The business model in the practice of strategic decision making: insights from a case study

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Abstract

Purpose – Traditionally, management scholars have conceptualized the business model as a *locus* of innovation, planning tool, heuristic logic, or market device. However, so far, little is known about how the model is being applied in practice. To address this gap, this study aims to introduce a strategy-as-practice perspective and to explore the implications and limitations of applying the business model as a strategizing device.

Design/methodology/approach – A single-case study design was selected to explore the implications and limitations of using the business model as a strategizing device in a high-tech firm.

Findings – The business model provides a valuable structural template for mapping the current business model of a firm. However, in developing and discussing strategic options, it acts more as a symbolic artifact stimulating a creative decision-making process than as an analytic tool with a clear sequence of steps.

Practical implications – When working with the business model concept in practice, its technical and linguistic legitimacy is initially highly limited. In the process of gaining legitimacy, however, a collective lock-in to the current strategic identity may arise. Managers have to be aware of these limitations and need to achieve an appropriate balance within the organization.

Originality/value – The study introduces a social practice perspective into the business model debate, with a special emphasis on the implications and limitations of applying the business model concept as a strategizing device in a real-life setting.

Keywords Business model, Strategy-as-practice, Participatory decision making, Corporate strategy, Business enterprise, Modelling

Paper type Case study

1. Introduction

In doing strategy work, strategy practitioners use administrative, discursive, and episodic practices (Jarzabkowski, 2005). The recursive nature of practices often releases inertial forces within organizations that impede strategic change (Jarzabkowski, 2004). On an individual level, such forces are related to cognition, bearing the risk for strategy practitioners to ignore changes in their environment due to the inert mental models on which their perceptual filters are based (Hodgkinson and Wright, 2002). By breaking dominant frames and informing strategic thinking with new perspectives, strategy tools help strategy practitioners to overcome these

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cognitive limitations (Knott, 2006). The design of strategy tools typically embeds knowledge structures produced by prior academic research. The practical utility of these knowledge structures, however, is dependent on the pragmatic validity of the academic frameworks, tools or techniques that display this knowledge (Stenfors, 2007; Worren *et al.*, 2002).

1.1 The rise of the business model

In this regard, the business model represents a concept that has recently entered scholarly discussions within the fields of strategic management, innovation, and entrepreneurship. The framework has gained increasing importance as a novel concept illustrating a firm's core logic for creating and capturing value as well as the mechanisms underlying this logic (Chesbrough and Appleyard, 2007; IBM, 2006, 2008; Johnson *et al.*, 2008; Voelpel *et al.*, 2004). With this conceptualization, the business model provides an innovative framework that introduces a new perspective into the management discussion and thereby extends the previous knowledge structures within this field.

The dramatic increase in the number of publications referring to the "business model" since the late 1990s and early 2000s illustrates the rise in the interest in the concept (Zott *et al.*, 2011). The relevance of the business model, however, is not only limited to the academic debate. Recently, also practitioners have shown interest in the concept and have discovered the business model as relevant locus of innovation that goes beyond traditional product and process innovations (IBM, 2006, 2008; Johnson *et al.*, 2008; Teece, 2010). Moreover, in determining the value creation and value capturing logic, the business model is considered to have a considerable influence on firm performance (Baden-Fuller and Morgan, 2010). Entrepreneurship scholars, however, stress the relevance of the business model as a cognitive device. They propose the business model as a cognitive framework endowing entrepreneurs with a template for integrating and organizing strategically relevant elements, in order to successfully exploit a business opportunity – and to remain profitable in the long run (Baden-Fuller and Morgan, 2010; Chesbrough and Rosenbloom, 2002).

Despite its popularity, attempts to ground the business model concept in theoretical underpinnings or to offer empirical validation have remained limited (Demil and Lecocq, 2010; Zott *et al.*, 2011). Also, efforts to generate an integrated view of the business model concept have been rather rare (e.g. Alt and Zimmerman, 2001; Morris *et al.*, 2005; Shafer *et al.*, 2005). Hence, the current stream of literature on the business model falls short in offering any unified view of the concept resulting in high fragmentation of the field (for a review, see Zott *et al.*, 2011). The prevailing notion is characterized by inconsistencies and partly even contradictory definitions, mostly creating uncertainty about the relevance of the concept rather than contributing to any consensus (Alt and Zimmerman, 2001; Morris *et al.*, 2005; Shafer *et al.*, 2005). As a consequence, it is difficult to differentiate the business model framework from existing managerial concepts. Especially, the delineation from strategy is still ambiguous. In the past, there have been efforts to draw the line between the business model and strategy, but also to highlight the relatedness of both concepts (Casadesus-Masanell and Ricart, 2010; Magretta, 2002; Morris *et al.*, 2005; Sabatier *et al.*, 2010; Teece, 2010). Overall, on a macro-level, the business model can be described as a simplified description or reflection of a firm's strategy (Casadesus-Masanell and Ricart, 2010;

Flouris and Walker, 2005) describing the overall value creation and capturing logic of a firm (Morris *et al.*, 2005; Teece, 2010; Voelpel *et al.*, 2004).

However, in the past, the business model discussion has been dominated by conceptual studies illustrating empirical examples (Afuah and Tucci, 2001; Johnson *et al.*, 2008; Magretta, 2002). These studies have mainly been concerned with framing the boundaries of the concept and demonstrating its strategic relevance.

1.2 The quest for practice in the business model debate

Recently, scholars have suggested an emphasis towards comprehending the business model concept from a pragmatic perspective (Doganova and Eyquem-Renault, 2009; Perkmann and Spicer, 2010). However, there is still a lack in the understanding of the pragmatic validity of the business model as a device for strategy making, in particular for creating a viable logic of value creation and capturing, as well as in the social dynamics activated within organizational actors through its application. Previous research falls short in offering any micro-level perspective into the overall business model debate, thereby leaving open questions regarding the pragmatic validity of the business model concept for the actual work of strategy practitioners.

Hence, we argue that management research needs to contribute to a more sophisticated understanding of the pragmatic validity of the business model framework. In particular, the social dynamics activated by its application and its potential for breaking dominant cognitive frames need to be explored in strategizing practices, with a focus on the business model concept as a device for strategic decision making.

With the aim of contributing to this understanding, we introduce a practice perspective into the business model discussion by shedding light on human agency and the micro level of the business model (Jarzabkowski, 2005). In particular, within a case study of the carve-out of a new business unit, we explore the implications and limitations of using the business model concept as a basis for strategic decision-making. Specifically, in this study, the business model framework is used by a set of distributed actors (i.e. a decision making committee) as a device for mediating a participatory decision making process. Based on illustrating, highlighting, and discussing implications and limitations of applying the business model as a strategizing device throughout the case study, we propose future requirements for the development of the concept and contribute to the pragmatic dimension of the business model.

2. Strategy as social practice

Traditionally, strategy research has mainly focused on firm-level or macro-level perspectives (e.g. the resource-based view, institutional theory, diversification, or structure). Recently, a new perspective has emerged within the strategy field, placing the micro-level activities of the "actual work of strategy practitioners" into the centre of consideration (Johnson *et al.*, 2003). In particular, this emerging focus on strategy as practice (S-as-P) aims at understanding "the detailed processes and practices which constitute the day-to-day activities of organizational life and which relate to strategic outcomes" (Johnson *et al.*, 2003, p. 14).

With this new perspective, strategy scholars are reacting to the criticism on existing strategy research for still failing to provide a valid theory about how strategies are created (Jarzabkowski, 2005). S-as-P enriches the strategy field with a humanistic, behavioral, and interpretative approach (Gunn and Williams, 2007) which defines strategy as a "context-dependent, socially-accomplished activity constructed through the actions and interactions of multiple actors or groups within organizations" (Hendry *et al.*, 2010, p. 34). This new approach to the study of strategy reinterprets the five conceptions of strategy that have emerged in the past, including strategy as plan, ploy, perspective, position, and pattern (Hendry, 2000; Mintzberg, 1987), by relating them to the activities of strategy practitioners. S-as-P comprehends strategy as a flow of activities carried out by individuals or groups (Jarzabkowski, 2005) by which plans that define a consciously intended course of action are created (i.e. strategy as plan or ploy), dominant perceptions of the world are developed (i.e. strategy as perspective), organizations are aligned with their environment (i.e. strategy as position), or routines are established (i.e. strategy as pattern). Rather than explaining strategic outcomes, micro-strategy and strategizing are focused on organizational activities which constitute the basis and substance of these outcomes (Johnson *et al.*, 2003).

2.1 Interactive strategizing episodes and participatory decision making

Hence, according to the S-as-P perspective, strategy is constructed by discursive, administrative, and episodic practices that constitute the regular activities of organizations (Jarzabkowski, 2005). In general, strategic practices mediate interactions and are manifested in formal procedures that act as both material infrastructure and social artifacts (Jarzabkowski, 2003, 2005). Interactive strategizing, as opposed to procedural strategizing which is mainly concerned with the reproduction of the organization based on routines, is characterized by purposeful, face-to-face interactions between top managers and other organizational actors in which interpretations of strategy are negotiated. Through these practices, organizational actors construct shared frameworks of meaning. These meanings are directly related to the context in which the organization is embedded (Jarzabkowski, 2005). Interactive strategizing practices seem to be especially effective in stages of organizational transition or emergence in which existing strategies are altered or new strategies are created. This is mostly due to the fact that introducing and crafting a new strategy is a highly complex task that is connected with a lot of uncertainties and ambiguities (Hendry *et al.*, 2010). Strategy workshops often build the material infrastructure in which organizations embed their interactive strategizing practices; they typically have a ritual structure and are episodic in being temporally bounded. Also, they often build part of a wider strategizing process with the purpose of deliberating about strategic issues by temporarily removing involved actors from the daily working routines (Johnson *et al.*, 2003). Overall, the discourse within strategy workshops may operate both on a retrospective level, with the purpose of legitimizing and rationalizing past actions, or on a prospective level, with the purpose of building a shared framework of the future (Hendry, 2000; Hodgkinson *et al.*, 2006). Empirical evidence, however, suggests that strategy workshops are often directed towards issues related to strategy formulation and implementation. In the case of including distributed organizational actors, strategy workshops build an effective practice for linking formal design and informal emergence of strategy by allowing for negotiations and the creation of shared frameworks of meaning among participants, thereby promoting interpretative legitimacy within the organization (Hodgkinson *et al.*, 2006; Jarzabkowski, 2005).

In particular, the practice of participatory decision making, including strategic analysis, evaluation, and strategic choice (Eisenhardt and Zbaracki, 1992) can be interpreted as interactive strategizing practice that facilitates the sharing of perspectives and the exchange of knowledge between organizational actors (Carmeli *et al.*, 2009) which usually results in creative and comprehensive decision-making processes (Simons *et al.*, 1999). Participatory decision-making processes benefit from the cognitive arsenal of all participants involved (Carmeli *et al.*, 2009) and appear to be especially effective when organizational actors with diverse functional backgrounds, tenure, and experiences actively participate in the process (Simons *et al.*, 1999). The purpose to create a decision imparts a structured and sequential character to the discourse that takes place within the strategy workshop (Hendry, 2000). However, the meaning that is given to these decisions within strategic episodes is not durable and must continuously be renegotiated in order to ensure their interpretative legitimacy within the organization (Jarzabkowski, 2005).

On an individual level, decision makers generally represent complex strategic problems by schemata which are underpinned by strategic assumptions. Such cognitive maps are based on concepts and their cause-and-effect relationships, acting as mental models that mediate complex decision-making processes. Mental models, in turn, filter perceptions and simplify individual sense-making processes (Schwenk, 1988). In this context, building on Prahalad and Bettis (1986), the work by Schwenk (1995) argues that on an organizational level, decision-making processes are guided by shared schemata that reflect the dominant management logic within an organization. Such shared schemata, that underlie decision-making processes, run the risk of creating a tunnel vision leading to a mechanistic behavior and resulting in inflexibility and strategic drift (Fiol and Huff, 1992; Hodgkinson and Wright, 2002; Tripsas and Gavetti, 2000).

2.2 The instrumental and symbolic role of strategy tools

From a cognitive as well as discursive perspective, strategy tools play an important role in crafting strategy. Strategy tools can be described as knowledge artifacts, representing practical outputs of academic research that make strategy theory actionable through proposing a heuristic that guides strategic thinking processes (Stenfors, 2007). Strategy tools may inform strategic thinking with new perspectives and provide a structure for generating information and analyzing strategic problems, thus channeling strategic thinking processes within an organization (Knott, 2006). Managers use strategy tools as rationalizing devices to overcome cognitive limitations (Dequech, 2001; Gunn and Williams, 2007). Further, strategy tools represent useful means for coordinating and controlling strategic activities (Clark, 1997). Besides their rational and analytical role, in some contexts, the main role of strategy tools is symbolic in stimulating interaction in which shared frameworks of meaning are produced (Spee and Jarzabkowski, 2009). In particular, it is through language that strategy practitioners negotiate shared meanings, make their cognitions explicit, articulate their perceptions of the environment, and thereby legitimate their choices (Samra-Fredericks, 2003). Academic concepts, tools, and techniques used in interactions partly shape the language that is used in interactive strategizing practices (Jarzabkowski, 2005), direct the attention to specific concepts, and prioritize them (Fiol and Huff, 1992; Knott, 2006). By providing a common language for strategic conversations, strategy tools are highly relevant for improving organizational translation processes and for enabling knowledge sharing and integration among organizational actors (Barry and Elmes, 1997; Carlile, 2002, 2004). Through these social processes, in which shared frameworks of meaning are created, the intended strategies are legitimized (Hendry *et al.*, 2010; Jarzabkowski, 2005). Moreover, Jarzabkowski and Wilson (2006) argue that the theoretical concepts and frameworks used in strategizing practices have a lasting effect on both long-term and short-term organizational objectives (Hickson *et al.*, 1986; Mintzberg and Waters, 1985; Rumelt *et al.*, 1991). Similarly, also the content that is created in strategic episodes is dependent on the strategic tool that is used as a facilitator for the work of strategy practitioners (Roos *et al.*, 2004). Furthermore, it is argued that the effectiveness of strategy tools depends on their integrative capability with respect to factors that are relevant for the specific decision-making task (Fiol and Huff, 1992). Overall, prior research suggests that the allocation of managers' attention to specific concepts influences the shared frameworks that are created by organizational actors (Bentzen *et al.*, 2011; Cohen *et al.*, 1972).

Examples for strategy tools that dominate today's management practice are for example the value chain analysis, Porter's five forces, SWOT analysis, and critical success factor analysis (Gunn and Williams, 2007; Hodgkinson *et al.*, 2006; Knott, 2006). All these tools can be distinguished based on their focus and objective. Nevertheless, what all these tools have in common is their widespread technical, cultural, and linguistic legitimacy within organizations (Campbell, 1997).

3. Exploring the business model as a strategizing device

Similarly to the examples mentioned previously, we argue that the business model framework can equally serve as a potentially powerful device for mediating interactive strategizing practices, such as participatory decision-making. In particular, by reflecting the value creation and value capturing logic of a firm, the business model framework captures a novel heuristic logic and may thus have the capacity to break dominant cognitive frames by introducing a new perspective into strategic thinking.

3.1 Key characteristics of a popular concept

The business model concept reaches out beyond the traditional firm-centric focus, by considering external stakeholders within its conceptual boundaries (Amit and Zott, 2001). This broad lens seems to be especially relevant in today's business environment, which has become increasingly integrated and boundary-spanning, therefore implying a need for conceptual responses. Besides its broad and comprehensive conceptual frame, the business model is further characterized by the interdependent nature of its constituting elements, i.e. the components of the business model (Baden-Fuller and Morgan, 2010; Casadesus-Masanell and Ricart, 2010; Hedman and Kalling, 2003; Linder and Cantrell, 2000; Magretta, 2002; Petrovic *et al.*, 2001; Shafer *et al.*, 2005; Viscio and Pasternack, 1996; Yunus *et al.*, 2010). The business model concept has the capacity to map the current stages of a firm, but also to project and brainstorm around a firm's desired future stages (Doganova and Eyquem-Renault, 2009; Lange *et al.*, 2007). Accordingly, the business model does not only provide a useful framework for creating a new business model in the context of a newly founded firm, but might also serve as a facilitator for innovating the existing business model of an established firm. In crafting a firm's value creation and value capturing logic, the interdependent nature of the components that build the constituting elements of the business model (i.e. the components of the business model) is of special importance, since a change in one component has lasting effects on the overall business model. Overall, among the constituting elements, the value proposition is considered as the component with the strongest lever (Chesbrough and Rosenbloom, 2002; Johnson *et al.*, 2008; Rayport and Jaworski, 2001).

Although there have only been limited efforts to theoretically ground the business model, contributions that base the concept on theory agree on its integrative theoretical nature. In particular, the business model concept seems to unify previously distinct streams of literature, such as the resource-based view, the value chain framework, industrial organization economics, transaction cost economics, and strategic network theory (Amit and Zott, 2001; Hedman and Kalling, 2003; Morris *et al.*, 2005). Hence, by virtue of its integrative nature, the business model concept can be regarded as being not biased by any specific strategic management theory. Instead, it represents a neutral and balanced framework that is based on value drivers that, in turn, have their origin in different schools of thought. With the characteristic of incorporating value drivers that refer to the internal, intermediate, and external sphere of the firm, the business model provides a boundary-spanning lens that remains firm-centric but at the same time also considers external stakeholders involved in the value creation process within its conceptual boundaries (Amit and Zott, 2001). Overall, the strength of the business model concept results from its holistic nature that consolidates both a firm's value creation and economic logic.

3.2 The potential of a novel framework

Overall, the business model concept has the potential to inform strategy practitioners with an innovative and holistic perspective allowing to mediate interactive strategizing episodes (e.g. workshops, board meetings, or brainstorming sessions) in a creative and effective way by breaking dominant cognitive structures prevailing within an organization. Ultimately, the business model framework provides a heuristic logic for negotiating and creating shared frameworks about a firm's future value creation and capturing logic among organizational actors.

Hence, we suggest the business model to be taken towards a S-as-P perspective for contributing to an understanding of the implications and limitations of using the business model framework as a strategizing device. In particular, we contribute to this understanding by exploring the dynamics that the use of the business model framework triggers among organizational actors, especially when acting as a mediator of interactive strategizing episodes.

In this context, we conducted a case study of a technology-based firm that decided to establish a new business unit for the commercialization of an innovative technology and, therefore, initiated a deliberate and systematic decision making process for creating a sustainable value creation and capturing logic for this unit. Within this case study, we observed a mixed committee, consisting of both executives and managers of the firm who decided to use the business model framework as a basis for their decision making process. Based on the insights gained by our observation, we discuss the implications and limitations of applying the framework as a strategizing device. Finally, we provide recommendations on future requirements for enhancing the effectiveness of the business model framework.

4. Research design

The contradiction of the business model becoming an increasingly popular term, yet at the same time lacking a clear understanding of the implications and limitations of being used as a strategizing device, represents the starting point for this research (Poole and van de Ven, 1989).

To explore dynamics in using the business model as a strategizing device, a case study design was selected (Eisenhardt, 1989; Yin, 1994). Case studies provide a meaningful methodological approach especially in times when existing perspectives seem inadequate due to little empirical substantiation or if prevailing views conflict with each other or common sense. Case study research is also regarded as appropriate in the early stages of a research area or in order to provide freshness of perspectives to an already researched topic (Eisenhardt, 1989). Furthermore, a single-case, embedded design with multiple levels of analysis is applied, allowing richer and more multifaceted insights to be generated (Klein *et al.*, 1999; Yin, 1994). In particular, following the example of Harrison and Leitch (2000), participatory action research was selected as the process for collecting the case material. As such a process facilitates continuous learning not only for involved researchers but also for all parties of a project (Greenwood *et al.*, 1993), this allowed the researchers to provide guidance and assistance in applying the business model as a strategizing device (see also Eden and Huxham, 1996; Roos *et al.*, 2004; Schön, 2006).

4.1 Empirical setting

The object of study was the company TECHFIRM[1] (see Table I), an international, high-tech firm focusing on multimedia products and solutions. In particular, challenged by the commercialization of a novel technological innovation, the firm was in the process of setting up a new business unit (with the aim of a potential spin-out) and had in this context initiated a study with the aim of deliberately searching and formulating a novel business model. The authors of this study accompanied the process over a period of 16 months (January 2009 to April 2010). Key actors in the process were the members of the decision-making committee, a selected group of executives and managers, to whom the authors of this study had close access throughout the period (see Figure 1). Although the authors of this study were able to attend and partly assist in the process, e.g. through providing support in documentation and material development for structuring the analysis, the authors

TECHFIRM's quest for a new business model	
2000-2008	TECHFIRM had been experimenting with a novel multimedia technology, allowing image transmissions at higher speed and quality, opening the door for the firm to enter a potential stand-alone product business
2008	A special task force for investigating commercialization opportunities had been established. The result was that any business around this new technology would be difficult to align with the firm's current strategy that a new business model was needed
2009	The management board launched a study to assess and evaluate opportunities for a new business model and decided to found a new corporation for this purpose. The search for the business model should independent of the parent firm's existing strategy. Therefore, a new methodology was needed

Table I.
Problem setting

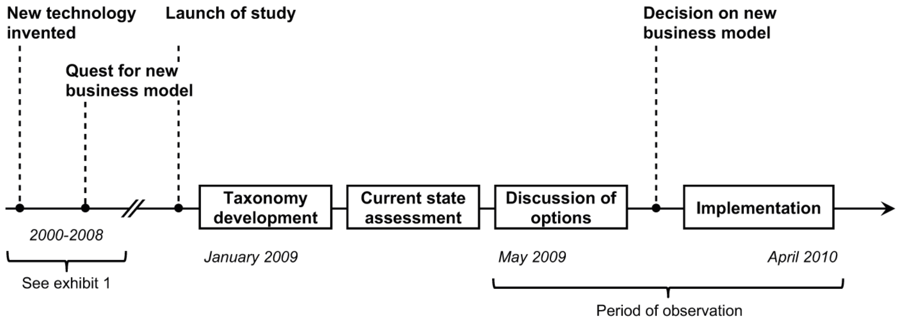


Figure 1. Timeline of case TECHFIRM

were purely in observing roles as far as any decision-making process was concerned. In that sense, the process of participatory action research was conducted during earlier stages of the project, and served as a trigger for gaining access to the case study's material infrastructure during later stages of the project.

4.2 Data collection

The key actors involved in the decision making process (i.e. strategic analysis, evaluation, and strategic choice) represented the primary data sources of this study. Building on interactions with members of the committee (i.e. observations, discussions), data were collected in notes, shared documents, and e-mail communication as well as board presentations and other strategy workshops. Primary data collection was iterated until saturation could be observed, i.e. when marginal improvement in insights gained became small (Eisenhardt, 1989). Secondary data sources consisted of archival data such as annual reports, press releases, technical documentation, strategy documentation, market research, and newspaper articles collected throughout the period. Hence, data could be triangulated between real-time observations and retrospective data, allowing the establishment of a chain of evidence, and thereby strengthening construct validity (Yin, 1994).

5. Structuring strategic decision making around the business model

In the following section, the case study of TECHFIRM's search for the value creation and value capturing logic of a new business unit as well as the process of the related decision making process is documented. The case illustrates the journey of a firm and its decision-making committee from the identification of a new technology, with the potential to enter into a different type of business on the market, through the decision to deliberately look for a new business model for a newly founded, separate organizational structure, to the implications and limitations of using a business model-centered methodological framework for facilitating a strategic decision making process. Furthermore, insights will be discussed, serving as the basis to generate initial propositions.

5.1 Initial situation

Founded in the 1960s, TECHFIRM has developed into a leading worldwide player in the professional market for multimedia products and solutions and has gained extensive experience in product design, project management, and system support.

During the past decade, a sub-group of TECHFIRM had been experimenting with a novel multimedia technology, allowing digital image transmissions at higher speed and quality. The new technology was deployed in a narrow range of branded products embedded in solutions. However, the technological performance and potential for cost reduction would open the door for the firm to enter a stand-alone standard product business. In 2008, a special task force had been established to investigate commercialization opportunities and alternatives for related operating models based on the new technology. The task force relatively quickly came to the conclusion that any further pursuit of this new technology would be so fundamentally different from the perspective of the firm's current business that it would be difficult to align with the firm's current logic. Therefore, the commercialization of the new technology within the existing structures was not considered as appropriate. Hence, consensus was reached on the insight that a fundamentally new business model, detached from any existing structure, was needed.

In early 2009, the management board launched a study to assess and evaluate opportunities for building a new business model around the new technology. In order to achieve this from an organizational perspective, a new corporation to drive the new business model was supposed to be founded with the potential to create a spin-off. To shape the new corporation, no existing logic should be inherited but a clear change and "out-of-the-box" development of a new one was envisioned. However, the key challenge consisted of finding a model to create value in horizontal, high-volume markets. In particular, there was an overall perception that the new business model would have significant differences to other strategic orientations of TECHFIRM, e.g. in terms of strategic positioning, operating model, or geographic focus. Therefore, the management board decided that any ideation and thinking within the boundaries of TECHFIRM's existing strategy would not lead to the desired results, as these would be based on existing and dominant management logic. In order to enter truly new strategic episodes, the committee needed an environment for de-contextualization, allowing team members to break out of existing cognitive frames (such as, e.g. a traditional product market strategy). A methodology for deliberate interactive strategizing around the underlying logic for creating and capturing value was needed (for an overview, see Table I).

5.2 Strategizing context

Meetings and workshops built the material infrastructure of the interactive strategizing episodes. These strategic episodes allowed the committee to go beyond normal routine structures of discourse, communication, and hierarchy and to engage in a reflexive but also teleological strategizing process (Luhmann, 1986, 1995). The participants involved were eight members of the committee, including the chairman, chief executive officer, and the people responsible for business development, research and development, production, sales, marketing, and finance.

5.3 Preparing the analysis around the business model as a framework

TECHFIRM's aim was to decide on the business model of the new business unit by the practice of participatory decision-making that included several executives and managers of the firm, together forming the decision-making committee. The authors' role was facilitative in introducing the business model concept as a novel strategizing device, allowing the committee to structure the strategic thinking process in a novel way. In particular, the situation required the application and potential refinement of an established construct relying on a background of research and theorizing, as opposed to developing a novel framework and methodology. The board acknowledged the fact, that working towards a new product market strategy would by definition take place in conformance with the firm's current strategy and would be strongly biased by current norms and beliefs. As there was an opportunity to basically start a new business from scratch, the board was committed to working with a new concept – the business model – to guide strategic thinking.

Acknowledging the previously discussed plethora of partly complementary, partly contracting business model conceptions out in the field, it was decided not to come up with a new framework but instead to try to synthesize a model that would:

- be solely based on previous contributions to the business model literature, i.e. not inventing anything conceptually new;
- be as broad as possible, both in terms of theoretical lenses, as well as scope of the firm; and
- given the fragmentation of the field of existing conceptions, not claim to be fully exhaustive but rather manageable (or as said during the meetings, "it needs to fit onto one single page").

Hence, the basis of deriving the framework was based on combining a set of theory lenses underlying the business model notion, i.e. general debates from strategy literature, together with a different perspective of the firm, i.e. allowing for a multilevel observation, and not limiting the unit of analysis to being solely inside the organization (as discussed in section 3). This resulted in a two-dimensional framework of analysis. In particular, the assisting contribution of the authors was to scrutinize the extant body of literature on conceptions and the definition of the business model along five dimensions of general theory debates: the value chain concept, the resource-based view of the firm, industrial organization, the transaction cost theory, as well as the strategic network theory (see section 3). Combined with distinguishing between "inside" the firm, i.e. the intra-organizational perspective, "outside" the firm, i.e. parties that contribute to the value creation and capturing logic of the firm, as well as the "interface" of the firm and its environment, i.e. questions related to how the firm interacts with other players in the ecosystem, the identified business model components from literature were scrutinized and resulted in the final structure. This led to a taxonomy of ten sub-areas (see Figure 2).

The resulting taxonomy consists of a snapshot summary of the observed firm's business model, where the ten sub-areas based on the different theory lenses represent the highest abstraction within a layered structure. In particular, the abstraction along the theory lenses forms the first out of three structural layers, whereas the second layer represents a subdivision into 24 managerial themes, which, in turn, are backed by a total of 102 elementary business model components, as identified in the literature (see Figure 3).

5.4 Snapshot and parametrization of original business model

This taxonomy was used as a basis for a simple template with the aim of disentangling and illustrating the current business model of the firm and, thereby, facilitating a

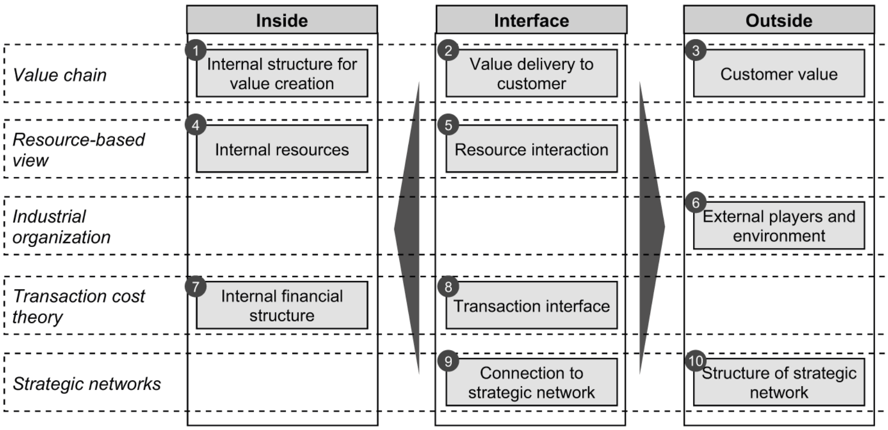
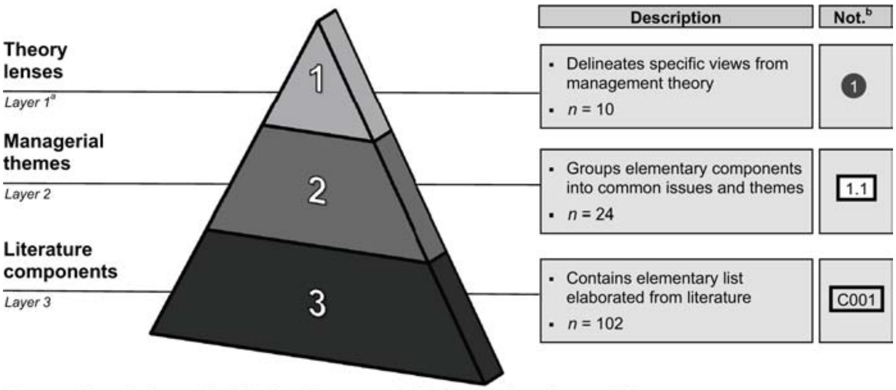


Figure 2.
Business model taxonomy



Notes: [a]Level 0 equals "the business model"; [b]Notation (example)

Figure 3.
Layered structure of taxonomy

parametrization, i.e. the deliberate variation of single elements of the current business model to generate options for new ones. The template for the existing business model was filled in during two joint workshops with the committee over a three-week period. The document was iterated during one-to-one discussions until consensus was reached. The resulting template represents a snapshot of how the committee describes the original, current business model of TECHFIRM on a single page (see Figure 4).

6. Observing the decision making

Following Johnson *et al.* (2008) who argue that, first and foremost, a detailed understanding of the existing business model is needed in order to "come up with a great way to help people get an important job done" (p. 52), the discussion was initially structured around the current state analysis and started developing options and scenarios for new business models. To do so, the workshop participants built on the filled-in template of the current state assessment as a point of departure, using it as a mediating device for interactive strategizing.

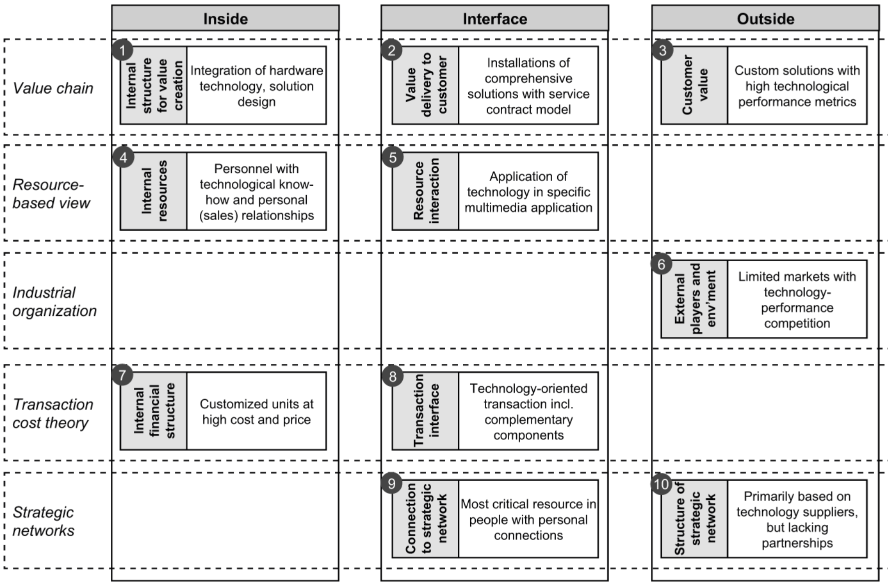


Figure 4.
TECHFIRM's original business model snapshot

In particular, the decision-making process contained the discussion of options which ultimately led to the decision on a new business model (see Figure 1). The shared framework (i.e. the business model selected) subsequently served as a reference point for informing and initiating the implementation process. This process, in turn, was backed by the interpretative legitimacy gained through the commitment of involved distributed actors. On the journey towards this decision, the members of the committee went through various phases of interaction and socialization. In particular, six distinct stages of team dynamics were observed, all of which represent specific ways of working with the business model concept (see Figure 5).

6.1 Stage 1: abstraction skepticism

Despite the initial agreement within the committee on the need to structure strategic thinking around the business model instead of structuring it around product market strategies, the actual use of the business model framework as a strategizing device turned out rather cumbersome in the beginning. In particular, once confronted with a visual representation of the business model framework, the team needed to overcome

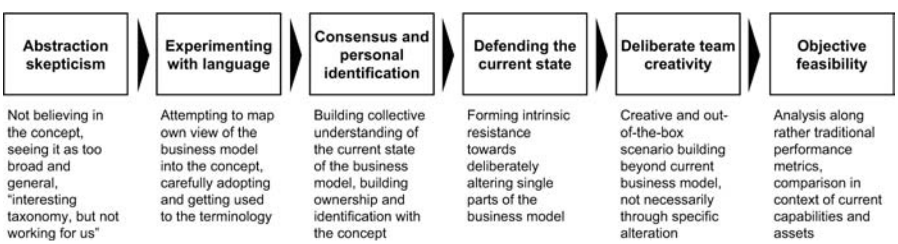


Figure 5.
Observed stages of business model-centric interactive strategizing within the decision-making committee

some initial level of skepticism with regard to its usability. The initial reason for getting into the business model as a unit of analysis, i.e. being able to understand the firm's overall logic of creating and capturing value in much broader terms and to inform strategic thinking with a new perspective, was suddenly perceived as having a too wide span and as being too generic. It was seen as an "interesting taxonomy, but not working for us." However, the decision was made to further pursue the analysis, although there were still some reservations out there.

6.2 Stage 2: experimenting with the language

However, after some deep contemplation on the business model concept, the workshop participants gradually started to overcome their initial skepticism and began carefully to experiment with the concept. In attempting to capture the current reality of the business model within the business model template, the members of the decision committee started gradually to adopt the "language" of the business model, i.e. building analogies between their own ways of describing the business and the terminology introduced by the business model framework (such as "customer value proposition," "transaction interface," or "profit formula"). Deliberate experimentation with the set of notions and constructs related to the business model concept helped the team to overcome their initial skepticism and to even start seeing benefits in what they had previously criticized, such as the generality of the concept.

6.3 Stage 3: consensus and personal identification

With the aim to develop a shared understanding about the current state of the firm's value creation and capturing logic by using the new language in working within the business model template, the decision making committee was forced to reiterate until collective agreement was reached. Once lengthy discussions were over and some inevitable compromises were agreed on, a collective consensus with regard to the current business model of the firm was reached. In this stage, the participants of the workshop did not only accept the result but started to build ownership and personal identification with the concept as the overall picture now contained elements such as "my part of the business model," "our value proposition," or "our talented team." In particular, the business model framework was suddenly increasingly used internally as a communicative and persuasive device, serving workshop participants to discuss current activities, e.g. with the R&D team. Furthermore, managers experienced and articulated a certain degree of satisfaction with regard to this exercise, since the formalization and synthesis of the business model into a "one-page" document seemingly had forced them to objectively, yet analytically, reflect what they and their teams were actually doing.

6.4 Stage 4: defending the current state

This, in turn, led to a somewhat unexpected situation when attempting to collectively move forward from analyzing the current state towards building scenarios. The creation of ownership in the collectively formalized, current-state view of the firm's existing business model had not only led the team to a shared understanding, but furthermore to some kind of emotional linkage. Members of the board had seemingly "fallen in love" with the existing value creation and capturing logic, making them suddenly rather defensive when the discussion about changing the model was initiated. Hence, the idea of taking the current state of the business model as a basis for, finally, deliberately experimenting with alternative logics by altering single components or parts, suddenly did not seem to be what they wanted to do any longer. Attempts to modify or even discuss single elements of the business model were perceived as being more disturbing than creative.

6.5 Stage 5: deliberate team creativity

Once the workshop participants had collectively reminded themselves of the initial purpose of this exercise, which was to use the mapping and documentation of the current state solely as a basis for further deliberate modification, and not to see it as any major result itself, the decision making committee was able to depart from the defensive mode and became sufficiently audacious to act creatively. However, the stage of creating alternatives by modifying single parts in the business model template, either a few or many, was not followed by the committee in any structured manner. Instead, driven by the creative dynamics of the entire team, a less structured ideation phase of coming up with totally new ideas and models was entered. The team started on blank sheets of paper, brainstormed, and sketched. And while doing so, the overview of the existing value creation and value capturing logic was pinned on the whiteboard, and used as a reference point – however less in the sense of "this is what we take and modify," but rather of "this is what it should not look like." Hence, the workshop participants, on the one hand, tried to escape the current business model by coming up with completely distant scenarios in a creative way. On the other hand, the understanding of the existing business model, as the result of previous analyses, assessments and discussions, was not fully abandoned but merely represented a symbolic image the team felt it should not come too close to, in order to interactively come up with a new logic that would truly go beyond anything that already existed.

6.6 Stage 6: objective feasibility

Once the team has completed the creative ideation phase and had interactively created a set of alternative business models, the decision-making became highly analytical and much less creative again. In discussing and comparing the set of potential options against each other, subjective emotions on ownership or creativity seemed suppressed and the analysis started to be conducted along objective criteria. Through analyzing and discussing the set of business model candidates in the context of the firm's current capabilities and assets, potential market shares, or growth rates, the shortlisting of options seemed more like a rather traditional feasibility study.

7. Discussion

Overall, the company went through a process of gradually adopting the business model framework as a structural template for mapping the existing logic of value creation and capture. In addition, the framework served as a symbolic device for stimulating interactions among workshops participants, by which strategic options were created and discussed. After an initial phase of skepticism and reservations in terms of its technical and linguistic legitimacy, the mapping of the prevailing business model resulted in some familiarization with the concept which was accompanied by an increase in its technical and linguistic legitimacy (Campbell, 1997). During the journey from creating and discussing strategic options for a new business model to when the final decision was reached, the business model concept could be perceived as a valuable facilitator for the committee for achieving the ultimate goal, yet in a different way than initially intended.

7.1 The symbolic role of the business model

Although changing single elements of a business model has the potential to dramatically alter the overall business model, the discussion of each component was perceived as too incremental and, therefore, abandoned as a methodology. Hence, the true "practice of business modeling" as perceived in this particular case did not rely on the conceptual template of the business model as a tool or technique but rather as an image. The true ideation and development took place beyond any business model structure, was conducted on blank paper, and from scratch. Hence, the business model, in a way, failed as a strategic tool since it was not used in a systematic way, following certain steps. Rather, it played a symbolic role in serving as a boundary object for mediating and facilitating strategic discourses by which frameworks of meaning were shared throughout the organization (Carlile, 2002, 2004). In particular, the model did not only depict the firm at a boardroom level but provided a language allowing R&D, marketing, sales, and finance to speak the same language. In line with Barry and Elmes (1997), a common language for strategy conversation was provided which, in turn, represents a foundation for embodying strategy within the organization and enacting it. In that sense, the business model represented a concept, which seemingly provided a reference point and boundary object for strategic thinking and decision making, however rather symbolically than analytically[2]. Ultimately, the pragmatic validity of the business model framework was restricted to its performance as a mapping device as well as to its symbolic role in stimulating negotiations beyond existing dominant cognitive frames. In particular, the framework showed strong limitations in serving as an analytic technique for structuring strategic thinking and decision making in a formal, step-by-step approach.

7.2 The gravitation towards collective identity

Hence, from a perspective of bringing strategy into actionable practice, the business model concept allowed the organization to collectively develop the degree of added identity needed to pursue novel horizons of change. In other words, forcing oneself to formalize current activities within the business model framework allowed organizational actors to make implicit understandings explicit through structure, illustration, and comparison, thereby creating a more comprehensive sense of urgency. The committee had struggled with the overall issue of finding an effective logic to commercialize the innovative technology internally for quite a while and working through the business model framework supported the CEO and chairman of the board in internally creating an awareness of the fundamentally different underlying businesses and the resulting mismatch. They had the feeling something did not really fit in the first place, but the business model-oriented view helped them to more clearly see and understand what the problem was about (i.e. "what is a business model, and how could we map ours?"), thereby driving a more focused discussion. Hence, not only did the business model framework provide a communicative, mediating device for building a shared meaning, but furthermore also allowed the organization to generate strategic commitment and identity (Gardner, 1996; Martin and Powers, 1983).

8. Conclusions

Based on studying the case of TECHFIRM's decision making process with respect to the creation of a novel value creation and capturing logic for a new business unit, we observed the implication and limitations of using the business model concept as a strategizing device for mediating interactive strategizing episodes. In particular, after the business model had gained linguistic legitimacy within the committee, the framework provided the workshop participants with a common language for strategic thinking from a new perspective. At the same time, however, its use fostered identity formation towards the status quo in parallel. This gives rise to a challenging tension in working with the business model as a strategizing device.

8.1 The trade-off between linguistic legitimacy and identity lock-in

Overcoming the linguistic barrier in legitimizing the business model as a novel strategizing device can be regarded as a necessary, however not sufficient condition. Instead, in the process of gaining legitimacy when organizational actors become more familiar with the concept and its language, the pendulum tends to swing the other way, i.e. turning the shared meaning into a collective lock-in to the current strategic identity. In other words, once the linguistic legitimacy barrier seems to have been overcome, the decision making committee starts to adopt the new language (and acknowledges its symbolic power), but at the same time inertial forces emerge around a newly formed identity. This may be due to the fact that the familiarity gained with the new device tends to be strongly linked with the environment experienced in getting there. For instance, understanding how to work with the notion of a customer value proposition applied to one's own business area gives rise to inherent emotional linkages between concept and area of application. Hence, a familiarization effect enters the stage and identity sub-maps are activated which, according to previous evidence, are the most difficult ones to change (Fiol and Huff, 1992). In this way, organizations can become trapped by their current identity (Bouchikhi and Kimberly, 2003), impeding the departure towards any new logic of value creation and capture, which would be needed for realizing the potential of an innovative technology.

As these inertial forces, in turn, may become costly to overcome, one needs to manage a delicate balance between the linguistic legitimacy barrier and the identity lock-in (see Table II). Particularly, as the business model concept tends to span a broad variety of stakeholders within and beyond the organization, the identity lock-in can be particularly cumbersome (i.e. compared to less comprehensive strategy tools).

Linguistic legitimacy barrier	Identity lock-in
No experience with the proposed strategy tool	Gained familiarity with the new tool strongly linked with experienced domain of application (e.g. the current state assessment)
Perceived high switching costs to new tool	Perceived exclusive relatedness of tool to status quo
New tools assumed as inferior to previous one, e.g. "too generic" or "of too wide a span"	Changes within elements of framework requires emotional audacity

Table II.
Trade-off between linguistic legitimacy barrier and identity lock-in

8.2 Managerial implications

With its integrative and comprehensive nature, the business model has the potential to act as an effective boundary object for mediating interactive strategizing episodes. Since many strategy practitioners have limited experience in using the business model as a strategizing device and are unfamiliar with its language, the pragmatic validity and effective use of the business model implies an initial phase of familiarization in order to enhance the linguistic legitimacy of the concept. To avoid an identity lock-in which may reveal inertial forces that constrain change, the technical use of the concept has to be clear from the beginning. One way of achieving this may be to develop the business model from a conceptual framework into a strategic technique by breaking it down into a specific subset of steps and tools (e.g. guidelines or checklists). In doing so, strategy practitioners may be able to gain better control over the balance between structure and emotions as well as to benefit from the framework's analytic power, e.g. through formalizing the specific process steps and strategic episodes which the decision making committee needs to navigate through. Hence, from a S-as-P perspective, the business model as a concept shows strong potential as a mediating device for interactive strategizing, yet with limitations in terms of its current appropriability.

8.3 Further research

In this context, considering the single case element of this study, further scholarly contributions are required to enhance the generalizability of our results and to improve the pragmatic validity of the business model framework overall. In particular, additional research is needed in order to further derive specific strategy process steps from the business model concept, allowing the preservation of its boundary-spanning mapping power on the one hand, but at the same time complemented by specific actionable building blocks, leading to the decision of preferring one scenario above another. The ultimate choice in the discussed case study was made along rational and traditional metrics and not along the model *per se*. However, the journey of getting there was strongly impacted by the wide scope of the concept.

Further research needs to deal with the technical aspects of how to systematically use the business model in order to improve its effectiveness. Cooper (1979) stresses the importance of high quality and complete information for effective decision making and indicates the relevance of specific activities related to each stage within the decision-making process that provide the relevant information in order to proceed to the next stage. Hence, in future studies an understanding has to be developed about the steps, the related activities and the information that is needed for enhancing the analytic strength of the business model for strategic decision making (Knott, 2006) and, moreover, for gaining better control over the balance between structure and emotions. Future research should further test the linguistic legitimacy of various business model frameworks that are proposed by management scholars in order to identify the framework that is most preferred by organizational actors. In addition, the effectiveness of different representational modes of the business model require further attention by management practitioners, in order to enhance pragmatic validity (Worren *et al.*, 2002). Besides its usefulness for mediating interactive strategizing episodes, future studies may also need to investigate the relevance and effectiveness of the business model framework for procedural strategizing practices. For all this, a close cooperation between management scholars and practitioners is needed.

Previous theory suggests that a comprehensive search for strategic alternatives has an impact on the performance of the firm (Bourgeois and Eisenhardt, 1988). Against this background, the business model remains an interesting concept for managerial practice. In reaching out beyond boundaries of the firm, linking discussion on internal resources with the external environment and building consensus around this, the business model has the potential to become a powerful tool for joint and collective strategy work.

Notes

1. Name of company changed for reasons of anonymity.
2. Previous research has acknowledged this as highly important for strategic leadership and the generation of large-scale strategic change (Barrett *et al.*, 1995; Ford and Ford, 1995; Hendry, 2000; Liedtka and Rosenblum, 1996).

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