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Publication date:
2018

[Link to publication from Aalborg University](#)

Citation for published version (APA):

Kringelum, L. B., Friis, O. U., & Holmgren, J. (2018). *Business model innovation through a Strategy-as-Practice-related strategy process*. Paper presented at Business Model Conference, Florence, Italy.

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Short paper presented at the 2nd business model conference

5th-7th of June 2018, Florence, Italy

Business model innovation through a SAP-related strategy process

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Kringelum, L.B., Friis, O., Holmgren, J. (2018). Business model innovation through a SAP-related strategy process, presented at Business Model Conference, Florence, Italy.

Introduction

The chicken and egg situation between business model innovation and strategic change represents a longstanding debate in business model research (Massa et al. 2017). Although the conceptual difference is often emphasized (Zott et al. 2011) the relationship between the two concepts as central aspects in a process of organizational change is still underexplored. As argued by Foss and Saebi (2017), business models need to be aligned with the overall strategy of a firm (Zott and Amit 2008) which entails that changing the strategy implies a change in the business model as well. However, the process of innovating a business model remains an underexplored avenue in extant business model research (Storbacka *et al.*, 2012), and further, how companies shape, adapt and renew their business model to create sustained value creation is poorly understood (Achtenhagen, Merlin and Naldi 2013). As emphasized by both Spieth et al. (2016) and Foss & Saebi (2017) the development of the research field could benefit from more empirical research exploring the organizational processes, structures, and interdependencies of business model innovation during a change process (Kringelum, 2017). One approach to doing so is to focus on the the micro-level activities unfolding in the change process, a perspective represented by the strategy-as-practice approach. The strategy-as-practice approach emphasizes the sociological aspects of strategy by bringing the human actors to the center-stage of strategy (Whittington 2006). By zooming in on the strategy profession (Whittington 2007) the sociological aspects of strategy are brought forward by focusing on specific tools or actors and at the *“rich interaction actions within which people and things are engaged in doing strategy work”* (Jarzabkowski and Kaplan, 2015: 537).

While the contribution of strategy-as-practice in business model research has recently been acknowledged, the theoretical collocation is still in its infancy see e.g. Hacklin & Wallnöfer (2012) who explored how a business model framework can be applied as a strategizing device to structure strategic processes. In a similar vein, Achtenhagen et al. (2013) focused on the role of strategizing actions and capabilities during business model change.

Leaving aside the more profound conceptual discussion of strategic change and business model innovation, the aim of this short paper is to explore the interplay of strategy practices and business model innovation. This interplay is explored through a real-time longitudinal single-case study in a Danish textile firm that innovated their business model during a strategy process (see section 2). Based on the empirical process, we argue that adopting a strategy-as-practice approach to explore the interplay between strategic change and business model innovation provides an opportunity to show how the change process from value creation through product sale to concept sale evolved through strategy activities. Here practitioners' cognitive configurations were brought into play, moderated and stimulated by using strategy tools and practices.

In doing so, we build on conceptualization presented by Seddon *et al.* (2004), arguing that business models can be regarded as *“abstractions of strategy, capturing aspects of individual-firm strategy that can be applied to many firms”*. This business model definition is founded in a Porterian school of strategy emphasizing the strategy is *“the creation of a unique and valuable position, involving a different set of activities”* (Porter 1996: 68) thus acknowledging the temporality and process aspect of strategy being an individual journey for the individual firm. Therefore, we emphasize the strategic practices underlying the process of moving from one business model to another, as a form of business model innovation. This enables a discussion of how various practitioners influence and are influenced

by a process of business model innovation by elaborating how the business model as a cognitive construct materializes and thereby potentially affects the strategic change process.

Methodology

A longitudinal research design is adopted (Pettigrew, 1990). The primary selection criterion for the case was a profound involvement by employees in the strategy process, encompassing formal strategy formation. The strategy process involved top management, line managers and key employees, other employees and consultants. To follow the process as a real-time study, we participated in joint information meetings, management meetings, project group meetings and ad hoc meetings at all organizational levels. In addition, we conducted 31 open-ended interviews and 4 open-ended focus group interviews. Non-participant observations included 25 project meetings, 8 management meetings and 3 joint information meetings. All meetings and interviews were recorded. The data was subsequently transcribed and summarized in the visual mapping (Langley, 1999) of the process depicted in figure 1 representing the inductively driven research process inherent in the current paper.

The case

The company was established in 1991 with the aim of selling labels to textile companies in Denmark primarily situated in Central Jutland. They initially sold labels but developed the product line to include hangtags and packaging, reflecting a distributor business model. In 1999 the company receives a special order where the product needs to be distributed in Hong Kong. The company recognizes that the industry is developing this way. Therefore, they proactively start contacting customers with similar needs. In the year 2000, everything is going very fast; the company establishes a local sales office in Hong Kong, works on starting up in Turkey, buys a competitor, hires more sales employees and expands the product line. In 2005, the company presents a strategy expressing a specific goal of being the biggest trim supplier in its specific area measured in turnover in Scandinavia in 2010. During the next four years, the strategy process was formalized as the budgeting process was supplemented with a top management strategy seminar once a year where future activities of the periods were discussed and objectives to be followed were decided upon and taken into account in the budgeting phase. This process of strategizing can be characterized as a shift towards strategic planning; planning the desired activity for the coming period

In 2008, two years ahead of schedule, the company reached the goal of becoming the biggest trim supplier in Scandinavia. This implied that the company had to rethink its strategy earlier than planned. In addition to this, external circumstances meant that changes in the market conditions were affecting the existing business model of the company as well. The industry was experiencing a change in business processes, customers were to a greater extent willing to outsource activities and the financial crisis started. The global changes in the environment forced the company to start rethinking their existing business model as part of the strategic development process as the value creation potential was diminishing. The activities, actors and outcome of this process are presented in the visual mapping in figure 1.

Insert figure one

Figure one depicts how the new corporate strategy was initially developed primo 2009 through strategy activities where the top management group discussed strategic issues facilitated by external consultants, moderated by strategy practices. The outcome was a significant change with a shift in focus from product sale to concept sale. The strategy work was different in several ways from previous strategy work in the organization; it was done with the external help of consultants by applying a strategy concept tool and additional process tools to develop a new corporate strategy.

The corporate strategy was presented at a cross-organizational workshop with the purpose of developing input to the corporate strategy by involving both middle managers and employees. The input was in a follow-up meeting translated by the management group into nine strategic themes. Next, the nine strategic themes were presented to all employees at a joint information meeting. At this meeting, project groups covering the nine strategic themes were formed and many activities took place. The overall activities in the project groups followed more or less the same templates and used the same strategy practices. During the group work, two workshops were arranged; first, a workshop where each strategy group presented their focus point and milestones, and second, a workshop where they presented the action plan for their strategic theme. Implementation started primo 2009 and most projects have been implemented. But more importantly, in the organization, an understanding of the strategy shift that the company was undergoing was building, manifesting itself in the statements of three new Swedish employees visiting Denmark. They were impressed by the fact that all employees seemed to have a common understand of the strategic challenges, entailing that they were not given different answers depending on who they asked. This common understanding was developed in the workshops, planning and decision meetings, project work and the further activities depicted in figure 1.

Key insights

The case provides several key insights in regards to how strategic change processes from a strategy-as-practice approach are interlinked with the development of a new, for the company, innovative business model.

Following the line of reasoning presented by Massa, Tucci and Afuah (2017), the company fundamentally changed the value creation processes by turning towards a focus on concept sale including a larger degree of customer interaction. However, this business model innovation was derived from the strategy process occurring first at a top management and then lower organizational levels. Drawing inspiration from the strategy-as-practice approach, the case shows how an existing business model can be innovated through a strategy process, which unfolds through an interplay between the actors being part of the process, how and when they are invited to be part of the process and how practices enable (or constrain) the business model innovation. In pursuing this argument, we are inspired by the theoretical framework advanced by Achtenhagen, Melin and Naldi (2013), who addresses the change of business models through dynamic capabilities and strategy-as-practice. While Achtenhagen, Melin and Naldi (2013) focus primarily on the strategizing actions as the activities constituting the process, we find it of relevance to broaden the scope even further and invite further aspects of strategy-as-practice to the understanding of business model change processes.

Strategy-as-practice builds on social theory in general (Bourdieu, 1990; Giddens, 1984; Sztompka, 1991), and through the practice turn (Schatzki et al., 2001) strategy is regarded as an ongoing activity and as something people do (Jarzabkowski and Spee, 2009), thus emphasizing peoples day-to-day

activities on multiple levels in organizations (Johnson et al. 2003). So rather than providing a specific view on strategy, the focus is on the ongoing interrelationship between praxis, practices and practitioners (Whittington, 2006) that lead to the ongoing activities that a strategy process is made of. Therefore, the strategy-as-practice approach has the potential to move beyond the organizational level capability view and fertilize the business model literature with additional insight into processes of business model innovation.

By bringing the humans to the center stage of the research, strategy-as-practice provides the opportunity to investigate the actual real-time activities as they unfolded during the strategy process of creating a new business model. This indicates that the strategy process of innovating the firm's business model is situated activities (praxis) done by actors using practices (Whittington, 2007). In the case presented here, the activities are separated in creating the corporate strategy, making input to the corporate strategy, making sub-strategies in strategy project groups. A general accepted framework has been developed, conceptualizing strategizing as the intersection of praxis, practitioners and practices of strategy (Vaara and Whittington, 2012; Whittington, 2006). According to Whittington (2007), strategy praxis is the activities of strategy, and praxis can be viewed as a stream of such activities over time (Jarzabkowski and Spee, 2009). Jarzabkowski and Spee (2009) and Vaara and Whittington (2012) have put a face on strategy practitioners, understood as those directly involved in the strategy making, often including CEOs, middle managers, consultants and employees, and indirectly policy-makers, the media and business gurus. *"Practices involve the various routines, discourses, concepts and technologies through which this strategy labor is made possible..."* which includes both analytical tools, technologies and artefacts and thereby adding a material dimension to the strategizing process (Jarzabkowski and Whittington 2008:101).

Insert figure two

Following the existing theoretical contribution of the strategy-as-practice approach, the insight of the case presented in the previous section contribute to an ongoing development in the business model literature by showing how a business model can be shaped, adapted and renewed in order to create sustained value creation (Achtenhagen et al. 2013). This contribution is elaborated in figure two, which provides a framework to further studies of business model innovation processes inspired by the strategy-as-practice approach.

Discussion and Conclusion

Following the argument of Foss & Saebi (2017) that business model innovation could benefit from empirical research exploring organizational processes and structures, the inductive case study shows how the micro foundations of the strategy-as-practice approach can add to the theoretical and conceptual insights on business model processes. By adopting a strategy-as-practice approach we emphasize a still developing area of business model research to show how business models are shaped, adapted and renewed (Achtenhagen et al. 2013) as a part of strategy processes. In doing so, we add to existing interpretations of business models (Massa, Tucci and Afuah, 2017) by emphasizing the role of praxis, practices and practitioners that through interplay in strategizing can result in business model innovation.

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Figure 1

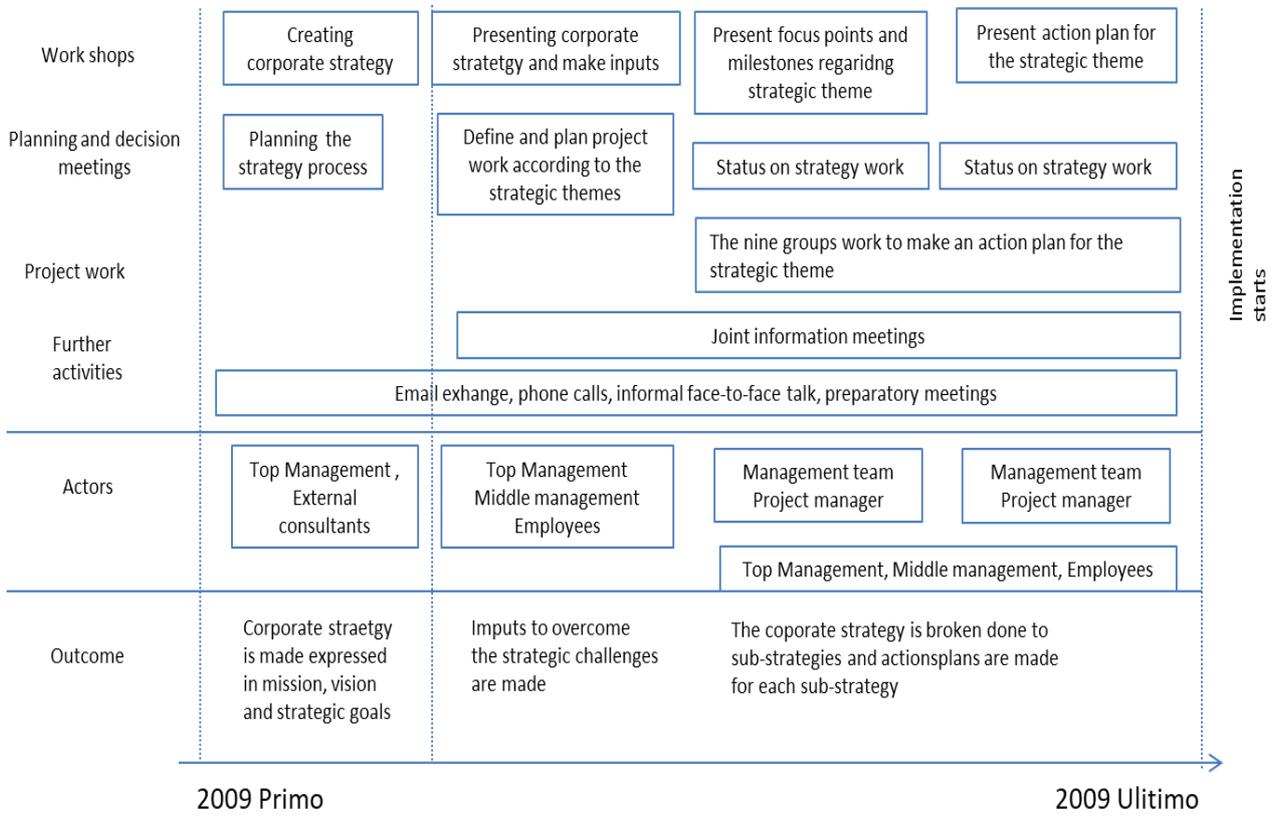


Figure 2

