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*Translating the Business Model into Practice: Practice and Performativity*

## **Business model innovation as problematizing: A discursive framework**

**Abstract.** Despite the widespread interest in business models, relatively little is known about how organizations innovate business models. We conceptualize business model innovation as *problematizing*, i.e. a specific kind of ‘discursive practice’ that challenges the dominant paradigm under which a given collective operates. Therefore, we transplant the concept of problematizing from the literature on discourse theory to the literature on business models. Moreover, we develop four ideal types of problematizing that matter for the business model innovation process (determined problematizing, exhaustive problematizing, pragmatic problematizing and symbiotic problematizing). Each of these types signifies a distinct probability whether the ‘ideated’ business model will be ‘implemented’ into the organization. We argue that the occurrence of these types is influenced by the degree of compatibility between different institutional logics of ‘ideating units’ and ‘implementers’ of business models, as well as their power balance.

**Key Words:** Business models, Business model innovation, problematizing, organizational discourse, strategic management, institutional theory, institutional logics, discursive practice

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## **Business model innovation as problematizing:**

### **A discursive framework**

#### **Introduction**

The topics ‘business model’ and ‘business model innovation’ have arguably created hypes in both academia and practice (George & Bock, 2010; Perkmann & Spicer, 2010). This excitement is reasonable given the significant industrial changes that have occurred throughout the last decade or so (Zott, Amit, & Massa, 2011), however, the rapid expansion of using the two aforementioned terms has also contributed to their significant ambiguity. The latter is evident in the different scholarly approaches to business models ranging from instrumental to cognitive approaches (Martins et al. 2015) and the different phenomena, which are usually related to the phrases ‘business models’ and ‘business model innovation’ (George & Bock, 2010). Taken together, this diversity has probably raised more questions than it has answered since different schools of thought have yielded different results. One key example for these seemingly contradictory findings is whether business model innovation will have positive or negative performance implications and whether business model innovation demands organizational change or not. Strategy scholars (see, e.g. Heeij et al., 2014; Snihur & Zott, 2013) have primarily stressed positive performance implications of business model innovation. Organizational scholars have been somewhat more skeptical by showing that the implementation of novel managerial ideas can be quite challenging for organizations (Canato et al., 2013; Jay, 2013; Tracey et al., 2011). While these perspectives are intuitively at odds, it could be the case that they simply address different settings. In this paper, we develop upon this idea by

theorizing about the conditions and processes under which business model innovation will (not) have positive performance implications. Our means to this end is developing a framework explaining when ideas for new business models will (not) lead to organizational change in the form of the implementation of this business model. Therefore, we understand business model innovation as what we label “ideation” *and* “implementation”. Their interplays vary across settings and we attempt to conceptualize why and how.

Our theorizing draws on the cognitive perspective on business models (e.g. Martins et al., 2015). More specifically, we suggest that organizational discourse affects business model innovation within established companies. Whenever an organization engages in that process, the different elements of the current as well as novel business model(s) are subjects of discussion. Based on this, we develop a discursive framework. We conceptualize different discursive types of *problematizing* and analyze actor’s *logic compatibility* and *power balance* as influencing factors.

Depending on the type of discursive practice present in the organization, the discourse on business model innovation can be beneficial, unproblematic and productive on the one hand, or rigid, protracted and complicated on the other. The latter can even lead to severe conflicts that might prevent the successful conclusion of the business model innovation process. But, in order to call this process successful, ‘ideated’ business models need to be implemented. We identify two kinds of *problematizing* where this might be problematic or even improbable. Although business model innovation is widely associated with positive performance outcomes, the obstruction of the innovation process can also have negative performance implications, which we discuss within our framework.

Our framework is largely inspired by earlier works, which have begun to link the literature on business models to the institutional logics literature (Snihur & Zott, 2013). The reason for this cross-fertilization is that recent work on institutional logics (i.e., Besharov & Smith 2014; Pache & Santos 2010; 2013) has shown how different institutional logics are instantiated within organizations. Thus, the compatibility of these logics likely influences business model innovation as well because different internal constituents will engage in processes, which we label “ideation” and “implementation” (Gawer & Phillips, 2013). This complements earlier works by Snihur and Zott (2013) in two ways. First, our approach looks in a more detail at the effects of heterogeneous legitimacy judgements. Second, we also study the occurrence of these judgements within the organization. Both steps allow us to contribute to a better understanding of the performance implications of business model innovation and to clarify the very notion of business model innovation.

The remainder of this paper is structured in three parts. First, we introduce our key concepts and theoretical dimensions, which form the basis of our theorizing. Second, we develop our conceptual model, which yields for ideal types of problematizing. Third, we discuss the implications of our theorizing endeavors.

### **Key Concepts and Theoretical Dimensions**

***Business Models and Business Model Innovation.*** Even though ‘business models’ have attracted noteworthy scholarly attention (see, e. g., George & Bock, 2010; Perkmann & Spicer, 2010), a convergent definition or a coherent framework of business models is largely missing from the literature (George & Bock, 2011; Morris et al., 2005). For example, George and Bock (2011, p. 85) identify six different topics, which are related to business models within organization theory

(for another overview see Zott, Amit, & Massa, 2011): Organizational design, transaction structures or resources, as well as the nature of innovation and opportunities, along with narratives and sense making. This diversity is also reflected in Morris and colleagues' treatise, who identify three general categories of different definitions of the term "business model", which "can be labeled economic, operational, and strategic, with each comprised of a unique set of decision variables" (Morris et al., 2005, p. 726). In this paper, we adopt Baden-Fuller and Haefliger's (2013) definition of a "business model" as "a system that solves the problem of identifying who is (or are) the customer(s), engaging with their needs, delivering satisfaction, and monetizing the value" (p. 419).

Moreover, in this paper, we adopt a cognitive approach to theorizing about business models and business model innovation (Baden-Fuller & Morgan, 2010). This cognitive view sees business models as "reflect[ing] managerial mental models, or schemas" (Martins et al., 2015, p. 102; Doz & Kosonen, 2010; Sosna et al., 2010). Therefore, managers create business models as abstract representations of how companies solve the aforementioned problems since business models can be used as "instruments with which to reason and into which to enquire" (Morrison & Morgan, 1999). The cognitive perspective is also somewhat different from other understandings of business models, which prevail in the literature. Martins, Rindova, and Greenbaum (2015) also highlight a rational positioning view and an evolutionary view, which have been utilized in research on business models. The former sees business models as purposefully designed by rational managers to generate optimal systems of value creation and capture (c.f. Casadesus-Masanell & Ricart, 2010; Teece, 2010; Zott & Amit, 2010). The latter view focuses on business model generation and change as a result of experimentation and trial-and-error-learning (c.f. Chesbrough, 2010; McGrath, 2010; Sosna et al., 2010).

The cognitive perspective on business models is also particularly apt to inform theorizing about business model innovation. The rationale is two-fold: First, extant work has conceptualized two ways of how managers can engage in business model innovation, i.e. analogical reasoning and conceptual combination (Martins et al, 2015). Both are *processes of business model innovation* (Zott & Amit, forthcoming) because they conceptualize how individuals apply a stock of conceptual knowledge to a specific situation in order to generate a new business model or change an existing one (Martins et al., 2015). Second, this cognitive perspective is particularly useful to look at the role of legitimacy for business model innovation. Legitimacy is broadly defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). Legitimacy matters for business model innovation since recent research has stressed that perceptions of business opportunities vary across individuals (Gruber et al., 2015) so that they have to strive for the legitimacy of their suggestions for a new business model (Lounsbury & Glynn, 2001).

Yet, this perspective is also decisively different from how the rational positioning and evolutionary views see business model innovation. George and Bock (2010) characterize the ‘rational positioning view’ (Martins et al., 2015) by arguing that “business model development and change are punctuated phenomena that follow disruptions or enactment of new opportunities” (p. 88). In accordance with the ‘evolutionary view’, Chesbrough (2010) states that business model innovation is not resulting from “superior foresight ex ante – rather, it requires significant trial and error, and quite a bit of adaptation ex post” (p. 356). Generally, the literature on business model innovation lacks an established definition and precise understanding of its elements (Schneider & Spieth,

2013). Many different terms are analyzed and used as synonyms in this context. For example: business model development, change, evolution, transformation, reinvention, design, renewal, generation, or innovation (c.f. Zott & Amit, 2012, 2010; Osterwalder & Pigneur, 2010; Johnson et al., 2008; George & Bock, 2010; Doz & Kosonen, 2010; Demil & Lecocq, 2010; Chesbrough, 2010).

Against this background, theorizing the relationship between business model innovation and legitimacy is still nascent with promising territories remaining uncharted. Snihur and Zott (2013, p. 3f) have made a key contribution to understanding this relationship through defining business model innovation as relative to the industry in which a company operates and stressing that institutional referents in this field have to attribute legitimacy to business model innovation, i.e. “a business model that is new to the industry in which the focal firm competes.” This view is thus consistent with the idea that cognitive legitimacy plays a key role for industrial change (Alldrich & Fiol, 1994).

One useful extension of Snihur and Zott’s (2013) important argument is acknowledging the role of institutional heterogeneity and understanding how it affects business model innovation within organizations. Regarding the former, Snihur and Zott (2013) have argued that institutional referents have to assess new business models as legitimate. Such judgements are likely to be very diffuse and unclear once different institutional templates can be applied within an industry (Greenwood et al., 2010; 2011; Kraatz & Block, 2008; Pache & Santos, 2010). Regarding the latter, such institutional heterogeneity is also important for business model innovation within organizations because the different institutional backgrounds of employees affect what they deem promising or problematic during the business model innovation process (Gruber et al., 2015). Consequently, we

treat the cognitive view on business models and business model innovation as largely compatible, yet almost unconnected, to recent advancements in neo-institutional theory.

Furthermore, we suggest that strengthening the link between the cognitive literature on business models and some strands of institutional theory has the potential to address some key issues about business models. For example, the performance implications of business model innovation are somewhat under-studied, or, often assumed as positive. In addition, it remains unclear whether business model innovation relates to only changing abstract representations or whether it also demands organizations to implement the prescriptions, which are inherent to these representations. Sub-branches of neo-institutional theory can help to address these issues since they take into account the implications of heterogeneous institutional demands, which are represented within an organization (Battilana & Dorado, 2010; Besharov & Smith, 2014; Pache & Santos, 2010; 2013). Such internal representations are likely to have substantial implications for business model innovation because they affect how organizational members react to suggestions for new business models, which are made by a firm's management (Gawer & Phillips, 2013). The larger rationale, which undergirds this finding, is that different institutional logics, i.e. "socially constructed, historical patterns of material practices, assumptions, values, beliefs and rules" (Thornton & Ocasio, 1999, p. 804), permeate organizations. For example, professional non-profits typically include for-profit and non-profit prescriptions into their business models (DiDomenico et al., 2010; Tracey et al., 2011). However, the implementation success of these models is ambiguous (Battilana & Dorado, 2010) since diverging institutional logics can exist on the micro-level as cognitive frames, as well as the professional backgrounds of individuals (ibid; Heimer, 1999; Pache & Santos, 2013).

Hence, a more nuanced synthesis of these perspectives can help to improve our understanding of



the processes and mechanisms regarding business model innovation, which so far have remained underdeveloped (George & Bock, 2010).

Consequently, we seek opening up this black box by theorizing about business model innovation in established organizations. Hence, what we do not capture is the emergence of categories of business models (Baden-Fuller et al., 2015) since we focus on business model innovation relative to the company in the form of a new architecture of value creation, delivery and capture (Teece, 2010). However, this is not a logical preclusion that the same business model could also be new to the industry. This is just not the focus of our paper.

Against this background, we conceptualize business model innovation as a process consisting of two sub-processes: the *ideation* and the *implementation* of a business model, which is – marginally or radically – different from the organization’s current business model(s). The differentiation between ‘ideation’ and ‘implementation’ is particularly important. A company can design, or adapt a business model, but without its implementation, there is no business model innovation (see for example Tripsas & Gavetti, 2000).

***Ideation and Business Model Innovation.*** Martins et al. (2015) have presented the concept of an “idea generation phase”. It explains “how strategists originate new designs of potentially value-creating new business models” (Martins et al. 2015, p.106). The concept is drawn from the context of innovation research (Hansen & Birkinshaw, 2007). But business model innovation has to be considered separately from product and process innovation (George & Bock, 2010; Snihur & Zott, 2013). Therefore ‘ideation’ largely resonates with the ‘idea generation phase’, which is critical

in the context of business model innovation because “business models are complex structural representations that are difficult to ideate from scratch” (Martins et al., 2015, p. 105; Baden-Fuller & Morgan, 2010). For this reason, ideation in the sense of this paper includes:

- a) The design of the business model inside the company. For example, Apple “has accomplished serial innovation and outstanding design in terms of its offerings and its business model” (Heracleous, 2013, p. 93).
- b) The adaptation of a business model already established in the industry. For example, the Big Five accounting firms extended their services in the 1980s and 1990s by integrating litigation support and management consulting, thus becoming multidisciplinary enterprises (Greenwood & Suddaby, 2006; Suddaby & Greenwood, 2005).

***Implementation and Business Model Innovation.*** Ideation provides suggestions for a new business model. These must be implemented in the company, in order to complete the business model innovation process. Two kinds of business model implementation can be distinguished: On the one hand, the integration of a novel business model in addition to the company’s current business model(s), e.g. the integration of multidisciplinary practices at the Big Five accounting firms (Greenwood & Suddaby, 2006; Suddaby & Greenwood, 2005). On the other hand, the transformation of an established business model, e.g. establishing a paywall for an online newspaper (The Economist, 07-07-2011).

***From ideation to implementation.*** In order to better distinguish between ideation and implementation, we differentiate between two levels of analysis. The first is the sub-group within the organization that is concerned with the ideation process. For example, this could be a business

development unit, an advisory board, top management, R&D employees, a project unit, etc. Even when an idea for the creation or adaptation of a novel business model originates outside of these units, they are likely to be involved in further arrangements and decisions. In addition to this level, we look at the overall organizational-level since business model innovation also demands business model implementation at this level. The ‘implementers’ of an ideated business model are also likely to consist of a responsible unit, for example, project units, affected departments, top and middle management units, etc. Nevertheless, business model implementation is likely to have an impact on the whole organization. Hence, it concerns all of its employees – especially when it initiates the transformation of the established business model.

It follows that ideation does not per se result in implementation. In the remainder of this paper, we attempt to theorize in more depth when and how ideation and implementation may go together. Drawing on the cognitive perspective on business model innovation, we suggest that discursive practices (Phillips & Hardy, 2002; Maguire & Hardy, 2013) affect ideation and implementation (George & Bock, 2010). This is also consistent with our focus on the internal representation of institutional demands since discursive practices reflect how organizational members express and react to these demands (Phillips & Oswick, 2012). Based on this, we unfold a *problematizing* framework. We conceptualize different discursive types and analyze actor’s *logic compatibility* and *power balance* as influencing factors. We thereby identify two of kinds of *problematizing* where ideation and implementation of business models innovative to the company might be problematic or even unlikely.

## **Business Model Innovation as Ideation and Implementation**

We have opted to theorize business model innovation as intra-organizational discursive practices. We made this choice for two reasons. First, business models are cognitive representations so that business model innovation implies discussing them as parts of organizational discourse (George & Bock, 2013; Martins et al., 2015). Second, expressions of institutional demands, which are present within an organization, are also often conceptualized as discourses (Phillips & Oswick, 2012). This compatibility is a promising starting point to conceptualize business model innovation as situated within different and potentially competing institutional demands, which are carried by an organization. This combination may indeed help to better understand when and how ideas for a new business model are implemented and what the costs and benefits of these efforts are. The reason for this promising theoretical potential lies in seeing business model innovation as “shifts in logic, in which previously subordinate elements of a prevailing logic are made evident. Rhetoric, applied to the contradictions inherent in a prevailing logic, is the means by which such shifts are achieved or resisted.” (Suddaby & Greenwood, 2005, p. 58).

Our framework relies on presenting business model innovation as a distinct type of a discursive practice, which is called ‘problematizing’.<sup>1</sup> It is defined as “struggle occurring *over* a paradigm” (Maguire & Hardy 2013, p. 249). Problematizing is a very suitable way to conceptualize business model innovation since cognitive representations like business models can be seen as paradigms. Hence, actors throughout the company (e.g. management board, business development

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<sup>1</sup> Organizational discourse is generally defined as “structured collections of texts embodied in the practices of talking and writing” (Phillips & Hardy, 2002; Maguire & Hardy, 2013, p. 6).

units, employees affected by transformation or integration), problematize business models when they engage in ideation and implementation. For example, the fit of an ideated business model to the company's current business model(s), or the implications of transforming the established business model are questions of problematizing because business models are used for reasoning and enquiring (Morrison & Morgan, 1999). These activities – integrating a new business model into the firm's portfolio or transforming the current into a new way of doing business – challenge the 'paradigms' under which the company operates. Next we identify two conditions, which affect problematizing: logic compatibility and power balance.

***Logic compatibility.*** Since a business model is a manifestation of one or multiple 'institutional logics' (Lepoutre & Valente, 2012; Tracey et al., 2011; Battilana & Dorado, 2010), business model innovation brings novel logics into the company. Ideating units adopt this logic during the ideation process. But whether an ideated business model is implemented depends on whether implementers deem this logic legitimate. Therefore, the *logic compatibility* (Besharov & Smith, 2014; Pache & Santos, 2010), i.e. "the extent to which the instantiations of multiple logics within an organization imply consistent organizational actions" (Besharov & Smith, 2014, p. 365), between ideating units and implementers influences business model innovation.

Two famous cases provide good examples for the importance of logic compatibility: Intel and Polaroid. Intel transformed its established business model, characterized by a traditional supply chain logic, and became market leader with a new platform logic (Gawer & Phillips, 2013). Intel's management (ideating unit) conducted "internal practice work and identity work" (Gawer & Phil-

lips, 2013, p. 1035) to foster the employee’s (implementers) adoption of the new logic. This resulted in successful business model innovation and led to Intel’s great success. In contrast, when Polaroid’s R&D unit (ideating unit) developed a digital camera, they tried to convince the top management (implementers) to adopt the single product logic of digital photography (Tripsas & Gavetti, 2000). The top management, however, didn’t dismiss its traditional razor-blade logic of analogue photography. Thus, they failed to innovate their business model, which eventually lead to the company’s crisis.

**Power Balance.** The intra-organizational power balance is the second factor, which affects ideation and implementation and their interplays. This suggestion is based on Pache and Santos’ (2010) argument that the internal distribution of power affects the implementation of change initiatives more generally. Hence, it likely affects whether business model ideation can be translated into implementation (Battilana & Dorado, 2010).

Taken together, we dichotomize logic compatibility and power balance each as high versus low. These two dichotomies yield the two-by-two matrix shown in *figure 1*. Next, we discuss the four boxes in the matrix; each of which presents an ideal type of *problematizing*.

<b>Problematizing</b>		<b>Logic Compatibility</b> of ‘ideating units’ and ‘implementers’	
		Low	High
<b>Power Balance</b>	Low	<b>(I) Determined Problematizing</b>	<b>(II) Pragmatic Problematizing</b>
	High	<b>(III) Exhaustive Problematizing</b>	<b>(IV) Symbiotic Problematizing</b>

*Figure 1: Four ideal types of Problematizing*

***Symbiotic Problematizing.*** We begin our discussion with probably the swiftest type of problematizing. We label this process “symbiotic problematizing” because it is characterized by high logic compatibility and a high power balance between ideating units and implementers. Arguably, this type is implicitly addressed by many studies that have emphasized on the positive performance implications of business model innovation. Given that high logic compatibility and a high power balance are likely to minimize conflict potential, it seems reasonable that symbiotic problematizing indeed leads to business model innovation, which improves performance. The rationale is that discourse in a setting of high logic compatibility tends to be productive, beneficial, and unproblematic. Possible opponents of the new business model are convinced relatively effortlessly.

One example for symbiotic problematizing can be seen in the study by Greenwood and Suddaby (2006) on the big five accounting firms in Canada. When consulting opportunities arose from clients that demanded advice, the Big Five broadened their services to meet those needs. It seemed perfectly natural to the members of these companies to integrate the new business models. Even though this also meant including new professions with additional institutional logics. “The Big Five collectively pioneered multidisciplinary practices and, when these practices came under attack, it was the Big Five who leapt to their defense” (Greenwood and Suddaby, 2006, p. 34). Although the authors did not explicitly address business model innovation, the logics, which the members of the studied firms represented, seemed to be highly compatible. Moreover, given that they studied professional services, it seems likely that those affected by the changes in the organizations, also decided about these changes. Hence, power balance also seemed to be relatively evenly distributed.

***Pragmatic Problematizing.*** Another instance of business model innovation occurs when the logics of organizational members are compatible but their power balance is asymmetric. Despite this important difference to symbiotic problematizing, this case may have quite similar performance implications. The rationale is that a high compatibility between the institutional logics, which are represented internally, tends to prevent conflicts, which can be rooted in power asymmetries, because these logics render powerful positions legitimate. Thus, the ideating unit and the implementers of new business models agree on who is supposed to make important organizational decisions. For example, Smets and colleagues (Smets et al., forthcoming) have studied reinsurance trading at Lloyd's in London. They found that traders at Lloyd's embrace community and market logics in a highly compatible manner because they use community principles to judge the appropriate level of risk, which can be implied in a contract. Once some traders suggested moves towards more profits, others prevent this based on community principles. Thus, changing monetization was prevented by more powerful actors and this prevention was widely seen as legitimate.

***Determined Problematizing.*** One critical situation is when both logic compatibility is low and the power balance is asymmetric. This is likely not to lead to business model innovation since attempts to implement or to ideate are not resonated by other organizational members. Thus, these are cases where the performance implications of business model innovation are likely to be negative because the organization invests into efforts to innovate a new business model but these attempts have no substantial effects.

The *power balance* of opposing actors is an essential influencing factor here (Pache & Santos, 2010; c.f. Suddaby & Greenwood, 2005). Actors can be considered equally powerful “if they



have an equivalent ability to influence the organization’s course of action” (Pache & Santos, 2010, p. 465). We differentiate between two states related to an asymmetric low power balance because either ideating units or implementers can be more powerful:

- a) When ideating units have more power than implementers, implementation is possible, but problematic. Ideating units can order implementers to integrate or transform the business model, but they are not likely to be supportive or engaged in the process. Thus, conflicts are very probable. Also, they might leave the organization when the new logic is radically different, which prevents them from identifying themselves with their company. One example for this is BancoSol (Battilana & Dorado, 2010).
- b) When implementers have more power than ideating units, implementation can almost be excluded. Drawing on the low logic compatibility, they can resist ideating units’ attempts of persuasion and dismiss the business model innovation efforts. The Polaroid case can be seen as an example here (Tripsas & Gavetti, 2000).

Regarding a), 3M is a vivid example. The adoption of TQM at 3M had noteworthy implications for the business model of 3M (Canato et al., 2013). It changed the ways in how the firm engaged in creatively solving the problems of its customers by beginning to apply various improvement measures to development processes. These changes displayed a low “cultural fit” (Ansari et al., 2010) with 3M’s culture at that time and employees resisted this change. Thus, the implementation of TQM was coerced by senior management. However, this implementation process had negative performance implications for 3M (see, e.g., Canato et al., 2013).

Regarding b), the NASA is a good example. NASA implemented SAP core to change several of its key processes (see, e.g., Berente & Yoo, 2012). While this is a technology implementation case and not entirely a business model innovation case, it nonetheless illustrates our point. The reason is that, within NASA, implementers have more power than the ideating unit. The implementers are various groups of scientists, who are equipped with personal expertise, on which NASA depends. These actors found noteworthy workarounds when they used SAP core so that the ideating unit's abstract representation of how the organization should run, was largely dismissed by the implementers.

Pache and Santos (2010) conceptualize manipulation as a strategic response to low logic compatibility of actors with an imbalanced power structure. The more powerful actor is likely to “ensure the imposition of its preferred template” through manipulation strategies such as “co-optation, influence, and control” (Pache & Santos, 2010, p. 465f). Hence, proponents of the new logic try to convince the opponents. When this fails, they simply override them.

***Exhaustive Problematizing.*** The last instance of problematizing, which we address, is what we call “exhaustive problematizing”. It occurs when organizational members have low logic compatibility but their power is symmetrically distributed. In this case, the implementation of a business model is also somewhat unlikely even in the presence of a new ideated business model. Hence, the performance implications are also rather dubious since resources are invested into attempts for business model innovation but they have no substantial effect, too. Such changes seem to be likely when powerful unions or coexisting professions exist in multidisciplinary organizations that “hold different values and different views about the appropriate way to organize work” (Pache & Santos,

2010, p. 465). Ideating units might try to convince implementers, but they are probably applying “proactive resistant strategies to reject the contested demands and destabilize the other group with the hope of achieving domination” (p. 468). If this strategy was successful, the ideated business model would not be implemented. If it wasn’t, the conflicts would possibly escalate, thereby paralyzing or even splitting the organization.

The consulting company Booz Allen Hamilton is a vivid example for exhaustive problematizing (Pache & Santos, 2010). Although it is no business model innovation case, it encompasses the implementation of novel business practices, resulting in conflicts over goals of equally powerful actors. Booz Allen Hamilton was a successful global consulting company, also offering consulting services for the U.S. military. As this service grew more important over time, both divisions became equally powerful. As a “deeper debate about the appropriate goal of the company” was conducted, tensions grew stronger (Pache & Santos, 2010, p. 470). When neither of the opposing actors was conceding, the company suffered a breakup of its divisions into the separate organizations Booz Allen, offering U.S. government services, and Booz & Company, conducting global consulting.

In summary, the lower the logic compatibility and the higher the power balance between ideating units and implementers, the less likely the ideated business model is to be implemented. With high power balance, the risk of escalating conflicts increases, which might lead to a severe crisis and even the decomposition of the organization (Pache & Santos, 2010).

## Discussion

In this paper, we have sought to address two important themes within the literature on business models: The first is a clarification regarding the concept of business model innovation. It seems not entirely clear what business model innovation is and whether it encompasses organizational change or not. The second theme relates to the performance implications of business model innovation. In contrast to extant works, we have theorized about circumstances when attempts for business model innovation have negative performance implications. Both of these endeavors were based on our framing of business model innovation as discursive practices. This framing was developed around the idea that business models are cognitive representations so that business model innovation is a process of changing these representations. However, the outcomes of these processes (performance and others) are strongly affected by the legitimacy judgements that important organizational constituents make about the attempts for business model innovation. We synthesized these arguments in a framework (*figure 1*) that is supposed to advance our knowledge regarding business model innovation and its organizational outcomes. In this section, we discuss the theoretical implications of this work.

Our paper makes two contributions to the literature on business models and business model innovation. The first relates to clarifying performance implications and the overall notion of business model innovation. The second relates to highlighting the role of heterogeneous legitimacy judgements.

Business model innovation is a key topic for recent research on strategy and organizations (Demil et al., 2015). However, it seems to be an unanswered question whether the performance

implications of business model innovation are positive per se. Some studies lend support to this idea (Heij et al., 2014) whereas some other studies from a more institutionally oriented literature suggest that this may not necessarily be the case (Canato et al., 2013; Jay, 2013; Tracey et al., 2011). We suggest that these literatures are not necessarily contradictory but rather that they may have studied settings, which operated under different characteristics. Indeed, much of the strategic management literature has tended to focus on organizations, which perform business model innovation in backgrounds with a dominant logic or highly compatible logics within organizations. In contrast, institutionalists have focused on organizations that combine different logics and power balances. Hence, we need to account for these differences in order to more fully appreciate when and why attempts for business model innovation are likely (not) to have positive effects on performance. Our theoretical model is one approach to clarify these relations, although it arguably should be developed by empirical work. We suspect that such work may provide dynamic understandings of our ideal types. For example, we have distinguished the four types as largely separate. But can they operate in the same organizations, at the same time, if so, will they be dispersed across different divisions? These are important questions, which future research should address.

Our interest in the outcomes of business model innovation also led to conceptualize business model innovation as ideation and implementation. This is consistent with, yet also an extension of the important work by Martins et al. (2015). These authors have sought to conceptualize business model innovation as changes in the cognitive representation of business models. Our model conceptualized business model innovation as ideation and implementation so that we tried to more closely theorize the relationship between cognitive representations and the changes that may or may not follow on the organizational level. These aspects were, in our view, not entirely

covered in the extant literature. However, they are of pressing importance for both organizational scholarship and the practice of organizational leadership.

We derived these aforementioned insights by taking into account legitimacy judgements, which are made by intra-organizational constituents in the process of business model innovation. This is an important theoretical aspect since these actors have a strong say in both the ideation and the implementation of business model innovation (Battilana & Dorado, 2010; Pache & Santos 2010; 2013). However, these actors were not entirely covered by earlier theory. Snihur and Zott (2013) offered a key contribution to theorizing the link between business model innovation and legitimacy by stating that the legitimacy judgements of institutional referents, who reside in the environment of the organization, are important for the performance implications of business model innovation. Our work adds two aspects to this line of inquiry. On the one hand, we have integrated ideas of multiple institutional demands into our argument, i.e. situations where different constituents make diverging legitimacy judgement (Greenwood et al., 2011; Kraatz & Block, 2008). On the other, we have taken into account that these constituents reside within the organization (Besharov & Smith, 2013; Pache & Santos, 2010; 2013). These conceptual steps were the basis to distinguish between logic compatibility and power balance and to theorize how these conditions provide trajectories for business model innovation processes. Taken together, this has added a focus on the organizational level where different legitimacy judgements affect the performance of business model innovation. This suggests for future research to more clearly carve out the implications of heterogeneous and potentially contradicting legitimacy judgements for business model innovation empirically. Another avenue could be to investigate how legitimacy judgements on the industry, as theorized by Snihur and Zott (2013), interact with those on the organizational level. We could not focus on this issue

since our overall approach was to conceptualize the role of multiple institutional demands, which are internally represented, for business model innovation on the organizational level. Thus, an additional focus on the field-level would have led us away from our focus.

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