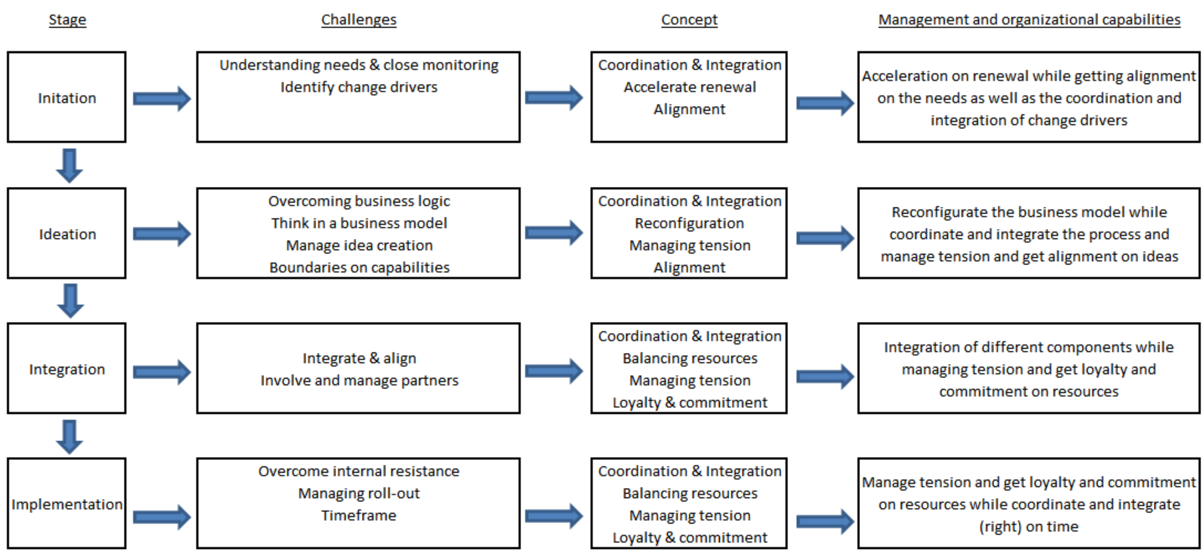

Figure 16: Summary of challenges, concepts, management and organizational capabilites

Chapter 5 Discussion and conclusion

This chapter starts with the first two sub questions. Then the propositions will be derived based on the results of chapter four. A process model shows the (mutual) relations from organizational capabilities and leadership in the different stages of the business model innovation process. This in order to answer the next two sub questions. Next the research question will be answered. Then this chapter continues with the contributions towards the field of research of business model innovation. Finally this chapter ends with limitations and directions for future research.

The main goal of this thesis is to contribute to the field of business model innovation literature and to achieve a better understanding of what management and organizational capabilities determine the success of the process of business model innovation. Earlier research has focused on the definition of business model innovation and the dimensions of the business model along which companies can innovate (Foss & Saebi, 2017). Other research is done on the outcome of the organizational change for particular types of business model innovation and their implications (Foss & Saebi, 2017). In chapter two I have shed light on business models, business model innovation and their opportunities and boundaries. Furthermore the antecedents of business model innovation have been discussed to further broaden the view. I have derived the conclusion on how to view the elements of a business model (value creation, value capturing and value delivering), business model innovation (by changing one of those elements) and their opportunities and barriers and the antecedents of business model innovation. This in order the sub question *What is a business model?* Also in chapter two I have showed the different stages (initiation, ideation, integration and implementation) of the business model innovation process. The process of business model innovation exists of four stages. The first stage is the initiation stage where the analysis of the current business model in the environment takes place. The second stage is the generation of new idea's called ideation. Followed by the third stage which is integration where as the development of chosen ideas take place. In the last stage the implementation starts with focus on realization of a new business model. By providing this overview I have answered the sub question: *How does the process of Business Model Innovation looks like?*

To answer the sub questions *What organizational capabilities and leadership qualities are important for Business Model Innovation?* And *At what point in time do management skills play a role in the process of business model innovation?* I have looked at the different challenges per stage which are to be expected in the literature review such as internal resistance and to overcome the current business logic and did a literature review on the role of leadership and organizational capabilities. Based on the literature review I selected the concepts which influence the several stages. Furthermore based on the results in chapter four a process model is derived and these propositions will be formulated and discussed.

A process model shows the (mutual) relations from organizational capabilities and leadership in the different stages of the business model innovation process and is shown in the figure below. The organizational capabilities are shown in green, whereas leadership is shown in red.

	Stage 1: Initation	**Stage 2: Ideation**	**Stage 3: Integration**	**Stage 4: Implementation**
Challenges	*Understanding needs & close monitoring Identify change drivers*	*Overcoming business logic Think in a business model Manage idea creation Boundaries on capabilities*	*Integrate & align Involve and manage partners*	*Overcome internal resistance Managing roll-out Timeframe*
Organizational capabilities				
Coordination and Integration	YES	YES	YES	YES
Balancing resources	NO	NO	YES	YES
Reconfiguration	NO	YES	NO	NO
Leadership				
Accelerate renewal	YES	NO	NO	NO
Manage tension	NO	YES	YES	YES
Loyalty and commitment	NO	NO	YES	YES
Alignment	YES	YES	NO	NO
Combined organizational capabilities and leadership	*Acceleration on renewal while getting alignment on the needs as well as the coordination and integration of change drivers*	*Reconfigurate the business model while coordinate and integrate the process and manage tension and get alignment on ideas*	*Integration of different components while managing tension and get loyalty and commitment on resources*	*Manage tension and get loyalty and commitment on resources while coordinate and integrate (right) on time*

Figure 17: Process model

Based on this overview I have categorized the propositions. The first two propositions are about the linkage between organizational capabilities and leadership during the several stages of the business model process.

Proposition 1: Effective balancing of resources requires loyalty and commitment during the business model innovation process?

In order to balance the resources in a proper way, management needs to have loyalty and commitment from middle management and key personnel. Within the researched company the linkage was very clear during the integration and implementation stage, but since there was no loyalty and commitment this did not work out as you would expect.

Proposition 2: Incorrect, insufficient or inappropriate reconfigurations of the business model leads to tensions which in turn, will negatively affect effective balancing resources.

This relationship in the researched company showed that if you do not reconfigurate the business model in a proper way, the tension will affect the ability to balance resources in a good manner in following stages making managing tension a day job.

The following four propositions are related to the either the role of leadership or organizational capabilities during the several stages in the process.

Proposition 3: Coordination between and integration of activities are important during every stage.

This seemed to be the most important capability during every stage but failed immediately at the beginning which affected the process and outcome of business model innovation in a negative way.

Proposition 4: Balancing resources are important at the integration and implementation stage of the business model innovation process.

Based on this research the demand on key personnel got more intense during every step of the business model innovation process. So during the process balancing resources appears to be more important during the integration and implementation stage since key personnel need to be able to work on both the operations as well as the project.

Proposition 5: Managing tension is important at all stages except for the initiation stage of the business model innovation process.

In this case managing tension was something which needed to occur during almost every stage, which should have been less if the reconfiguration was done in a proper way.

Proposition 6: Alignment between management, middle management and key personnel is important in de beginning of the business model innovation process whereas loyalty and commitment are important at the end.

Alignment is about sharing a common interest, which first need to be achieved whereas loyalty and commitment is about a moral connection or keeping commitment after the common interest is clear. So this is something which you would expect.

The last proposition is related to leadership.

Proposition 7: Acceleration on business model renewal is mainly happening at the initiation stage.

During the initiation stage the acceleration to come up with something new was driven by the managing director. Whereas the need for change had been very clear within the management and was based on the plan for growth in co-packing. So business model innovation was expected to take place in a way that was very well understood. Further acceleration at other stages of the process were not related to renewal.

5.1 Conclusion

This chapter continues with my conclusion toward the business model innovation process at the researched company and formulates an answer toward the research question:

Which management and organizational capabilities determine the success of the process of Business Model Innovation?

Based on the research done within this company the question can be answered. To shortly recall the managerial processes are the capabilities which support productivity and thus need to be understood whereas management processes refer to leadership. In order to change the organizational processes the role of leadership must be emphasizes in those processes making clear that both organizational capabilities and leadership have a strong relationship and are permanently interacting. In order to understand the process of business model innovation I have highlighted the different stages and the role of leadership and organizational capabilities during those stages. Furthermore I have highlighted boundaries of business model innovation such as how to allocate resources and how to cope with conflicts or internal resistance. Also the most common challenges are mentioned and I have researched in a real life organization if and when is occurred. Based on the different stages I have highlighted the most important organizational capabilities and leadership elements which will bring my view on answering the research question.

So during the ideation stage of business model innovation accelerating renewal and achieving alignment on the needs are the most important elements of leadership. During my research this elements were taken care of. On the other hand the most important capability which is coordination and integration during this stage had failed and this impacted the process in a negative way. During the second stage which is referred to as ideation stage the most important organizational capabilities are coordination and integration and the possibility to reconfigurate. This was shown after a misjudgment was made in the beginning and the management took the courage to take another road and take the time to learn in order to think about the right solution and new ideas. Here you again see the permanently interacting balances between leadership and organizational capabilities. From a leadership perspective the getting alignment on decisions as a well as managing the tension which getting from those decisions are important. This showed to be successful as long as the results are aligned with expectations, but I have noticed this to become very difficult if not. The most important organizational capabilities during the third stage are coordination and integration and balancing resources. In this case finding the right balance did not occur. Key personnel needed to run both operations as well as the integration process whereas the integration process would lead to the loss of autonomy. So managing tension did not occur which was partly driven by wrong communication and led to a paradox and thus to internal resistance and lack of collaboration. Loyalty and commitment needed to be achieved, which was also difficult since customization versus the standard procedures led to many differences. Overall the most interviewees felt this stage took too long which showed a lack of leadership. During the implementation stage the coordination and integration are important organizational capabilities as well as balancing resources. Whereas from a leadership perspective managing tension and achieving loyalty and commitment are important whereas organizational unwillingness should have been captured by a power promoter. In the researched company the tension was already at boiling since the opposite of this power promotion was happening this eventually led to a poor implementation process where the intended business model development had become victim of conflict due to this resistance and proper training for the personnel did not occur. So the overall process of business model innovation had suffered. Luckily the process of business model innovation is not a onetime event.

5.2 Contributions

By addressing the question (*Which management and organizational capabilities determine the success of the process of business model innovation?*) this thesis makes three important contributions to the business model innovation literature. First, the thesis increases insight into the different stages of the business model innovation process. This strengthen the theory on business model innovation processes and by doing so it addresses a limited researched area of business model innovation. Second, this thesis addresses the role of leadership qualities and organizational capabilities in the different stages. This is done by showing the results of the research per stage in chapter four and the propositions which are formulated in this chapter. Furthermore the most important organizational capabilities and leadership aspects are mentioned per stage to gain further insights from an empirical point of view. This helped uncover the momentum of management skills in the process of business model innovation which is my third contribution. In doing so, this thesis answers pleas from experts who argue that the “process of business model innovation and their identification, design and evaluation is under examined. (Schneider and Spieth, 2014). And addresses a significant gap in empirical research in business model innovation (Spieth, Schneckenberg & Ricart, 2014).

5.3 Limitations and future research

There are several limitations towards this research, results and its conclusion. According to the research, the first implication is that this research conducted as a single-case-study which is limited to circumstances and whereas the context can be to specific (Eisenhardt & Graebner, 2007). So a single case study has its limits towards the generalizability of the results and conclusions and might be affected by a bias. The second implication is related to the matter of choice towards the interviewees. I have chosen to interview both executives as well as managers who were still working within the company at the moment, whereas the ones who left in the meantime are not involved in the research. Furthermore I did not interview key personal of other layers of the organization which might affect the results of the research. The third implication is towards the research with regards to the historical perspective point of view from the interviewees whereas cause and effect might be difficult to be determined afterwards. The last implication is driven by my role as researcher while working at the company, which might be affected by a bias and thus influence the objectivity.

Despite the limitations on this research, there are several directions for future research on the process of business model innovation. While business model innovation itself gained massively attention (Foss & Saebi, 2017) as a topic for research, the area of business model innovation processes is still a limited area. I would encourage empirical research on this area in order to get a broader view on the business model innovation processes in a firm. Also I am curious if other companies are aware of the different stages of the business model innovation process and if so, how this affect the results. The same applies for the role of leadership and organizational capabilities and their relationship towards or within the different stages of the business model innovation process at other companies. For example it would be interesting to see if underestimation of organizational capabilities is happening in other business model innovation processes and how this would affect the results.

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