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Business Model Innovation as a Countermeasure to Changing External Environments

A Case Study of a Professional Service Firm in the Nuclear Power Industry

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“It is often the processes that we don’t have for activities we need to be doing, but aren’t, that offer the greatest potential.” - Mitchell & Coles (2004: p.39)

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Abstract

There is still considerable lack of theoretical foundation when it comes to the subject of business model innovation. However, what previous studies in the field have shown is that business model innovation is a favorable way to hedge against dynamic changes in a firm's external environment. The main objective of this study was to investigate the approaches to business model innovation of a small professional service firm facing a dynamic change in its external environment. The second objective of this study was to add to current theory by comparing the outcomes of the focal firm's business model innovation initiatives to existing studies on success and failure criteria of business model innovation initiatives. For the comparison to other business model innovation initiatives a typology consisting of the dimensions reach, radicality and complexity of the initiative was used.

The study was performed in form of a single case study focusing on an individual firm. The focal firm is active in the nuclear power industry and faced a dynamic change in its external environment during a downturn within this industry in the years 2014-2015. The empirical data was primarily obtained from interviews conducted with the people involved in the initiatives.

The findings of this study are that the firm engaged in two major business model innovation initiatives where one was to expand the services in the current industry, a reinventor approach, and the second was to expand the services into new industries, an adaptor approach. The outcome resulting from the reinventor approach was considered to be a success whilst the outcome resulting from the adaptor approach can be considered a failure. The results of the outcomes have been shown to align with previous theory on the topic which also strengthens the generalizability into other industries of the theory. Deeper studies of the two different initiatives show that there are many aspects to consider when engaging in business model innovation. One of these things is that the firm needs to thoroughly understand its current business model as well as the implications the business model innovation initiative has for the current business model. Another aspect needed to be considered is to add systematicity to their general approach towards business model innovation.

Keywords: *Business Model Innovation, Professional Service Firm, Change, Dynamic Environment, Transform the Core, Expansion, Failure, Learnings, First Attempt in Learning, Adaptor, Reinventor*

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1 Introduction

1.1 Background

Today's business environment is highly dynamic and ever changing. These changes may depend on several factors such as, but not limited to, technology development, financial development and the political environment. All such factors affect the environment how a company can do business. These dynamic effects may render technologies and business unnecessary or obsolete (Perez, 2010). In order to hedge against effects, firms need to innovate to stay competitive. Traditionally in literature there has been two types of innovation discussed: process and product innovation (Teece, 2010). However, in recent times innovation in "how the company does business", the business model, has been viewed as providing additional innovation potential in addition to product and process innovation (Gassman, 2020; Wirtz, 2016).

There are examples where well-functioning business models have been rendered obsolete due to changes in the external environment as the prerequisites for value-creating activities in the firm have changed. Hence in order to create value for the customer and capture value for the firm a new and improved business model might be needed (Lindgardt et al., 2009; Chesbrough, 2007; Chesbrough, 2010). The process of innovating the business model is called Business Model Innovation (BMI). It is believed that BMI is a good way to hedge against turbulence in the dynamic environment (Wirtz, 2016). However, innovating your business model is not all that easy as illustrated by the quote from Lindgren (2017):

"The reality is that a BM and the topic BMI is like the old saying about teenage sex: everyone talks about it all the time; everyone boasts about how well he or she is doing it; everyone thinks everyone else is doing it; almost no one really is; and the few – who does - are fumbling their way through it incompetently" (p.128)

Even though it might be hard, some companies are limited in what they can achieve with product and process innovation and when facing an uncertain future, the best option might be to innovate the business model in order to appropriate value in the market (Visnjic, 2016).

Around the year 2015 the nuclear industry in Sweden faced such unstable business environments due to the results in the general election in 2014. In order to understand the reason for this one need to go back to the 1980's where there was a general referendum in Sweden on how the country should handle nuclear power in the future. In the referendum there was a win for the suggestion that nuclear power should be phased out when there were good enough options but no later than 2010 (Pershagen, 2017). As time went on no such options were available and following a change of government to the conservative bloc the time limit of decommissioning by 2010 was removed (ibid.). This generated an increase in activity within the nuclear industry in Sweden because now there were suddenly economic reasons to commit to investments in the reactors at the plants. There were even projects initiated to study the feasibility of constructing new plants in Sweden (Dagens Industri, 2021). However, these plans were suddenly put to a halt following the results of the general election of 2014.

To understand the effects of the elections in 2014 one needs to go back to the year 2011. In 2011 there was a nuclear accident in Japan (Fukushima) which in its aftermath required nuclear power plants

intended to operate after the year of 2020 had to install additional independent safety systems to enhance operational safety (SSM, 2020). In addition to this, in 2015 the electricity prices were at record low levels but the nuclear utilities had to pay a tax-rate on how much electricity they produced. This put them under heavy financial pressure because their price of producing was providing historically small margins, leaving no room for investments. However, following the general election in Sweden in 2014 the power once again switched from the conservative bloc to the social bloc. This bloc included the environmental party which are outspokenly against nuclear power. All of these factors combined created large uncertainties within the nuclear power industry and professional service firms active in that industry were suddenly facing large uncertainties about what to do with the human resources which had to leave the industry, and also how to hedge against these events in the future.

1.2 Purpose

It has been shown that innovating your business model will increase your firm's innovation potential by adding an additional dimension from just product and process innovation (Gassman, 2020). In addition to this Pohle & Chapman (2006) identifies BMI as a promising way for firms to respond with changing sources of value creation in times of high environmental volatility. However, the dynamics of BMI is not completely understood (Ramdani et al., 2019).

Ramdani et al. (2019) discusses gaps in the research about BMI. These gaps are discussed as well as areas where additional theoretical knowledge is needed are proposed. The needs are by Ramdani et al. (2019) categorized into three areas: (1) Approaches of business model innovation, (2) Degrees of business model innovation and (3) Mechanisms of business model innovation. Where it is further concluded by Ramdani et al. (2019; Sorescu et al., 2011) that it is not clear whether high-performing firms change their business models or innovation in business models is a result from superior performance.

Given the extreme situation facing the nuclear industry around 2015, it provides a good instance to study how small actors within niche industries, such as the nuclear industry, try to innovate their business model in order to capture value in other places using the resources that they currently possess. It is also of interest to examine how these BMI initiatives align with current research on which types of BMI efforts fail or if the conducted efforts can contribute towards existing theory on the subject mainly conducted by Taran et al. (2015; 2019).

1.2.1 Research Questions

Based on the discussion in previous sections, it may be deduced that there is a need for a better understanding on the dynamics of BMI in face of a large change in a firm's current business environment. That gives rise to the following research question with sub-questions:

- *How do professional service firms use BMI to respond (adjust) to turbulence in the external environment?*

In order to answer the postulated research question the following sub-questions need to be answered:

- What external change initiated the BMI efforts?
- How do they approach working with innovating the business model when facing a change in the external environment?
- What were the outcomes of the identified efforts aimed at mitigating the effects of turbulence in the external environment?

1.3 Short Introduction to the Focal Firm

The focal firm was founded in 2002 in Stockholm. At that time the firm had a focus on services related to safety analyses for nuclear power plants based on probabilistic methods. This has historically been the main service offered by the firm. Hence, it falls into the category of a professional service firm. However, in recent years they have started to offer a broader range of services in the nuclear power industry. Today the focal firm is a professional service firm specialized in services within the nuclear power industry such as probabilistic safety analysis, licensing., human reliability analysis, technical lead in projects and systems engineering. However, the firm also has a section working with human factors engineering which is the study of how human actions are enabled/hindered by technology.

2 Literature Review

2.1 Professional Service Firms, Trends and Business Models

2.1.1 The Professional Service Firm

The Professional Service Firm can be described as the ultimate embodiment of the phrase “our assets are our people” (Maister, 1982). However, in literature there is no clear definition as to what constitutes a professional service firm (von Nordenflycht, 2010). The definitions provided in contemporary literature are usually presented as a list of examples such as: “PSFs, such as law firms, accounting firms, consultancy, etc.” (ibid.). Another characterization which can be made of a professional service firm is that it has a high knowledge-intensity, low capital intensity and a professionalized workforce (ibid.). Due to their special structure, it has been identified that these types of firms face a professional environment which requires specific types of management practices (Malhotra et al., 2006). This effect is due to the two main strategic assets of a professional service firm: the skill of its professionals and its clients (Nanda & Narayandas, 2021). In order for a professional service firm to thrive it needs to understand the interplay between its demand side and its supply side and tightly align their practices and their clients while at the same time realizing that the value created, and hence willingness to pay for the services, is in the eyes of the clients and not the managers (ibid.). The professional service firms have in scholarly literature been described to often exhibit characteristics such as informal management processes, including few formal rules or systems and little strategic planning (Malhotra et al., 2006). This has by some scholars been interpreted these informal management processes as an appropriate response to the challenges facing firms with high knowledge-intensity (Greenwood & Empson, 2003). On the other hand, there are indications which show that the informality in form of little planning and few systems represent poor management which is enabled by a less competitive environment for the firms (von Nordenflycht, 2010).

The traditional business model of professional service firms is based on two principal ideas: (1) hiring people, preferably top talent and (2) charging clients a fee per hour or day for gaining access to this talent, its expertise and/or manpower (Sniukas, 2015). The emphasis placed on each of these two different constituents by the firm depends on the level of specialization where a more specialized professional service firm has a higher emphasis on providing specific expertise and the more general professional service firm has a higher emphasis on charging clients (ibid.). One downside with too much emphasis on the first point could lead to a “war for talent” caused by a depletion of talent due to the belief that top talent will lead to superior performance in the marketplace (McNamara, 2014). An early classification of the work performed by professional service firms, which still has relevance in current literature of the field, are grouped into three categories: **Procedural** which focuses on work where the solution/approach is well known, **Brain** which focuses on work that requires a lot of creativity and **Grey hair** which focuses on work that is hard to proceduralize and the solution is based on the experience and breadth of the professional (Maister, 1993). This description has now progressed into a view which entails more of a spectrum-like description of services and work conducted in professional service firms as presented by Nanda & Narayandas (2021).

2.1.2 Trends in the Industry

Surveys identifying the trends affecting the market of professional service firms have been conducted (e.g. The Economist, 2018; Forbes, 2019). One of these was a large survey among senior executives conducted by the economist in 2017 which identified that digitalization is a large trend in the professional service industry where some companies are starting to sell software as a service instead of consulting services (The Economist, 2018; Forbes, 2019). What has also been identified as a trend is an unbundling of value chains within the professional service industries (The Economist, 2018). This means that the services requested are moving more towards niche services which are more specialized for a specific purpose (ibid.). This unbundling effect of services requested by the clients is illustrated in Figure 1. This observation is supported by Sioo (2016) who have found that clients are demanding the creation of value at faster rate than previously and hence there is a need for more specialization because there is not a professional service firm that can ‘fix anything’. There is also a trend from the customer side, driven by ever rising hourly rates charged by professional service firms, making the clients start to re-evaluate how much value the professional service firms are creating which makes them turn their attention to smaller firms in order to achieve more value for the money they pay by using their comparative size advantage to impact the prices (The Economist, 2018). Another trend identified is that companies tend to rely on old ways of finding new services which is a problem as the customers may be overlooking provided services which defy the simple categorization used in e.g. industry directories (ibid.).

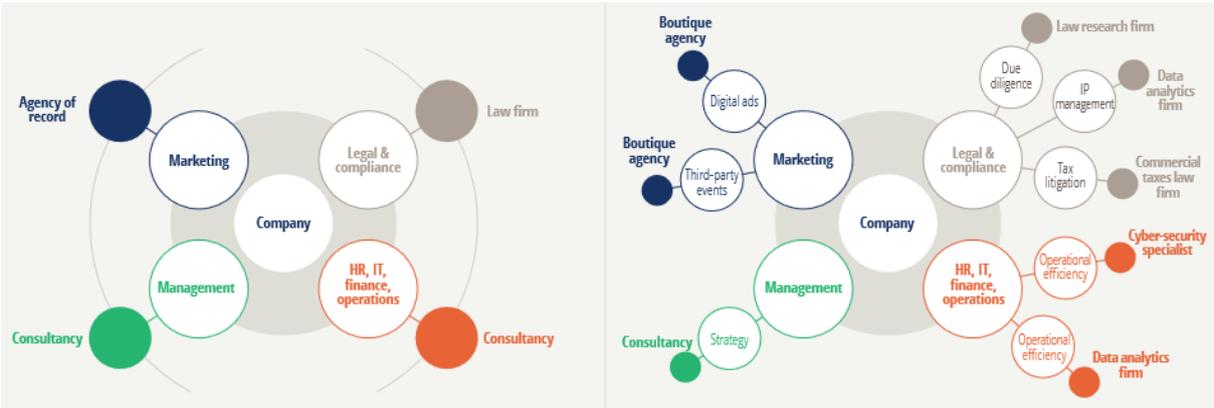


Figure 1 - Unbundling of resources demanded from the professional service firms, Source: The Economist, 2018

2.1.3 New Business Models

In order to face the new environment of the professional services industry, firms have started looking at new business models. It is also identified that for firms to deliver new business models they need to embrace the next generation of practices which are enabled by the use of digital technologies (Forbes, 2021). A survey of over 300 senior executives in the professional services industry, conducted by SAP-Oxford Economics, identifies three new business models which are predicted to have an impact for the new economy: *Knowledge-as-a-service*, *Talent marketplaces* and *Outcome based pricing models* (Forbes, 2021). Similar results have also been identified by Sniukas (2015) who identified successful launches of new business models in the professional service industry. The identified business models were: (1) From hiring a team to offering flexible access to top talent, (2) From staffing projects with people to commercializing expertise, (3) From consulting to solutions and (4)

From fixed fees to aligning fees with the client's success (ibid). Within the professional service firms specializing in management consulting three emerging business models have been identified which also align with the trends presented earlier: *Collaborative consulting*, *Continuous consulting* and *Instant consulting* (Sioo, 2017). Another valuable insight on business models of the future in general are derived from the digitalization veteran Tim O'Reilly (2017) is that they are characterized by talent and services on demand, automation and magical user experience (O'Reilly, 2017). These business models remain to be applied to the professional service firms but whatever the future brings, it is certain that it will not look the same as it has done in the past and firms will have to adapt to these changes in the best way possible.

2.2 The Business Model

2.2.1 Introduction to the Concept of Business Models

The business model concept seems at first hand to be similar to that of strategy and in some simple competitive situations there is also a complete overlap of the two concepts (Magretta, 2002; Casadesus-Masanell & Ricart, 2010). However, the business model concept has another level of abstraction, and it may rather be implied that the business model is a concept on a more generic level than a business strategy (Teece, 2010). In more complex business situations, the two concepts become more separated and there is a need to couple strategy and business model analysis in order to protect the competitive advantage resulting from a new business model design (ibid.) The difference between strategy (corporate and business) and the business model concept may be seen in the questions they answer (Amit & Zott, 2021). The business model answers the question "How should the firm do business?" while corporate strategy answers questions regarding "What industries and product markets should the firm be in?", "How and when should the company enter these markets?" and business strategy answers questions such as how to compete in a particular product market and what resources to acquire and develop (Amit & Zott, 2021). Due to the similarities in the questions the different parts answer it may be tempting to consider the business model as strategy. However, considering Teece (2010) there is a difference in the holistic aspect and the interconnections between the constituents. In light of this the business model may also be described as a system of how the pieces in a business fit together without considering one of the cornerstones of strategy, which is competition (Magretta, 2002). Teece (2010) adds a dimension to the difference in complexity between strategy and the business model where it is stated that strategy is considered to be more rough work than designing a business model. This is the case because the latter requires creating a value proposition for each identified segment, designing the value delivery mechanisms as well as developing 'isolating mechanisms' to prevent customers from removing the firm from their value chain and imitation by competition (ibid.). Due to this development in distinction between strategy and the business model construct, answering the question "*How should the firm do business?*" has according to Amit & Zott (2021) in recent years become one of the core strategic choices for managers.

In light of distinction between a business model and strategy, another distinction also needs to be made which is the one between business model and business plan as well as business idea (Klang, 2014). The business plan provides a formal description of the firm's intended business model, and the business idea is more of a loosely defined entrepreneurial intent and the function of the business model

in the latter case is the formal conceptualization of that intent (ibid.). Hence, taken the distinction between business model and strategy, business plan as well as business idea, it may be concluded that the business model is a concept more on an abstract level than previously described in economics literature and provides a set of generic level descriptions for how firms can capture value profitably and how they should organize themselves (Baden-Fuller & Morgan, 2010).

However, the business model concept has not gone without critique. Some of the earlier critique on the business model construct was that the research focused largely on internet-based models (Morris et al., 2005), which is somewhat natural because the concept began gaining traction from studying how e-businesses made profits by new ways of capturing value from the customer (Amit & Zott, 2001). Porter (2001) states that the concept sometimes seem ill defined and murky. This coincides with the primary critique of the concept of not being well-defined and the lack of agreement on the concept due to its origin from different streams of economic theory (Harvard Business Review, 2001; Shafer et al., 2005; Baden-Fuller and Morgan, 2010; Zott et al., 2011, Fielt, 2013).

2.2.2 Definition of the Business Model

The business model as a concept does according to Teece (2010) lack theoretical grounding within economics literature. It is further implied that mainstream economic journals have previously not published any papers which analyze or discuss business models. In recent years the body of literature discussing business models has increased substantially as shown by Ramdani et al. (2019) and there is now even a complete journal dedicated to the subject of business models. This increased body of literature has contributed toward a more common direction of current research. In spite of the increasing body of literature on the business model concept, no consensus on the definition has been reached (Fielt, 2013; ibid.). However, what most literature agree upon is that the business model describes how a firm creates value for the customer, how it delivers that value and how it captures a share of that created value (Osterwalder & Pigneur, 2010; Chesbrough, 2010; Teece, 2010; Demil & Lecoq, 2010; Zott et al., 2011; Desyllas & Sako, 2013; Fielt, 2013; Amit & Zott 2021).

There have been several definitions of the business model concept and literature on the matter has been developed in silos which usually coincide with the interests of the respective researchers (Zott et al. 2011; Wirtz et al., 2016; Ramdani et al., 2019). This view is enhanced by Chesbrough & Rosenbloom (2002) who states that the concept draws inspiration from and integrates several functional disciplines while it at the same time gains prominence in none. Amit & Zott (2021) describe these silos to be originating from five different theories of value creation: Schumpeterian Innovation, Resource-Based View, Transaction Cost Economics, Value Chain Analysis and Strategic Network Theory.

To provide the reader with an idea of the different views of the business model construct as well as an insight to the development of the concept over time Table 1 have been compiled. The table originates from Zott et al. (2011) and some supplemental definitions in more recent works have been supplemented provided by the author.

*Table 1 - Definitions of the Business Model concept,
Source: Zott et al. 2011 and enhanced by author.*

Author(s), Year	Definition
Timmers, 1998	The business model is “an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues” (p. 2)
Amit & Zott, 2001	The business model depicts “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (p. 511).
Chesbrough & Rosenbloom, 2002	The business model is “the heuristic logic that connects technical potential with the realization of economic value” (p. 529).
Magretta, 2002	Business models are “stories that explain how enterprises work. A good business model answers Peter Drucker’s age-old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (p. 4).
Johnson, Christensen, & Kagermann, 2008	Business models “consist of four interlocking elements, that, taken together, create and deliver value” (p. 52). These are customer value proposition, profit formula, key resources, and key processes.
Casadesus-Masanell & Ricart, 2010	“A business model is . . . a reflection of the firm’s realized strategy” (p. 195).
Teece, 2010	“A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value” (p. 179).
Osterwalder & Pigneur (2010)	“A business model describes the rationale of how an organization creates, delivers and captures value.” (p.14)
Fielt, 2013	“...a business model describes the value logic of an organization in terms of how it creates and captures customer value and can be concisely represented by an interrelated set of elements that address the customer, value proposition, organizational architecture and economics dimensions” (p.99)
Amit & Zott (2021)	“...the system of interdependent activities that are performed by a focal firm and by its partners and the mechanisms that link these activities to each other.” (p.13)

What can be seen from this table is that, in accordance with earlier statements, there is a commonality within literature on the subject that aims to describe the way firms do business. The ways of describing this and emphasis on different aspects does, as previously stated, originate from different approaches to describe this phenomenon. However, one may also notice that as the field matures, the definition of the term business model seems to be broadening to include more aspects relating to the business model such as interdependencies between elements in the model. As the field has matured a bit, Osterwalder & Pigneur (2010) and Amit & Zott (2021) are trying to account for the interdependencies while still trying to make the definition more precise. Research on the subject is heading into more of a consolidation phase as indicated by Wirtz et al. (2016) and one could also expect for the definitions ahead to be more consolidated. For the remainder of this thesis the definition of business model used will be that of Fielt (2013: p. 99) because it captures the essence of value creation and capture while at the same time highlighting the interdependencies between these elements.

2.2.3 The Business Model Construct

As previously stated, literature has to the most extent converged on that the business model describes how a firm creates value for the customer, how it delivers that value and how it captures a share of that created value. The main frameworks which today, in academic literature, is most widely used in order to describe these phenomena are differences in flavor of the same logic which consist of four main dimensions: (1) “**Who** are the main stakeholders and who performs the activities?”, (2) “**What** activities need to be performed to create and deliver the offerings to customers?”, (3) “**How** are activities liked?” and (4) “**Why** does it enhance value appropriation?” (Ramdani et al., 2019; Amit & Zott, 2021). Gassman et al. (2020), an influential author in the direction of more applied research, use a slightly differing description of the four dimensions and instead characterize these by (1) “**Who** is your target customer?”, (2) “**What** do you offer to the customer?”, (3) “**How** is the value proposition created?” and (4) “**Why** does the business model generate profit?”. Both of these models exhibit interdependencies between the different building blocks however they differ in their view on the role of the different constituents. Gassman et al. (2020) consider the “Who?” to be the central component of the business model while Amit & Zott (2021) consider the “Why?” or the value proposition to be the center of the business model. This difference may be seen from Figure 2.

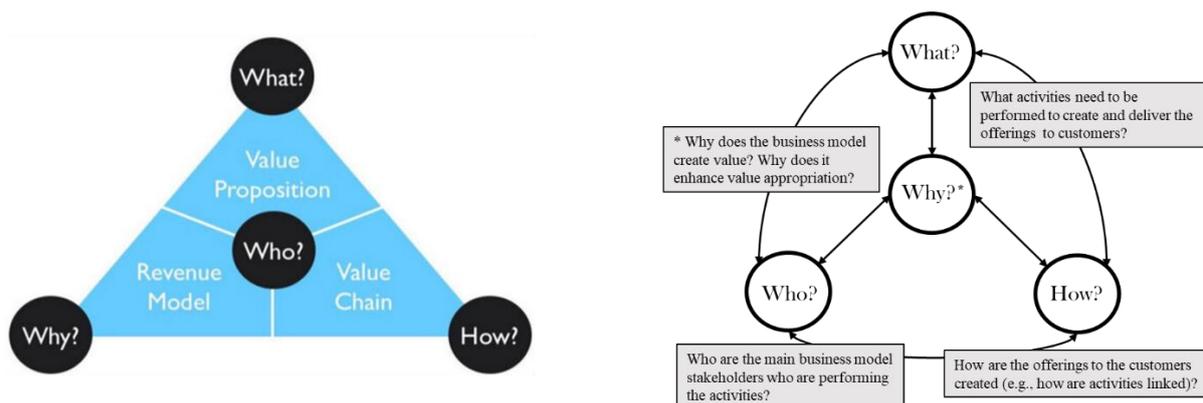


Figure 2 - Illustration of the four main dimensions of the business model concept,
Source: Left: (BMILab, 2020), Right: (Amit & Zott, 2021)

A complimentary view of the business model not that different from the previously presented models, is called the Four-Box Business Model and is presented in Figure 3. This view of the business model originates from the teachings at Harvard Business School, originating in the strategic discipline of the resource-based view, which illustrate the business model to consist of two sections and four elements. The four elements of the business model are (1) a **value proposition** for the customers also known as “the job to be done”, (2) **resources** of the organization that are required to deliver the value proposition to the customers, (3) **processes** the organization utilizes to address current tasks in a consistent way and (4) the **profit formula** which provides information on how to achieve an attractive return. The elements (1) and (4) constitute the Priorities section and elements (2) and (3) constitute the Capabilities section. In addition to this there are interdependencies between the constituting sections describing the complex dependencies of the business model. (Johnson et al. 2008; Christensen et al., 2016)

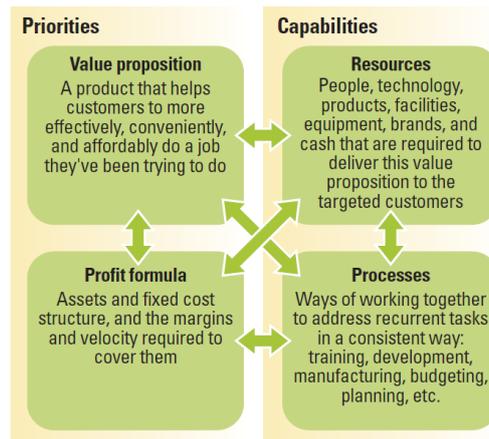


Figure 3 – The Four-Box Business Model as taught by Harvard Business School,
Source: (Christensen et al. 2016)

The “Who?”, “What?”, “How?” and “Why?” dimensions of the business model have in recent years been broken down into its perceived constituents in order to further enhance theorizing on the concept. Over time the concept of business models has been described as having everything from three to sixteen building blocks (Morris et al., 2005; Ramdani et al., 2019). Ramdani et al. (2019) presents a breakdown and homogenization of building blocks previously presented in the research-oriented business model / business model innovation literature. One well known way to describe and visualize the business model in more practically oriented literature builds on the work of Osterwalder et al. (2005) and Osterwalder & Pigneur (2010) which is oriented in an activity/role-related as well as value/customer-oriented approach (Fielt, 2013). This seminal work has resulted in the well-known description of the business model called the business model canvas taught at business schools around the world. The building blocks as presented by Ramdani et al. (2019) and Osterwalder et al. (2005) are presented in Table 2 in order to illustrate the difference in approach to the business model construct seen from a researcher’s point of view and practitioner’s point of view.

Table 2 - Building blocks of the dimensions of the business model a comparison between Osterwalder and Ramdani,

Part of the business model Ramdani et al. 2019	Element	Part of the business model Osterwalder et al. 2005 Osterwalder & Pigneur 2010	Element
Why? (Value proposition)	Core offering	Product	Value proposition
	Customer needs		
	Target customers		
	Customer perceived value		
What? (Operational value)	Key assets	Customer Interface	Target customer
	Key processes		Distribution channel
	Partner network		Relationship
	Distribution channels		
Who? (Human capital)	Organizational learning	Infrastructure management	Value configuration
	Skills and competencies		Core competency
	Incentives		Partner network
	Training		
How? (Financial value)	Revenue streams	Financial aspects	Cost structure
	Cost structure		Revenue model
	Cash flow		
	Margins		

For the sake of this thesis the author will utilize an academic description of the business model due to the possibilities of analyzing the business model more in-depth. Hence the composition of the business model provided by Ramdani et al. (2019) will be used to analyze the business models in this work, due to its ability to go further in depth as well as extended clarity of the constituents of the business model.

2.3 Business Model Innovation

2.3.1 Introduction to the Concept of Business Model Innovation

Joseph Schumpeter was one of the first writers on the concept of innovation and described development in general as a historical process being fueled by innovation (Schumpeter, 1934). He further described innovation to originate from five different sources: (1) The introduction of a new good... (2) The introduction of a new method of production... (3) The opening of a new market... (4) The conquest of a new source of supply... (5) The carrying out of a new organization such as creation or destruction of monopoly position (ibid.). He further argued that anyone seeking profits need to innovate. Business model innovation refers to the act of a firm innovating its current business model either in an incremental way or a more radical way and hence coincides with Schumpeter's fifth type of innovation. The term business model innovation in accordance with business models has yet to achieve a common definition in literature (Ramdani et al., 2019). Within innovation management, scholars have produced extensive amount of theory especially on incremental process innovation as well as radical or disruptive innovation, but it has to a large extent neglected the field of business model innovation (Taran et al., 2015). Nonetheless there is literature both in the scholarly field and practitioner field who imply that business model innovation matters (e.g. Magretta, 2002; Chesbrough, 2010; Teece, 2010, Aspara, 2010, Amit & Zott, 2012; Cucculelli & Bettinelli, 2015). Pohle & Chapman (2006) shows from IBM's Global CEO study that business model innovation has the potential to drive profitability to a larger extent than other types of innovation. This was illustrated by results showing that firms engaging in business model innovation had over a 5-year period achieved operating margin growth in excess of their competitors of over 5% while at the same time firms engaging in product/service/market and process innovations achieved a growth rate of about 0% (ibid.). A follow-up study conducted in 2009 shows that these ideas has had an impact where seven out of ten companies studied engaged in business model innovation activities and that 98% were modifying their business model to some extent (Casadesus-Masanell & Ricart, 2011). Cucculelli & Bettinelli (2015) shows that business model innovation has a positive effect on the firm to perform well. They also state that business model innovation is core to firm performance by playing a crucial role in shaping the firm's competences which in turn provide favorable conditions for the success in implementation of the new business model (ibid.). In order to further illustrate the potential of business model innovation one may look at Apple. They innovated their business model to encompass an ongoing relationship with its customers and for their partners to be able to extract value from the use of Apple products (Johnson et al., 2008; Amit & Zott, 2021). This shift in business model made their stock valuation skyrocket after the introduction of the iPod in 2001 and the iPhone in 2007 (Amit & Zott, 2021).

These examples illustrate that there are significant potential benefits for engaging in business model innovation. Further benefits for engaging in business model innovation was brought forward by Amit

& Zott (2021) by stating that it complements other forms of innovation, it usually does not require large upfront investments and the new business model could potentially be a disruptive force in the industry. An additional reason for engaging in business model innovation is that it has been identified as a good way to hedge against turbulence in the firm's dynamic environment (Johnson et al., 2008; Schneider & Spieth, 2013; Desyllas & Sako, 2013; Wirtz et al., 2016, Fjeldstad & Snow, 2018; Brenk et al., 2019). Christensen et al. (2016) adds to this fact by meaning that a correct execution of business model innovation has the ability to make companies resilient to change and create growth which is unbounded by the existing businesses. In contradiction to the view that business model innovation is a good way to hedge against dynamic environments which has been induced by scholars, a recent study among practitioners show that business model innovation is not generally seen as a way to confront challenges, but it is seen more as a novel way of doing business (DaSilva, 2018). Despite the view among practitioners, it has been seen that innovative new business models is a foundation for the success of most new companies who entered the Fortune 500 between 1997 and 2007 (Martins et al., 2015).

The concept business model innovation can be somewhat unclear and the extent to which a change in the business model constitutes a business model innovation is debated (Wirtz et al., 2016). In order to illustrate a radical innovation of the business model the company Hilti from Liechtenstein is presented:

“...Hilti, a Liechtenstein-based manufacturer of high-end power tools for the construction industry, reconsidered the real job to be done for many of its current customers. A contractor makes money by finishing projects; if the required tools aren't available and functioning properly, the job doesn't get done. Contractors don't make money by owning tools; they make it by using them as efficiently as possible. Hilti could help the contractors get the job done by selling tool use instead of the tools themselves – managing its customer's tool inventory by providing the best tool at the right time and quickly furnishing tool repairs, replacements, and upgrades, all for a monthly fee. To deliver on that value proposition, the company needed to create a fleet-management program for tools and in the process shift its focus from manufacturing and distribution to service. That meant Hilti had to construct a new profit formula and develop new resources and processes.” – (Johnson et al., 2008: p.54)

While this example shows a substantial change in the firm's business model by moving from a production firm to more of a fleet-management firm it is not necessarily the case that the change in business model has to be of such magnitude to be denoted a business model innovation. The example below illustrates a business model innovation of a more incremental orientation:

“Consider Taco Bell, the restaurant chain offering Mexican-style fast food, which in the late 1980s decided to turn the restaurant's kitchen into a heating and assembly unit in a program called “K-minus.” The chopping, cooking and clean-up activities were transferred to corporate headquarters. The food was sent pre-cooked in plastic bags to restaurants, where it could be heated, assembled and served. This incremental business model innovation was not game-changing for the fast-food industry, but it allowed Taco Bell to realize economies of scale and improvements in efficiency and quality control, as well as increase space for customers within the restaurants. Other firms might wish to change their business models in similar (incremental) ways, or follow a business model innovator in their industry in order to achieve competitive parity.” – (Amit & Zott, 2012: p.44)

Another type of business model innovation was shown by Chesbrough & Rosenbloom (2002) who looked at technologies and products developed by Xerox. Some of these technologies were not judged profitable due to Xerox's current business logic. However, when these technologies and products were divested into separate enterprises, they managed to find new ways of commercializing the technologies or products using business models which in most cases were fundamentally different from the dominant business logic in practice at Xerox. This was possible because the business model for the product or service was innovated in order to create greater value to the customers as well as providing greater opportunities for the exploiting firm to appropriate that created value. (Chesbrough & Rosenbloom, 2002)

As these examples of business model innovation illustrates, the phenomenon has a different origin than product and process innovation and hence it can be considered as an additional sort of innovation in contrast to the traditionally studied fields of product and process innovation (Zott et al., 2011). These attributes of business model innovation provide an additional and complimentary innovation potential to the firm in respect to product and process innovation (Zott et al., 2011; Gassman et al., 2020, Amit & Zott, 2021). Business model innovation is also associated with the potential of creating sustainable competitive advantage and hence the growing importance for the subject in scholarly literature (Mitchell & Coles, 2003; Casadesus-Masanell & Zhu, 2013).

It is also a known fact that several attempts at business model innovation fail (Christensen et al., 2016). One of the reasons for this fact is, according to Christensen et al. (2016), that managers lack an understanding of how a business model develops over the course of its lifetime. They (ibid.) further state that one need to understand that each stage of the journey leads to a specific type of innovation and the individual interdependencies in the model are more or less susceptible to innovation at different stages of the business model's life journey. This effect is illustrated in Figure 4. Taran et al. (2019) states that the use of a stage gate process without a complimentary dedicated risk management process poses another potential reason for the failure of business model innovation efforts. The strategy scholar Kaplan (2011) has in an article identified five additional reasons for the failure of business model innovation efforts; (1) "CEO's don't really want a new business model", (2) "business models focus too much on product rather than on a complete value proposition", (3) "cannibalization is off the table even though a new business model may have significant upsides", (4) "ROI hurdles are too aggressive for fledging models" and (5) "Rogues and renegades go against the corporate grain and get shot off the firm". These original five points have later been refined into ten reasons for failure of business model innovation efforts (Kaplan, 2013). Additional, and to some sense overlapping with Kaplan (2011), reasons for failure of business model innovation efforts are provided by Koen et al. (2010) as: (1) **Paradoxical leadership** which refers to the tendency for managers to do the wrong things for the right reasons by applying lessons learned from current business models to new opportunities, (2) **Organizational complexity** which refers to that an overly complex organizational structure may prevent these efforts due to bureaucracy, (3) **Innovation management** which refers to that organizations often struggle to find the balance between control and flexibility, (4) **Financial uncertainty** which refers to that firms often use traditional financial planning tools to justify new business models and (5) **Team prior knowledge** which refers to that often resources who know the sustaining model well are used to design new models and this instills a bias in the process due to lack

of diversity within the team. These presented reasons imply that in order to achieve successful business model innovation you need to overcome the dominant firm and industry logic which is one of the main challenges for business model innovation (Gassman et al., 2020). An important aspect to consider related to failure of a business model innovation efforts is learning from the failures. This is often overlooked and there are many lessons which could be learned from a failed business model innovation effort (Brenk et al., 2019). Failure to learn from past business model innovation efforts that are new to the company may decrease the growth potential of the firm significantly (Taran et al., 2019). Another conclusion by Taran et al. (2019) is that risk appetite and risk awareness seem to be additional important factors for the success or failure of a business model innovation effort. They suggest that the internal and external stakeholder’s risk appetite and awareness need to be aligned in order to increase the likelihood of success.

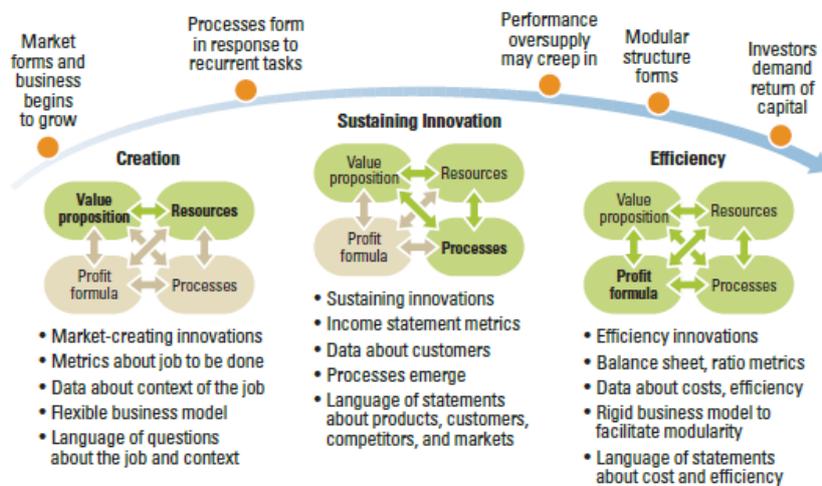


Figure 4 - The stages of the Four-Box business model's lifetime journey, Source: Christensen et al., 2016

2.3.2 Definition of Business Model Innovation

When can we call a change in a firm’s business model a business model innovation? Taran et al. (2015) states that this question has rarely been discussed in either business model research or innovation management research. Ramdani et al. (2019) states that the term business model innovation, in accordance with the business model concept, has yet to achieve a common definition in literature. In order to illustrate the difference in view on the business model innovation concept as well as the concept’s development over time Foss & Saebi (2017) have compiled a summary over definitions of the concept. Chosen excerpts are presented in Table 3 along with some enhancements by the author.

Table 3 - Definitions of the Business Model Innovation concept, Source: Foss & Saebi 2017 and enhanced by author

Author(s), Year	Definition
Malhotra, 2000	”...business model innovations represent ‘paradigm shifts’ that characterize not transformation at the level of business processes and process workflows, but radical rethinking of the business as well as the dividing lines between organizations and industries.” (p. 9)

Mitchell & Coles, 2004	“By business model innovation, we mean business model replacements that provide product or service offerings to customers and end users that were not previously available. We also refer to the process of developing these novel replacements as business model innovation.” (p. 17)
Markides, 2006	“Business model innovation is the discovery of a fundamentally different business model in an existing business.” (p.20)
Santos et al., 2009	“Business model innovation is a reconfiguration of activities in the existing business model of a firm that is new to the product service market in which the firm competes.” (p. 14)
Aspara et al., 2010	“Initiatives to create novel value by challenging existing industry specific business models, roles and relations in certain geographical market areas.” (p. 47)
Yunus et al., 2010	“Business model innovation is about generating new sources of profit by finding novel value proposition/value constellation combinations.” (p. 312)
Amit & Zott, 2012	“Innovate business model by redefining (a) content (adding new activities), (b) structure (linking activities differently), and (c) governance (changing parties that do the activities).” (as interpreted by Foss & Saebi, 2017)
Casadesus-Masanell & Zhu, 2013	“At root, business model innovation refers to the search for new logics of the firm and new ways to create and capture value for its stakeholders; it focuses primarily on finding new ways to generate revenues and define value propositions for customers, suppliers, and partners.” (p.464)
Khanagha et al., 2014	“Business model innovation activities can range from incremental changes in individual components of business models, extension of the existing business model, introduction of parallel business models, right through to disruption of the business model, which may potentially entail replacing the existing model with a fundamentally different one.” (p. 324)
Wirtz et al., 2016	“Business model innovation describes the design process for giving birth to a fairly new business model on the market, which is accompanied by an adjustment of the value proposition and/or the value constellation and aims at generating or securing a sustainable competitive advantage.” (p. 3-4)
Foss & Saebi, 2017	“...we define BMI as ‘designed, novel, nontrivial changes to the key elements of a firm’s business model and/or the architecture linking these elements.’ ” (p. 201)
Amit & Zott, 2021	“...we consider a business model design of an incumbent firm to be innovative when the firm changes its activity system so that the new system is novel for the firm and possibly also in the product-market spaces in which it competes.” (p.89)

The collection of definitions shows that the common theme revolves about newness of some form in the way that firms do business. The real difference between the definitions can be seen to originate in the extent this newness is supposed to be in order to be labeled business model innovation where some state that it has to be a “fundamentally different business model” (Markides, 2006) while others such as Khanagha et al. (2014) state that “Business model innovation activities can range from incremental changes in individual components of business models”. This willingness to include more incremental changes in the definition of business model innovation has been apparent in more recent works. On the other hand, Lindgardt et al. (2009) argues that business model innovation has not occurred unless two or more elements of a business model has been reinvented to deliver value in a new way. Wirtz et al. (2016) clarifies that the extent of change required to be justified as business model innovation is still a matter of debate within the research community. The wide variety of definitions of the concept proves Ramdani et al.’s (2019) point that even though there is a growing body of literature on the subject no common definition on the concept has emerged. Because of this lack of common definition, it has for practitioners been hard to develop a framework which in turn could lead to companies missing out on opportunities to improve their profitability and productivity in inexpensive ways (Girotra & Netessine,

2014). However, Wirtz et al. (2016) have indicated that research on business model innovation has started to move past the exploration phase and is starting to move into more of a consolidation phase. For the remainder of this thesis the definition from Kahnagha et al. (2014) will be used as a basis for defining business model innovation due to the acceptance of smaller scale of innovation to be included in the business model innovation concept.

2.3.3 Business Model Innovation Frameworks

Today's research on business model innovation has come some way but the interconnection between business models and business model innovation does according to Foss & Saebi (2017) raise a few questions such as: "What are the drivers, facilitators and hindrances of the innovation of a business model?", "Under which circumstances can business model innovation give rise to sustained competitive advantage?" and "Does business model innovation exclusively originate in the top levels of management, or may it also originate in lower levels of the organization?". These types of questions are according to Foss & Saebi (2017) not systematically addressed and answered in current research. They further state that literature on business model innovation is focused on examining the facilitators of business model innovation as an organizational process or the trying to identify new and "innovative" types of ventures (Foss & Saebi, 2017). What also can be summarized is that literature has some gaps in all dimensions which makes up a solid theory, and this type of work is needed to further for theory to solidify (Spieth et al., 2014; Wirtz et al., 2016; Foss & Saebi, 2017). Some of these gaps have been identified as "Construct definition and dimensionalization", "Congruence and identifying antecedents and outcomes", "Contingency and moderating variables" and "Boundary conditions" (Foss & Saebi, 2017).

There are also different views on the different streams within today's research on business model innovation. Wirtz et al. (2016) identify three research streams within the business model innovation literature. These streams are categorized according to their perspective on the phenomenon. These streams are *Explaining the business* (Corporate Strategy perspective), *Running the business* (Innovation and Technology management perspective) and *Developing the business* (Entrepreneurship perspective) (Spieth et al., 2014; Wirtz et al., 2016). An alternate view on the research streams within business model innovation literature is provided by Foss & Saebi (2017) who identify four streams more based on concepts around business model innovation: *Conceptualizing BMI*, *BMI as an organizational change process*, *BMI as an outcome* and *Consequences of BMI*. The first of the identified streams highlights the phenomenon itself as well as offerings, definitions and different conceptualizations of business model innovation. Capabilities, leadership and learning mechanisms that is needed for successful business model innovation is the focus for the second research stream. The third research stream focuses on the emergence of new business models in a particular industry whilst the fourth identified stream addresses the organizational performance implications of business model innovation.

Some efforts have been made towards building a common analysis framework. Foss & Saebi (2017) provides a simple typology of business model innovation based in the "scope" of the business model innovation, presented in Figure 5. This typology consists of four types of business model innovation which is obtained from the degree of novelty and scope of the business model innovation effort: (1)

the **Evolutionary BMI** which is described as naturally occurring changes which happen to the business model elements over time, (2) the **Adaptive BMI** which is described as changes to the business model which are new to the firm but no necessarily to the industry, (3) the **Focused BMI** which is described as the firm innovating in one area of the business model and (4) the **Complex BMI** which affects the entire business model. The first two types of business model innovation are cases where the firm adapts its business model architecture as a response to changes in its external environment while the last two types are aimed at disrupting current market conditions (Foss & Saebi, 2017). Another effort to provide a common typology for business model innovation is provided by Taran et al. (2015; 2019), illustrated in Figure 6. This typology as proposed by Taran et al. (2015; 2019) looks at the innovation effort in three dimensions: Complexity of the effort, Radicality of the effort and the Reach of the effort. The complexity is measured in how many out of the seven building blocks in the typology which has been changed in the business model innovation effort, whilst the radicality refers to the newness of the (incremental vs. radical) of each building block and reach concerns whether the business model innovation is new to the firm or to the world (Taran et al., 2015; 2019). Another effort in this field is made by Clauss (2017) who developed a scale for measurement of business model innovation. It is yet too early to evaluate the impact of these typologies; however it is an initiation of the effort to obtain a common evaluation framework.

		Scope	
		Modular	Architectural
Novelty	New to firm	Evolutionary BMI	Adaptive BMI
	New to industry	Focused BMI	Complex BMI

Figure 5 - Simple business model topology as proposed by Foss & Saebi (2017),
Source: Foss & Saebi, 2017

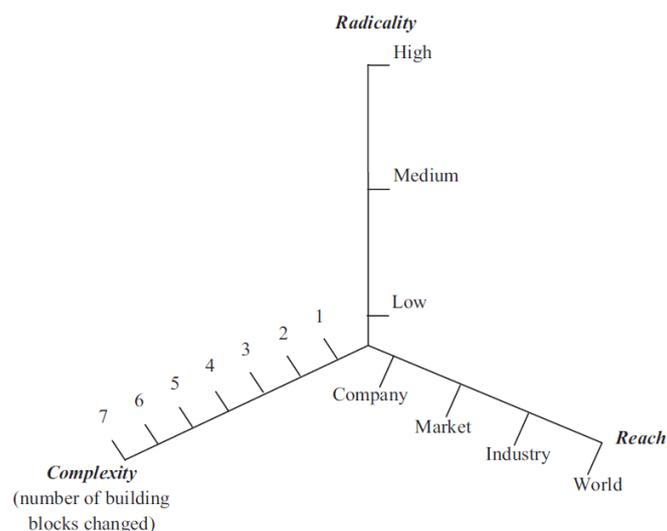


Figure 6 - Business model innovation typology as proposed by Taran et al., (2015; 2019),
Source: Taran et al., 2015

Aspara et al. (2010) examined the financial implications of the firm's size as well as the firm's emphasis on business model innovation in contrast to replication of a business model. It was found

that firms of any size with a strategic emphasis on either business model innovation or business model replication generated a higher average profitable growth than those who strategically emphasized neither of the dimensions. For small firms it was found that a high emphasis on business model innovation but low on business model replication exhibit on average stronger profitable growth than those firms with low emphasis on business model innovation and business model replication. However, for large firms an emphasis on both business model innovation and business model replication generated average stronger profitable growth than those firms who mainly emphasized business model innovation over business model replication. (Aspara et al., 2010)

Taran et al. (2015; 2019) aimed to measure extents of business model innovation in a number of efforts made by three firms and in turn to investigate whether there were any common traits between the innovation efforts which were a success and those that failed. Based on the typology developed by the authors, four distinct types of innovation were identified based on strategic context (proactive vs. reactive) and organizational setting (open vs. closed). In this sense closed entails internally developed and open entails business model innovation in junction with other firms. The authors finds that business model innovation efforts which have the lowest probability of success have the characteristics of (1) incremental radicality, new-to-the-company reach, high complexity and (2) high radicality, new-to-the-industry/new-to-the-world reach, high complexity. These two different types of business model innovation efforts may be considered as (1) a closed, reactive approach whereas the second is more of a (2) closed, proactive type of innovation effort. In the first case it may from a risk averse manager’s perspective be a “safe enough” experimentation of the business model but risk that the product has little or no impact in the marketplace and the second case usually involves departing from previous strategy which omits building on previous innovation experiences. (Taran et al., 2015; 2019).

When the results of the efforts studied by Taran et al. (2015; 2019) are visualized another trend emerges, see Figure 7. It is that business model innovation efforts which have a higher radicality and higher reach are more prone to be successful than those with lower radicality and reach. In these cases, the complexity of the innovation effort doesn’t seem to matter that much.

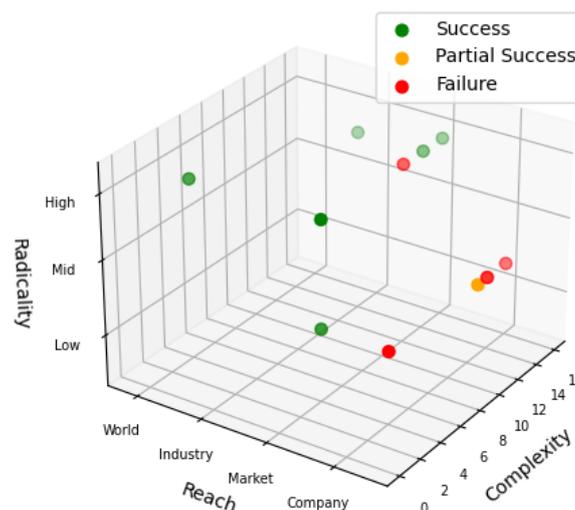


Figure 7 - Visualization of the BMI efforts studied by Taran et al. (2015; 2019),
Source: Taran et al. (2015; 2019) visualization by author

2.3.4 Approaches to Business Model Innovation

Early work on how to achieve business model innovation, without explicitly stating that it is business model innovation, is work done by Kim & Mauborgne (2004; 2005a) on the Blue Ocean strategy. This work uses the strategy canvas and other tools in order to identify uncontested market space, a.k.a. the Blue Ocean, for the firm which provides offerings not matched by rivals. This seminal work achieved tremendous success and has today been further developed into a more complete toolbox for managers to reach the uncontested market space (Blue Ocean, n.d.) as well as books on the topic (Kim & Mauborgne, 2005b; 2017). A more recent approach has been proposed by Gassman et al. (2020) who have studied firms and identified that over 90% of all studied business models is one flavor or another of the 55+ identified recurring patterns. The developed approach is called the 4i+ model which is a 4-stage process aimed at new business model design based on the 55+ identified recurring business model patterns. One additional recently developed framework for achieving business model innovation has been developed by Bartels (2021) which incorporates these 55+ recurring patterns along with other previous work in the field in order to construct a new business model visualized by the business model matrix. Another recent addition to the field comes from Amit & Zott (2021) who aims at constructing a holistic business model innovation strategy framework which includes an approach to business model design as part of the larger concept. This is based upon the NICE-framework for drivers of value and the DESIGN-framework for the design drivers. Since this framework is of such novel age it is hard to evaluate its impact on the research community but originating from two of the true pioneers in the field, it is bound to have some kind of impact within the field.

The question on how to achieve business model innovation has in business model innovation literature been somewhat neglected in earlier work and is still in need of further research (Lindgren et al., 2010, Ramdani et al., 2019). The process of business model innovation has been described as typically being an ad hoc process, lacking any framework for exploring opportunities (Gironta & Netessine, 2014). This is supported by Magretta (2002) who calls business model innovation the managerial equivalent of scientific method where you start with a hypothesis which then is tested and revised as and when necessary. This ad-hoc way of approaching business model innovation without using systematic tools is a myth around the process of business model innovation which according to Gassmann et al. (2020) needs to be removed. Mitchell & Coles (2004) expands on this and states that work with business model innovation needs a structured continuing business model innovation process in order to unlock the inherent potential of business model innovation. They further identified key characteristics for successful continual business model innovation as; (1) “Establishing ongoing business model innovation as a primary task of the organization”, (2) “Focuses on where valuable competitive advantage can be developed”, (3) “All stakeholders such as employees, partners, suppliers, customers are encouraged to propose and deliver business model innovations”, (4) “Prototyping to test the potential of possible business models”, (5) “The most talented leaders focus on developing and implementing business model innovations”, (6) “Increased revenue is channeled towards expanding and strengthening business model innovation before distribution to shareholders” and (7) “Available cash flow and profits beyond what is needed for continuing business model innovation are shared fairly among shareholders” (Mitchell & Coles, 2004). In order to achieve these kinds of characteristics a firm need to work from a holistic perspective with human-centered focus, as well as actively use

visual thinking and co-creation methods in addition to working with the innovation effort continuously (Sniukas et al., 2016).

The question of what approach towards business model innovation which best suits the firm is discussed by Lindgardt & Ayers (2014). They identify four approaches to business model innovation based on the dimensions impetus [“Defend against industry decline” or “Disruption and aspire for breakout growth”] and focus [“Transform the core” or “Expand into non-core”], illustrated in Figure 8. The four approaches are (1) **the reinventor** often used when facing a fundamental industry challenge where the current business model is deteriorating slowly, (2) **the adapter** often used when the current core business is unlikely to combat fundamental disruption, (3) **the maverick** is often used to employ their core advantage to revolutionize the current industry and to determine new standards and (4) **the adventurer** often used to expand the business’ footprint by exploring new adjacent markets. Each of these approaches to business model innovation require different key steps to consider in order to give the effort greater chances of success. For the reinventor approach the key steps for success are (1) Redefine value for customers and (2) Cannibalize proactively. The first point entails that the firm capitalizes on their expertise to find ways to reinvent the customer-value proposition while the second point entails that there has to be a willingness to reinvent the functions in the firm to deliver a more attractive value proposition to the client. It should also be added that the authors state that these points does not necessarily have to be radical changes but can rather be of an incremental nature. When it comes to the adaptor approach the key steps for success are (1) Find untapped value in current assets and capabilities and (2) Make adversity an advantage. The first points entails that the firm should understand their strengths and decisively apply them in new and growing areas while the second point entails that the most attractive business opportunities often exist where new regulation expose new customer needs which the adapters tap into. (Lindgardt & Ayers, 2014)

		Impetus	
		Defend against industry decline and disruption	Aspire for breakout growth
Focus	Transform the core	The Reinventors	The Mavericks
	Expand into noncore	The Adapters	The Adventurers

Figure 8 - The four approaches to Business Model Innovation, Source: Lindgardt & Ayers, 2014

2.4 Building the conceptual framework

This work will, as previously described, embrace the definition of the business model as provided by Fiel (2013, p. 99):

“...a business model describes the value logic of an organization in terms of how it creates and captures customer value and can be concisely represented by an interrelated set of elements that address the customer, value proposition, organizational architecture and economics dimensions”

This work will also adopt the more academic view of the business model which entails that the business model does consist of four separate parts: “What?”, “Who?”, “How?” and “What?”. In

addition to the previously stated definition of the business model, the work will utilize the definition of business model innovation as described by Khanagha et al. (2014, p. 324) which specifically includes incremental improvements to be included as business model innovation:

“Business model innovation activities can range from incremental changes in individual components of business models, extension of the existing business model, introduction of parallel business models, right through to disruption of the business model, which may potentially entail replacing the existing model with a fundamentally different one.”

The work in this thesis will consist of three sections, where the first section will be to empirically determine and solidify that the trigger for these business model innovation efforts was due to an external event. In the second section of the thesis the aim will be to investigate and further look into what approach to business model innovation the focal firm used when facing a change in their external environment. The third section will focus on the realized outcomes of the business model innovation efforts which will be evaluated out of a model developed to illustrate a business model innovation out of three dimensions. The intended framework for this analysis is illustrated in Figure 9, and a more in-depth description of the conceptual framework will be presented in the following paragraphs.

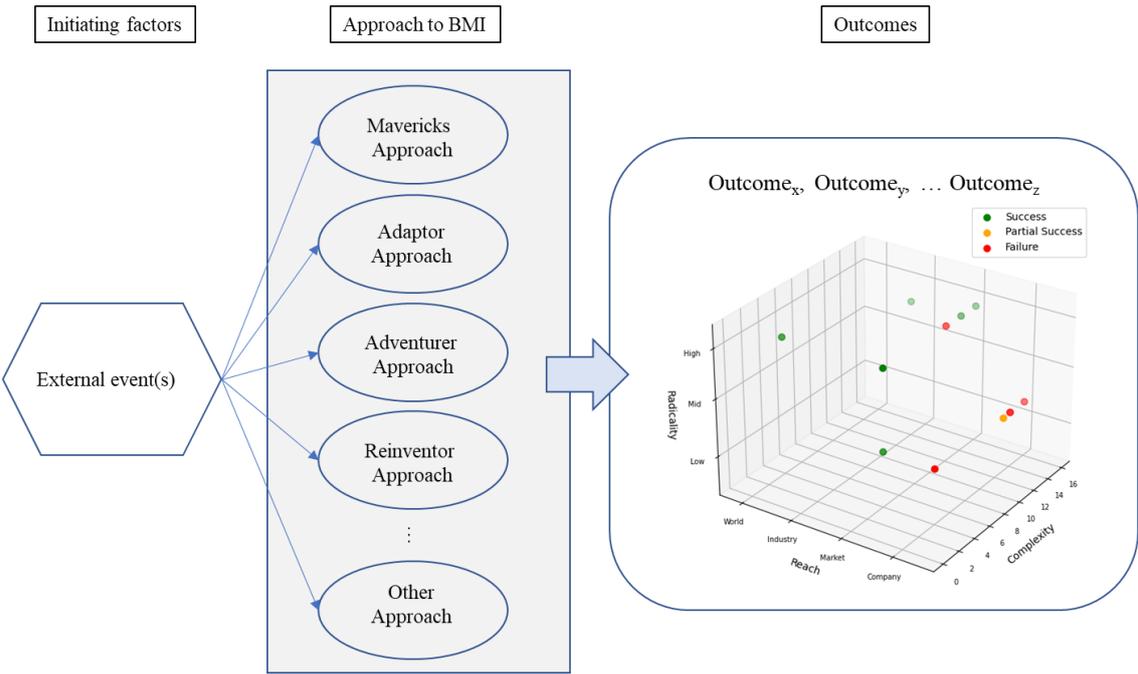


Figure 9 - Conceptual framework for the analysis

The first section of the framework is geared towards verifying that the most prominent reason for the initiation of the business model innovation efforts was due to a change in the external environment of such a magnitude which forced a change of the current ways of doing business.

The second part of the work is more of an exploratory section where the findings on how the focal firm worked with business model innovation in face of the changed dynamics in the business environment will be studied. The empirical data collection will have a starting point from the constituents of the business model and how the firm worked with modifying them. The findings will

be related to constituents of the business model and how this was affected by the identified business model innovation initiatives. The empirical findings will also, if applicable, be related to frameworks identified in the literature review otherwise new explanations for the findings needs to be derived.

Since the events unfolded some years ago it is also of interest to know what the firm have learnt from the business model innovation initiatives. Could the things which have been learned by the firm have contributed to the outcomes of the business model innovation initiatives? Brenk et al. (2019) state that it is important to learn from potential failures in order to improve the outcomes next time around.

The third part of the work will study the business model innovation efforts implemented to face the challenges posed in the dynamic business environment. This part of the work has two aims, the first is to build on to existing theory by providing additional data points to the published results and the second is to see if the results of the implemented business model innovation efforts align with the published results of the research community. This is performed by comparing the results of the implemented business model innovation efforts to the work done by Taran et al. (2015; 2019) on this issue. For this comparison, a modified version of the framework proposed by Taran et al. (2015; 2019) will be used. In the modified framework the axis which illustrates the complexity of the business model innovation will be modified to include the 16 building blocks proposed by Ramdani et al. (2019). In the original framework there are instead 7¹ proposed elements. This modification is done because the author strongly believes that the building blocks proposed by Ramdani et al. (2019) better illustrates the components of a business model and that the evaluation on the complexity axis will only be done out of a low/mid/high perspective as is the case in the original work by Taran et al. (2015). It is also stated in the articles by Taran et al. (2015; 2019) that the results obtained in their studies lacked generalizability and hence this work will be a contribution to look into whether the findings made by Taran et al. (2015; 2019) are valid even outside their studied industry.

In regard to determining whether the outcome of a business model innovation initiative was a success or a failure, the author will follow the same approach as Taran et al. (2015) proposed in their original work. They state that “the success of a business model innovation should be measured in terms of the extent to which the new model enables the company to generate revenue and help the company to achieve a sustainable competitive position by creating and delivering value to its customers” (Taran et al., 2015: p. 310).

¹ This should not make any significant changes to the framework because the complexity axis only measures the amount of building blocks that were changed. It is expected that it is a linear scale and if needed the 16 building blocks will be extrapolated to a 7-point scale. The same mechanisms for identifying the changed building blocks as Taran et al. (2015; 2019) will be used.

3 Methodology

3.1 Research Strategy

Research strategy is an explanation of the overall approach to the research project. It provides a description of the overarching philosophical and theoretical assumptions made in the approach to the research. The research strategy can further be described as answering the questions: (Bell et al., 2019)

- *What is the role of theory in your research?*
- *What are the philosophical assumptions made in the research?*

Business model innovation in general is a field which lacks a solid theoretical foundation, and especially framed in the context of professional service firms and a dynamic change in the external environment. Hence, an exploratory approach to the matter is undertaken. For exploratory studies it is usually beneficial to use an inductive approach which aims to develop theory from the material obtained from studies (Bell et al., 2019). Since the intended research subject is rather limited in its applicability to quantitative methods a qualitative approach to the research will be undertaken. This enables the researcher to obtain a more in-depth and nuanced view on the methods used and intentions held by the practitioners in the studied cases.

The philosophical assumptions of the research strategy consist of the ontology, how theory is used, and epistemology, how we can gain knowledge of reality (Bell et al., 2019). The choice of approach to ontology is overarching the choice of approach to epistemology. This research will take a constructionist approach to ontology and an interpretivist approach to epistemology which is aimed at understanding the underlying processes and motives for the actions taken.

3.2 Research Design

The research strategy provides a broad overview of the intended research work, however additional decisions about research design and research methodology also needs to be made (Bell et al., 2019). The choice of research design provides a framework for how to conduct data collection and data analysis (ibid.). In addition, the choice of research methods is to a large extent decided by the choices made about research design. According to Bell et al. (2019) there are five prominent types of research design where each one represents a different way of approaching the research work to obtain the desired results:

- Experimental design;
- Cross-sectional design;
- Longitudinal design;
- Case study design;
- Comparative design;

The most appropriate design for the research work depends on the context of the topic studied. This research will take a case study approach due to the nature of the particular case and conditions which the firm was facing. This choice of research design entails a detailed and intensive analysis of a single

case (Bell et al., 2019). This research design is one of the most popular approaches and has produced many of the most well-known work within business and management research (ibid.).

A case can according to Bell et al. (2019) be (1) a single organization, (2) a single location, (3) a person, (4) a single event. Another distinction for a case study in relation to other research designs is the focus on a bounded situation or system (ibid.). When considering a case study, the object is an interest in its own right and the aim of the researcher is to provide an in-depth description of the organization or process (ibid.). This research will focus on one organization facing the challenges of a rapidly changing business environment which according to the description above will be a good fit for a single case study.

What also needs to be considered in the choice of research strategy are the quality criteria for the research. In quantitative studies the quality criteria are established and does ensure high quality research if they are followed. However, within qualitative research the quality criteria on the research cannot be directly applied. Instead, it is proposed to use other metrics to ensure appropriate quality of the research (Bell et al., 2019). For qualitative research it is in one stream rather proposed to consider the following quality criteria to ensure adequate quality of the research: (1) Reliability which concerns whether or not the results are repeatable, (2) Replicability which concerns whether or not the study is possible to replicate and (3) Validity which concerns the integrity of the conclusions drawn from the research (ibid.). Where the validity aspect mainly considers the internal/external validity which describes the causality aspect within the studies and whether or not the results can be generalized beyond the context in which it is being studied. Another set of quality criteria which are aimed more towards qualitative research is provided by Lincoln and Guba (1985) which looks at: (1) Credibility i.e. How believable are the findings?; (2) Transferability i.e. do the findings apply to other contexts?; (3) Dependability i.e. are the findings likely to apply at other times; (4) Confirmability i.e. has the investigator allowed his/her values to intrude?. These criteria aim at addressing the trustworthiness of the conducted research.

3.2.1 Credibility

The quality criteria credibility can in one sense be equated to internal validity which addresses how believable the findings are (Bell et al., 2019). One of the ways to add credibility to the research is that conference agendas and protocols are studied to verify the information obtained in the interviews to the largest extent possible. In addition, to enhance the credibility of the research respondent validation was used. This entails that the transcript records were provided to the respondents in order for them to put forward objections on the records used for the qualitative data analysis.

3.2.2 Transferability

The quality criteria transferability can in one sense be equated to how applicable the findings are to other contexts (Bell et al, 2019). Since this is a case study regarding a setting initiated by an external event it is generally transferrable to that setting. The transferability to other contexts may in some sense be limited to the specific context but the results of the studied outcomes is believed to be transferrable to other settings.

3.2.3 Dependability

The quality criteria dependability means according to Bell et al. (2019) that the researcher shall adopt an “auditing” approach towards the work which entails that complete records of all parts of the research should be kept. This research keeps complete records of the work conducted towards the results of the research. The only exception to this is that the recordings of the conducted interviews will be deleted after the finalization of this thesis due to GDPR reasons. However complete transcriptions will still be kept.

3.2.4 Confirmability

The quality criteria of confirmability is according to Bell et al. (2019) directed towards ensuring that the researcher has acted in good faith towards the research meaning that the researcher has not allowed for personal values to interfere with the conduction of the research and the resulting findings.

One issue which needs to be addressed is the personal values of the researcher towards the focal firm. The personal values of the researcher reflects either the personal beliefs or the beliefs of the researcher towards the research (Bell et al., 2019). One common issue in student research is that the researcher is often studying problems in their employing organization (ibid.), such is the current case. This gives rise to a potential bias in the research which is based on the researcher’s personal values towards the studied organization. The researcher will also face issues related to: “the previous understanding of the setting, the duality role and organizational politics” (Coghian, 2001). These aspects are reflected upon and what is important to consider is that the researcher was not actively involved in these efforts studied in this thesis. The researcher’s role in the studied efforts have been observing the events from a distance and hence have not influenced the actions taken or how the studied efforts ended up. Potential sensitive findings from the studies will primarily be delivered to the CEO and he, in turn, may decide how to distribute the material within the organization in order to reduce the political side of the findings.

3.3 Data Collection

3.3.1 Approach Towards the Literature Review

The literature review has been conducted with a systematic approach. This text will try to address the approach used for writing the literature review. To start off, since the field of business models and business model innovation is relatively young it was decided to initially discard literature older than the year 2000. However, in the field of the professional service firm some fundamental literature was older than 2000 but was included due to its importance to the field. The type of literature was in regard to business models and business model innovation intentionally kept to primary sources such as peer-reviewed articles. Secondary sources such as books was to the largest extent possible written by scholars in the field who previously had written peer-reviewed literature within the field which meant that they themselves had contributed to the body of knowledge on the subject and were well informed on the developments therein. In some cases, to identify recent trends for professional service firms webpages were used and in those cases prominent institutions were used as sources.

Regarding the primary literature a systematic approach was used to find the desired information. First, it should be noted that the early literature is highly concentrated to a few influential publications and authors. In order to get acquainted with the field, some state-of-the-art articles were studied. From there highly influential work within the field was identified and studied. In this process the highly influential 43rd issue of Long Range Planning, 2010, was studied since it contained several pieces of work which still today have high impact on newer work. The entire content of the Journal of Business Models was also ransacked for newer work on business models and business model innovation due to its dedication to the field. By working through the literature with this systematic approach most of the foundations were covered in a good way. For the more recent work, searches in the most prominent peer reviewed journals were performed using keywords such as “business model innovation”, “business model”, “business model innovation failure”, “professional service firm”. However other keywords may also have been used depending on what type of information which was sought after. The databases used was the ones provided by the University of Gothenburg which primarily consist of ESBCO Premier. The greatest attention during these searches were given to peer-reviewed articles in renowned journals.

3.3.2 Approach Towards Empirical Data Collection

This work will embrace a grounded theory approach towards data collection and theory building. This entails an iterative approach towards data collection and theory building (Bell et al., 2019). This iteration continues until a theoretical saturation has been achieved which means that when no new themes can be found during the coding process (ibid.). However, due to the limited time available for this research, it might be difficult to achieve true theoretical saturation and the iterations used to obtain further data will be limited.

The study will utilize triangulation methods for conduction of the research. This way of conducting research is recommended by Guba & Lincoln (1994) and will according to Bell et al. (2019) increase the credibility of the research. The way the triangulation is achieved is by the use of semi-structured interviews as well as studies of internal documents such as protocols from internal conferences during the time studied.

The interviews were conducted in a semi-structured way which means that there is an interview guide of topics to be covered but they don't necessarily have to be conducted in that order in order to improve the flow of the conversation during the interview (Bell et al., 2019). The interviews were to the largest extent possible conducted in similar ways and similar order of the questions were used. The questions were to the largest extent possible formulated in an open way which were not leading the respondent in any particular direction with his/her answers. After the conduction of the interviews, the conversations were transcribed for added transparency, but also for the respondents to check that they have been cited correctly. Thereafter a thematic analysis of the obtained data was conducted.

The set-up of the interviews primarily utilized electronic means of conversation, Microsoft Teams, due to the difficulties to find time to conduct the interviews otherwise. The interviews over Teams allows the interviewees to find a quiet setting of their choice so that they can speak without interference of outside factors. This also enables more easy recording options. It is also beneficial because one may study the respondent's body language in relation to each of the questions asked. According to Bell et

al. (2019) there are other favorable conditions with this way of interviewing such as added scheduling flexibility, added inclination to participate in studies and that there is little evidence that the generated data will be inferior to data collected via face-to-face interviews.

3.3.2.1 *Transcription and Thematic Analysis*

The interviews were transcribed in order to obtain the interviews in written format. This enables the researcher to work with the data and utilize various methods of finding themes in the produced data more easily (Bell et al., 2019). The transcription was performed by the researcher with the help of automatic transcription tools in order to get familiar with the data while producing the transcripts. Thereafter the transcripts were studied again in order to further get the context as a whole. The next step was to follow the steps for thematic analysis as provided by Bell et al. (2019) to obtain codes which in turn were turned into “first order concepts”. Finally, the first order concepts were turned into themes which is a kind of grouping of the created first order concepts. An example of the codes generated in this process may be found in Appendix 2.

In the process of creating themes the work by Ryan & Bernard (2003) was consulted in order to identify what could be suitable ways to find themes. They suggest eight things that the researcher should look for when identifying themes in qualitative data:

- *repetition* – which refers to recurring statements or topics
- *indigenous typologies and categories* – which refers to local expressions which are unfamiliar or used in an unfamiliar way,
- *metaphors and analogies* - which refers to the respondent’s use of metaphors and analogies in the data,
- *transitions* – which refers to how one shifts in topics in the data,
- *similarities and differences* – which refers to similarities in the created codes to be grouped together into a theme,
- *linguistic connectors* – which refers to the use of word such as “because”, “since” which indicates causal relations in the respondent’s mind,
- *missing data* – which refers to looking into what is missing/omitted by the respondent in the data and
- *theory-related material* – which relates to using scientific concepts to identify themes.

3.3.2.2 *Interview Guide*

In order to keep track of the subjects to be covered during the interviews an Interview Guide has been constructed. While constructing the interview guide Kvale’s (1996) nine types of questions have been considered in order to obtain as good coverage as possible of the subject with the questions. Bell et al. (2019) provides a list of pointers to consider while preparing the interview guide. These have also been considered when constructing the interview guide. The final pointer which has been considered is to end up the interview with a question like Treviño et al. (2014) which is a question of the type “What do you think that I should have asked you about that I haven’t?”. In order to help the dependability of the research the interview guide has in advance been sent to the respondents (Bell et al., 2019). The complete interview guide may be found in Appendix 1.

3.3.2.3 Conducted Interviews

The sampling of the people to be interviewed was done using a purposive sampling which according to Bell et al. (2019) is a sampling conducted with the goal of the research. In this case the initial respondents were chosen out of their involvement in the process of working with the business model innovation efforts. The number of respondents were 6 people, where 5 of the people were the majority owners of the firm and one person was a former employee in the firm who was part of one of the efforts launched in face of the changed environment. The goal of this research was to look into how the firm worked with business model innovation in light of changes in their external environment and hence interviews were performed with people involved in these activities within the firm. The focal firm has locations in the three major urban areas of Sweden with some differences in what kind of work is being performed at each of the offices. All of these offices were covered by the sample of respondents. However, since most of the respondents are senior partners of the focal firm an additional perspective was needed. Hence the decision to contact a former employee who also worked with one of the conducted efforts.

Ahead of the interviews the respondents were asked to participate in the study. After accepting the invitation interview slots were set up with each of the respondents in accordance with their schedules so that they themselves would not feel pressured or stressed through the interview.

The focal firm is based in Sweden and most of the conversations within the firm on this topic has been conducted in Swedish. The author and the respondents both speak Swedish which helps the interviewer to better capture the nuances in the respondent's answers by conducting the interviews in Swedish. The transcriptions are also done in Swedish. However, the work with coding and identifying themes was done in English in order to achieve a transparency even for then non-swedish speakers.

After 6 interviews no new data was generated and hence what Bell et al. (2019) calls theoretical saturation was achieved. The respondents described roughly the same procedure however the respondents expressed diverging views on some events and decisions made. It was judged that no additional information was obtained by interviewing additional respondents. Information on the interviews is presented in Table 4 below.

Table 4 - Summary of conducted interviews

Position in firm	Date conducted	Duration [min]	Conducted through
Respondent 1	2022-04-06	52 min	Teams
Respondent 2	2022-04-05	59 min	Teams
Respondent 3	2022-04-06	59 min	Teams
Respondent 4	2022-04-13	1h 2 min	Teams
Respondent 5	2022-04-19	1h 2 min	Teams
Respondent 6	2022-04-06	1 h 2 min	Teams

For the sake of the promised anonymity of the respondents and the focal firm being relatively small it is rather revealing to state which position in the firm each of the respondents have. Hence it has been chosen to not disclose this information in the table above. However, the respondents include the majority owners due to their apparent involvement in the firm's activities around this time. All of these people are also active in the board and the management of the firm. Hence, they have all had deep involvement if the firm's activities during this time. The respondents also included one former employee who played a large part in the activities of expanding services to new industries.

3.3.2.4 *Internal documents*

For triangulation purposes some agendas and protocols from the internal conferences were studied. However, these activities did not add to any of the information gained in the interview process. This information rather confirmed what was being said during the interview sessions.

4 Empirical Findings

4.1 Prerequisites

In the beginning of the 2010's the focal firm was heavily dependent on revenue from the nuclear power industry in Sweden. A large part of this income was originating from one major client. The focal firm was aware of this and were somewhat worried about this fact.

"We were 100% dependent on nuclear power around 2010. We can go into exact dates later on, but we were 100% dependent on nuclear power and then there were 2 or 3 things. One thing is that we felt like it wasn't that great to be dependent on one single client." – R3

Some of the respondents who had been with the focal firm for a long time were keen to point out that thoughts of doing something other than risk and safety analysis for nuclear power plants have been present ever since the firm started. As a matter of fact, the firm was started with the aim of working with investment analysis. Some early work was performed on what to do when working in other areas. However, this was not a major focus of the firm at this time due to the fact that the firm were busy with current and future assignments and because of this there was no real motivation to work with the diversification efforts to any larger extent.

"Of course, we realized that it isn't great to have all eggs in one basket so to say. We had realized that some time ago. It is yesterday's news. However, when business is going well and times are good it is simply hard to motivate spending time or money on getting into new industries." – R5

"There has all the way from the start been thoughts about us working with something other than risk analysis, systems engineering and all of those things we are doing today. There has always been something in the back of our heads saying that we should be working with something else." – R3

"What comes up in my head is that 'The Firm' has through the years had thoughts and low-intensity discussions on that we should have a broader profile. We did work with PSA analysis and that is how it started and that was our core activity so to say and almost everyone was working with that in the beginning, and thereafter we have step by step broadened our offerings within the nuclear power industry." – R1

Along with the discussions on doing something other than safety analysis, there had also been some discussions on how the firm should structure itself. As of now there is just one firm without any divisions or daughter firms, but there had previously been discussions on whether or not this was the best way to structure the firm.

"...as an example, we have always thought about our corporate structure and how its is constructed." – R3

4.2 Initiating Factors

In the earlier parts of the 2010's the firm's major client provided clear indication that they were worried that a large majority of the firm's revenue originated from one major source and due to the high-quality service the firm was delivering the client were worried to lose the services provided by the firm. It should be noted that during this time the major client had initiated actions towards using a

more centralized purchasing process which would only utilize fewer and larger companies. This action from the client once again initiated some thoughts on what to do but the pressure was not critical enough to initiate a large-scale effort.

“As a matter of fact, I have to say that at the same time the client did actually push us in that direction. In our discussions with the client in order to obtain the framework agreements which we need to have to do work for them, they were pretty clear on that they did not like that 90-59% of our turnover was originating from the client. They expressed that they like us, and they don’t want us to be gone in case they have to downsize on assignments.”
– R3

However, all respondents indicate that the results of the elections in 2014 had an impact on the hausse which was present in the industry. At the same time the electricity prices were at an all-time low with no forecasts of increasing in the near-term future. The combination of these two factors then impacted the client’s willingness to invest in new projects which in turn effectively resulted in significantly fewer assignments from the major client. Hence something needed to be done in order to counter this effect of fewer available assignments in the industry.

“I mean, it could have been, but I believe that. How should I phrase it, the engine behind that one started to engage in looking at it”. – R2 [on the political situation and the decision on shutting down plants]

“We were in need to do something, so to say. We had no choice. It was in no way planned that we were going to do it, but it came as a huge surprise when the client suddenly decided to downsize on assignments around 2015.” – R5

4.3 Approach to Business Model Innovation

The actions taken in light of the initiating external factors were in one aspect done in order to create a sense of optimism for the future of the firm but in another aspect out of some degree of panic to find things for the employees to work with when the current assignments were finished. In light of the changes in the firm’s external environment the downsides of being dependent on one large customer became painstakingly apparent. Then, in the case of how to find new assignments the main thought within the firm was that the specialist knowledge about risk analysis and methods could be applied in other industries. After all the nuclear industry does have very high safety standards and superior risk awareness so that should have been a good prerequisite to perform well in other industries. It should also be added to the equation that the firm is owned by a group of employees each with different incentives and motives which in this kind of situation becomes a rather difficult parameter to include into the equation, especially for the board.

“A large part of it all was to create a belief in the future, that was the goal with it all.” – R2

“Yes. One may say that there was some degree of panic involved as well. I mean what the heck, we have people going without assignments. We need to have something to do.” – R5

“... in those days we were mainly doing risk analysis and we thought that ‘Well, we want to show that we can perform risk analysis in other industries as well’. We believe, well we thought that we should be able to do it because we had some cocky idea that we should be able to do this well even in completely different industries.”
– R3

From the obtained data it can be seen that the firm at this point in time went off into two directions. The first direction was that they continued to work and to find assignments in the nuclear industry and the second direction was that they at the same time started to materialize the thoughts of applying their specialist knowledge of risk analysis and methods on other types of industries. The following sections will separately present the data obtained on how they worked with developing a business model for each of these two directions and then in the last section present the learnings the firm has obtained from these two business model innovation efforts.

4.3.1 Expanding Services in the Nuclear Industry

Historically the firm had been active within relatively few departments at the main client. This was to a large extent due to the specialization within probabilistic methods for safety analysis where the work was only conducted at few departments. However, to perform this kind of work you need to be very knowledgeable about several aspects of how the plants work and how they are constructed. So, one thing they did was to try to obtain assignments at other departments which was doing work adjacent to the work the firm was currently doing. What was used as a sales pitch for obtaining these assignments was to with an open mindset to other types of problems and to use primarily the obtained knowledge from working with the safety analysis but also, in case of new recruitments, help the managers at those departments make sure that their new resources were up and flying quickly by introducing them to the client's systems and processes as well as helping the new recruits in their work. By taking this wider approach to new assignments one could say that the firm went from delivering the service of safety analysis to delivering solutions to the different manager's problems at hand.

"But of course, we do work with trying to obtain additional assignments at the existing client, but aiming towards new types of assignments. We did that through utilizing the established sales channels at Site 1 and Site 2." – R5

"In short, it means that we make sure that they get acquainted with the client's systems and processes. We help them to get it right." – R6

"What we really do, I mean what we really help out with is solving problems for the client. Their employees are a little bit stubborn and are picky in what they want to do while we say 'Yes, we can fix that for you!'. In addition to this it shows that you get much more fun assignments and have a larger responsibility. So, my interpretation is that it kind of is a win-win situation." – R2

The way this expansion was performed was that the firm used their personal relations within the firm which over the years had developed to become quite large and wide encompassing to find new opportunities for work. However, another aspect of this which also needs to be considered is the process of a more centralized purchasing division at the client which was looking for fewer and larger firms to buy their services from. Since the client firm was small and to be able to access the assignments in the future something needed to be done. To tackle this problem, they found inspiration from how other firms had worked with this problem for example towards the automotive industry. The firm joined a network firm where a group of smaller more specialized firms joined forces in order to be able to jointly become a larger provider of services to the major client.

“You know people from back in the days and they have somehow ended up in another department, other positions and such and then all of a sudden you actually do have quite a large network of potential contacts.”
– R3

“The interesting thing...The little bit more creative thing that happened was that we and some other companies decided to start a ‘Network firm’ in order to show that, we five or so companies could join forces and say to Client 1, Client 2, Client 3 and so on that look at us here is a group of firms working together which is just as good as any other larger supplier.” – R3

In order to start this expansion of services the major route was to take the current employees and look for assignments at the adjacent departments such as the licensing department. In order to do this no additional training was needed since they had obtained a broad knowledge of the tasks and processes at these departments. As time progressed, they found that it was also possible to recruit people with other competences than had previously been at the firm.

“I mean we have a larger trustworthiness there which made it easier to start recruiting with a bit wider scope, but foremost we could more easily apply the existing skills with our current employees.” – R2

“At one of the offices we took probably took a slightly different approach. We tried to utilize existing personnel and selling the towards other types of assignments, so many of them which primarily had been working with PSA worked with other parts within... well, mainly licensing.” – R5

The firm also had some headaches within the financials to consider. The more centralized purchasing process entailed the ability for the major client to exert price pressure on the suppliers for the services. Since the firm was aware that their niche service would be in demand, they were reluctant to reduce prices on their service because they knew that their services would still be needed at the client. However, after much debating within the firm it was realized that the approach of keeping the prices would not yield much potential for future growth for the firm and they would in this case have to remain as a small highly specialized firm which lead to the conclusion that they would agree to the price cuts the major client was imposing on basically all suppliers. However, the firm did oversee some parts of their cost structure in order to become more profitable. They did not want to reduce salaries which then made them turn to the travel arrangements which were restructured to be somewhat less favorable for the employees.

“Because we, we did not lower any salaries. What we did do was to adapt our models for travelling reimbursements and how to travel to the client. Previously the employees had received reimbursements for internal and external travels in another way.” – R5

“We were 25 people and we saw that by keeping these prices, we will only obtain the assignments which absolutely require our competency and in that case we might only need to be around 15 employees. We would also have a hard time for future growth of the firm.” – R5

4.3.2 Expanding Services into New Industries

For the sake of understanding of this section it will be stated here that the industries which the firm decided to expand into were the automotive industry, the MedTech industry as well as the

transportation industry with a focus on railway applications. Further information on how these industries were selected will follow later on in this section. However, the remainder of this text is mainly focused on the effort of expanding into the automotive industry. The approach to the other industries were largely similar in nature.

When the firm started to think about the strategic direction of expanding the services into new industries, they also identified that it would be quite a big challenge to expand services into a new industry and then to turn that expansion into a profitable part of the firm. Some of the major obstacles for doing this was identified as a lack of experience within the industry and also the lack of connections within new industries.

“Yes, but we utilized it simply because it would be... it would be... I mean, I believe that we were all quite aware that it was going to be a great challenge to go into a new industry.” – R2

“Our competences are... Well, in many ways higher theoretically and in terms of level of difficulty. However, we don’t have the track record from previous assignments in the new industries so that was absolutely an obstacle for obtaining assignments there.” – R5

The general way which the firm approached the expansion of services into new industries was with a focus on action with an opportunistic mindset. In addition to this was that the general mindset was as previously stated transferring the knowledge within the firm about risk / safety analysis and methods and using that knowledge in other industries. However, even though there was a strategic direction to start expanding the services to other industries some respondents state that there was more focus on the assignments which the consultants currently had rather than working with setting up the expansion. Some respondents also state that there was some lack of structure in the work in the sense that there were not that many substantial action points. Yet again some respondents say that there was some considerable thought on how the firm worked with the expansion.

“It was more important to do rather than to think so to say.” – R2

“Well, one is an opportunist as well. Wherever the door would open, there one kept on working.” – R2

“...there was a lot of talk and then when we got home there weren’t like many “actions” planned to execute afterwards.” – R3

“And thirdly I’d like to say that there was a certain amount of overdue decisiveness, cowardness or whatever you would like to call it. I mean, it is after all easier to sit still and do what you have always done than to call a new client.” – R3

When defining the potential industries to target with the expansion some criteria were developed. The most important criteria was that it had to be industries that were dealing with dangerous things where safety was of great importance along with the criteria of being in the proximity to the firm’s offices. Then when defining the needs they were targeting with the expansion in the new industries the action was largely to look at advertisements for consultants and figure out which of those roles were interesting in relation to the competences of the firm. One of these identified and most promising areas based on the firm’s knowledge and capabilities was functional safety within the automotive industry where a new standard for doing things, ISO 26262, were released. The industry was lacking

knowledgeable people working with that standard which created a good opportunity for the firm. This is a standard which describes how to work with safety concepts within the automotive industry on a system level. In order to get hired for these types of roles the CVs of the firm's consultants were reworked and written in a way which highlighted the type of qualifications wanted for the assignment present at the consultants along with the extensive experience from the nuclear industry. All of this was done with the thought of the experience of the nuclear industry would be sought after due to the high safety standards in that industry.

"Yes, we have always thought that it ought to be a feather in the cap that we are outstanding at safety analysis within nuclear power. That is what we would always say. OK, so honestly what we said was 'ok, we don't know all the details about what you do at this particular client, but we have worked with similar things within the nuclear power industry which have high requirements and it is serious work' and we tried to use this as a ace up our sleeves." – R3

"And then that was what we were talking about. I mean like we have worked with safety and we see large similarities in how you work with safety in the nuclear power industry and in the automotive industry. We believe that nuclear power which is a mature industry when it comes to systematic thinking shows that we have a lot to offer in the new industry." – R1

This expansion into new industries was initially done using current employees with the thought that the senior and experienced consultants could pull this off due to their long work-life experience. After that the thought was for them to open up for more people to join at the places where they were working. Initially the firm started exploring the opportunities of how these consultants could get hired into the industries. Quite quickly the firm realized that their size was too small to obtain any traditional consulting assignments directly from the companies in the respective industries. In order to get access to the assignments they either had to find a new way of distributing their service, join a network firm like they did in the nuclear industry or to use the more traditional distribution channels which are "konsultmäklare" who possessed supplier agreements with the large clients. The choice quickly was made to go with the traditional distribution channels in order to obtain a first access to the industries. What wasn't realized at the time, but a respondent brought up was that considerable additional infrastructure within the firm was needed to be in place at the firm in form of internal processes in order to be able to keep the momentum going and create a well-functioning division which could sustain the work which was done.

"There was a need for additional infrastructure in the firm. I mean to get it in place and that would be an investment with a duration of around 6 years to get it running. So, one simply had to realize that we had taken a lot of water over our heads and just lay low on that point." - R4

"We searched and found the automotive industry. Which clients can you find in the automotive industry? How does one get in? We realized quite fast that you as a tiny firm cannot obtain the assignments, but you need to go through some other larger firm with contracts." – R6

The senior employees who were thought to do this didn't go through any particular training and there was also no direct work time allocated for doing preparational studies at a deeper level. It was thought that since the consultants have such an extensive experience within risk analysis and methods, they

would be able to and have to learn on the fly in the assignment. The firm didn't work with any incentives to promote the work in other industries and since it was basically partners doing this job the incentives would be for the good of the company in the long run. After a while when the expansion had started and some of the first people were on new assignments the firm started to add additional needed skills and competences by doing targeted recruitments. These recruitments targeted senior resources with experience in the field in order to be able to build a new section on top of that.

"You simply had to learn on-the-fly during your work." – R3

"...try to identify desired roles and then that is what we simply tried to recruit to fill." – R2

After the initiating events and the assignments were starting to become less abundant there was a need to keep a tighter control of liquidity and cash flow than before. Hence there were increased attention on the firm's occupancy rates. At some point one senior partner even states that the shareholders were deliberating on to pause salary payments for themselves in order to keep the firm going, but it turns out that this was never needed. Before starting to expand the services into other industries limited efforts were made as into determining the hourly rates associated with that industry. After it was discovered that the hourly rates were much lower than in the nuclear industry it was realized that the margins in the business would be much lower than the firm was used to in the nuclear industry. This also in some way inadvertently put more focus on the assignments within the nuclear industry where the margins were higher. Another effect of the lower margins was that an increased internal focus was turned to minimizing costs. Since a professional service firm has no real assets and the only real costs are the personnel and the office spaces the is not much which could be done. However, some administrative activities were starting to be outsourced so that this available time could be used for work on client assignments.

"I would say that we to a large extent are working with cutting our costs to a certain extent to keep our margins up. Keep the utilization high, minimize fixed cost as well as maximizing the price as much as possible." – R2

"...but there is a problem when there is a 50% difference in sales price to client A or client B. The one customer is very exciting but the pay bad when the second is the same old client which on the other hand pay well." – R3

When discussing the temporal aspects of the conducted work on the business model for the expansion the respondents show some disagreements in their view on this matter. Some say that this work was conducted in a continuous manner while most respondents state that the work was conducted in more of an intermittent manner.

"No, I'd say that it was in more of a burst-like manner. It was during our conferences. We used some of the conference time to look at it and then a follow-up or two as well as a start-up ahead of the conference." – R4

"I believe it was done with a certain degree of continuity, the work with the automotive industry." – R6

Another area where some disagreement was present among the respondents was when it comes to which people were involved in planning and executing the effort. Some respondents stress that all employees were involved to some degree while some respondents say that the expansion was primarily planned and executed in a small group of people. It should also be added that most

respondents to one degree or another stated that inclusion in these discussions were to some extent motivated by the number of shares attributed to certain individuals within the firm. To expand on the willingness to include employees it was stated by some respondents that most discussions were done on board level and then discussed with employees during the internal conferences held twice each year. A response obtained was that the person was not present at the office that often which somewhat hindered his involvement in the process of working with the expansion. This last statement should be viewed in light of that these events unfold before the COVID-19 pandemic and the widespread use of tools such as Teams was not present. What all respondents agree upon is that the firm at the time mostly consist of a homogeneous group of people with the same type of experience. Due to this fact they found it hard at any larger extent to form groups with diversity to work with these issues. However, in 2015 there was a change of CEOs and the new CEO, who had been with the firm for a number of years, had before working with the firm been working with some other industries as well as experience from being a CEO with a family firm. One respondent state that this switch of CEOs did bring in some outside perspectives to the discussions.

“Looking back a bit we could say the people with A-class stock, the majority owners so to say. They will because of that reason in some way be involved in these discussions. It does not have to do with their competencies. It has more to do with, how shall I put it....Power might be the wrong word but rather influence over the firm.” – R6

“We all have roughly the same competencies so it will be hard.” – R2 [on the different competences that were involved in the work]

“We discuss things, sometimes the board on some issues and sometimes the shareholders on some issues, but then there is basically always a discussion during our internal conferences at the firm. We have always felt like we want to do these things together or at least there should be no sneaking around with it.” – R3

When it comes to how this group of individuals worked all respondents more or less say that they didn't use any structured methods for looking at the work with the new business model for the new industries. The work was largely conducted using the collective experience present in the firm. It should also be stated that the firm did do some SWOT-analysis as well as risk analysis on the firm level to see what could be deducted out of that but there was no use of specific methods aimed at penetrating the current or future business model. When the respondents talked about the use of methods for developing the new business model, they once again highlighted the group discussions conducted during the internal conferences.

“A lot of group work, and during the internal conferences group work is how you gather different thoughts in issues.” – R2

“No, I can't say that we did.” – R1 [on the use of business model innovation methods]

4.4 Additional perspectives on the approach through lessons learned

It is important to look at the learnings by the firm as well because they could provide a different perspective on the approaches to business model innovation and outcomes by highlighting the things which might have been missing in their processes. This is important because it has passed some time

from when the events took place, and the personal reflections of the participants may have developed during that time. Some learnings from the work on the business model for the expansions have been mentioned throughout the interviews. There are learnings from several different areas mentioned.

The first learning was that the firm underestimated the need to be present within the industry to know about how they talk and do things. But also, the general culture within that industry is of importance to understand in order to successfully navigate within the industry. Continuing on this is it also imperative to know the industry structures such as hourly rates or how assignments are appointed. Another important learning is that you need a large degree of motivation and grit to keep working towards the goal and not to give up on the efforts. The learning which so far have had the most impact on the organization is the importance of working with systematic sales activities. This was apparent during this process but also during previous such bad times within an industry as one respondent recalled during the interviews.

“So, I believe that if we were ever to do this again one has to be very clear on that this is another division with different prerequisites and that we do this of a different reason than to obtain a...I mean, we have to accept that this will be with different prerequisites with lower margins. At least in the beginning when you start getting into the industry.” – R1

“...and then we underestimated the need to actually be present in the industry. It is things like nomenclature, how people talk to each other within risk. They don't talk in the same way within automotive as we do in the nuclear power industry. One may also say that one realizes that there are separate cultures in different industries.” – R1

“But because we did not fully execute the initiative, I would say due to some leakage of energy on our part to not dare or have the stamina to stick with it, some people left the firm and the initiative faded out completely.” – R6

“It became sort of a learning or what we developed within the firm during this period was the sales work. To systemize and gain competence within our sales work.” – R5

Other learnings in regard to what could have been done differently are more related to a strategic level for the firm. The first learning is that one should be aware that different industries have different margins and prerequisites, and one should not take for granted that it works the same in every industry. Another thing which could have been done differently is that there could have been more focus on the business model development. There could be more time set aside for working with these issues but that was never done partly due to the current company culture where there was more focus on money now than money later on. The final thing identified as could have been done differently is that the firm could have worked even harder at trying to recruit key resources to build a business upon. One way to attract this kind of resource, as one respondent stated in regard to this, could be to offer a partnership in the firm so that they would have the motivation to build that division.

“I believe...I shall not say suffocated but you know hold back on certain things because there has not been the right time. ‘If I spend half of my time over the next coming 3 months to do a due diligence on potential clients and potential offerings, is that ok?’. We did not do that kind of thing.” – R3

“There are two things we should be aware of that this is to be done with different prerequisites, different margins, that is the first. The second is that we should have... I believe that we should have recruited the competence. One other way to do it is to offer or bring in a new partner from that industry to build and run this division.” – R1

“Work even more with recruiting key people in order to obtain that critical mass of people so to say.” – R2

4.5 Evaluation of Identified Outcomes

In the final section of the interviews the respondents were asked to rate the business model innovation efforts in the dimensions reach, radicality, complexity and success as introduced by Taran et al. (2015; 2019). The results from this last part of the interview is presented below in a condensed manner. Additional information and visualizations may be obtained from Appendix 3.

The responses to the identified business model innovation efforts regarding the effort of expanding the offerings within the nuclear power industry is presented in the table below.

Constituents	R1	R2	R2	R3	R4	R5	R6
Reach	-	Company	Industry	Industry	-	Company	Industry
Radicality	-	Low/Mid	Low	Low	-	Mid/High	Low
Complexity	-	Low/Mid	Low	Mid	-	Mid	Low
Success	-	Success	Success	Success	-	Success	Success

The general consensus in this that the business model innovation effort in the nuclear industry was a success. There were some differences in view on whether the innovation was new to the industry or just the company and also the radicality and complexity.

The responses to the identified business model innovation efforts regarding the effort of venturing into new industries is presented in the table below.

Constituents	R1	R2	R3	R4	R5	R6
Reach	Industry	Industry	Company	Industry	Company	Industry
Radicality	Low	Low	Low	High	Mid	Low
Complexity	Mid	Mid	Mid	Low	High	Mid
Success	Failure	P. Success	Failure	P. Success	P. Success	P. Success

The views on this business model innovation effort differs to a larger extent in this case than the previous. Some respondents view this as a partial success because after all the firm did make it work for a period of time, while some respondents find it a failure because the expansion did not live up to the aims of becoming a new diverse part of the firm. There were also differences in view on the reach and complexity.

5 Analysis

5.1 Initiating Factors

Based on the information provided in the section on initiating events it can be seen that it is not just one thing which pushes the firm into this direction of needing to innovate the business model but several forces acting in combination. However, even though there had been thoughts about working with things other than those related to nuclear power before and some work had been done, the major initiator of the larger scale efforts can, based on information provided by the respondents, clearly be attributed to the external factors or the environmental dynamics. In this setting i.e. Schneider & Spieth (2013) considers it as favorable to use business model innovation to counter the changes incurred on the industry.

5.2 The Approach to Business Model Innovation

The firm engaged in two business model innovation initiatives, the first being expanding services in the nuclear industry and the second being expanding services into new industries. What may be seen is that the initiative in the nuclear industry was heading in the direction as Forbes (2021) calls Knowledge-as-a-service where knowledge can be utilized when needed. However, the initiative into the new industries did not follow any of the, by Forbes (2021), predicted future business models. When it comes to the trend among clients to request unbundling of resources, as described by The Economist (2018), the initiative in the nuclear industry went in the totally opposite direction and went more towards a ‘fix anything’ kind of service as opposed to the trend of the client requesting more specialized services. When venturing into the new markets the firm offered unbundled services more in line with what The Economist (2018) identified as a large trend in the industry.

If these two identified business model innovation initiatives are compared to the framework presented by Lindgardt & Ayers (2014) one may see that the impetus of both efforts was to defend against industry decline or disruption and what differs between these two initiatives is the focus of the expansion which entails either transforming the core activities or expanding services into non-core activities. This conclusion is also supported by the empirical material which shows no indication of the key points from the mavericks or adventurer approaches as presented by Lindgardt & Ayers (2014) being used by the focal firm in working with the business model innovation initiatives. There are also no indications of any other approaches being used in the business model innovation initiatives. Hence, these approaches will be excluded from the following detailed analysis. A detailed analysis of the two initiatives have been conducted and the initiatives are presented independently in the following sections.

5.2.1 Expanding Services in the Nuclear Industry

The first initiative of expanding services in the nuclear industry had, based on the change needed due to the external factors, an impetus of defending against industry decline and the focus was, based on the rethinking of their current operations, on reinventing the firm within the industry. Applying these conclusions to the typology presented by Lindgardt & Ayers (2014) the initiative of expanding

services in the nuclear industry may be mapped into the reinventor approach to business model innovation.

As previously stated, Lindgardt & Ayers (2014) provide two key steps for succeeding with this type of business model innovation. To start off, the first key step for success with this approach was according to Lindgardt & Ayers (2014) to redefine value for customers. This could not be more spot on what the firm did. At first the focal firm was focused on working with probabilistic safety analysis but what they then did was to reinvent the customer-value proposition into more of a problem-solving service. The value created for the customer was after the innovation effort that the firm accepted to help the managers at the client by not demanding to be with that particular manager for a large period of time but rather adding flexibility for the manager to use the resource when he needed in return for the consultants to work with other managers to help fulfill their needs as well. Later on, this turned into a setting where the focal firm also helped introduce new employees into the client's systems which removed a large hassle for the managers at the client and in turn the focal firm took on the risks associated with new hirings for the managers. Another thing which this change in value proposition led to was that the firm previously were specializing in, as Maister (1993) and Nanda & Narayandas (2021), describe as Grey Hair tasks to doing more of procedural tasks. Hence the firm was in some sense moving one leg of their activities towards more general assignments while still having the second leg firmly rooted in the specialized safety analysis assignments. This was in one sense realizing the value in the eyes of the client as Nanda & Narayandas (2021) describe as a key realization for professional service firms to make in order to thrive.

When it comes to the second key step of the reinventor approach, cannibalize proactively, Lindgardt & Ayers (2014) state that the efforts must be broad-based and fully committed and that the reinventors figure out how to control and benefit from the decline of the core business. This was also exactly what the firm was doing. They anticipated the decline in the current industry and the way of working so they proactively cannibalized on some of the activities in the probabilistic safety analysis to make room for other assignments in adjacent departments.

When it comes to the parts of the business model construct changed, the firm worked extensively with developing a new value proposition for the clients. This meant that they were working extensively with the Why? aspects of the business model. They also redefined their distribution channels in one sense by utilizing their extensive network of contacts to find new assignments by going from a more direct distribution channel to more of a relation-based distribution channel and in addition to this joined a network company in order to obtain access to the assignments as well as jointly have a better offering towards the client. These actions target the What? of the business model construct. To a certain extent they also worked with the How? of the business model, i.e. financial value. The things which were done there was to accept lower margins to facilitate higher growth of the redefined value proposition. The analysis of the empirical material shows that this type of business model innovation has the largest impact on the Why? and the How? of the business model construct.

When conducting a detailed analysis of the initiative, which is presented in Appendix 4, using the criteria for reach, radicality, complexity and success proposed by Taran et al. (2015), it may be concluded that the outcome can be characterized as "new to the market" reach, "Low" radicality, "Low" complexity and being a success. Then, when compared to the results obtained by Taran et al. (2015; 2019), as illustrated in Figure 10, one may see that the result from this initiative compares

rather well with the previously published results. Hence, it could in this case be said that the results of the initiative indicate that there is some generalizability to Taran et al. (2015; 2019)'s results.

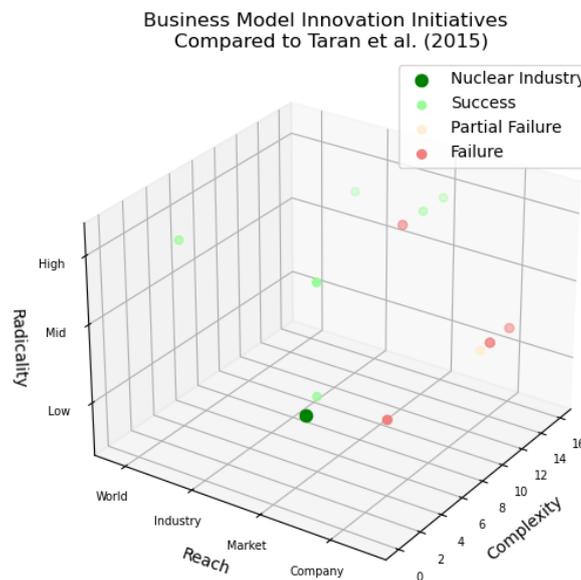


Figure 10 - Initiative in the nuclear industry compared to results of Taran et al. (2015; 2019)

The firm executed the two key steps for success, as described by Lindgardt & Ayers (2014), as prescribed by the authors to achieve success. Based on the results obtained from the respondents and the conducted analysis of the innovation initiative, there is no doubt that this business model innovation effort has been successful. The work which the firm did back then is still being put to use today and hence it has helped the firm to achieve a sustainable competitive position which was the definition of success put forward by Taran et al. (2015).

5.2.2 Expanding Services into New Industries

The second initiative of expanding services into new industries had, based on the change needed due to the external factors, an impetus of defending against industry decline and the focus was on exploiting the core expertise in new markets seemingly closely related to the current industry. Applying these conclusions to the typology presented by Lindgardt & Ayers (2014) the initiative of expanding services into new industries may be mapped into the adaptor approach to business model innovation.

As previously stated, Lindgardt & Ayers (2014) provide two key steps for succeeding with this type of business model innovation. The first step to address for succeeding with this approach is according to Lindgardt & Ayers (2014) to find untapped value in current assets and capabilities which means to understand the firm's current strengths and decisively utilizing them by implementing them in growing areas. This is something which the focal firm did in the sense that they identified that their expertise in risk analysis could be applied in other related fields. They understood that some industries have a higher need for this type of competence and targeted those industries.

The second step to address for succeeding was to make adversity an advantage which means to exploit and tap into new customer needs. In the case of the focal firm, they exploited new customer needs by

identifying the release of the new functional safety standard in the automotive industry, ISO 26262. This safety standard utilized some of the concepts and practices closely related to those used in the nuclear industry. This fact provided potential for success.

When working with the service expansion into new industries it may be seen that the firm didn't do an extensive work on developing the value proposition for the new business model however there was still some work done which impacted the Why? part of the business model construct. When it comes to the operational value, What?, they found new distribution channels which worked in a similar way as the existing distribution channels. The key assets used were still the consultants which is hard to change in a professional service firm. However, the aspect of key processes needed in the firm to sustain the new business model did, according to some respondents, need some further attention to be fully functional and sustain the new business model. The main change in the Who? part of the business model was that the firm decided to recruit the skills and competences needed for the firm to build a new business upon as well as organize some organizational learning. The largest impact of this work with the business model innovation was on the How? due to the difference in pricing in the new industry which in turn lead to smaller margins which in turn impacted profitability. The firm was still profitable, but the margins became significantly lower in the new industry than they were in the nuclear industry. As can be seen this expansion of services into new industries had an impact on all parts of the business model. Hence it is difficult to generalize this finding into theory, however it can from the empirical data be seen that this type of business model innovation has an impact on all aspects of the business model construct and this should be considered when entering into a business model innovation initiative of this kind.

When conducting a detailed analysis of the initiative, which is presented in Appendix 4, using the criteria for reach, radicality, complexity and success proposed by Taran et al. (2015) it may be concluded that the outcome can be characterized as “new to the company” reach, “Low” radicality, “High” complexity and being a failure. Then, when compared to the results obtained by Taran et al. (2015; 2019), as illustrated in Figure 11, one may see that the result from this initiative fits rather well with the previously published results. This provide additional indication that there is some generalizability to Taran et al. (2015; 2019)' s results. It could also be said that the initiative of expanding services into the new industry coincides with the general pitfall as Taran et al. (2019) describes about business model innovations with a low reach, low radicality and high complexity: “They may from a risk averse manager's perspective be “safe enough” experimentation with the business model but one risks that the product or service have little or no impact in the marketplace.” (p. 100)

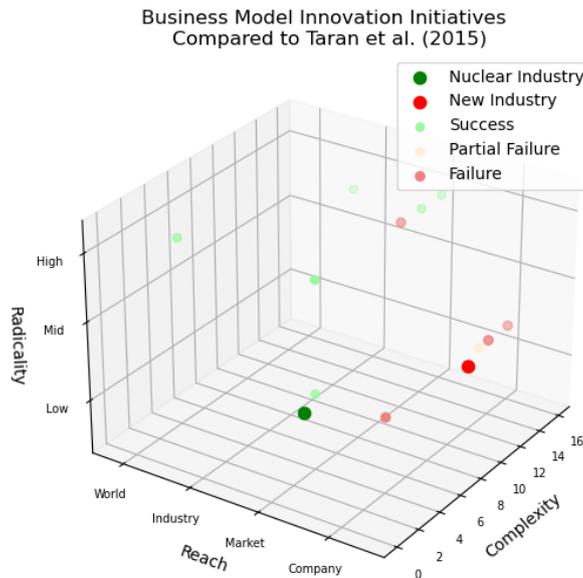


Figure 11 - Initiative in the new industry compared to results of Taran et al. (2015; 2019)

This business model innovation initiative targeted both of the issues proposed by Lindgardt & Ayers (2014) to succeed with the business model innovation effort. Even though the firm did address these two issues according to what was prescribed by the authors the effort still can be regarded as a failure when utilizing the definition by Taran et al. (2015) since the business model innovation did not provide a sustainable competitive position. The respondents have a slightly more positive view on the outcome where most respondents stated this initiative to be a partial success. These answers were largely based on the fact that while they had personnel working in the industries the initiative generated revenue. However, this does not remove the fact that the initiative did not provide a sustainable competitive position for the firm. It can also from the empirical data be seen that this type of business model innovation will affect several parts of the business model construct. There is not enough data to provide a conclusive case that this type of business model innovation impacts all parts but there is enough data to say that this type of business model innovation probably will have a large impact on the firm's business model.

5.2.3 The General Approach Towards Business Model Innovation

Even though the firm in the case of expansion into new industries executed the key steps for the adaptor approach to business model innovation as described by Lindgardt & Ayers (2014) the firm still failed with the initiative when using Taran et al. (2015)'s definition of failure for business model innovation initiatives. The following sections analyzes some additional aspects related to the general approach towards business model innovation which were found in the empirical material and why it is important to further look into the underlying reasons for the failure.

5.2.3.1 Potential Sources of Failure

One of the biggest differences between the two industries the firm entered was shown to be the price the different industries were willing to pay for the firm's services. The fact that firms often use metrics applicable in one industry when forecasting financial performance in other industries is by Koen et al.

(2010) proposed as one major source of failure in business model innovation. The interviews have not gone through the financials of the firm, but some respondents said that they did calculations on this with their current budget sheet. This approach could lead to assumptions from the industry the firm is currently present is being carried over to the other industry unintentionally. Kaplan (2011) also states that assumptions about the financials could be a potential reason for failure of business model innovations.

Another factor with potential to contribute to the failure of the business model innovation initiative is stated by Mitchell & Coles (2003) who say that successful business model innovation needs a structured and continuous process. The views on this point diverges between the respondents and there were probably some continuity in the process. However, since some respondents state that this was not the case it is likely that the process was not persistent to the extent needed to succeed. It should also be noted that some respondents stated that it was not motivated to spend time on working on business model innovation initiatives when business is good and you can make money working on client assignments. By having this mindset, there is a high likelihood that the work will not be performed with the continuity needed to obtain successful outcomes. Another aspect of the statement put forward by Mitchell & Coles (2003) was that of structure. This is also a point where there were some diverging opinions amongst the respondents where some respondents state that the work was unstructured while some state that there were some structure to the work. Also, in this case there were probably some structure to the work however due to the diverging opinions it was probably not structured to the extent needed for successful business model innovation.

Closely connected to a structured approach is the use of systematic tools for business model innovation. This is a point where all respondents state that no specific systematic methods or tools were used in the business model innovation efforts. In regard to systematic tools Gassman et al. (2020) state that creative behavior is “unlearned” by age and systematic methods such as using the 4i+ method (ibid.) or the Business Model Canvas (Osterwalder & Pigneur, 2010) will help to stimulate creativity and generate a deeper understanding of the business models in the process of business model innovation. Sniukas et al. (2016) also state that active use of visual thinking methods in addition to co-creation methods, a holistic perspective, continuity in working with the effort and human-centered focus is important for succeeding with the business model innovation initiatives. In light of this statement the co-creation aspect of the efforts also needs to be highlighted. The focal firm had a large willingness to include employees and obtain their opinions, however most of the work was done in small somewhat closed groups. Larger inclusion of people to work with these initiatives could provide new perspectives to the work and in the long run improve the chances for success. One respondent specifically stated that the change of CEO in 2015 provided new perspectives and made decisions based on these which otherwise would not have been made. Based on the two most recent paragraphs it may be said that the initiatives at the focal firm somewhat resembles the typical approach as described by Girona & Netessine (2014) which is that business model innovation is an ad-hoc process lacking frameworks for exploring opportunities. It may also be noted that the statement of Malhotra et al. (2016) that professional service firms often exhibit the characteristics such as informal management practices, few formal rules and systems as well as little strategic planning may in some sense be applicable in the case of the focal firm.

Christensen et al. (2016) describe the business model of a firm or a business unit as developing over a set of stages. The authors identify three stages creation, sustaining innovation and efficiency. Based on the descriptions of the stages presented by the authors it may from the empirical material be deduced that the focal firm's business model before the events of 2014-2015 is in between the sustaining innovation stage and efficiency stage. The focus of these stages are financial metrics and shareholder objectives as described by Christensen et al. (2016). From the responses obtained the firm clearly exhibit a focus on the financials by prioritizing working on client assignments over working with business model innovation activities. What have also been seen is that the main shareholders do have a strong influence on the firm and hence the business model also has properties aligned with their motives to some degree. What Christensen et al. (2016) state is that "Business models by their very nature are designed not to change, and they become less flexible and more resistant to change as they develop over time" (p. 33) and that a firm can only perform innovations within the existing business model which naturally build on and improve the progress along its journey. This fit, or lack of fit, between the business model innovation and the current business model is the source of many failed attempts of business model innovation. This is where it, according to Christensen et al. (2016), is imperative to know and analyze the interdependencies engrained in the current business model. The authors also state that unless the margins are better, transaction sizes are larger, and the addressable markets are bigger than the firm's current market the firm should in order to pursue the new business model consider creating a separate unit to handle this initiative. The respondents to the study all stated that the margins in the industries other than the nuclear industry was a problem for the business. In addition to this the transaction sizes were smaller because the initiative was not yet large enough to generate revenue in parity with the existing business model however the market could initially be of somewhat the same size. Hence one way to handle this problem could have been by looking towards the theory of ambidextrous organizations introduced by O'Reilly & Tuschman (2004). Some of these aspects were brought up during the interviews by one of the respondents as a way to handle the business.

Based on this section it may be seen that even though the firm applied the approaches suggested by Lindgardt & Ayers (2014) the firm still exhibited some potential for improvement in their general approach to business model innovation. By reducing the current ad hoc nature of the process which resembles the description of the most common approaches described by Girona & Netessine (2014) and adding some systematicity to the firm's general approach the firm could provide a strong foundation for potential success for future business model innovation initiatives.

5.2.3.2 FAIL – First Attempt In Learning

In light of the setting of the business model innovation initiatives one has to remember that the situation for the firm became serious within a short time span and some of these things had to be done rather quickly. It should also be considered that the professional service firm is dependent on selling their services in order to receive revenue. Therefore, one cannot expect the firm to do everything as previously discussed into minute details because that would have seriously impacted the profitability of the firm.

In the previous section several potential reasons for the failure of the business model innovation initiative found in the empirical data on the firm's general approach have been addressed. However, there is nothing wrong in failing with a business model innovation initiative. On the contrary it can potentially be beneficial for the firm to fail. What Brenk et al. (2019) state is important to consider regarding the failure of business model innovation is the learnings you do form the efforts. There are many lessons which can be learned by analyzing the failed attempts in business model innovation. These learnings may then be leveraged in future efforts in order to achieve better results of the business model innovation initiatives. This fact may be illustrated by a famous quote from A.P.J. Abdul Kalam:

“If you fail, never give up because F.A.I.L. means ‘First Attempt In Learning’, end is not the end, in fact E.N.D. means ‘Effort Never Dies’ and if you get No as an answer, remember N.O. means "Next Opportunity" – A.P.J. Abdul Kalam

What the interviewed respondents from the focal firm exhibited is that there were some considerable learnings from the failed attempt. One thing some respondents discussed was the different structures in the different industries. Some respondents realized that if this was to be done again maybe what was needed was a different firm structure with a separate unit handling the new businesses. Bringing forward these thoughts on ambidextrous organizations without deeper knowledge of the concept shows that they have learned some important lessons from this business model innovation initiatives.

Another example of this is that one of the respondents talked about having learned to set aside allocated time for working with these kinds of issues in order to have more focus on how we are going to make money tomorrow instead of strictly having the focus of making money today.

These are only two examples of learnings the firm has made but the insights gained from this failed effort shows that the firm is keen on learning from its previous mistakes. This is according to Brenk et al. (2019) a good starting point for future business model innovation initiatives. This also illustrates that they are on their way towards addressing some of the shortcomings in their general approach to business model innovation which was identified in the previous section.

5.3 Revised framework

The analysis presented in sections 5.1 and 5.2 and may be illustrated in form of a revised framework for the analysis. This illustration of the revised framework is presented in Figure 12.

From the revised framework one may see that the firm used a reinventor approach for the nuclear industry and an adaptor approach for the new industries. The outcomes of these business model initiatives are then compared to the results of Taran et al. (2015; 2019) to see if the theory proposed could be applicable to other industries. The outcome of the initiative in the nuclear industry was a success while the initiative in the new industries could be considered a failure based on the criteria put forward by Taran et al. (2015). It could be seen that the theories proposed by Taran et al. (2015; 2019) shows sign of being generalizable to some degree.

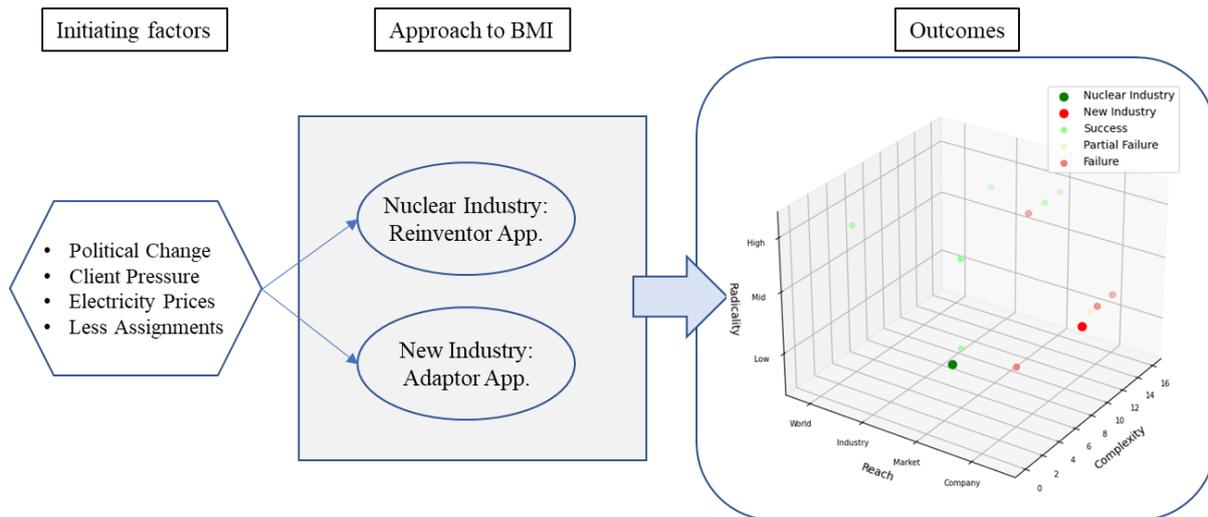


Figure 12 - Revised conceptual framework for the analysis

It can from the empirical data also be seen that the different approaches affect the business model construct in different ways. The reinventor approach used for targeting the nuclear industry primarily targets the Why? and the How? of the business model while it is hard to determine the specific impact on the business model of the adaptor approach used for expansion into new industries. In the case of expansion into new industries it was seen that the initiative had an impact on all parts of the business model.

It was also shown that it is important to also work with the underlying assumptions and processes when it comes to the general approach of working with business model innovation. This entails that the probability of failure could be reduced by investing time into these kinds of activities which provide the groundwork for the actual business model innovations.

6 Conclusions

The purpose of this thesis has been to look at what approaches to business model innovation can be used as a small firm needing to utilize its current resources when facing a changing external environment. The second purpose of this thesis was to provide new data to published theories on the success and failure characteristics of business model innovation initiatives as well as to look at how the identified business model innovation initiatives align with this current research. This purpose is fulfilled by answering the research questions and the following sections will present the key findings of the research.

6.1 Answer to Research Questions

The research question which this thesis aims to answer is “How do a professional service firm use business model innovation to respond to turbulence in their external environment?”. This question is in turn answered by the sub-questions: “What initiated the business model innovation?”, “How do they approach working with the business model when facing a change in the external environment?” and “What were the outcomes of these initiatives?”.

The external change has been determined as the changes in the external environment due to political changes in combination with low electricity prices as well as changes in the purchasing routines at the major client.

The way the focal firm approached working with the business model innovations is largely in two differing initiatives. At face value they seem quite similar however when one goes deep into what is done with each of the initiatives it can clearly be seen that they are quite different in nature. The first one which succeeded was a small innovation in the current business model which delivered sustainable competitive position and delivered added value to the customers whilst the second could be considered a failure because it did not result in a sustainable competitive position. The first initiative aimed at reinventing the firm within the current industry whilst the second initiative aimed at expanding into non-core activities. The firm also exhibited some potential for improvement when it comes to the general approaches towards business model innovation. However, the improvement in this area is a tradeoff between working on client assignments which yields revenue for the firm and working on internal time which decreases profits. This is a delicate balance which needs to be attended to and evaluated towards the long-term benefits.

There were two identified outcomes from the firm’s work with business model innovation. One outcome was to expand the services in the nuclear industry which they were already present and acting whilst the second outcome was expanding services into new industries. The first outcome was very successful and is what is still driving the growth of the firm today. The second outcome of the business model innovation can be regarded as a failure because it did not provide the sustainable profitability which is required from a successful business model innovation. When these results are compared to previous studies performed by Taran et al. (2015) it may be seen that the results coincide to a large extent to results obtained in previous studies on the subject. The findings also shows that the lack of fit with the current business model made it hard to achieve success with this kind of business

model innovation initiative. This aligns with what Christensen et al. (2016) implies for this kind of business model innovation given the current position in the business model's journey.

6.2 Recommendations for Further Research

Taran et al. (2015) state that the generalizability of their typology is limited. This study shows implications of the typology to at least be partly applicable to the area of professional services firms. What needs to be done is to look at the typology in additional settings and industries in order to see if the typology and conclusions still holds in these industries. This kind of research will also build upon the body of knowledge within the industry which will make it become even more robust.

Since business model innovation is lacking several aspects of solid theory there are also several aspects of this which could be studied further. Several examples of business model innovation aspects which is in need of further research is presented by e.g. Ramdani et al. (2019).

Another area which could be interesting to study further is the setting of where a firm is not bounded by their resource constraints. How would they then approach business model innovation? Are still the reinventor and adaptor approaches the major approaches or are there other approaches which could be interesting to consider?

6.3 Implications for Managers

A first implication of this research is that one needs to carefully attend and analyze the intended initiatives. At face value they can seem easy to execute but one carefully need to examine the initiative's strategic fit with the firm's current business model. In order to do this one need to understand the current business model to be able to see how the innovation efforts will affect the current business model. It is also imperative to devote time to really go through all the issues and aspects related to the new innovation initiative.

A second implication of this research is to carefully look into the general approach of business model innovation by adding systematicity to the approach in order to reduce the probability of failure.

A third implication is to try to learn as much as you can from failed attempts. One of the respondents also showed insights as to why it is important to learn from the mistakes from the failed initiative initiated by the events around 2015:

"The interesting thing is that it can happen again, Fredrik." – R6

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APPENDIX 1 – INTERVIEW GUIDE

Below you may find the complete interview guide for the work. When inviting the respondents for interviews only the main questions were sent. This was done in order to not overwhelm them with questions and so that they are able to focus on the main points on which the thesis is aimed at answering.

Main Questions	Follow-up Questions
Introduction	
<ul style="list-style-type: none"> • Introductory presentation 	<ul style="list-style-type: none"> • <i>Explain the research, the aim and why this specific person has been chosen</i> • <i>Explain who will read the information and what will it be used for</i>
<ul style="list-style-type: none"> • Explain that the interview will be anonymous and ask for permission to record the interview in order to transcribe it later 	
Presentation of Respondent	
<ul style="list-style-type: none"> • Please introduce yourself. 	<ul style="list-style-type: none"> • <i>Who are you?</i> • <i>What is your position within the firm?</i> • <i>Have you had this position for a long time?</i> • <i>What do you work with?</i> • <i>How long have you been doing this?</i>
Section 1 – External Events	
<ul style="list-style-type: none"> • What would you say initiated the firm's actions towards working with the development of your business model? 	<ul style="list-style-type: none"> • <i>Were the events of 2015 a contributing factor for starting the work on developing the business model?</i>
Section 2 – Approach towards BMI	
<i>During this section of the interview the illustration of the business model construct and the corresponding elements were shown to the respondent in order to enhance their understanding of the concepts.</i>	
<ul style="list-style-type: none"> • When working with the firm's business model, what were your thoughts on how to approach working with changing the business model? 	<ul style="list-style-type: none"> • <i>Did you see any obstacles for doing this?</i> • <i>Did you see any enablers for doing this?</i>
<ul style="list-style-type: none"> • How did you work with defining the target customers, customer needs, the firm's core offering and the customer's perceived value? 	<ul style="list-style-type: none"> • <i>See table on page III for probing questions</i>
<ul style="list-style-type: none"> • How did you work with defining the needed key assets, processes and partnerships? 	<ul style="list-style-type: none"> • <i>See table on page III for probing questions</i>
<ul style="list-style-type: none"> • How did you work with defining the needed skills and competences, partnerships as well as incentives for the employees? 	<ul style="list-style-type: none"> • <i>See table on page III for probing questions</i>
<ul style="list-style-type: none"> • How did you work with defining the needed revenue streams, margins and cash flows? 	<ul style="list-style-type: none"> • <i>See table on page III for probing questions</i>
<ul style="list-style-type: none"> • Who were involved in working with the development of the new business models? 	<ul style="list-style-type: none"> • <i>What type of competencies was involved in the work?</i> • <i>Was the work done continuously, focused during certain intervals or in an ad-hoc manner?</i>
<ul style="list-style-type: none"> • Were there any specific methods and tools used in the process of developing the new business model? 	
<ul style="list-style-type: none"> • Was there anything which you feel could have been done differently when working with the business model development? 	

Section 3 – Evaluating the outcomes of BMI	
<i>During this section of the interview an Excel-file were presented to the respondent to fill in the identified BMI efforts.</i>	
<ul style="list-style-type: none"> What would you say were the outcomes of the work you performed when innovating your business model? (NB there can be several outcomes) 	
<ul style="list-style-type: none"> Can you please rate the identified efforts out of the context complexity/reach/radicality and success in the scales provided during the interview? 	<ul style="list-style-type: none"> <i>Be specific on the definition of success in order to obtain a common view on the term success.</i>
Final Remarks	
<ul style="list-style-type: none"> Is there anything, in relation to our previous discussion, that you feel that I should have asked you, but I haven't? 	
<ul style="list-style-type: none"> Thank you very much for dedicating your valuable time and sharing your experiences on this topic 	<ul style="list-style-type: none"> <i>If you want you will of course be provided with the transcripts and the report in order to check correct quoting and interpretation of the interview</i>

Part of the business model	Element	Probing questions for clarifying the BM elements
Why? (Value proposition)	Core offering	Why our products/or services?
	Customer needs	Why customers purchase our products/services?
	Target customers	Why target the current segment(s)?
	Customer perceived value	Why customers choose us?
What? (Operational value)	Key assets	What assets do we need?
	Key processes	What processes do we require?
	Partner network	What relationships should we consider?
	Distribution channels	What channels can deliver our products/services?
Who? (Human capital)	Organizational learning	Who should be engaged in knowledge transfer activities?
	Skills and competencies	Who should execute specific activities?
	Incentives	Who should we reward?
	Training	Who requires development to carry out specific activities?
How? (Financial value)	Revenue streams	How do we generate revenue?
	Cost structure	How do we cost our products/services?
	Cash flow	How should we manage cash flow?
	Margins	How much surplus can we make?

APPENDIX 2 – CODING OF EXTERNAL FACTORS

This is the complete coding of the first section of the interview guide.

Business Development				
Area	Example Quote	Person	Code	Theme
Initiating events	We were 100% dependent on nuclear power around 2010. We can go into exact dates later on, but we were 100% dependent on nuclear power and then there were 2 or 3 things. One thing is that we felt like it wasn't that great to be dependent on one single client.	R3	Dependence on one major customer	Dependence on one major customer
	As a matter of fact, I have to say that at the same time the client did actually push us in that direction. In our discussions with the client in order to obtain the framework agreements which we need to have to do work for them, they were pretty clear on that they did not like that 90-59% of our turnover was originating from the client. They expressed that they like us, and they don't want us to be gone in case they have to downsize on assignments	R3	Client pressure	External pressure
	It was kind of obvious then when the electricity prices were low... We had to do something. I guess that kind of accelerated it all. It was something which, so to say, pushed us in that direction.	R3	Electricity Prices	
	I mean, it could have been, but I believe that. How should I phrase it, the engine behind that one started to engage in looking at it. [on the political situation and the decision on shutting down plants]	R2	Political Influence	
	We were in need to do something, so to say. We had no choice. It was in no way planned that we were going to do it, but it came as a huge surprise when the client suddenly decided to downsize on assignments around 2015	R5	Reduction of assignments	
	Of course, we realized that it isn't great to have all eggs in one basket so to say. We had realized that some time ago. It is yesterday's news. However, when business is going well and times are good it is simply hard to motivate spending time or money on getting into new industries.	R5	Motivations for diversification	Internal processes
	There has all the way from the start been thoughts about us working with something other than risk analysis, systems engineering and all of those things we are doing today. There has always been something in the back of our heads saying that we should be working with something else.	R3	Original low-key plans for diversification	

The remainder of the coding structure for the work is presented in the table below.

Business Development Area	Code	Theme
Nuclear Energy	Customer Needs	Value Proposition
	Customer Percieved Value	
	Core Offering	
	Distribution Channels	Operational Value
	Partner Network	
	Organizational Learning	Human Capital
	Skills and Competences	
	Cost Structure	Financial Value
	Revenue Streams	
	Stay as a highly specialized firm	What could be done differently?
Sell the Firm		
Offering Services to a New Industry	Corporate Structure	Prerequisites
	Prerequisites	
	Transfer knowledge to other industries	
	Strategic Direction	Obstacles
	Lack of experince	
	Lacking connections	
	Focus on Action	Way of Working
	Focus on current Assignments	
	Opportunistic	
	Spread knowledge about the firm	
	Strategic Direction	
	Transfer knowledge to other industries	
	Unstructured approach	Value Proposition
	Core Offering	
	Customer needs	
	Customer Percieved Value	Operational Value
	Target Customers	
	Distribution Channels	
	Key Assets	Human Capital
	Key Processes	
	Partner network	
	Organizational Learning	Financial Value
	Skills and Competences	
Incentives		
Training		
Revenue Streams		
Cost Structure		

	Cash Flow	
	Margins	
	Burst	Temporal Aspects of the Work
	Continuously	
	Intermittancy	
	Formal Sales Roles	People Involved in Development of the Bunsiness Model
	Homogenous Group	
	Inclusion after Influence	
	Lack of Presence	
	New Insights	
	Primarily small group	
	Willingness to include Employees	Methods used for business model innovation
	Group Discussions	
	Lack of formal methods	
	Risk Analysis	Learnings
	Different Industry Structures	
	Motivation	
	Sales Work	
Skills and Competences	What Could Have Been Done Differently?	
Corporate Structure		
Focus on Business Model Development		
Recruitment		
Stay as a highly specialized firm		

APPENDIX 3 – RESPONSES TO SECTION 3 OF THE INTERVIEW GUIDE

In this section the complete responses to the evaluation of BMI efforts are presented in an anonymized manner. Original records are kept but presented here without attribution to the respective respondent.

There are two major BMI efforts identified within this work, the first being venturing out into a new industry and the second being further developing the value proposition within the industry. The results are here presented separately on different pages in order to preserve the completeness of the obtained results.

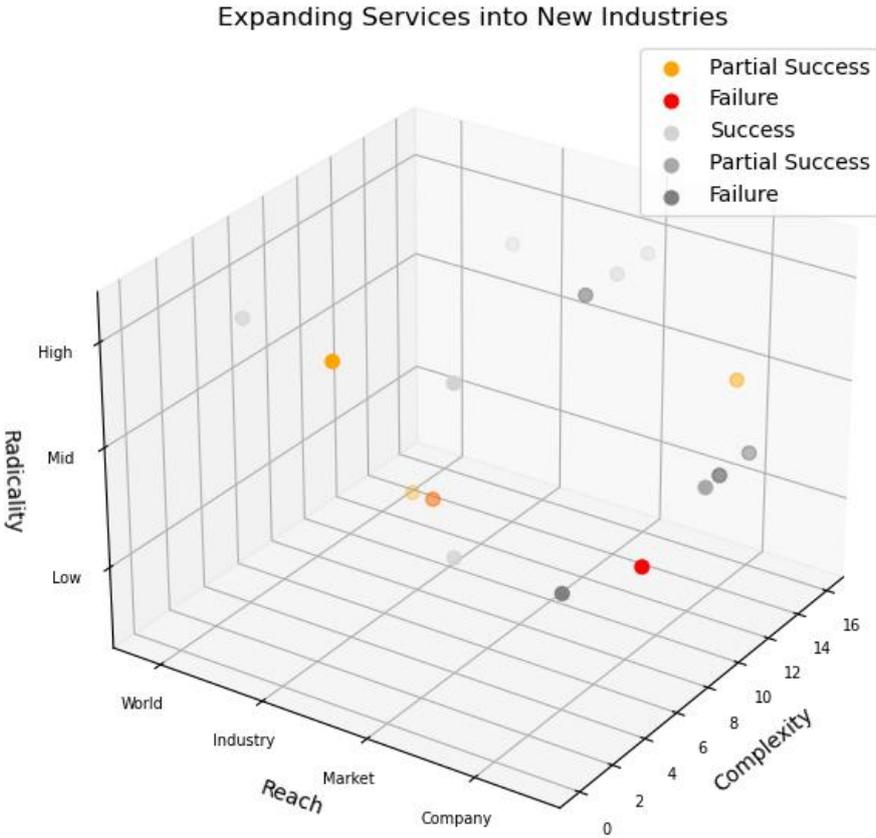
When asking the respondent to fill in the questionnaire the definitions of Reach, Radicality, Complexity and Success were provided. These definitions were to be used as a basis for their responses to the different dimensions of the framework. The definitions obtained from Taran et al. (2015; 2019) used for the dimensions are:

Dimension	Definition
Radicality	refers to the newness (incremental vs. radical) of each building block
Reach	concerns the question of whether the innovation is new to the company or, at the other end of the scale, the world.
Complexity	is counted as the number of building blocks of the business model construct being changed.
Success	the success of a business model innovation should be measured in terms of the extent to which the new model enables the company to generate revenue and help the company to achieve a sustainable competitive position by creating and delivering value to its customers

Results for the venturing into other industries such as the automotive and transport industries

Constituents	R1	R2	R3	R4	R5	R6
Reach	Industry	Industry	Company	Industry	Company	Industry
Radicality	Low	Low	Low	High	Mid	Low
Complexity	Mid	Mid	Mid	Low	High	Mid
Success	Failure	P. Success	Failure	P. Success	P. Success	P. Success

The respondent R6 identified two different industries which the focal company ventured into which were the automotive industry and the transportation industry and the latter with a focus on the railway sector. The reason for partial success on these two directions have different reasons. The reason for the automotive industry is because the firm did manage to initiate a small division but for various reasons the firm currently doesn't have any consultants working in the field. Regarding the transportation sector the firm still has consultants working there but the expansion of the business has not been prioritized.

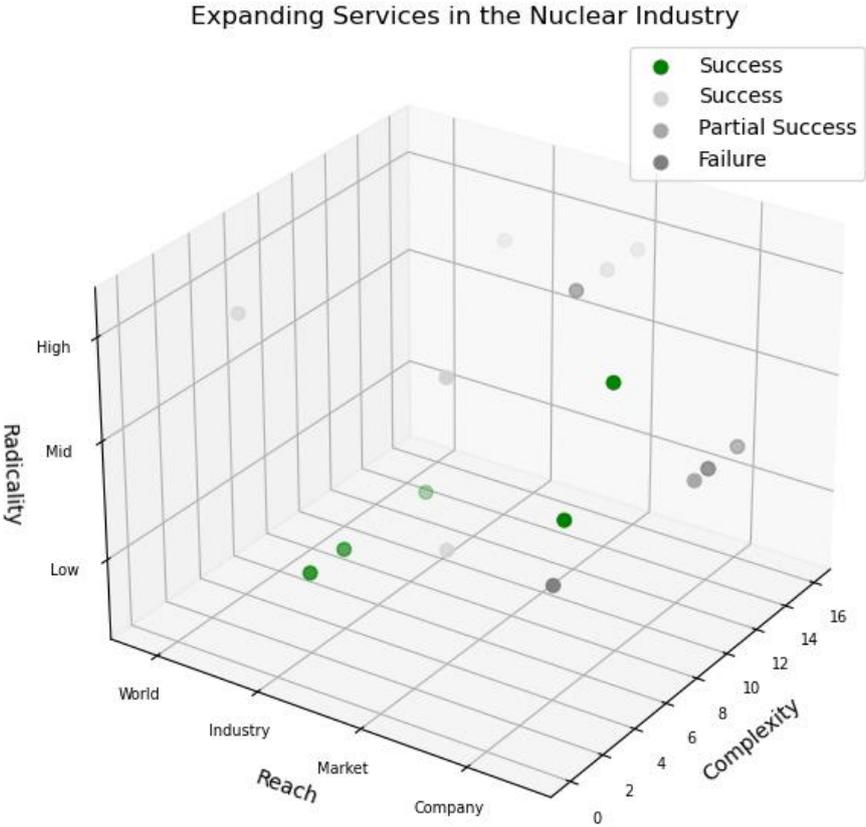


Results for the development of the value proposition of the offerings to the nuclear industry

There has been identified some different initiatives within the current industry. These are here grouped together and seen as one common effort towards the current industry. The obtained different initiatives are presented in the table below.

Constituents	R1	R2	R2	R3	R4	R5	R6
Reach	-	Company	Industry	Industry	-	Company	Industry
Radicality	-	Low/Mid	Low	Low	-	Mid/High	Low
Complexity	-	Low/Mid	Low	Mid	-	Mid	Low
Success	-	Success	Success	Success	-	Success	Success

R2 identified two efforts within the nuclear industry which was starting to work with decommissioning and the second is to work with other assignments within the nuclear industry. For the scope of this thesis these two efforts will be regarded as subsets of the same effort, but the replies will still be provided for the sake of transparency.



APPENDIX 4 – COMPLETE ANALYSIS BASED ON THE FRAMEWORK BY TARAN ET AL. (2015)

This Appendix provides the complete analysis and motivation on whether an element of the business model has changed or not. This information is the used in section 5.3 of this thesis.

Taran et al. (2015) state that any change in an element constitutes a change and should be considered. This will be the foundation in the analysis regarding complexity. The number of elements in the business model which has changed will define the complexity.

“In line with Abell (1980), Magretta (2002), Osterwalder et al. (2005), and Skarzynski & Gibson (2008), any change in any of the building blocks could be considered as a form of business model innovation. A change in one of the building blocks would constitute a simple innovation, while simultaneous changes in all of the building blocks would be the most complex form of business model innovation.” - Taran et al. (2015) p. 306

The reach of the innovation is aimed at measuring the innovativeness of the innovation. Taran et al. (2015) specifies this definition to be:

“A suitable scale for this approach measures the newness of an innovation in terms of “new to whom,” which could range from new to the company, via new to the market or the industry, to new to the world (Rogers, 1983)” – Taran et al. (2015) p. 306

The radicality of the innovation effort is according to Taran et al. (2015) aimed at defining the radical change in the way a company does business. Taran et al. (2015) uses the following definition for the radicality of the innovation:

“Radicality, a ‘critical variable in the field of innovation’ (Chandy & Tellis, 2000, p. 6), is usually defined in terms of the extent to which an innovation departs from prior products/services, processes or, in the context of this article, business models. Radical innovation involves the development or application of something significantly new (McDermott & O’Connor, 2002). Incremental innovations, in contrast, are minor changes such as extensions (McDermott & O’Connor, 2002) or improvements (e.g., Tidd & Bessant, 2009), which, cumulatively, may have a large impact; singularly they are almost imperceptible (Siguaw, Simpson, & Enz, 2006).” – Taran et al. (2015) p. 306

The success of the business model innovation is according to Taran et al. (2015) decided by:

The success of a business model innovation should be measured in terms of the extent to which the new model enables the company to generate revenue and help the company to achieve a sustainable competitive position by creating and delivering value to its customers. – Taran et al. (2015) p. 310

Based on the presented definitions the two identified business model innovation efforts will be discussed.

Expanding Services in the Nuclear Industry

The effects on the complexity dimension is presented in the following table:

Part of the business model	Element	Change	Motivation
Why? (Value proposition)	Core offering	Yes	The firm changed the value proposition to better tailor the needs of the client's managers rather than selling their superior service.
	Customer needs	Yes	There was a change in needs targeted. Similar to the motivation above
	Target customers	No	The target customer, i.e. the client did not change.
	Customer perceived value	Yes	The firm changed the perceived value for the client from providing an analysis service to providing a problem-solving service in the different areas.
What? (Operational value)	Key assets	No	The firm primarily used the resources already available to them.
	Key processes	No	There were no new processes identified.
	Partner network	No/Yes	The firm joined a network firm in order to gain access to the assignments. This was needed due to the forces in the industry pushing towards a more centralized purchasing process. However, it provided nothing more than the access they were currently enjoying but rather hedging against lost access to the assignments.
	Distribution channels	Yes	They utilized their personal connections within the client's organization to obtain additional assignments to a larger extent than had been done previously.
Who? (Human capital)	Organizational learning	No	There was no organizational learning needed.
	Skills and competencies	No	There were no new skills and competences needed for this. These skills and competences were already obtained from working with the safety analysis.
	Incentives	No	There were no new incentives, but rather than gaining new experiences.
	Training	No	There was no further development of the resources needed to perform the tasks.
How? (Financial value)	Revenue streams	No	The firm was still selling the services by the hour.
	Cost structure	Yes	This expansion of services required the same cost structure as the former business model. However, some modifications were made to the expense reimbursements for travelling.
	Cash flow	No	The cash flow was managed in the same way as before but maybe with some tighter control than before.
	Margins	Yes	This change was forced upon the firm by the client moving towards a more centralized purchasing process which enabled them to exert a larger pressure on prices for the suppliers.
Number of elements changed		6 / 16	

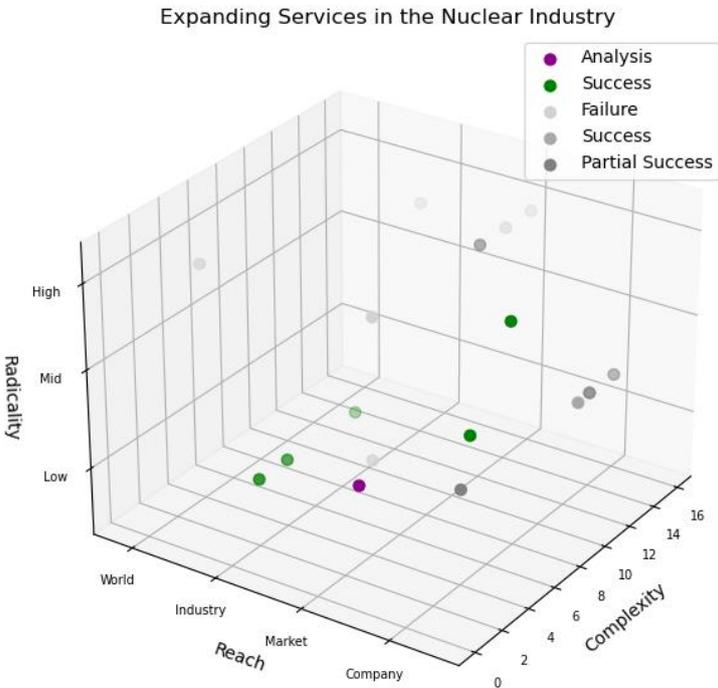
From this compilation of changed business model elements it may be seen that 6 out of 16 elements were changed in this business model initiative. This would constitute a low complexity of the business model innovation initiative. Hence the initiative could be categorized with the complexity “Low”.

The reach of the business model innovation discusses new to whom the innovation initiative is. Respondents state that other consultancy firms present at the client were not selling their resources to several departments simultaneously, however they were selling them to different clients so in this sense the reach of this business model innovation would be “new to the market”.

Radicality refers to the degree of radicality of the innovation. This type of innovation by selling resources to several departments at once is not a new phenomenon. This is done in for example the management consulting industry where the resources participate in several projects simultaneously. Hence the radicality of the initiative is thought to be “Low”.

Regarding the success of the business model innovation initiative, it did provide a sustainable competitive position and also delivering value to the customers. Hence, this initiative could be regarded as a “Success”.

A comparison between the respondent’s estimations and the conducted analysis may be seen in the figure below. What can be seen is that the views on this business model innovation between the respondents and the analysis did not diverge that much. What could also be said from this figure is that the initiative seems to follow the theory provided by Taran et al. (2015) in the sense that initiatives with a market reach, low radicality and low complexity seem to belong to a category of business model innovations which have a higher probability of success.



Expanding Services into New Industries

Part of the business model	Element	Change	Motivation
Why? (Value proposition)	Core offering	Yes	The core offering was changed from the previous business model. In this case the firm offered knowledge within safety analysis methods rather than expert knowledge within a specific analysis need present at the client.
	Customer needs	Yes	There was a need which was to be fulfilled. In this case what was offered was experience in safety analysis methods rather than specialist services tailoring a specific need.
	Target customers	Yes	The target customers were completely new.
	Customer perceived value	Yes	The perceived value for the client was the risk analysis experience from an industry with high standards which could be applied in the other industries.
What? (Operational value)	Key assets	No	The key assets initially remained the same. The resources the firm already had access to.
	Key processes	Yes	Additional infrastructure at the firm was needed in order to facilitate a larger scale expansion of this area. This need was not identified initially.
	Partner network	No	There was no change in regard to partner networks. This was not utilized or changed.
	Distribution channels	Yes	The distribution channels of the services were changed. Instead of going and selling the services directly to the client, the focal firm realized that they had to use "konsultmäklare" to gain access to the assignments.
Who? (Human capital)	Organizational learning	Yes	The recruited senior competence was aimed at being a facilitator for organizational learning.
	Skills and competencies	Yes	New skills and competences were needed to better target the industry's needs. The approach to this was after initiating the initiative to recruit competences needed.
	Incentives	No	There were no changes to the initiatives which were in place. These initiatives rather somewhat counteracted the expansion because the incentives are based on the amount of money brought into the firm. Smaller margins mean also smaller incentives.
	Training	No	There was no initial change to this element. The consultants were expected to learn on the fly.
How? (Financial value)	Revenue streams	No	The firm was still selling services by the hour.
	Cost structure	Yes	Further outsourcing of activities was needed in order for the business to be able to do more work with the client to be able to bill a larger number of hours.
	Cash flow	Yes	Somewhat tighter control of the billing process.
	Margins	Yes	The margins in the industries other than the nuclear industry were considerably smaller than those in the nuclear industry.
Number of elements changed		11 / 16	

From this compilation of changed business model elements it may be seen that 11 out of 16 elements were changed in this business model initiative. This would constitute a rating of high in the mid category and low in the high category. Hence the initiative could be categorized with the complexity “High”.

The reach of the business model innovation discusses new to whom the innovation initiative is. The firm were offering resources to work on problems which were needed and in demand at the clients. Hence, the offered service is not new to the industry or market where these problems are present but rather new to the company because they decided to expand into a new industry. In this sense the reach of this business model innovation would be “new to the company”.

Radicality refers to the degree of radicality of the innovation. This type of business model innovation by selling resources to target current needs of clients is not a new phenomenon and hence the radicality of the initiative is thought to be “Low”.

Regarding the success of the business model innovation initiative, it did not provide a sustainable competitive position and also delivering value to the customers. It did deliver value to the customers while the initiative was ongoing, but the competitive position was not sustained. Hence, this initiative could be regarded as a “failure”.

A comparison between the respondent’s estimations and the conducted analysis may be seen in the figure below. What can be seen is that the views on this business model innovation initiative diverged rather much between the respondents and the conducted analysis. What could also be said from this figure is that the initiative seems to follow the theory provided by Taran et al. (2015) in the sense that initiatives with a low reach, low radicality and high complexity seem to belong to a category of business model innovations which have a higher probability of failure.

