

Chapter 5

Living With Transformations of International Opportunities: Drivers of Business Model Change in Global Value Chains

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ABSTRACT

This study addresses the question of how organizations, as parts of global value chains, may respond to, and in some situations initiate, transformations of international opportunities and how that is related to the business model change. It examines the forms of international opportunities and argues that different sources of transformation affect the viability of these opportunities, thereby driving the ways in which organizations live with these transformations. These, in turn, connect to the changes in the firms' business models through 1) transformation intensifying, 2) transformation utilizing, 3) shifting, and 4) exit activities. It suggests that patterns can be detected regarding the alignment of the present manifestation of the international opportunity, the transformation type that influences it, and the ways in which these situations are met. The chapter develops a framework that advances understanding the connectedness of opportunities, business models, and global value chains in the era of discontinuities.

INTRODUCTION

Discontinuities characterize the contemporary international business environment (McKinley, 2022),

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where digitalization, sustainability requirements, and other technological, social, and political developments introduce varying changes to how firms operate (Parida et al., 2019). For example, whereas offshoring to China once was a lucrative alternative, reshoring and re-internationalizing now occur in different forms (Ellram et al., 2013; Sort et al., 2021) together with the search for innovative and flexible business model designs (Brozovic, 2018; Sort & Turcan, 2019). The purposive search for flexibility in international business has been captured in discussions on global factories (Buckley & Ghauri, 2004; Buckley & Strange, 2015) that describe managers' efforts to utilize optimal locations for their firms' specific activities. The firms' own actions play a notable role in the changes, not least because their R&D and innovation activities increasingly spread to different networks and ecosystems in varying locations, thereby giving a start to new, sometimes path-breaking developments across global value chains (e.g., Dedrick et al., 2010; Di Minin & Bianchi, 2011; Van Assche, 2017).

However, the patterns behind the strategic shifts are still not fully understood. Sort and Turcan (2019, p. 39) note that while existing research on business models (BM) extensively describes the business model changes connected to firm growth or disruption, "it is rather scarce on understanding how companies reinvent themselves and their BMs in situations such as de-investing, de-exporting, back-shoring or reshoring." Hence, the considerable variation in response types at the market operation level is seldom covered, and little is known about the business opportunity level changes beneath the market and business model changes. We bring these elements together by examining how international opportunity transformations connect with market operation decisions driving together business model changes.

The changes in the business environment as well as within the firm may trigger planned and unplanned activities (Buckley & Casson, 1998) that involve "transforming the extant world into new possibilities" (Venkataraman et al., 2012, p. 26), thereby initiating new international business opportunities (Alvarez & Barney, 2007; Oviatt & McDougall, 2005). For example, the current technological developments make firms digitalize business functions and redesign their business models to seize new opportunities in the technologically mediated global markets (Hervé et al., 2020). Approaching changes from the opportunity viewpoint, we acknowledge that transformative processes are inherent in the long-term value creation of international firms. The transformative approach emphasizes the possibility of a total lack of connections, other than the history, between old and new opportunities and their relationships with the value-creation contexts (Venkataraman et al., 2012).

While many international business studies address opportunity as a concept, they often leave its meanings and constituencies implicit and open to the reader's interpretation or "define around" the concept by describing the processes that lead to situations where opportunities can be recognized or utilized (see Mainela et al., 2014, for a review). In this study, we see an *opportunity* as a meaningful and favorable alignment of attributes inside and outside a firm (e.g., resources, capabilities, contingency factors), allowing for new business (Adner & Levinthal, 2001; Zahra, 2008). As we are interested in understanding international opportunity transformations concerning the dynamics of the global value chains, we consider that at least some attributes involve crossing national boundaries in terms of transfers of tangibles, intangibles, or networks (Oviatt & McDougall, 2005; Mainela et al., 2014). Consequently, the viability of these opportunities requires desirability in the new markets and the feasibility of the firm's business model in support of cross-border activities. Inspired by the inevitable dynamism in the global value chains (Buckley et al., 2020), we argue that numerous internal and external factors may give rise to more and less rapid and profound opportunity transformations (Venkataraman et al., 2012). The premises on which companies once built their activities change, with some becoming more valuable, even crucial, and others declining in importance or, in the most extreme cases, disappearing. Acknowl-

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