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Inscribing value on business model innovations: insights from industrial projects commercializing disruptive digital innovations☆

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ABSTRACT

In this paper we seek to show how marketing activities inscribe value on business model innovation, representative of an act, or sequence of socially interconnecting acts. Theoretically we ask two interlinked questions: (1) how can value inscriptions contribute to business model innovations? (2) how can marketing activities support the inscription of value on business model innovations? Semi-structured in-depth interviews were conducted with the thirty-seven members from across four industrial projects commercializing disruptive digital innovations. Various individuals from a diverse range of firms are shown to cast relevant components of their agency and knowledge on business model innovations through negotiation as an ongoing social process. Value inscription is mutually constituted from the marketing activities, interactions and negotiations of multiple project members across firms and functions to counter destabilizing forces and tensions arising from the commercialization of disruptive digital innovations. This contributes to recent conceptual thinking in the industrial marketing literature, which views business models as situated within dynamic business networks and a context-led evolutionary process. A contribution is also made to debate in the marketing literature around marketing's boundary-spanning role, with marketing activities shown to span and navigate across functions and firms in supporting value inscriptions on business model innovations.

1. Introduction

Business models and business modeling represent complex systems of interfaces and exchanges (Al-Debei & Avison, 2010; Chesbrough, 2011; Ehret & Wirtz, 2011; Morris, Schindehutte, & Allenc, 2005). Marketing activities are considered integral, defined as having an internal-external focus (Chesbrough, 2010). Day (1994) categorizes capabilities-based marketing activities into outside-in (e.g. market sensing), inside-out (e.g. integrated logistics) and boundary-spanning activities encompassing point of sale, product development, channel selection and marketing planning. Similarly, literature defines the business model concept as a mechanism used to bridge the gap between the outside-in and the inside-out perspective.

Recent industrial marketing literature conceptualizes business models as evolving interconnecting firm, interfirm and market practices, attributing agency to them (Mason & Spring, 2011). Interaction between organizations and, and by extension, within networks of relationships, is critical to doing business (Ford, 2011). This reflects work in the marketing literature emphasizing the boundary-spanning perspective of marketing activities, focused on multiple actors inside and outside an organization and including multiple exchanges (Hult, 2011). In this paper we build upon these literature streams by proposing that marketing activities inscribe value on a business model. This is representative of an act, or sequence of socially interconnecting acts, by which humans cast relevant components of their agency and knowledge on business models through negotiation as a continual social process. We further propose that value inscription has particular relevance for disruptive digital product innovations and associated business model innovations, which deviate from and threaten existing market conventions and orders. The inscription of value on business model innovation is represented as the alignment of diverse interests within firms and networks of firms, in overcoming tensions and disagreements arising.

We draw on sociology literature and particularly work around actor–network theory (Akrich, 1992; Akrich & Latour, 1992; Latour, 1987, 1991), as well as the work of Joerges and Czarniawska (1998) focusing on technology and how organizations inscribe the world. Actor–network theory posits that stability and social order are continually negotiated as a social process of aligning interests through networks. Theoretically we ask two interlinked questions: (1) how

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can value inscriptions contribute to business model innovations? (2) how can marketing activities support the inscription of value on business model innovations? The study is set within four industrial projects commercializing disruptive digital technology innovations in business-to-business (B2B) markets. They included firms from different industrial sectors involving multiple and diverse interests, exhibiting tensions along with a common project aim.

In this study we go beyond the traditional association of value with business models, contributing to ongoing debate in the industrial marketing literature on the reciprocal nature of value propositions in business relationships. Value inscription on business model innovations is shown to be a reciprocal practice. It is mutually constituted from the marketing activities, interactions and negotiations of multiple project members across firms and functions. Value inscription counters destabilizing forces and tensions arising from the commercialization of disruptive digital innovations. An empirical contribution is made to recent conceptual thinking in the industrial marketing literature, which views business models as situated within dynamic business networks and a context-led evolutionary process. This draws from and contributes to industrial marketing literature portraying a network as a set of actors or social entities connected by a set of ties or relationships. A contribution is also made to recent debate in the marketing literature around marketing's boundary-spanning role, with marketing activities shown to span and navigate across functions and firms in supporting value inscriptions on business model innovations. Applied guidelines are provided for firms that work, or aim to work, in collaborative industrial projects commercializing disruptive digital product innovations with business model innovations. Guidance is provided across temporal epochs on value inscriptions and supporting marketing activities to be practiced.

In the next section we develop the theoretical framework. The research problem is defined before introducing the methodology to address it. Research findings are presented with theoretical and managerial implications discussed, before conclusions are drawn.

2. Literature review

In this section business model boundaries and interfaces are introduced, before value inscription is discussed. We then move to business model innovation and value inscription as the study focus.

2.1. Business model boundaries and interfaces

The business model concept has attracted interest from across management disciplines. Morris et al. (2005, p. 727), having reviewed more than thirty definitions, propose that "a business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets". While there is little agreement on the boundaries and limits of its application (Morris et al., 2005), most studies point to conceptual linkages between business modeling and marketing (Johnson, Christensen, & Kagermann, 2008; Teece, 2010; Zott & Amit, 2008). Initial theorizing has characterized business models as shaping business practices based upon an analysis of the environment. Such practices, inherent in marketing activities, may involve articulating the value proposition, identifying market segments, defining value chain structure and formulating competitive strategy (Chesbrough & Rosenbloom, 2002). Also, in effectuation processes firms or entrepreneurs that create new businesses and business models, move from an analysis of the environment toward actions that can create new information revealing latent opportunities in the environment (Chesbrough, 2010; Sarasvathy, 2008).

Criticism of the business model concept has come from recent work in the industrial marketing literature. Mason and Spring (2011) call for new thinking on business models to move beyond the dominant firm level of analysis towards including the network level. Taking a network perspective they pose the question as to how business models can be formed and practiced. They suggest that consistency across the business model literature is evident in the recognition that business models evolve through the interactions of individuals in social groups, both within the firm and within the wider business network. Their work represents the first attempt to link the conceptualization of what business models are to what they do, through viewing them dynamically as framing devices attributed with agency for programs of collective and individual action within and across firms.

While a significant step forward these novel perspectives on business models can be theoretically enriched by the wider literature, and particularly the technology-in-use work of Orlikowski (1992), which points to the dialectical interplay between agency and technical structure. Business modeling in practice may be shaped by a variety of actors' activities as indicated by Mason and Spring (2011), including marketing activities, in pursuing varied interests. Latour (1987) exhorts us to 'follow the actors', in order to identify the social order and associated social interactions involved in such practices. In placing emphasis on the mutually constituting role of multiple actors in business modeling practice, the concept of boundary is brought to the fore, "No inside is conceivable … without the complicity of an outside on which it relies" (Starobinski, 1975: 342).

This is pertinent given the boundary-spanning role of marketing. Hult (2011), building on previous work (e.g. Day, 1994), in a comprehensive treatise toward a theory of the boundary-spanning marketing organization, places emphasis on multiple "actors". The influence of marketing activities (inside-out, outside-in, and boundary spanning) as value-creating processes, therefore, is dependent on a complex interplay of interrelationships within multiple spheres of influence. These are similar features to those represented by Mason and Spring (2011), in their contention that the business modeling process can be understood to be influencing, and influenced by, multiple actors within firms and across networks in developing business models. The next section builds on this theoretical understanding by discussing the ways in which multiple actors and their marketing activities can contribute to the inscription of value on business models.

2.2. Business model value inscription

The idea that value is central to business models is not new. Wirtz, Schilke, and Ullrich (2010: 274), claim "a business model reflects the operational and output system of a company, and as such captures the way the firm functions and creates value". Similarly, Teece (2010: 173) states "a business model defines how the enterprise creates and delivers value to customers, and then converts payments received to profits". Chesbrough and Rosenbloom (2002), state that one of the key aspects in developing a business model is articulation of the value proposition; that is the value created for users by the offering based on the technology. This also entails identification of the value chain required to create and distribute the offering. Business models are also associated with value appropriation or capture. Firms are seen to require understanding of the cognitive role of the business model, in order to commercialize technology to allow value capture from technology investments, particularly when opportunities presented by technologies do not fit with existing business models (Chesbrough & Rosenbloom, 2002).

Traditionally, value-based definitions offer a similar view of the main functions that a business model fulfills: 1) it articulates how the company creates value for customers and what the value proposition is; 2) it specifies a revenue model that describes the revenue generation mechanism; 3) it defines the resources, the processes and the value chain that are required to deliver value to customers; 4) it formulates the strategy used by the firm to capture and maintain value in the chain (Chesbrough, 2010; Johnson et al., 2008; Storbacka