
Realizing Business Model Innovation

Martin Trapp

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A Strategic Approach for Business
Unit Managers

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Foreword

To Kelly

Despite my presumption of the topic's importance, my initial search for literature on business model innovation revealed a dearth of relevant information. In the same manner, my well-educated colleagues had never been exposed to this subject. Nevertheless, the little information I found during my preliminary research already energized me as I understood this concept's huge potential to help firms remain relevant and survive. My determination was triggered; I would devote my doctoral research on extending the knowledge of business model innovation.

The dissertation at hand grew out of a two-and-a-half-year period as an external doctoral candidate at the Chair of Industrial Management at the University of Erlangen-Nuremberg. To accomplish it would have been impossible without the help of so many others.

To begin with, although their identities remain confidential, I express my gratitude to each professional, from business unit to senior project manager, who has allowed me access to his or her accumulated knowledge and experience. This study could not have occurred without their willingness to participate and their direct personal time sacrifices made to support these efforts. I will always be indebted to each of them.

From an academic perspective, I am greatly obliged to my advisor, Prof. Dr. Kai-Ingo Voigt, for providing me with the chance to develop under his guidance, for introducing to me the exciting research field of business model innovation, for challenging my mindset and for setting a rigorous standard that will benefit me throughout my career to come. I am further much obliged to Prof. Dr. Alexander Brem for his valuable advice and for co-refereeing this dissertation. Additionally, I would like to thank Dr. Lothar Czaja for helping me through this journey by being available at all times and by providing clear suggestions and reassurance. Furthermore, I appreciate the important insights of Dr. Christian Scheiner.

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To my parents, Norbert and Christina Trapp, I owe my desire to learn and to strive forward. They always will be inspiring examples. Above all, I express my deepest gratitude to Kelly Trapp, my wife and closest soul mate. Your precious input on the semantics, structure and logic made this work yours as much as mine. Thank you for your faith and patience. I dedicate this work to you with all my love and respect.

Martin Trapp (Nuremberg, January 2014)

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List of Abbreviations

BM	Business Model
BMI	Business Model Innovation
bn	billion(s)
BU	Business Unit
CE	Corporate Entrepreneurship
CS	Case Study
€	Euro(s)
e.g.	exemplum gratia: for example
et al.	et alii: and others
EU	European Union
EURAM	European Academy of Management
etc.	et cetera
FC	Forecast
FTTx	Fiber-to-the-x (x: h-house, b-building, n-node etc.)
G&A	General & Administrative
i.e.	id est: that is, in other words
IRR	Internal Rate of Return
IT	Information Technology
kEUR	kilo (thousands) of Euros
m	million(s)
M&A	Mergers & Acquisitions
n/a	not applicable
NPV	Net Present Value
OEM	Original Equipment Manufacturer
p.; pp.	page; pages
QS	Quantitative Study
R&D	Research & Development
ROA	Real Options Analysis
ROI	Return on Investment
RQ	Research Question
VC	Value Constellation
VP	Value Proposition
vs.	versus

Abstract

Driven by the current environmental challenges, the profitability of established business models is decreasingly sustainable, a circumstance that intensifies the need for business model innovation. This dissertation focuses on multi-business firms and identifies management practices, which support business unit managers in successfully realizing business model innovation. In such firms, the knowledge about business models and potentially value-creating business model innovation mainly resides within the business units as opposed to the corporate headquarters and central services. The proposed management practices build a deliberate, strategic-level management approach to the challenge of business model innovation, an approach currently lacking in most firms.

In order to arrive at this management approach, a theory-building, multiple-case study design is applied. Such a design is appropriate, since academic research on business model innovation is still in its early stages and has not yet elucidated the role of business unit managers. Before engaging in fieldwork, a “BMI-identification tool” is developed, which facilitates the selection of suitable cases. The final set of five cases covers successful and failed business model innovations in five different business units. It is selected from an initial set of nineteen proposed cases at four very large, publicly listed, European corporations. This “polar type” sample enables the combination of replication logic with failure analysis.

The within- and cross-case study of the five cases gives rise to a conceptual process of business model innovation, as well as twelve management practices, each attributable to one single phase within this process. These practices were all carried out by business unit managers in the success cases, whereas most of them were lacking in the failure cases. The case data reveals that gaining trust, being open to new processes, iterative real-world testing and active leadership are imperative to mitigate the risk in such initiatives and to overcome the rigidities in established organizations. Next to providing tangible recommendations for managers seeking business model innovation, the dissertation entails further important contributions to this emerging literature stream.

Key words: business model innovation, business unit manager, multi-business firm