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## The Cambridge Business Model Innovation Process

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### Abstract

Organisations increasingly understand that meeting their sustainability ambitions does not only require new technologies, but innovation on the business model level. To facilitate the design of more sustainable business models, a range of new tools and techniques have been developed. While this resulted in the design of a wide range of promising business models, only very few are successfully implemented. The Cambridge Business Model Innovation Process is a framework developed to guide organisations' business model innovation efforts and map the necessary activities and potential challenges. In this paper, we introduce the framework and present an exploratory attempt of applying it to a social start-up. The preliminary result of this experience led us to build a comprehensive research agenda that aims at developing tools and processes to help organisations in bridging the design-implementation gap in sustainable business model innovation.

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### 1. Introduction

While economic development has been improving, for instance, life expectancy and access to new products and services, the current economic system is increasingly widening social inequalities [1] and stressing the environment beyond its natural ability for self-recovery [2].

If industrial patterns and social behaviour do not change, longevity and profitability of industries will face severe constraints [3], [4]. Improving economic performance, environmental resilience, and social inclusion requires coordinated action between

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companies and their stakeholders to generate products, processes, services, technologies, and business models that are capable of simultaneously benefitting the economy, the environment, and society at large [5].

In the field of innovation, this implies a shift in scope beyond economic performance to incorporate social and environmental aspects. This includes, for example, theories on sustainable innovation [6]; eco-innovation [7], [8]; and innovation at the bottom of the pyramid [9]. Most studies were initially focussed on product or process innovation, with business model innovation for sustainability being a rather new area of interest. The rapid increase in research activity is accompanied by considerable interest from industry. A key reason for this is that it becomes increasingly clear that realising organisations' sustainability ambitions will often not only require the development of new products and technologies, or incremental refinements in the companies' operation, but a holistic value system changes through business model innovation, resulting in sustainable business models (SBM) [10]-[12].

A SBM can be defined as a simplified representation of the elements, and the interrelations between these elements, that an organisation employs to create, deliver, capture, and exchange sustainable value for, and in collaboration with, a broad range of stakeholders [14]. To assist companies in the setup of or transition to SBMs, researchers and practitioners have developed tools and processes to facilitate their design; for instance, the Design of Flourishing Enterprises approach [15], the Triple-Layered Business Model Canvas [16], the Value Mapping Tool [17], [18], or the Value Ideation concept [14]. Although these tools helped with the conceptualisation of a wide range of promising business models, only a few of these concepts are actually implemented [19].

The lack of implementation is due to what we call the design-implementation gap. Interviews conducted with experts in SBM innovation show that there is a gap between conceptualisation and implementation that leads to promising ideas not being further investigated, concepts not being implemented, and implemented business models failing in the market.

This paper first aims at presenting a framework, the Cambridge Business Model Innovation Process (CBMIP), which addresses the different stages of business model generation, from early conceptualisation to implementation. The framework aims at providing better guidance through the business model innovation process with its different phases and activities and to map the potential challenges of the design-implementation gap for companies. This framework was developed through an extensive literature review, with the contribution of academic experts who were interviewed to reach a theoretically robust framework. Subsequently, the CBMIP was applied with the sustainable start-up Favalley, to reveal insights about potential improvements to the framework, as well as to help creating a comprehensive future research agenda.

The remainder of this paper is structured as follows. Section 2 described the theoretical background of the research, and section 3 illustrates the research method. Section 4 introduces the results from this research, that includes the CBMIP framework, followed by its application with the case study Favalley. The paper concludes in section 5 with a discussion about refinements of the framework and a future research agenda to expand its contribution to academics and practitioners.

## 2. Theoretical background

Most of the multidisciplinary studies connecting innovation to industrial sustainability focus on new products or processes – business models are relegated to the periphery. However, over the last years, business models have raised increasing attention among scholars [20]-[23]. An annual survey carried out by the Boston Consulting Group and BusinessWeek identified that business model innovators had an average premium that is four times higher than product or process innovators [24]. Accordingly, a global survey on innovation – conducted by IBM with over 750 corporate and public sector leaders – found that companies whose operating margins were growing faster than their competitors were also twice as likely to highlight business model innovation in contrast to product or process innovation [25]

There are several definitions of the term *business models* (e.g. by [12], [26], [23], [27]-[29]), with a variety of descriptions on what the components are, how they are interlinked, and how they create value. While [23] state that “scholars do not agree on what a business model is”, other authors [30]-[32] identified several similarities across the definitions – such as the focus on “value” and the focal role of a clear value proposition. Based on this, this paper understands a business model as a simplified representation of the elements of an organisation and the interaction between these elements for the purpose of its systemic analysis, planning, and communication in face of organisational complexity.

The notion of *sustainable business models* derives from the qualification of “business models” with concepts usually raised by theories on corporate sustainability [33]-[36]. This particularly includes theories on stakeholder management [37]-[39] and sustainable value creation [17], [18]. Consequently, a SBM is a business model that incorporates pro-active multi-stakeholder management, the creation of monetary and non-monetary value for a broad range of stakeholders, and a long-term perspective.

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