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BUSINESS MODEL ORIENTATION: HOW CAN FIRMS CULTIVATE A PREPAREDNESS FOR BUSINESS MODEL CHANGE? (SUMMARY)

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≈ SUMMARY ≈

BUSINESS MODEL ORIENTATION: HOW CAN FIRMS CULTIVATE A PREPAREDNESS FOR BUSINESS MODEL CHANGE?

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Principal Topic

Business model innovation (BMI) is a key topic on CEOs' agendas nowadays. However, the academic literature can so far give only limited advice to managers on how to undertake it. Among the different approaches to de-mystify BMI, the proposed application of the dynamic capabilities framework (Teece, Pisano, & Shuen, 1997; Teece, 2007, 2010) to guide CEOs on what skills firms need to prepare for business model change has been the most promising one. However, little is known on how the development of such capabilities can be influenced. Based on configuration theory, we conceptualize a theoretical framework of intertwined relationships between business models, dynamic capabilities, and organizational structure. Focusing on the connection between organizational structure and dynamic capabilities, we analyzed the effects of structural organicity (captured through centralization, formalization, specialization, and administrative intensity) on the unfolding of 'capabilities for business model change'.

Method

Following DeVellis (2012), we developed reflective measurement scales for the two dimensions of capabilities, the sensing and seizing of business model change opportunities. Subsequently, we collected data through an online survey that was sent to CEOs of SMEs within dynamic and technology-intensive industries in Germany (n=214). The firms were randomly selected from Bureau van Dyck's Orbis database. To test our hypotheses regarding effects of selected sub-dimensions of structural organicity (measured using established scales (Aiken & Hage, 1966, 1968; Blau & Schoenherr, 1971; Olson, Slater, & Hult, 2005) on the single capability dimensions as well as an overall business model change capacity, we computed a structural equation model controlling for firm size, firm age, and industry volatility.

Results and Implications

We advance the entrepreneurship and strategic management literature by explicating dynamic capabilities required to evolve, adapt, or innovate a BM. We find strong empirical evidence that structural organicity generally incites business model development capacity. However, on a detailed level, significant differences exist: While specialization and administrative intensity have a positive impact on both sensing and seizing of BM change opportunities, the picture is twofold for centralization and formalization: Centralization has an overall negative effect resulting mainly due to a negative impact on seizing; formalization has an overall positive impact, however hindering sensing capabilities.

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