Chapter 4
Business Model Innovation as a Result of Opportunity-Based Disruption

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ABSTRACT

Path-breaking international opportunities are a source of disruption for firms. This chapter argues that international opportunities trigger firm growth, and the firm itself evolves in the process, on the level of both organisational structure and business model. The authors report on a longitudinal study which traced the international trajectory of seven case study firms and finds that the organisational structure of a firm—namely the role of who leads the opportunity-development effort for the firm; the financing of international growth; and the role of the Board of Directors—does prepare the firm for evolution of its business model. However, the key trigger of business model change originates from outside the firm, when a path-breaking international opportunity leads the firm to develop new revenue streams or new market entry modes; or ways of capturing value changes the way the firm enacts commercial opportunity.

INTRODUCTION

A firm's business model evolves over time, with the continuous interaction of the key actors over a sustained period (Wirtz, Pistoia, Ullrich & Gottel, 2016). Thus, as an organisation solves its ongoing problems, it emends its routines, structures and eventually its very business model. Firms 're-align' their activities to capture value in their market (Foss & Saebi, 2015), in a process which is evolutionary, typically unclear at first (Teece, 2010) and in which business models are the configurational enactment of a specific opportunity (George & Bock, 2011, p.102). This chapter starts with these assumptions

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from the business model innovation literature, and proposes that firms grow, and their business models change as they exploit new international opportunities. The type, sequence, intensity, and execution of opportunities, define the internationalisation trajectory of a firm in a process characterised by time and entrepreneurial behaviour (Jones & Coviello, 2005). In such an evolutionary process the outcomes of one opportunity become the antecedents of a subsequent one using networks and feedback from actual project execution (Chandra, Styles, & Wilkinson, 2012), with major opportunities therefore having the potential to trigger changes in the very business model and trajectory of the firm (Jones & Coviello, 2005; Leih, Linden & Teece, 2015).

BUSINESS MODEL INNOVATION

Following Foss and Saebi (2015) I see organisational structure as inherently linked to business models and their innovation. Business models are essentially the firm's core logic for creating and capturing value. As such business models imply the firm's "value propositions, the markets and market segments it addresses, the structure of the value chain which is required for realizing the relevant value proposition, and the mechanisms of value capture that the firm deploys, including its competitive strategy" (2015, p.7). Based on such a premise, all the activities under the firm's control, such as the organisational structure and routines they adopt, have a direct impact on the business model adopted by the firm (George & Bock, 2011).

Moreover, business model innovation (BMI) is defined as the "realignment of activities, relations, routines and contracts which results in a new configuration of how the firm creates and captures value that is new to the product / service market in which the firm competes" (Foss & Saebi, 2015, p.7). What enables a firm to conduct business model innovation is an issue which has not received enough academic attention (Schneider & Spieth, 2013), and we are particularly dry on the "process of business model innovation, and its constituting elements" (Schneider & Spieth, 2013,p.26).

According to Leih et al. (2015), firms can develop capabilities that enable them to innovate their business models in a systematic fashion. The authors argue that the organisational dimension of business models constitute the 'architecture' (emphasis in the original) that provides a bridge between value to customers and profits for the business. As such the organisational aspect goes beyond decisions of what the firm should manage in-house as against what it should outsource but goes into the internal division of responsibilities and the changes in present structure which may be required because of the adoption of new business models. Leih et al. (2015) argue for the natural complementarity between business models, organisational design and strategy. They conclude that organisational structure elements such as flat hierarchies and pro-entrepreneurial incentives, as well as a culture of openness and knowledge-sharing are key to the dynamic capabilities necessary for a firm to innovate its business model.

Core to the recent business model innovation debate (Spieth, Schneckenberg & Ricart, 2014; Wirtz et al, 2016; Schneckenberg, Matzler & Spieth (2021), is the assumption that business models focus on a firm's capabilities, processes, and decisions in response to change in the external environment (Zott & Amit, 2007; Teece, 2010). In that context, firms try to adopt a business model which is a best 'fit' between the external environment and its capabilities, in a process of capturing value (Wirtz et al., 2016). Scholars have debated the best way for firms to design the optimum business model configuration (Osterwalder & Pigneur, 2010;, Zott, Amit & Massa 2011), even if acknowledging that pro-active, ipso-facto business model design is not fully attainable since "the right business model is rarely apparent earlier on" (Teece,

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