PUTTING OLD WINE IN NEW BOTTLES? HOW BUSINESS MODELS AND BUSINESS MODEL INNOVATION RELATE TO PERFORMANCE IN THE WINE INDUSTRY (SUMMARY)

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SUMMARY

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Principal Topic

The business model captures the fundamental linkages in a venture on economic, strategic, and process levels. Recent research suggests that firms’ differentiation, competitiveness, and innovation oftentimes resides in their business models. Current business model research is hindered by multiple definitions and frameworks which lack a solid theoretical grounding. We use evolutionary theory and organizational routines to ground the concept. Specifically, this research deals with the relationship between business model innovation and performance.

To attribute performance differences to business model innovation, we focus on one industry, NY wineries. This industry is ideal because one, wine is a differentiated product with significant a price range. Second, product and process innovation has a minimal impact. Differentiation is achieved by innovation in the business models. However, there are pressures to conform to norms and a desire for legitimacy. Too innovative approaches can have negative performance implications. We therefore propose that model innovation relates to performance in non-linear ways.

Method

The sample consists of all wineries in New York. Data is hand collected using a questionnaire and interviews. This information is supplemented with information from secondary data sources. The survey was created to capture the structure of the business model, important aspects that drive the model, and the performance results. Multi-dimensional scaling (MDS) was used to separate the firms into different configurations. This facilitates a comparison of the various business model configurations and performance. Multiple regression analysis is used to evaluate proposed relationships between the business model and performance within each configuration.

Results and Implications

The current research makes several contributions to entrepreneurship theory and practice. An important role is theoretically grounding the business model concept using evolutionary theory. Valuable insights are gained by using the theory with a focus on innovation. Second, this research examines the business model innovation and performance relationship in greater detail by evaluating how firms create successful, innovative models. Using one industry, we are able to focus upon the business model rather than other aspects that could influence the results. Third, we provide evidence of how differentiation and performance is achieved in one of the few agricultural segments that is profitable and growing.

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