

Chapter 38

Business Model Renewal: The TIA–MARIA Framework for Enterprise Realignment

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ABSTRACT

Increasingly high technology firms are required to develop new products or solutions in emerging markets which are outside of their existing business operation. This may necessitate that firms realign themselves and their business model so that they are able to create value in a new and emerging market. This chapter develops a framework for business model renewal based on case study research into firms entering the emerging sector of mobile networking. The framework presented here is focused on innovation strategies and the associated enterprise realignment for managing technology and innovation. The theoretical basis for this work is from a synthesis of literature drawn from the fields of strategic management, entrepreneurship and innovation management. This framework recognises the importance of the legacy basis/expertise of firms both in terms of resources and market credibility.

INTRODUCTION

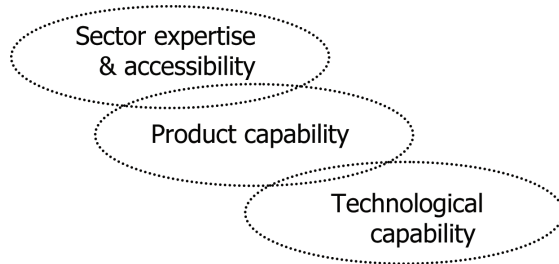
This chapter reports on the results of a research project concerning business model renewal within high technology firms. The challenges that high technology firms face when seeking to enter emerging markets is well recognised in the literature (Day et al, 2000). This has been the driver behind this study which looks at high technologies firms who have identified an emerging sector and asks “What

must firms do?” The focus is on the realignment of the enterprise and its competitive basis through the development of unique capabilities (Ambrosini & Bowman, 2009) and business models (Chesborough & Rosenbloom, 2002).

Mobile networking refers to wireless protocols which provide wireless connectivity between devices, for example, a laptop maybe connected wirelessly to a printer via radio using the Bluetooth standard. Mobile networking encompasses a variety of technological approaches in terms of wireless encoding, data communication and networking

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Figure 1. Enterprise realignment: the aspects of legacy



protocols. The challenge for high technology firms seeking to enter this market is that their current organisational architecture (or business model) which has enabled success in their current markets may be a limitation for entering this emerging market.

This research takes a strategic approach and examines the business model development of high technology firms when entering emerging markets which are highly uncertain markets. The objective is to develop a theoretical framework for business model renewal based on a study which examines the organisational, management and strategic changes made by high technology firms entering an emerging sector.

BACKGROUND

The extent literature on strategic management and how firms compete puts great emphasis on a firm's capabilities. This perspective is the resource based view (RBV) of the firm and is based around the recognition and development of core competences (Prahalad & Hamel, 1990). Firms often have a competitive advantage based on capabilities specific to the firm (Lockett et al, 2009), which has enabled them to build credibility in a given market. With the market changes that are occurring in today's Information Age firms can find themselves in a situation where they are outside of their existing expertise and product base. This

requires them to alter their organisation in order to provide products and services to the new market i.e. it requires Enterprise Realignment involving regenerative dynamic capabilities (Ambrosini et al, 2009). This recognises that firms often seek to utilise their legacy which gave them credibility in the market by various means including sector expertise (Davenport et al, 2003) as shown in Figure 1.

One example from the field research of the influence of legacy on Enterprise Realignment is given by a company that was originally a technology manufacturer of high performance audio and video products requiring broadcast quality. The firm's legacy expertise has influenced their product development of Bluetooth firmware modules which are based around advanced DSPs (digital signal processors), that is derived from their technological capabilities developed in the broadcast field. In addition, their Bluetooth enabled handheld mobile devices and auxiliary devices utilises their core product capabilities of miniaturisation and ergonomically designed plastics.

The ability to renew competences in order to achieve congruence with the changing business environment is referred to as dynamic capabilities (Fahy, 2000 and Easterby-Smith et al, 2009). These dynamic capabilities are the engine which enables a firm to achieve new and innovative forms of competitive advantage (Eisenhardt & Martin, 2000). Dynamic capabilities are argued to be a key part of the rationale underpinning strategic management according to Teece et al (1997). They argue that a firm's focus should be on developing the firm's capabilities – not its products.

The focus here is on the changes made by high technology firms to enter emerging markets which are highly uncertain (Tidd & Bodley, 2002), in terms of the end product, the end user task and application. Technological uncertainty is recognised in the research literature (Veryzer, 1998), as one of the four dimensions of radical innovation - the others being technical inexperience, business inexperience and technology cost (McDermott

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