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THE IMPACT OF BUSINESS MODEL CHANGE ON NEW VENTURES’ SURVIVAL

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Principal Topic

Business models have a significant impact on a firm’s performance, value creation and innovation. Moreover, business model change can be seen as a firm’s answer to a changing environment and may reflect its increasing ability to use its resources and knowledge to create the best possible business model given the environment (Zott & Amit, 2008). Despite the importance of business model change, few studies have focused on the impact of business model change on the firm’s performance.

Those few studies that did focus on business model change (e.g. Andries, Debackere, and Van Looy, 2013), usually adopted a case-study approach and did not research how business model change can impact the survival of a new venture. Other gaps that remain in the literature are answers to the questions “how radical versus incremental business model change may impact firm survival” and “how the frequency of business model change can influence the firm’s survival”.

Method

We use a longitudinal sample of 173 new ventures in the emerging mobile health or mHealth industry. Based on secondary data such as press releases, company websites and industry reports, we coded the business models of these firms for each year of their existence and were thus able to analyze business model change over time. Using survival analysis, we analyze how a firm’s business model change impacts its survival. More in particular, we analyze how business model change can have an impact on the firm’s failure, acquisition or survival status.

Results and Implications

With this study, we contribute to the business model and organizational change literatures. Despite the higher importance of business model change for new ventures in nascent markets, business model change has not been studied in this context before. Moreover, no previous studies have used large samples to study the impact of business model change on the firm’s survival. Finally, by focusing on new ventures and nascent markets, we also contribute to the entrepreneurship literature.

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