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This article distinguishes between a firm's corporate business model and business models of its various business units. Our aim is to provide new insights into how executives' cognitive processes can influence corporate business model transformation decisions. We focus especially on top managers' recognition of inter-organizational cognitions, that is, such cognitions about the firm and its businesses that are shared by the top managers and stakeholders of the firm in the industries and communities where it operates. We support our theoretical work with an historical case study of Nokia's corporate business model transformation between 1990 and 1996, which proved highly successful. We find that its transformation involved using the current reputational rankings of Nokia's businesses as selection criteria for which businesses to retain and which ones to divest – as well as the elimination of businesses which embodied business model elements which were attributed as factors in past business failures.

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Introduction

Increasingly, both strategy scholars and practitioners are using the term 'business model' to describe the logic of a firm, the way it does business, and how it creates value for its stakeholders. Much literature has been devoted to describing certain (case) firms' business models, as well as to developing general conceptualizations of what business models are (Morris et al., 2005; Siggelkow 2002; Amit and Zott, 2001; Zott and Amit, 2010; Teece, 2010); the recent special issue of *LRP* being a case in point (Long Range Planning, 2010). However, while conceptual studies into the nature of the business model construct, empirical snapshots of particular firms' business models, and prescriptive accounts of 'how to' innovate novel business models have proliferated (Chesbrough, 2010; McGrath, 2010), much less attention has been paid to firms' business model *transformations* over time. The present article addresses this research gap by examining corporate transformation with respect to its business model – or business model*s*, as a large corporation may be running several at any one time (Prahalad and Bettis, 1986).

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Our first purpose is to outline both the distinction and the links between what we call the 'corporate business model' on one hand and the business models of the corporation's businesses (or business units) on the other. While earlier research has noted that firms may run multiple business models simultaneously (van der Meer, 2007; Chesbrough, 2006; Linder and Cantrell, 2001; Smith et al., 2010), the linking of corporate level concerns to individual business units and their business models has so far been sparse. Especially, extant literature lacks understanding of how corporate business models evolve and transform in multi-business unit organizations — an arena where we wish to contribute. Second, along with our focus on an individual corporation's transformation, we focus on a specific area that is particularly under-researched: the cognitive processes that influence corporate business model transformations. There is, of course, a wide extant literature dealing with the varied roles that managerial cognition can play in corporate strategizing in general (e.g. Walsh, 1995; Porac and Thomas, 2002; Schwenk, 2002), and some research has also pointed to the role of managerial cognition in firms' business model evolution in particular (Tripsas and Gavetti, 2000; Tikkanen et al., 2005; Chesbrough, 2010). Yet the cognitive drivers of the strategic transformation of corporate level business models have not so far received much attention. This is especially true when it comes to *inter-organizational* cognitions, which we see as those understandings about the role of the corporation and its businesses that are shared by the corporation's managers and by its stakeholders in the communities where it operates. Our case company analysis shows that they can have considerable influence on the transformation of a corporation's business model.

From an evolutionary perspective, the competitive success of an individual firm depends ultimately on its ability to transform the elements of its business model in rhythm with, and towards a 'fit' with (i.e., success in) its external business environment (Siggelkow, 2002; Tripsas and Gavetti, 2000). As to our empirical research, hence, we study a most instructive case — from which much can be learnt about corporate business model transformation in a dynamic environment, and how it is driven by cognitions. That is the case of a multi-unit corporation whose corporate business model transformation has led to considerable global success: Nokia Corporation, the Finnish mobile communications giant. Nokia's story is an illuminating example of how a traditional diversified conglomerate managed to transform its corporate business model rapidly (during 1990–1996) into one with fewer businesses, exclusively related to mobile communications, and consequently (1996–2007) achieved unprecedented, decade-long global success in the telecommunications industry. Even though Nokia has recently (2008–2011) experienced problems in its industry (which are beyond the scope of the present study), we believe that an historical study of Nokia Corporation's original 1990s transformation is highly instrumental for developing theoretical ideas about business models, strategic transformation/change and managerial cognition, as well as in providing practical lessons for managers facing similar situations.

Conceptual framework

Corporate business model

It is not the purpose of this article to engage widely in the conceptual debate as to what the components of a business model are, or should be (Morris et al., 2005; Tikkanen et al., 2005): rather, we are concerned with distinguishing business models at the corporate and business unit levels, and, in particular, with corporate business model transformation.

Our basic assumption is that any firm can possess multiple businesses (commonly called strategic business units), which can all have their own business models. Such a structure is reflected already in classical strategy literature (Ansoff, 1965; Chandler, 1977; Porter, 1980), which distinguishes between the firm's corporate (-level) strategy and individual business strategies at the level of its strategic business units. However, the differences between the notions of 'corporate business model' and 'corporate strategy' are clear. To start with, corporate strategy is most commonly concerned with which markets the corporation serves, and thus what businesses it is currently in, or intends to be in the future (i.e., its market and business portfolio choices), and whether or not these businesses are related (i.e., related or unrelated diversification) (Rumelt, 1974; Ansoff, 1957). In

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