

Chapter 9

Digital Transformation–Driven Business Model Innovation

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ABSTRACT

The digital transformation is a global phenomenon that has a tremendous impact on societies and in particular businesses. The continuous changes caused by the digital transformation stimulate business model innovation (BMI). Against this background, this conceptual study analyzes how digital transformation can drive BMI and how companies can coordinate and/or mobilize their resources and strategic efforts to facilitate digital transformation-driven BMI. For this purpose, this study initially classifies different forms of the digital transformation according to their complexity and intensity. It then outlines macro, meso, and micro level catalysts of the digital transformation and their effects on business models. Drawing upon these findings, the study demonstrates that digital transformation-driven BMI should primarily target the creation of integrated digital customer interfaces. Finally, the study conceptualizes a digital transformation-driven BMI framework that supports companies in aligning their BMI efforts with the objective of creating integrated digital customer interfaces.

INTRODUCTION

The digital transformation has a far-reaching impact on societies, businesses, and management (Hanelt et al., 2021; Vial, 2019; Zhu et al., 2021). Thus, it increasingly becomes a strategic imperative for companies and other organizations to embrace the digital transformation and its associated changes (Rêgo et al., 2022). In order to cope with these changes in the long term, enterprises and organizations from almost all industries are facing the strategic challenge of adapting their business models to these new and dynamic conditions. As these adjustments usually require a comprehensive and holistic restructuring of the value proposition, value creation as well as value constellation, businesses across industries and

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sectors rely on digital transformation-driven business model innovation (BMI). BMI “can be defined as the design and implementation of an activity system that is new to the focal firm or new to the product–market space in which the focal firm competes” (Zott & Amit, 2015, p. 395). Moreover, it is “a powerful management tool that supports companies in facing today’s intensified global competition and dynamic market conditions” (Wirtz & Daiser, 2017, p. 15). In this context, BMI can refer to the innovation process itself as well as to the outcome of this innovation process (Foss & Saebi, 2017). Insofar as BMI refers to the outcome, it represents a concept of describing the architecture of an innovated business model. Moreover, business models and BMI are inherently entwined with a company’s strategy (Bigelow & Barney, 2021; Casadesus-Masanell & Ricart, 2010; Lanzolla & Markides, 2021).

Accordingly, BMI is a crucial factor for achieving a sustainable competitive advantage through innovation (Geissdoerfer et al., 2018). Particularly in the course of the digital transformation, companies face the challenge of rethinking their business model through BMI (Bouwman et al., 2019). One example from corporate practice is the company Meta, formerly known as Facebook. Given the digital and technological innovations associated with the so-called metaverse, Meta/Facebook has anticipated that customers/users will demand a centralized and convenient gateway to this new semi-virtual world (Kraus et al., 2022). The metaverse refers to the merging of the digital and the physical world with the help of technologies such as virtual reality, augmented reality, or artificial intelligence (Hwang & Chien, 2022). The current business model of Meta/Facebook, which is tailored to the field of social media, will barely be able to cope with these digitally-induced changes. Hence, Meta/Facebook is incentivized to create an entirely new business model for the metaverse. This ranges from the strategic name change from Facebook to Meta, to the acquisition of new metaverse-specific skills and competencies, to aligned organizational structures and cultures. This example illustrates how the digital transformation can shape existing business models or even lead to the creation of entirely novel business models. Moreover, it shows that even digitally established tech companies such as Meta/Facebook must constantly rethink their current business model in order to meet customer/user demands in the long run.

Given the practical relevance of BMI in the course of the digital transformation, the impact of the digital transformation on BMI is increasingly being discussed in strategic management and business model research (e. g., Gil-Gomez et al., 2020; Vaska et al., 2021; Verhoef et al., 2021). Despite promising research, it is still not entirely clear how the digital transformation drives the adaptation of the value creation, the value constellation, and/or the value capture (Vaska et al., 2021). In particular, it is still vague which elements of a business model are so strongly affected by the digital transformation that they require an innovation of the other business model components.

Against this background, this study aims to examine how the digital transformation drives BMI. Furthermore, it intends to shed light on how companies can coordinate and/or mobilize their resources and strategic efforts to facilitate digital transformation-driven BMI. To address these research objectives, this study initially presents a classification of the digital transformation. It then analyzes which macro, meso and micro level catalysts of the digital transformation may drive BMI. In the subsequent section, the study shows how the digital transformation and its associated digital/technological innovations create the need for integrated digital customer interfaces. Finally, the study conceptualizes a digital transformation-driven BMI framework that assists companies in aligning their BMI efforts with the objective of creating integrated digital customer interfaces. Throughout the study, the case of Meta/Facebook is used as an illustrative example.

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