

Business model innovation: a conceptual framework on how established companies innovate their business models based on dynamic capabilities, value, agility, and project management

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Resumo

Business model innovation (BMI) has arguably become a critical way to innovate, but its success factors are poorly understood (Rayna & Striukova, 2016b). Although business model innovation is receiving rising attention from scholars, the research field still lacks a comprehensive framework that supports managers in innovating their firms' business models (Frankenberger, Weiblen, Csik, & Gassmann, 2013). This paper proposes a conceptual framework of how the business model innovation process happens in established firms. Based on thorough scientific literature, the proposed framework results from articulating the theory related to the creation, configuration, and appropriation of value, dynamic capabilities, agility, and project management, bringing a more operational perspective on business model innovation.

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Abstract

Business model innovation (BMI) has arguably become a critical way to innovate, but its success factors are poorly understood (Rayna & Striukova, 2016b). Although business model innovation is receiving rising attention from scholars, the research field still lacks a comprehensive framework that supports managers in innovating their firms' business models (Frankenberger, Weiblen, Csik, & Gassmann, 2013). This paper proposes a conceptual framework of how the business model innovation process happens in established firms. Based on thorough scientific literature, the proposed framework results from articulating the theory related to the creation, configuration, and appropriation of value, dynamic capabilities, agility, and project management, bringing a more operational perspective on business model innovation.

Keywords: business model, business model innovation, framework, value, agility, project, project management.

Introduction

In 2005, a global survey of over 4,000 senior managers found that 54 percent preferred Business Model innovations to product and service innovations to gain a competitive advantage (Economist Intelligence Unit, 2005). After the dot-com boom in the 2000s, studies on business models grew dramatically (Andreini & Bettinelli, 2017, pp. 207-208). According to Hossain (2017, p. 342), "two special issues of the Long Range Planning journal on business models in 2010 and 2013 served as the primary catalyst for this discipline to gain ground."

Several scholars state that established companies face more changes in their business environment than ever before (George & Bock, 2011; Teece, 2010; Trimi & Berbegal-Mirabent, 2012). Other researchers state that companies need to change their business models according to the changes in the business environment, i.e., on a dynamic approach, to ensure success and competitiveness in the market (Sosna, Trevinyo-Rodríguez, & Velamuri, 2010; Wirtz, Pistoia, Ullrich, & Gottel, 2016). These assertions align with the view proposed by other researchers that state that business model research has evolved from a static description of a business model to a more dynamic approach (Chesbrough, 2010; Demil, Lecocq, & Ricart, 2015; Teece, 2010). So, more and more researchers understand business model innovation as a critical source of competitive advantage in an increasingly changing environment (Amit & Zott, 2012; Casadesus-Masanell & Ricart, 2010). These researches agree with the assertion of Chesbrough and Rosenbloom (2002) that business model innovation is one of the most important determinants of firm performance (and, of course, its survival, perennialization, and flourishing).

Although much progress has recently been made in developing the business model concept, Achtenhagen, Melin and Naldi (2013, p. 427) state that one issue remains poorly understood: how companies change and grow their business models to achieve sustained value creation. The lack of a more accurate explanation why several established firms continue to perish due to difficulties in changing their business model while others accomplish successfully this strategic change is an indication that the research on this topic must advance.

Despite the large amount of energy devoted to research, business model innovation is still in its infancy (Cavalcante, 2014; Hossain, 2017). "It is still not clear how the planning and introduction of changes in the business models of firms should be done" (Cavalcante, 2014b, pp. 1450018-1450012). As a response to these demands, this paper proposes a conceptual

framework that seeks to understand how incumbent companies change their business model to face changes in the business environment that push them towards irrelevance. To accomplish such a feat, it builds on the concepts of Value Cycle (Silva e Meirelles, 2019), Value Migration (Slywotzky, 1996), Dynamic Capabilities (Teece, 2009), Agility (Baškarada & Koronios, 2018; Mathiassen & Pries-Heje, 2017; Sherehiy, Karwowski, & Layer, 2007), Project Management (Project Management Institute, 2021; Project Management Institute, 2017).

This paper is based on an extensive scientific literature review, as well as on six recent systematic literature reviews related to support the proposed framework this paper presents (Andreini & Bettinelli, 2017; Foss & Saebi, 2017; Hossain, 2017; Hutahayan & Wahyono, 2019; Klang, Wallnöfer, & Hacklin, 2014; Kraus, Filser, Puumalainen, Kailer, & Thurner, 2020; Wirtz, Pistoia et al., 2016).

Research question & relevance

Many researchers study the so-called ‘innovator’s dilemma’ (Christensen, 1997), where a once-dominant firm gets caught out by upstarts in the same or adjacent markets, usually because it has failed to adjust to new technologies or business models impacting the market. Another related situation is when a competitor with similar technological, financial, market positioning and capabilities loses relevance to another competitor. The above examples show that, when deciding on the strategic path to take, organizations have blind spots. Logically, these blind spots have a significant influence on the ability of companies to prosper and perpetuate themselves. No wonder many attempts at business model innovation fail.

The primary objective of this paper is to propose a conceptual framework that may help understand how incumbent companies sense, seize, and make the necessary transformation to innovate the business model to maintain relevance. Keeping a firm’s relevance is essential in changing market conditions related to the appearance of disruptive business models, increasing competition, changes in the regulatory environment, or any other thing that causes the value generation to fail.

Building on dynamic capabilities (Teece, 2009) and the concepts of value (Silva e Meirelles, 2019), project management (Project Management Institute, 2021; Project Management Institute, 2017), and agility (Clauss, Abebe, Tangpong, & Hock, 2021; Doz & Kosonen, 2010; Felipe, Roldán, & Leal-Rodríguez, 2016; Grover, Bharadwaj, & Sambamurthy, 2003; Harraf, Wanasika, & Talbott, 2015; Huang, Niu, & Pan, 2021; Judge & Miller, 1991; Liu, Yang, Qu, & Liu, 2016; Lu & Ramamurthy, 2011; Radhakrishnan, Zaveri, David, & Davis, 2021; Sampath, Bhattacharyya, & Krishnamoorthy, 2021), this paper aims to answer the following research question:

“How do established companies sense, decide, and implement business model innovation?”

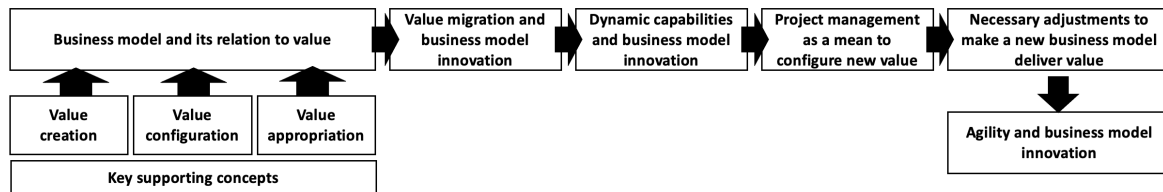
This question is essential for any kind of established firm. After all, despite corporations’ need to achieve business model innovation, the knowledge of how this process can be implemented and managed in a corporate environment is scarce (Björkdahl & Holmén, 2013; Winterhalter, Weiblen, Wecht, & Gassmann, 2017)

This conceptual paper proposes a more operational perspective that is not well addressed by what the most recent systematic literature reviews show (Andreini & Bettinelli, 2017; Foss & Saebi, 2017; Hossain, 2017; Hutahayan & Wahyono, 2019; Klang, Wallnöfer et al., 2014; Kraus, Filser et al., 2020; Wirtz, Pistoia et al., 2016). The hope is that the proposed framework in this document will help researchers better understand how business model innovation processes happen in established companies.

Theoretical Background

The following argumentative script diagram is suitable for explaining the logic and theoretical background of the business model innovation process.

Figure 1- Argumentative script flow



Source: author's own elaboration.

Business model and its relation to value

Teece (2010, p. 172) explains that a business model is about value creation, delivery, and capture mechanisms. (Kraus, Filser et al., 2020, p. 2) explain that “a **business model** contains several characteristics. First, it articulates the value proposition, which deals with the communication of the value that is created for the consumers by offering a certain product or service. Second, a business model detects a market segment, which is represented by the identification of the consumers who can profit from the business model. Third, it creates and spreads the offering of the company in the sense of forming the structure of the value chain of the firm. Fourth, it recognizes the revenue resulted by the offering, which refers to the cost structure, as well as the profit potential of the new product or service. Fifth, a business model investigates the right relationship between suppliers and customers but also searches for potential competitors. Finally, it frames a competitive strategy, in terms of achieving and searching for competitive advantage (Chesbrough, 2010)”.

“There are two different views about value in the literature, ranging from economics and marketing to strategic management: the value-labor and value-utility. From the perspective of value labor, value is explained by the amount of work incorporated into the goods production process. From the standpoint of value-utility, the value source is the satisfaction of human needs” (Silva e Meirelles, 2019, p. 789). Bowman and Ambrosini (2000, p. 4) explain that value has two main components. The first is the perceived use-value, which is subjective from the customer's perspective. Value is the result of customers' perceptions of the usefulness of the offered product or service. As a result, total monetary value is the customer's willingness to pay for the product. The second component is the exchange value, which is realized when the product is sold, i.e., it is the amount paid by the buyer to the producer for the perceived use-value. So, firms get the exchange value when a sale is made. Sales are achieved when customers view that a product confers more consumer surplus than other feasible alternatives. So, the creation of perceived use-value and exchange value is realized through the sale of products or services.

The notion of value is applicable in several situations of a given business model. For example, Priem (2007, p. 222) explains that consumers experience value during their consumption activities. The purchase of a product or a service can result in many future value-producing experiences. Priem (2007) also explains that different consumers experience more or less value, even when using the same product (or service). The consumers' perceptions of the value that will be experienced during future consumption will, together with income, affect the current willingness to pay. Therefore, companies must create value for their customers. In this endeavor, organizations must also be aware of value destruction activities (Bowman & Ambrosini, 2010) that do not contribute to the capture of value. These activities do not

contribute to profitability, nor are they necessary maintenance activities. Additionally, there may be other sources of competitive disadvantage that will affect competitive advantage (Arend, 2004; Bowman & Ambrosini, 2007; Powell, 2001). Weaknesses in a company's business model tend to cripple the firm's ability to create value for its customers, naturally resulting in a tendency to lose relevance.

Priem (2007) explains that **value creation** involves innovation that establishes or increases the consumer's valuation of consumption benefits (i.e., use-value). When a firm creates value, the consumer either (1) will be willing to pay for a novel benefit, (2) will be willing to pay more for something perceived to be better, or (3) will choose to receive a previously available benefit at a lower unit cost, which often results in a greater volume purchased. Thus, from the consumer's viewpoint, value creation involves increasing use-value or decreasing exchange value, increasing consumer surplus. Silva e Meirelles (2019, p. 792) also explains that "value creation means the process of discovering and recognizing opportunities through analyzing the surrounding context of business ecosystems, together with their internal resources and capabilities, pursuing superior value delivery through customer and stakeholder advantages. This includes: (a) definition of products/services (finished, semi-finished, brokered, or re-acquired); (b) identification of a firm's user network and the way complementary products or services enhance the value of its products or services; (c) identification of potential customers and their value perception for creating points of difference and parity from competitors; (d) selection of potential resources for creating new use-values; (e) selection of potential stakeholders in a value network that will contribute to value creation.

Value configuration has different meanings depending on the author. Sweet (2001), for example, defines value configuration as the logic to extract value, add value, and value capture. Osterwalder and Pigneur (2010) see value configuration only as value chain activities. Demil and Lecocq (2010) define value configuration as how resources are combined, and partner relationships are structured to support value propositions. Value configuration comprises the activities and resources and how they are acquired and linked together in the governance model (Amit & Zott, 2001; Zott & Amit, 2010). On the other hand, Camisón and Villar-López (2010) emphasize the organizational structure as a crucial point to configure value. Silva e Meirelles (2019, pp. 795-796) explains that value configuration is the means to implement opportunities through articulating resources and activities internally and externally in search of a dynamic, efficient value system according to the organization's evolutionary path. Silva e Meirelles (2019, p. 796) also explain that value configuration includes: (a) decisions on value chain configuration (transformation, service, or closed-loop); (b) decisions on organizational boundaries (market, hierarchy, or hybrid form) of co-specialized assets and activities network; (c) decisions on internal coordination mechanisms in organizational structures (function distribution, centralization and formalization levels); (d) decisions on stakeholder systems of commitments and compensations shaped to organizational cultures or values.

As for **value appropriation**, "it is the process of learning through evaluation of feedbacks effects linking performance outcomes with strategic choices, walking the fine line between value creation and value configuration. This includes (a) appraising competitive strategies in terms of potential competitors and user networks (architectural advantages of co-specialized assets and activity networks); (b) appraising strategic positioning in innovation through asset positions, appropriability regime, and price asset appreciation (or depreciation); (c) definition of value distribution among stakeholders; and (d) assessing strategic positioning in new value cycles by evaluating corporate coherence and stakeholder feedback and support" (Silva e Meirelles, 2019, p. 798). Bowman and Ambrosini (2000) explain that the realization of value creation happens when the product is exchanged, i.e., when a sale occurs. Only at this moment the value perceived by customers turns into value captured by producers. No wonder

Silva e Meirelles (2019, p. 796) explain that value appropriation relates to profits in business model literature.

There is a close relationship between the business model and the value cycle (Silva e Meirelles, 2019). It would be naïve to think business models last forever, according to the Slywotzky (1996) explanation. The current business environment is full of volatilities, uncertainties, complexities, brittleness, ambiguities, and weaknesses. Things occur in non-linear and unpredictable ways. In such a situation, it would be illogical to think that business models can last for a long time without any kind of adjustments or sometimes even a complete renewal. However, what causes a business model to lose relevance, and what to do about it?

Value Migration and Business Model Innovation

Value and business model are two inseparable and essential elements in the context of any type of company. Long before the term “business model” became a well-known jargon in the strategy field, Slywotzky (1996) explained that every firm is subject to the phenomenon of **value migration**. According to this author, the value flows from obsolete business “conceptions” (or business models in today’s jargon) to new “business conceptions” (or business models). These new “business conceptions” have better capabilities to satisfy the most important priorities of the customers (Slywotzky, 1996, p. 4). Value can migrate from other businesses inside the same industry or to different industries that are better suited to meet the customers’ priorities.

Innovating the business model is an obvious necessity. However, what exactly is **business model innovation**? It is a concept that describes how the firm transforms itself to pursue higher performance and competitive advantage (Andreini & Bettinelli, 2017; Kuratko & Audretsch, 2013; Morris, Kuratko, & Covin, 2011). Business Model Innovation allows a firm to exploit its opportunities (George & Bock, 2011) and create value (Silva e Meirelles, 2019).

Business model innovation refers to generating a business model that is “new to state of the art” (Birkinshaw, Hamel, & Mol, 2008, p. 825) and that can be introduced by both de novo and established firms” (Snihur, Zott, & Amit, 2021, p. 23). George and Bock (2011) define business model innovation as a mechanism or process that allows a firm to exploit its opportunities. Amit and Zott (2012, p. 41) explain that business model innovation is a set of processes to add or combine activities in novel ways or change which party performs an activity to create value. Business model innovation can add new activities, link activities in novel ways, or change which party performs an activity (Amit & Zott, 2012).

“Business model innovation is a holistic concept used to deal with issues related to the search for new business logic and new ways for a company to create and capture value for its stakeholders. It refers to finding new ways to generate profits and define value propositions for customers, partners, and suppliers” (Andreini & Bettinelli, 2017, p. 55). “...a business model innovation is not a ‘mere’ product or service innovation, nor is it a process innovation. In the general case, a business model innovation may include new ways for the firm to create value and new firm offers (e.g., product or service innovations), new ways for the customers to view the firm’s offers (positioning innovation), changes to how the firm views its activities (paradigm innovation) and operations (process innovation). Thus, a business model innovation is a new integrated logic of value creation and value capture, which can comprise a new combination of new and old products or services, market position, processes, and other types of changes” (Björkdahl & Holmén, 2013, p. 215). At root, business model innovation refers to the search for a new firm’s logic and new ways to create and capture value for its stakeholders; it focuses primarily on finding new ways to generate revenues and define value propositions for customers, suppliers, and partners (Casadesus-Masanell & Zhu, 2013, p. 464).

So, business model innovation is a set of decisions and actions aiming to permanently endow a firm with a relevant value proposition to customers. Value generation capability is the reason to develop any kind of business model. The answer to why business models need innovation is straightforward: business models' value generation capability is perishable due to several facts, e.g., competition, changes in the business environment, the regulatory environment, in customer tastes, among many possible factors. So, business model innovation is crucial in preventing a company from becoming as perishable as its business model. However, understanding the business model innovation concept leads to another critical question: what does it take for an organization to innovate its business model? Dynamic capabilities are part of the answer.

Dynamic Capabilities and Business Model Innovation

The Dynamic Capabilities theory seeks to provide a coherent and evolutionary framework for how an organization develops competitive advantages and maintains them over time (Teece, 2009). Teece, Pisano and Shuen (1997, p. 516) originally defined “dynamic capabilities as the firm’s ability to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments.”

Eisenhardt and Martin (2000) explain that dynamic capabilities are the firm's processes that use resources to match or create market changes. For example, market changes may ask for the development of product development routines, the ability to forge alliances, make acquisitions, resource allocation routines, and knowledge transfer and replication, among other things Eisenhardt and Martin (2000). So, "dynamic capabilities are the product of combining complementary and straightforward capabilities and routines, some of which may be the foundation of others" (Camargo, 2012, p. 18). In addition, Collis (1994) states that dynamic capabilities relate to the firm's ability to develop new strategies faster than competitors by recognizing different valuable resources.

Some dynamic capabilities allow the company to enter a new business and extend its action base in old businesses through internal growth, acquisitions, or strategic alliances. Other capabilities help companies to create new products and production processes. Finally, dynamic capabilities allow managers to make companies more profitable and allow them to grow consistently (Camargo, 2012, pp. 17-18).

So, what is the relation between dynamic capabilities and business model innovation? Dynamic capabilities are the foundational support to business model innovation. Dynamic capabilities provide the primary set of capabilities a firm needs to be able to innovate its business model to stay relevant to its customers. Teece (2009) explains that dynamic capabilities rely on three general capabilities: sensing, seizing, and transforming.

Sensing is very much a scanning, creation, learning, and interpretive activity (Teece, 2009, p. 9). Baškarada and Koronios (2018) inform that sensing is the ability to detect new opportunities and threats from the external environment. Sensing is related to getting further information and knowledge that can create opportunities, Schumpeter (1934). “Once a new (technological or market) opportunity is sensed, it must be addressed through new products, processes, or services” (Teece, 2009, p. 17). Such a situation calls for an enterprise to know when, where, and how much to invest in these new products, processes, or services (Teece, 2009, pp. 18-19).

Seizing capability plays a crucial role in value creation for customers and the enterprise. Baškarada and Koronios (2018) explain that seizing is the ability to make unbiased decisions about strategy, business model, and capability transformation. According to Teece (2009, p. 18), the process to select or create a particular business model that defines its commercialization strategy and investment priorities constitutes the seizing capability. The micro-foundations of

the seizing capability are the selection of product architecture and business models, selecting enterprise boundaries, and managing complements and platforms (Teece, 2009).

Transforming (Teece, 2009, p. 49) is the capability that enables a firm to deliver a new or enhanced value proposition. This transformation happens due to what Teece (2009, p. 49) calls the capability to transform and manage threats. This transformation capability effectively allows a firm to create a new or enhanced value proposition when a firm decides to innovate its business model.

Dynamic capabilities are the mainstay of business model innovation at established companies. They enable the enterprise to transform itself, thus maintaining the firm's relevance through value creation. Nevertheless, value is not part of dynamic capability construct.

Nevertheless, how exactly do organizations innovate their business model? The value cycle proposed by Silva e Meirelles (2019) brings the answer. Whenever an organization innovates its business model, it must devise new or enhanced ways to create value. Additionally, a new value proposition may require a new value configuration and even new ways to appropriate value. So, the answer lies in how to devise a proper way to create value, configure an organization to produce the devised value to customers, and capture or appropriate value from customers from the firm's business model.

Summing up, the answer to how to envision what is necessary to innovate a business model lies in three main activities. First, it is required to rethink the value proposition to the customer (value creation). Secondly, it is necessary to configure how the organization will produce new or enhanced value for customers (value reconfiguration). Finally, it may be required to rethink how to capture value (value appropriation). These activities will clarify the value to be delivered to the customer, how to make its organization produce the envisioned value, and how to appropriate value from the customer, aiming to perpetuate itself in an increasing prosperity fashion.

So far, this text has shown that value migration explains the need to innovate a business model. Dynamic capabilities enable a firm to make such an effort. Nevertheless, the theory on dynamic capabilities and the value cycle of creation, configuration, and appropriation do not practically clarify how to innovate a business model. This clarification comes in the form of adequately managed projects.

Project Management as a Mean to Configure New Value

The activities to define a new value proposition, configure the organization to generate the new and unique value proposition and define new ways of appropriating value are outside the organization's everyday routines. Such things happen through temporary efforts, i.e., projects (Project Management Institute, 2021). Projects are vehicles to implement new products, services, methods, processes, and routines. As such, projects transform organizations. "A **project** is a temporary effort undertaken to create a unique product, service, or result" (Project Management Institute, 2017). Projects mobilize resources and competencies to bring about strategic change and create competitive advantage and other sources of value (Bredillet, 2010, p. 4). "If there is a piece of work to be done in a corporation that does not fit within the classification of an existing process, it will invariably be called a project" (Rolfe, Segal, & Cicmil, 2016, p. 51). Projects allow firms to establish "the capacity to continuously adjust and adapt strategic direction in a core business to create value for a company" (Doz & Kosonen, 2008b, p. 65). Projects constitute the vehicle of transformation actions that allow a company to deliver the desired value to customers according to the paradigm of the innovative business model.

However, an organization must appropriately manage a project to yield the desired results (Project Management Institute, 2021; Project Management Institute, 2017). **Project management** is applying knowledge, skills, tools, and techniques to project activities to meet

their requirements (Project Management Institute, 2021; Project Management Institute, 2017). Project management is a set of coordinated activities to direct and control the accomplishment of agreed objectives (International Standardization Organization, 2020). A project is a time and cost-constrained operation to realize a set of defined deliverables (the scope to fulfill the project's objectives) up to quality standards and requirements (International Project Management Association, 2006). Project management is instrumental in producing and implementing the necessary changes of a business model innovation. These changes result from several deliveries related to the transformation capability defined by (Teece, 2009).

So, why projects and project management are crucial to business model innovation? Business model innovation implementation will not happen without projects properly managed. The absence of a project that correctly implements the new business model may jeopardize the firm's ability to maintain or enhance its value generation capability.

Conversely, one may ask if adequately planned, and managed projects are enough to implement a new value proposition through an innovative business model. There is a well-known saying that nothing new works well in this regard. Therefore, adjustments tend to be necessary after the end of the transformational project to innovate a business model. After all, it is hard to believe in the existence of perfectly planned and executed projects that deliver an ideal value proposition embedded in a perfectly functional new business model. Projects are a product of human action. Humans are rationally bounded. Lastly, any human activity is subject to several hindering factors, e.g., risk occurrences, failure, mistakes, and adoption of false assumptions when planning and developing a project. Therefore, the need for adjustments after completing transformational projects is highly probable.

Necessary Adjustments to Make a New Business Model Deliver Value

Usually, there are two kinds of necessary adjustments. The first one, called **shaping** (Baškarada & Koronios, 2018), is directed towards the internal aspects of an enterprise. The second one is directed towards the customer, and it is called **customer adherence** (Seiders, Flynn, Berry, & Haws, 2014) or **customer engagement** (Pansari & Kumar, 2016) to the business model's value proposition.

Shaping is the ability to execute and scale new capabilities to affect the external environment (Baškarada & Koronios, 2018, p. 337). Baškarada and Koronios (2018) also explain that shaping is ultimately about achieving operational efficiency, effectiveness, and scalability. Therefore, shaping is primarily the responsibility of line management, who may use a range of operations research and operations management tools and techniques, including forecasting, production planning, inventory management, capacity and demand management, queueing, resource acquisition, quality management, scheduling, and the like (Baškarada & Koronios, 2018, p. 338).

However, there is no point in having a well-oiled machine that produces something without customers purchasing the product. The concept of **customer adherence** or **customer engagement** enters the scene here. According to Meichenbaum (1987), customer adherence reflects that customer behavior is active and voluntary. Consequently, even in the face of a great value proposition, the customer may not be interested in it. So, as Storbacka, Brodie, Böhmman, Maglio and Nenonen (2016) put it, no value is created without actor (or customer) engagement.

Pansari and Kumar (2016, p. 295) explain that engagement may happen in various contexts with internal or external stakeholders. In marketing, for example, engagement is usually discussed as an activity of the customer toward the firm. The concepts of customer involvement, customer experience, customer satisfaction, customer loyalty, customer trust, customer commitment, and customer brand value are all related to customer engagement (Pansari & Kumar, 2016, p. 296). So, whenever an innovative business model offers a new or enhanced value proposition, the focal firm may need to adjust to some of these aspects.

Sometimes it is just a question of educating the customer to get customer engagement (Dellande, Gilly, & Graham, 2004). However, there are a plethora of motives for a customer not to engage or adhere to a new value proposition. In B2B settings, for example, the customer may have adopted a technology incompatible with the new business model's technology. When it comes to individuals, factors such as tradition, local culture, or financial issues may play an essential role in negating customer adherence to the innovative business model. Among several other matters, regulatory ones may also hinder business model innovation.

The conclusion is that, although a well-managed project mitigates the need for adjustments, the reality tends to show that no adjustments after a project execution are more of a rule than an exception. However, one question persists. Are there any other crucial factors in implementing a new business model? Well, nothing is really at rest, nor do the business environment. Therefore, it is necessary to include time as a crucial factor when innovating business models. How, then, to address the issue of time in business model innovation? The answer lies in the agility concept.

Agility and business model innovation

A final but not least concept included in the proposed framework is **agility**. The term “agile” usually describes how firms can adapt themselves and perform well in rapidly changing environments (Dove & Palmer, 2004; Grover, Bharadwaj et al., 2003; Weill, Subramani, & Broadbent, 2002). Agility is composed of flexibility, responsiveness, resiliency, proactivity, cooperation, a culture of change, speed, integration, low organizational complexity, mobilization of core competencies, organizational learning and knowledge development” (Sherehiy, Karwowski et al., 2007, p. 458). No wonder the agility concept comes in different labels, e.g., enterprise agility, strategic agility (Grover, Bharadwaj et al., 2003), organizational agility (Harraf, Wanasika et al., 2015), customer agility (Huang, Niu et al., 2021), partnering agility (Grover, Bharadwaj et al., 2003) and agile project management (Project Management Institute, 2021; Project Management Institute, 2017c).

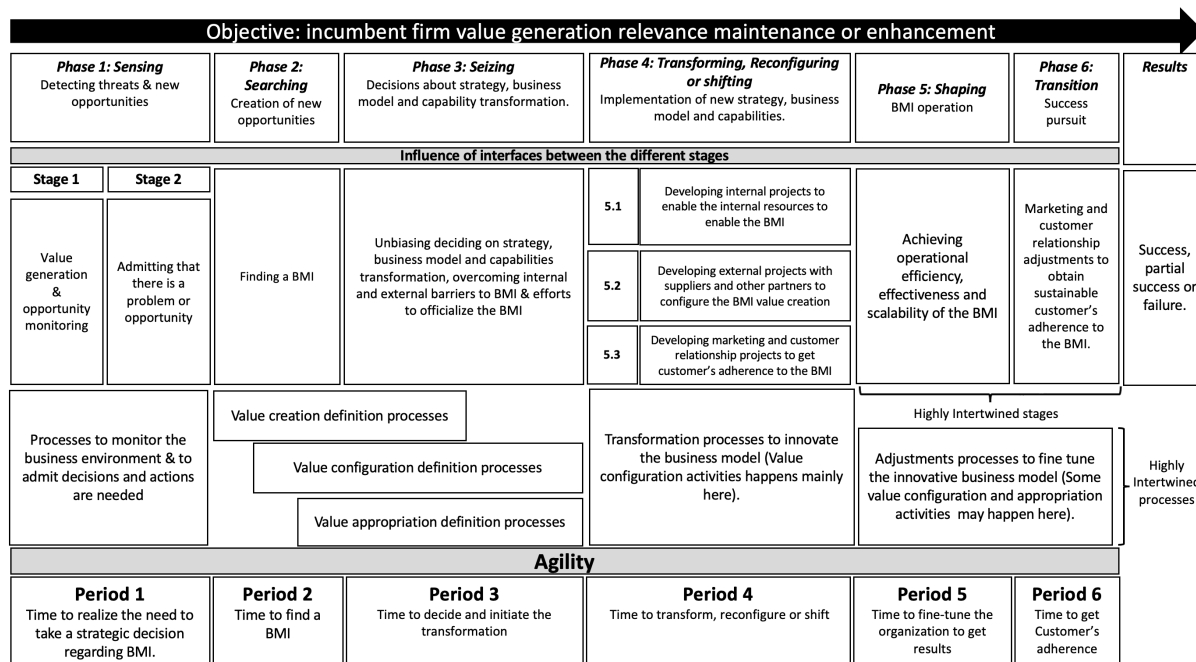
However, why is agility necessary for business model innovation? First, realizing the existence of a problem of value migration to superior business models (Slywotzky, 1996) takes time. It also takes time to admit a problem (or opportunity) and decide on actions to develop a business model innovation. This situation happens due to several factors, e.g., organizational complexity (Rodríguez, Molina-Castillo, & Svensson, 2020; Schwandt, 2009), organizational readiness to change, resistance to change (McLane, 2018), communication issues (Clausen, 2016; Cooren, Bartels, & Martine, 2016; Mazzei & Michael Goodman, 2014), and stakeholders issues (Valle, Camargo, Mota, & Zygielszyper, 2014). On the other hand, the market never stops. Furthermore, environmental dynamicity (Ghezzi, Rangone, & Balocco, 2011) influences business model innovation, especially in a dynamic and competitive environment (Armanious & Padgett, 2021, p. 644). Thus, agility is necessary for an organization to remain relevant, especially in turbulent and highly competitive business environments. So, how to interpret and understand the concept of agility? Agility is a multidimensional concept based on several organizational attributes and a certain mindset that supports business model innovation to deliver what is valued by customers ahead of competitors.

Once the theoretical foundation is understood, it is possible to envision a framework that describes how these concepts articulate and interacts with each other.

The proposed conceptual framework

The previous theoretical reference supports all the elements and concepts for the proposition of a framework that explains how firms realize the need to innovate a business model and accomplish such a feat. The following figure shows a diagram of the proposed conceptual framework.

Figure 2 – Conceptual framework proposed by the author



Source: the author.

Note that the proposed conceptual framework shows discrete phases to make understanding the proposed framework easier. However, it must be made clear that the phases depicted on the conceptual framework diagram may overlap to a certain degree or may not exist exactly the way envisioned in this text. After all, this is a conceptual framework to clarify how business model innovation occurs.

It is crucial to realize that the proposed conceptual framework considers time a critical factor in changing a firm's business model, implying that it is essentially dynamic. The proposed conceptual model consists of seven phases.

Phase 1 – Sensing value migration or value creation opportunity

According to Slywotzky (1996), every firm is subject to the phenomenon of value migration. The value flows from obsolete business models to new business ones. New business models that attract customers have better capabilities to satisfy their most important priorities. So, value can migrate from other businesses inside the same industry or to other better-suited sectors to meet the customers' priorities. At the same time, it is also possible that any change in the business environment, such as new technology or a new regulation, could create an opportunity with great potential to generate value. So, it is necessary to sense what is going on to prevent problems or take advantage.

It is important to note that the loss of value of the current business model or the emergence of an opportunity with great potential is not always something readily apparent and easy to perceive. Therefore, firms must be in a constant state of vigilance to sense the loss of the capacity to generate value due to the obsolescence of their business model. On the other hand, it is also crucial for the firm to be vigilant for the emergence of opportunities with great potential to generate value. For this reason, the conceptual framework in focus uses a block of processes to monitor the environment and general business conditions. Therefore, roughly speaking, this phase corresponds to the sensing capability proposed by Teece (2009, p. 47) as one of the foundations of dynamic capabilities.

However, it would be much simpler if everything was simply a matter of pointing out problems and identifying opportunities. But unfortunately, that is not the case. That's why the framework's sensing phase has a second stage related to the admission of a value generation

problem or a value generation opportunity. Without acknowledging that there is a problem or an opportunity, no one will change a business model.

Phase 2 – Searching to maintain or enhance value generation

The proposed conceptual framework suggests a second phase in searching for a new business model. At this stage, the search for a business model innovation occurs. According to the theory proposed by Teece (2009), the search for a new business model occurs through the use of the dynamic capability he calls “seizing.” The delineation of a separate phase allows a better understanding of how organizations innovate their business model. Some companies innovate their business model through traditional research and development efforts. Other organizations continually seek to innovate their business model, making intensive use of sensing and seizing capabilities together in an agile fashion. Sorescu (2017), for example, developed an entire article to show that big data, which is essentially a sensing mechanism, can lead to business model innovations. For instance, Sosna, Treviño-Rodríguez et al. (2010) explains the experiential ‘trial-and-error’ learning approach to innovating business models. Trial-and-error activities constitute both sensing and seizing activities. It is “sensing” because the firm’s team feels what works and what does not work. However, it is also “seizing” because the trial-and-error activities can lead to an immediate decision to implement a business model innovation. Therefore, including a specific phase in the framework allows a deeper analysis of how companies seek a new business model.

Phase 3 - Decision making to seize value through business model innovation

This phase is where the seizing capability works (Teece, 2009) to change the business model innovation. In this phase, it is necessary to make unbiasing decisions to implement the business model innovation. In this phase, the activities to overcome internal and external barriers occur. Finally, the efforts to officialize the transformation that will allow the innovative business model happens here. An established firm has an organizational structure with several actors, each with its perceptions and interests in the current business model. Even in the presence of quantitative measures that evidence that the value generated by the current business model is decaying, this may not be enough to get the approval for a business model innovation. The same can go for business opportunities with significant value creation potential. Some corporations have a board of directors who need to be convinced about the innovation of the business model. In addition, a change in the business model cannot always be desirable in publicly traded companies. To convince the key stakeholders that it is necessary to innovate a business model, they must agree that value migration exists and that there is no easy solution to solve that problem. In the presence of an easy solution to maintain revenues, it is unlikely that a business model innovation will occur. Depending on the country a firm operates in, sometimes it is much easier to influence the government to change existing regulations than to change the existing business model. Finally, it is necessary to officialize and prepare for the business model innovation. This process usually involves budget allocation, searching for funding to innovate the business model, or getting formal approvals to launch the projects that will enable the business model innovation.

Additionally, there may be regulatory hurdles that can get in the way of implementing a business model innovation. Therefore, one should not underestimate the time to obtain such approvals. In this “Seizing phase,” there also are several factors that will interfere with the firm’s ability to decide on the implementation of a business model innovation. Access to information, quality of the sensemaking process, executive’s risk aversion and psychological safety, uncertainties, path dependence, lock-in, internal political disputes, and degree of disconnection between the current and the future business models constitute influential factors in the “seizing” phase.

Phase 4 – Transforming the organization through project management

At this phase, the firm changes its structures to implement the business model innovation. This phase features the development of at least three different kinds of projects. The first is the development of internal projects to change or adapt the internal resource base to enable the business model innovation. It is precisely at this point that the new value configuration and appropriation (Silva e Meirelles, 2019) happens. In this phase, the second project type is the one a firm must develop with suppliers and other partners to configure value according to the innovative business model. Signing new agreements and contracts with new suppliers and with new sales channels, for example, takes place precisely at this moment. Finally, the firm needs to develop marketing projects to announce that there is a new value proposition to existing and potential customers.

Phase 5 – Adjusting value creation in the new business model

There is a very common saying that nothing new works well. Even after closing the transformational projects mentioned in the previous phase, there is always the probability of adjustments. Baškarada and Koronios (2018) have realized such problems and proposed a model with five dynamic capabilities: sensing, searching, seizing, shifting (or transforming), and shaping. According to Baškarada and Koronios (2018), shaping is the ability to execute and scale new capabilities to affect the external environment. Shaping is ultimately about achieving operational efficiency, effectiveness, and scalability (Baškarada & Koronios, 2018, p. 338). Including a specific phase in the framework allows a better analysis of the adjustment activities necessary for the innovative business model to take off.

Phase 6 – Transition adjustments to get customer adherence to the new value proposition

The last phase of the conceptual model is the transition. Although it is somewhat similar to the previous phase (shaping), this phase is related to adjustments to get customer adherence. After all, a new and superior business model innovation does not necessarily imply immediate and automatic customer adherence. Numerous factors can prevent the customer from adhering to an innovative business model. For example, customers trying to take advantage of incorrect investments resulting in sunk costs, internal political disputes, commercial agreements with partners and customers, and even prior choices on certain kinds of technology impedes customers' adherence in B2B (business to business) context.

Furthermore, in B2C (Business to consumer) situations, local culture, competitors' actions, and consumer ignorance about using a product may constitute pain points to customers' adherence to a new value proposition. To address such situations, it is not uncommon the need for adjustments. The last remark is related to the intertwining of the previous shaping phase of this transition phase. Although this text separates them to facilitate the framework's understanding, there is a reasonable probability that the two phases are highly intertwined.

The influence of interfaces between phases and the agility to transform

Theoretically speaking, only after going through all the previously mentioned phases will the firm know whether it was successful or not with its business model innovation. The result can be anything from resounding success to total failure or anything in between. Nevertheless, there are two additional points to consider. The first point is the interfaces between each phase of the business model innovation process. As noted previously, one must bear in mind that the phases depicted in the proposed conceptual framework may overlap to a certain degree or may not exist exactly the way it was conceived. However, it is evident the existence of a process composed of different phases for the innovation of the business model, even if it is not exactly as proposed in this framework. The presence of these phases necessarily implies that the passage of information between phases can strongly influence the innovation

of the business model. For example, let's say that an analyst in charge of monitoring the business environment fails to consider information that signalizes the possibility to jeopardize the firm's ability to generate value. This simple information overlook may cripple the decision-making ability to innovate the business model. In the same way, if the CEO disregards a threat signaled by the monitoring process, the firm will not admit that a problem exists as a matter of bias. The result of such kind of misperceptions could be catastrophic for the firm.

The second and final point to consider is agility. The proposed framework's diagram shows the existence of six periods. Each one of these periods takes time. As a result, a business model innovation does not happen immediately, as soon as a company senses a value problem generation or an opportunity that makes it worth innovating its business model. As already mentioned, the market never stops. Therefore, the longer a company takes to detect the need for innovation in its business model, the greater the probability of losing relevance. So, agility to respond to changing market conditions rapidly is crucial. The same can be said when it comes to the transformation phase. There will also be more chance of success if the transformational projects can deliver value to customers as soon as possible. If a firm provides value ahead of its competition, it creates a barrier that competitors need to overcome to maintain their relevance. Therefore, the proposed framework incorporates agility as an integral element.

As the proposed framework logic becomes apparent, it is straightforward to develop propositions that the scientific research may consider to enhance the understanding of business model innovation in established companies.

Propositions

Based on the proposed conceptual framework, it is possible to envision the following propositions.

Proposition 1 – Theoretical integration of Value, Dynamic Capabilities, Business Model Innovation.

The Dynamic Capabilities view must fully integrate its perspective alongside business model innovation and the cycle of value creation, configuration, and appropriation (Silva e Meirelles, 2019). The traditional concept of purposeful reconfiguration and adaptation of the organization's resource base is incomplete. Dynamic Capabilities may be better understood as a set of capabilities to maintain an organization's value generation relevance.

Proposition 2 – Time is an integral aspect of business model innovation

The total amount of time to innovate a business model to maintain the value-generating relevance of an organization is given by the equation $T = \sum_{i=1}^n t_i$, where T is the total time to get to a new business model that can maintain value generation relevance, and each t_i term in the summation is the time each phase takes. Note that in the case of the proposed framework, $i = 6$. However, the reality may show that the actual phase numbers may vary from one organization to another.

Proposition 3 – Agility is an integral part of business model innovation

If time is an essential factor in business model innovation, then agility is also a critical capability at all organizational levels. The lack of agility, whatever the cause or whatever the stage of the business model innovation process in which it occurs, constitutes an obstacle to the success of maintaining relevance in the generation of value in established companies. Business model innovation, dynamic capabilities, and value generation theories must consider agility. As a result, researchers of these theoretical views should also focus on time-sensitive factors such as organizational complexity, decision-making protocols, agile project management, and related issues.

Proposition 4 – A degree of uncertainty hinders the time estimation to innovate a business model.

Carbno (1999) explains states that it is viable to compress a project's execution time up to a given level. This assertion is also applicable to the whole set of phases proposed by this paper's framework. However, there is a limit to time compression. The term T in the equation $T = \sum_{i=1}^n t_i$, will never equal zero, implying that instant business model innovation is impossible. Nevertheless, any organization should understand better how long it takes to innovate its business model. Nevertheless, what would be the main difficulty in estimating the time to accomplish the business model innovation activities? Uncertainty is the answer. It is easy to calculate the time it takes for some activities as a function of the available resources. However, this is not true for every activity. Activities that rely on insights, consensus, corporate dynamics, or the ones that depend on regulatory issues, for example, may have a high degree of timing uncertainty. This situation supports the following proposition: there are activities whose execution time estimates are straightforward to calculate, while others do not have this quality due to uncertainty. The awareness of such a proposition opens the way for researchers to identify the activities with good time estimation reliability and activities in which the reliability of time estimates is high, improving the possibility to manage the business model innovation process better.

Proposition 5 – Window opportunity to develop a business model innovation

Business models need to be updated or replaced to maintain relevance in a firm's value generation. It also takes time to develop and implement a new business model. But there is a crucial aspect when examining the business model innovation process in competitive markets. Innovating a business model too early may create a loss of value, as the business model in focus may not have reached its full value-generating potential. On the other hand, business model innovation at a late stage can be futile if competitors are already far ahead. Therefore, this text proposes that there must be an optimal window of opportunity for business model innovation. Knowing the limits of this window of opportunity is undoubtedly desirable for researchers and practitioners.

Conclusion

This text presented a process view of how established companies innovate their business models based on the theories of value, dynamic capabilities, agility, and project management. The resulting framework is a product of the juxtaposition, articulation, and coordination of several scholars' reasonable amount of serious research efforts. However, this framework is conceptual. Although it was developed based on consistent and comprehensive literature on business model innovation, there is no warranty that it faithfully reflects how it occurs in established companies.

Nevertheless, the proposed framework proposes a dissection of the actual phases of how established companies innovate their business model in reasonable detail. As a result, it is straightforward to understand that developing a business model innovation in an established firm is not easy. Business model innovation is full of hurdles that take time to overcome. The time it takes to innovate a business model is perhaps the most critical insight the proposed framework shows. The sum of all the framework's activities time may not be short. Hence the need for agility in the process to innovate a business model. No wonder agility in the 21st century is no longer a matter of choice for business organizations (Harraf, Wanasika et al., 2015).

However, time is not the only difficulty in innovating a business model. The proposed framework clarifies that it is also possible to realize that failures in each phase can render any attempt at business model innovation unusable. Even if the activities in each phase are well

developed, there is still the issue of correctly passing information between each phase. Failure to move the correct set of information from one phase to the next may also impact the business model innovation, sometimes up to a complete failure. This paper also puts five propositions that have the potential to open several future research possibilities. Lastly, it makes sense to point out that, from a practitioner perspective, the proposed framework presents an easy way for managers to better envision the business model innovation process.

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