Business Model Evolution: In Search of Dynamic Consistency

Benoît Demil and Xavier Lecocq

The business model concept generally refers to the articulation between different areas of a firm’s activity designed to produce a proposition of value to customers. Two different uses of the term can be noted. The first is the static approach - as a blueprint for the coherence between core business model components. The second refers to a more transformational approach, using the concept as a tool to address change and innovation in the organization, or in the model itself. We build on the RCOV framework - itself inspired by a Penrosian view of the firm — to try to reconcile these two approaches to consider business model evolution, looking particularly at the dynamic created by interactions between its business model’s components. We illustrate our framework with the case of the English football club Arsenal FC over the last decade. We view business model evolution as a fine tuning process involving voluntary and emergent changes in and between permanently linked core components, and find that firm sustainability depends on anticipating and reacting to sequences of voluntary and emerging change, giving the label ‘dynamic consistency’ to this firm capability to build and sustain its performance while changing its business model.

Introduction

The term business model (BM hereafter) has flourished in the managerial literature since the end of the 90s, especially with the emergence of the Internet and its massive adoption for e-commerce. Generally speaking, the concept refers to the description of the articulation between different BM components or ‘building blocks’ to produce a proposition that can generate value for consumers and thus for the organization. Broadly, two different uses of the concept can be identified. The first refers to what we might call a static approach. Essentially, this insists that the important word in the expression is ‘model’, and thus on the coherence between its core components. In
this approach, a BM is ultimately a blueprint - even a recipe - that fulfills important functions such as enabling description and classification. For instance, the generic BMs of low cost airlines are now well documented and regularly referred to as a coherent set of choices that offer the potential for superior performance. In this view, a BM synthesizes a way of creating value in a business. This stream helps to describe how an organization functions and generates revenues - more precisely, it assists managers to conceptualize the different activities their company employs to generate value and its mechanisms for value creation.

The second use of the concept represents a transformational approach, where the BM is considered as a concept or a tool to address change and focus on innovation, either in the organization, or in the BM itself. In particular, new BMs have been acknowledged as radical innovations with the potential to shake whole industries: Raff, for instance, has noted how the superstore models of Borders and Barnes and Noble alarmed the American book retailing sector. In this approach, a sustainable BM is rarely found immediately, but requires progressive refinements to create internal consistency and/or to adapt to its environment - as Winter and Szulanski argue: ‘The formula or business model, far from being a quantum of information that is revealed in a flash, is typically a complex set of interdependent routines that is discovered, adjusted, and fine-tuned by ‘doing’”.

Each of these stances is interesting and has strengths - but also weaknesses. On the one hand, the static view allows us to build typologies and study the relationship between a given BM and performance. From the managerial point of view, it gives a consistent picture of the different BM components and how they are arranged, which can then be communicated and understood (which can be particularly important for entrepreneurs aiming to win the confidence of investors). But static approaches are often unable to describe the process of BM evolution since they do not aim to. On the other hand, the transformational view deals with this major managerial question, and thus can help managers reflect on how they can change their BMs. But (as both Yip and Teece point out) it tends to mobilize the BM concept to discuss change rather than looking at how business models change themselves: those (rare) articles dealing with this feature tend to focus on a given BM component — such as Raff on the evolution of the capabilities, Winter and Szulanski on the role of routines, and Johnson et al. on the change in value propositions — but to overlook the interactions between components which Tikkanen et al. note as the hallmark and usefulness of the static approach.

In this article, we try to reconcile these two approaches to address the question of how a BM evolves, looking particularly at the dynamic created by the interactions between its building blocks. To handle this question, we adopt a deductive approach to identify first the BM’s component parts — corresponding to the static approach - and then to deduce how these components change at the organizational level. To do so, we build on Lecocq et al.’s RCOV framework which was inspired by the Penrosian view of the firm. Our interest in Penrose’s work lies in her dynamic view of the growth of organizations, and her delineation of the different core components of a firm which allows us to explain firms’ growth process by theorizing about the dynamics between these components. Following Siggelkow’s argument that illustrative cases assist conceptual contributions by allowing us to ‘get closer to constructs and be able to illustrate causal relationships more directly […] and to unravel the underlying dynamics of phenomena that play out over time’, we illustrate our framework with the case of English Premier League football club Arsenal FC (see Exhibit 1).

The choice of sector and case organization are justified by the important changes occurred during the last ten years (our study period) in these settings. Professional football has become an important economic sector, particularly in England where Premier League revenues grew five-fold between
دریافت فوری متن کامل مقاله

امکان دانلود نسخه تمام متن مقالات انگلیسی
امکان دانلود نسخه ترجمه شده مقالات
پذیرش سفارش ترجمه تخصصی
امکان جستجو در آرشیو جامعی از صدها موضوع و هزاران مقاله
امکان دانلود رایگان ۲ صفحه اول هر مقاله
امکان پرداخت اینترنتی با کلیه کارت های عضو شتاب
دانلود فوری مقاله پس از پرداخت آنلاین
پشتیبانی کامل خرید با بهره مندی از سیستم هوشمند رهگیری سفارشات