

Chapter 15

Orchestrating Business Model Innovation: Insights From the Project-Based Firm

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ABSTRACT

Business model innovation (BMI) is a powerful source of competitive advantage for firms in a dynamic world of increased digitalization. Despite the rise of BMI and the project-based firm as research fields, there is a profound need of unfolding the BMI in the context of the project-based firm. Theoretically, the study contributes with a new theoretical construct, orchestration of BMI, which here is defined as a series of organizational activities, which result in changes to the key elements of a firm's business model and/or the architecture linking these elements. Empirically, the study contributes with insight from a project-based firm in the engineering industry through qualitative analyses of 15 cases characterized by BMI. It is found that BMI in the project-based firm unfolds as iterative and network-centered processes led by entrepreneurial-driven project managers in the opportunistic pursuit of delivering value in innovative ways in concert with top and middle managers.

INTRODUCTION

Increased globalization, digitalization and market dynamics drives managers to search for innovative ways of adding value to the firm. However, innovation of products and services is of little value if not accompanied by an innovative business model (Chesbrough, 2007). The capability of innovating business models allows firms to swiftly adjust to dynamic market changes and to prosper within the increasingly globalized and digitalized business environment of today (Teece, 2018). During the past two decades, business model innovation (BMI) has materialized as a research field and as the capabilities of BMI are being increasingly recognized as a powerful source of competitive advantage for firms in the 21st Century (Casadesus-Masanell & Zhu, 2013; Teece, 2010; Zott, Amit, & Massa, 2011), BMI now receives significant academic and managerial attention. Despite the promising potential of BMI, many firms

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still lack the capabilities for orchestrating BMI systematically (Casadesus-Masanell & Ricart, 2010; Solaimani, Heikkila, & Bouwman, 2018).

Most research within the field of BMI contributes with insights on configurations, performances, and strategic implications. However, despite the acknowledged importance for understanding the processes of BMI, the process view of BMI has for years been widely overlooked as a research area (Foss & Saebi, 2016; Frankenberger, Weiblen, Csik, & Gassmann, 2013; Laudien & Daxböck, 2017; Wirtz & Daiser, 2017). To address the research gap of understanding BMI processes, this chapter takes a point of departure in the managerial activities forming the BMI process, which here is labelled as the orchestration of BMI.

The academic endeavor to understand BMI has strongly focused on product- and service-oriented firms, where the organizational structures often are divided into functions like airlines (Snihur & Tarzijan, 2018), retail (Sosna, Trevinyo-Rodríguez, & Velamuri, 2010), publishing (Mezger, 2014), or telecom (Khanagha, Volberda, & Oshri, 2014). Despite the rising number of project-based firms, the large amount of project-based work, and the rise of the project society as such (Lundin et al., 2015; PMI, 2017), BMI in the context of project-based firms remain somewhat undiscovered with only few academic contributions, (e.g. (Di Muro & Turner, 2018; Kujala, Artto, Aaltonen, & Turkulainen, 2010; Mutka & Aaltonen, 2013; Wikstrom, Artto, Kujala, & Soderlund, 2010)). To address the research gap of understanding orchestration of BMI in the context of the project-based firm, this chapter unfolds BMI in the project-based firm theoretically and reports on the findings from an in-depth and longitudinal multi-case study from a project-based firm in the engineering industry.

In sum, this chapter aims at contributing to the research streams of BMI processes and to BMI in the project-based firm while addressing the research question of how BMI is orchestrated in the project-based firm. Based on empirical evidence from a multinational and project-based engineering firm, a framework of managerial activities for orchestrating BMI in the project-based firm is proposed and discussed.

The chapter is structured as follows; the following three sections unfold the contemporary academic knowledge of BMI, orchestration of BMI, and BMI in the project-based firm. The theoretical sections is followed by the presentation of the empirical findings, while the final section discusses and concludes on the findings on how BMI is orchestrated in the project-based firm.

BUSINESS MODELS AND BUSINESS MODEL INNOVATION

Throughout history, a vital prerequisite for a firm's existence has always been a viable business model but the term has developed throughout the past 70 years to what we today understand as a business model. In tandem with the increased attention to business models, 'business model innovation' is being increasingly acknowledged as a competitive advantage for modern firms in dynamic environments, and several research streams within the field are being crystalized.

Business Models

'The business model' as a theoretical construct has been researched for almost three decades and is associated with many kinds of definitions (Wirtz, Pistoia, Ullrich, & Göttel, 2016). Many contributions now refer to business models as explaining the networks and activity systems of value creation mechanisms and sources of competitive advantage. This view is closely related to what Bock et al. (2011) labelled

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