

# Chapter 1

## Shaping Business Models Through Interaction: A Sensemaking and Sensegiving Approach

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### **ABSTRACT**

*This chapter aims to understand how actors create meanings about a firm's business model through sensemaking processes. Actors hold different understandings of a firm's business model and infer different meanings. Business models result from the sensemaking and sensegiving processes that occur and evolve between actors. Business models make the action meaningful and frame the actions of the actors. This chapter builds on a single case study and presents essential characteristics of business model change and managers' sensemaking and sensegiving processes when shaping a business model. The chapter provides insights into how managers make sense of and reshape business models through interaction.*

### **INTRODUCTION**

This chapter explores how managers shape their understanding of the firm's current and future business model based on their perception of the firm in their interaction with others. Managers hold different understandings of a firm's business model and thus infer different meanings (Rozentale & van Baalen, 2021; Doganova and Eyquem-Renault, 2009; Massa et al., 2017). The authors focus on the effect of the managers' understandings and interpretations of events in their roles as the creators and perpetrators of business model change (Bock et al., 2021; Linder and Cantrell, 2001) as business models emerge over time. This aligns with Sosna et al. (2010), who see business model development as dynamic and emerging from an initial experiment followed by a learning process where revisions and adaptations are ongoing. Hacklin and Wallnöfer (2012, p.184) similarly see business models as a stimulant for creative

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decision-making over time: “in developing and discussing strategic options, the business model acts more as a symbolic artefact, stimulating a creative decision-making process than as an analytic tool with a clear sequence of steps”. However, little is known about how managers form their understanding of what the firm was, what it is now, what it will be, and how it impacts the shaping of the business model

An important issue for this perspective of business model change is how managers make and give sense to their organization through interacting processes (Rouleau, 2005). This chapter focuses on sense-making and sensegiving. A firm’s business model is shaped via sensemaking and sensegiving processes between internal and external actors and used strategically by managers of firms to create coherence and direction (Daft & Weick, 1984). The perception of the firm and its business model is seen as an ongoing process in which the current understanding is constantly reshaped and changed in the actors’ minds. In this vein, the business model represents the current thinking or established belief, or cognitive schema held by managers in firms (Massa et al., 2017).

Sensemaking is how individuals and groups construct meaning from their flows of experience (Weick, 1995). Gioia and Chittipeddi (1991) describe how the business model shapes the process of organizational change as “the meaning, construction and reconstruction by the involved parties, as they attempt to develop a meaningful framework for understanding the nature of the intended strategic change” (p. 442). The formation of individual maps or models is based upon several elements, such as past experiences, positions, skills, personality, and beliefs. The formation of maps or models depends upon where the manager finds inspiration and focus (Ancona et al., 2007; Ocasio, 1997). Sensegiving is the interaction process wherein managers influence and create meaning for others (Gioia & Chittipeddi, 1991; Weick, 2005).

Based on the above, our research question is: *How are business models shaped through sensemaking and sensegiving amongst managers?*

The chapter proposes a theoretical framework of how interaction occurs as a sensemaking and sensegiving process. The authors explore the theoretical framework and develop it further through a case study showing how actors’ backgrounds, tasks, and intentions foster different understandings of the firm and its relationships. The authors analyze two managers’ different processes of sensemaking of the business model and how they negotiate or give sense to it. Finally, the authors discuss the theoretical and practical implications.

## **BACKGROUND**

### **Business Models**

Over the last few decades, business model research has gained increasing interest (Foss & Saebi, 2017; Ritter & Lettl, 2018). Business models have been discussed principally within strategic management as the core logic or basic template of a firm (Casadesus-Masanell & Ricart, 2010; Hacklin & Wallnöfer, 2012; Zott & Amit, 2008). Several researchers have related the business model concept to the strategy literature (Amit & Zott, 2001; Chesbrough & Rosenblum, 2002; Holtström, 2022; Mäkinen & Seppänen, 2007). The business model framework can be considered a tool in strategy work because it acts as an intermediary between strategy and operations (Mäkinen & Seppänen, 2007) or a map through which strategies can be translated into targeted change initiatives (Nenonen & Storbacka, 2010). Several authors have also worked with business models within innovation (Boons & Lüdeke-Freund, 2012; Chesbrough

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