The impact of a delivery project’s business model in a project-based firm

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Received 22 December 2011; received in revised form 17 July 2012; accepted 19 July 2012

Abstract

If projects are independent business organizations having goals of their own instead of being direct subordinates to the parent firm, then project-level goals might contradict those of the parent firm. This raises an empirical question on the impact of delivery projects in a project-based firm. We use the business model concept to study the mechanisms of generating revenues in five delivery projects in a case firm from the mining and metallurgical industry. Our findings suggest that although project-level business models are often derived top-down from firm-level business models, projects also create autonomous business models that have a bottom-up effect on the firm by shaping the existing business models or creating completely new ones. These results strengthen the understanding of the dynamic relations between a project-based firm and its delivery projects.

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Keywords: Business model; Project-based firm; Project

1. Introduction

Project-based firms (PBFs) organize most of their internal and external activities in projects (Wikström et al., 2009). Instead of continuous manufacturing or service activities, the business is conducted in temporary organizations established to complete a single specific goal time and again (Lundin and Söderholm, 1995; Packendorff, 1995). Traditionally, projects are perceived as vehicles for achieving firm-level goals (Morris and Jamieson, 2004; Shenhar et al., 2007). More recently, suppliers in several project-based industries are facing increasing pressure to tailor their delivery projects according to the specific needs of an individual client (Hobday, 1998). For example, they might combine the physical deliverable with various services such as maintenance and operational support (Kujala et al., 2011; Oliva and Kallenberg, 2003). Contrary to the traditional view, a project can be seen as an independent business organization in its project-specific environment (Artto et al., 2008, 2009, 2011; Wikström et al., 2009, 2010).

If delivery projects may vary within one firm, does the traditional view of projects as obedient servants implementing firm-level goals always accurately represent the activities in a PBF? We seek to clarify whether project-level goals are determined by firm-level goals or whether projects actually influence the firm-level goal setting by examining a case firm in the metallurgy industry whose delivery projects vary due to every customer’s unique specifications with regard to the ore they seek to refine and the end product they intend to do business with in a historically specific plant site setting. We use the business model concept defined both on the firm and delivery project levels to be able to compare the similarities and differences of goals and ways of operating between the firm and its projects, and across the projects.

In a PBF, business models can be found on both the level of the firm and the project (Kujala et al., 2011). But there is a gap in the literature on what the origins of project-level and firm-level business models are. Do project-level business models originate from the firm-level business models applied to the
This study of a project-based firm and its delivery projects aims to deepen the understanding on both the relationships between business models and their dynamics. Therefore, a business model framework constituting of a working definition and including elements is required for structuring the remainder of the study. To create the framework, seven review articles (Amit and Zott, 2001; Casadesus-Masanell and Ricart, 2010; Chesbrough and Rosenbloom, 2002; Hedman and Kalling, 2003; Magretta, 2002; Morris et al., 2005; Osterwalder et al., 2005; Shafer et al., 2005; Tikkanen et al., 2005) focusing on defining the business model concept were chosen for in-depth analysis. The review articles were chosen because they explicitly focused on elaborating both the definition and the elements of a business model.

Table 1 summarizes the various business model definitions from the review articles representing mainly general management literature. Many of the definitions see business models as representing the core logic of how the firm creates and captures value (Amit and Zott, 2001; Magretta, 2002; Osterwalder et al., 2005; Shafer et al., 2005). In many of the definitions, the authors have also defined what kinds of elements are included in the business models (Amit and Zott, 2001; Hedman and Kalling, 2003; Magretta, 2002; Morris et al., 2005). The elements can essentially be classified to three groupings, covering aspects related to the firm’s strategy, organization and financial logic.
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