

Exploring the Nature and Implementation Process of User-Centric Business Models

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Recent ICT advances have allowed companies to interact with external stakeholders, especially users, in more efficient and effective ways, with the result that more and more companies are striving to take advantage of these new opportunities and harness their users' creative potential by integrating them into core business processes. Successful companies like Threadless or Dell - which were designed to allow user innovation and co-creation from the outset - have clearly demonstrated the potential value of such approaches. However, introducing user-centric value creation processes at established companies is a complex task, requiring major adaptations to traditional manufacturer-centered business models. At present, little is known about how such companies can successfully implement user-centric business models: this article explores (1) the success factors for attracting and engaging users in core business processes, and (2) effective strategies to overcome internal resistance at established companies wishing to introduce user-centric business models. We apply a multi-case comparison methodology between three well-known companies (LEGO, IBM and Coloplast) which have successfully integrated users into their core business processes, and find that implementing user-centric business models successfully requires a comprehensive approach encompassing an appropriate social software design, a transparent intellectual property policy, proper incentive systems, evolutionary learning and nurturing as well as employee empowerment.

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Introduction

Information and communication technologies (ICTs) have paved the way for completely new business strategies. Empowered by the emergence of virtual rapid prototyping technologies and web 2.0 applications, companies are increasingly tapping the creative potential of users in order to create sustainable economic advantages. Research has shown this to be a promising strategy: it is widely

accepted that users can contribute substantially to a company's new product development process as well as to the identification, evaluation and exploitation of novel business opportunities (von Hippel, 1998, 2005), and these conclusions hold for companies of all ages and from nearly all industries, regardless of whether they operate in B2B or B2C markets (von Hippel, 2005; Bogers et al., 2010).

Interestingly, most of the pioneer companies that have successfully capitalized on integrating users into innovation and other business processes were start-ups or relatively young companies, and the key factors that enable them to continuously exploit the creative potential of their users are their organizational flexibility and their willingness to employ innovative, user-centric business models. In contrast to older, more established companies, enterprises like Dell or Threadless are specifically designed to allow large-scale interactions with users and to integrate users into their most important business processes (Amit and Zott, 2001; Wirtz et al. 2010): Social software empowers users in the ideation, design and sometimes even in the selection and marketing processes for new products, which in turn allows the firm to offer attractive new value propositions in highly profitable ways. In contrast to start-ups or other young and highly flexible organizations, established companies are not usually prepared to employ such novel methods and instruments to integrate users systematically and continuously into their business processes and thus benefit from their creativity. We argue that established companies wishing to enhance their innovativeness must (at least partly) re-organize their existing business models to make them more user-centric (Teece, 2010): but there are challenges to implementation, for established companies in particular suffer from organizational inertia, which prevents them from effectively and efficiently making their business models more user-centric (Amit and Zott, 2001; Chesbrough, 2010; Wirtz et al., 2010). The case of LEGO aptly illustrates these challenges: our team's long-standing relations with the company allowed us to observe this transformation process very closely when its traditional business model suddenly came under attack. In 1998, LEGO launched a robot kit ('LEGO Mindstorms'); but within only a few weeks, a user hacked its software code and made it publicly available on the Internet. This led to the rapid rise of a vibrant user community whose members developed modifications, user guidebooks and refinements to the core technology. The incident caused a management crisis, as executives realized their most valuable asset - the LEGO brand - was now beyond their control - and the external shock caused them to rethink the company's entire business model. Their gradual transformation to a more user-centric model has even led the firm to become a pioneer in finding new ways of integrating its creative fan base into its core business processes.

While more and more companies are experiencing similar pressures from their user base nowadays, extant research provides only little guidance on the process of redesigning business models in general (Teece, 2010), and on launching more user-centric business models in particular. Basically, changing business models is seen as an iterative, trial-and-error process, which is especially challenging for established firms that cannot afford to make mistakes when redesigning business models because of the potential negative effects on their existing business (Amit and Zott, 2001; Chesbrough, 2010; Christensen and Raynor, 2003; Christensen, 2006). The objective of this article is to shed light on the process of designing and implementing user-centric business models, and we focus on the following research questions: (1) What are the success factors for attracting and engaging users in core business processes? and (2) Which strategies are effective in overcoming internal resistance when established companies seek to introduce user-centric business models?

On the basis of three in-depth case studies of firms (LEGO, IBM and Coloplast) which have pioneered involving users in implementing their business processes, we identify user-friendly platforms that can trigger and leverage user-to-user interactions, the alignment of the solution space with corporate strategy, a transparent intellectual property (IP) policy, non-monetary incentives, and company-to-user support via entrepreneurship programs and continuous feedback as success factors for attracting and engaging users in core business processes. Interestingly, the companies we observed have quite deliberately distinguished between broad ideation via user communities and focused development work with selected users. Our in-depth case studies also allow us to identify effective strategies for overcoming internal resistance to the introduction of user-centric business

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