Developing the business case for a new mobile service

An exercise in business model design

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Abstract

Business models have been a hot topic for managers, journalists and researchers ever since the dotcom era. There are many suggestions about how to interpret them, but few studies have focused on the actual design process that occurs when companies consciously consider them and improve them.

This action research based case study aims at filling this lack of studies and looks at the practical experiences of conducting a business model design project in a company.

The design project described in the case study was a success in terms of participant satisfaction. The study suggests, however, that it is difficult to use surveys to measure the changes in managers’ perception of how the company’s business model changes due to a design project. Other observations include the importance of management involvement in the design process, the need for candor and the significance of a discussion facilitator and a discussion triggerer.

A description of business model design components are recommended based on the experiences of the case study. These components include: identifying the purpose of a project, defining the business model framework, suggesting business model tools, and creating the resulting business model.
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1. Introduction

New media in the form of internet and mobile communications is one of the hottest topics around. New players shaping new media’s development are emerging, rising and fading out at a fast rate. The possibilities of digital technology are still so abundant that it is difficult to clearly see which opportunities seem vital and which do not.

The naïve opportunism, however, has cooled since the dotcom era; customers and investors alike are increasingly looking for quality and know what this means to them. The implications for high-tech start-ups are imperative: developing and communicating their business in competitive ways becomes all the more necessary for survival. Chesbrough and Rosenholm (2002) have shown how the applications of business models are important regardless of the potential value of an innovation. They recommend that:

“... technology managers must regard ‘the architecture of the revenues’ as a vital and necessary element of capturing value from technology. Technology managers cannot disregard these matters or simply rely on others in the organization to address these questions on their behalf. Instead, technology managers must themselves become conversant in these issues. They need to extend their experiments to include experiments in alternative business models. [...] The development of the business model needs to become part of the new dominant logic managing technology commercialization.”

In the same paper they also conclude that venture capitalists invest in a business model above all else.

Given these insights, it is not surprising that researchers have turned their attention to understanding the constituents of business models. Although consensus is starting to form on the important elements of business models, there is little research describing their actual use. Instead most papers in the field use business models as a retrospective analysis tool to understand past successes and failures. The author could only find one paper describing an actual business model design process.

The action research based case study presented in this paper will try to compensate for the lack of actual design process descriptions by highlighting the lessons learned from introducing business model designing to a mobile services start-up.

1.1. Objective

The objective of this thesis work is to describe and evaluate the process of business model design based on active participation.
1.2. About the Company and the Design Project

The case study is based on a young start-up company that delivers a cross-operator, cross-content platform system for mobile phones\(^1\). The company was founded in 2004 by a technology expert (from here on called Mr. Andersson) and his sales friend (Mr. Nilsson). For almost two years the company was financed by Mr. Andersson and Mr. Nilsson until the beginning of 2006 when the company closed their first investment round focusing on investors from their home country Sweden. This gave the company the possibility to employ new people and set out plans for increased growth. By spring 2006 the company knew they had to go through new rounds of investment to be able to continue the accelerated growth they desired.

Due to their focus on IT-development and operations management, the company had had little time to stop and reflect on their business. However, preparing for the next rounds of investment forced the company to think ahead. In their previous rounds they had already noticed that a lot of investors did not really understand the company’s business idea. Thus, when the author approached the company with the idea of testing business model designing, the company had an incentive to try it out.

Mr. Nilsson and the author agreed that the author would hold seminars with Mr. Andersson and Mr. Nilsson to facilitate the business model design process that is the topic of this thesis.

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\(^1\) The company and employee names will not be revealed in this paper in order to protect business secrets.
2. Methodology

Every research project needs a method to understand and reach its objective. This chapter describes the methods used in this project.

2.1. Research Approach

How can a researcher describe and evaluate a socially complex process which contains many levels of analysis? Within social sciences it is possible to identify a division of three paradigms (O’Bryan, 1998; Alvesson and Sköldberg, 1994) that is positioned according to the researchers’ involvement during their observation of phenomena. The choice of methodology can to a large extent be explained based on which paradigm a researcher subscribes to.

The positivism paradigm is epitomized by logical positivism which is based on a belief in an objective reality, knowledge of which is only gained from sensory data that can be directly experienced and verified between independent observers. According to this paradigm, phenomena are subject to natural laws that humans discover in a logical manner through empirical testing, using inductive and deductive hypotheses derived from a body of scientific theory. Its methods rely heavily on quantitative measures, with relationships among variables commonly shown by mathematical means. The paradigm is usually credited to the Vienna Circle of the 1920s and thinkers like Rudolf Carnap and Otto Neurath (Gilje and Grimen, 2003; Alvesson and Sköldberg, 1994).

The interpretive paradigm was revived during the last half century, much thanks to the social scientists who wanted to break out of the constraints imposed by positivism. However, it roots can be traced as far back as ancient Greece by Aristotle’s “On Interpretation” and Plato’s “Ion”. Containing such qualitative methodological approaches as phenomenology, ethnography, and hermeneutics, it is characterized by a belief in a socially constructed, subjectively-based reality, one that is influenced by culture and history. Nonetheless it still retains the ideals of researcher objectivity, and researcher as passive collector and expert interpreter of data. Central thinkers in this paradigm include Georg Gadamer, Paul Ricoeur and Charles Taylor (Gilje and Grimen, 2003; Alvesson and Sköldberg, 1994).

A third paradigm of praxis and its characterizing method is called action research. O’Bryan (1998) writes:

“Praxis, a term used by Aristotle, is the art of acting upon the conditions one faces in order to change them. It deals with the disciplines and activities predominant in the ethical and political lives of people. Aristotle contrasted this with Theoria - those sciences and activities that are concerned with knowing for its own sake. Both are equally needed he thought. That knowledge is derived from practice, and practice informed by knowledge, in an ongoing process, is a cornerstone of action research. Action researchers also reject the notion of researcher neutrality, understanding
that the most active researcher is often one who has most at stake in resolving a problematic situation.”

Action research is generally considered to have originated from Kurt Lewis’s work on group dynamics in the mid 20th century (Marrow, 1969; O’Bryan, 1998).

The author of this paper subscribes to the third paradigm, thinking that the learning process of business model design projects can best be understood by active participation in a design project.

The research conducted for this paper consists of two methodological considerations:

- action research – requiring the researcher to be involved in the described research process
- case study – requiring the researcher to focus on one (or a few) cases to illustrate in-depth information

2.2. On Action Research

Action research is used to understand decision making or change processes. An action research approach in business-related studies requires the researcher to take the role similar to a consultant. Gummesson (2004, 1985) has summarized two of the methodology’s major peculiarities:

2.2.1. Access

Getting access to the decision makers is crucial in any research project that deals with decision/change processes or learning environments. The action research approach makes the researcher an active part of the decision making process and gives the researcher access to important information that would be out of reach using other methods. This is the most valued aspect of action research.

Although survey and interview approaches are traditionally seen as more objective, these also miss out on crucial information. Gummesson (1985) shows a telling example by illustrating how the managers of a company, approached by a researcher and his survey, provided documents and filled out the sought after information. The managers felt obliged to make a serious impression on the researcher. A later discussion between the managers showed however that the actual decisions were usually not made based on the documents or strategy concepts highlighted by the researcher’s survey. Rather, decisions were based on undocumented, informal discussions between the managers.

This is the major reason for the researcher of this paper to have chosen action based approach. The author was convinced that a survey alone would not capture the actual design process as it occurred in the company.

2.2.2. Combining the role of a consultant and researcher

Being a part of the decision making process makes the researcher a research-object herself, holding her solely responsible for the credibility of the research. Traditional
methods attempt to externalize this responsibility by only involving the researcher in the method planning and not the actual results. The criticism put forward against action research often deals with the issue of objectivity.

According to Gummesson the following part of the research role may conflict with the consultant role of the researcher:

- For the consultant, the result is more important than the methodology. However, for the researcher it is necessary to focus on method and the process.
- For the consultant it is important to keep the deadline and budget. For the researcher this is not as necessary as having thorough, well documented work.

2.3. An Action Research Approach for Business Model Design Processes

There are many different ways of structuring an action research approach. The models presented in this chapter have guided the considerations of the author.

Auer and Follack (2002) – who have attempted to develop action research methodology for business model designing – highlighted the following requirements for an action research approach.

The methodology should:
1. be able to handle complex systems
2. support the structuring and sharing of knowledge and the change of mental models
3. be able to predict the outcomes more accurately through the support of risk free experiments
4. create a learning environment for managers
5. be grounded on theory and practically applicable

The methodology has to:
6. support iterative expansion and change
   support structured reflection of learned lessons and academic discourse
7. The methodology requires (inter)-action as an integral part of the process itself
8. The methodology is based on the researcher’s professional values rather than methodological considerations

All of Auer and Follack’s requirements may seem intuitive except perhaps requirement 8. This requirement is focused on the researcher’s contribution to the project and entails that she considers the goal of a project instead of blindly following methodological guidelines.

In addition, based on the work of Senge and Sterman (1994), Auer and Follack provide a model for the learning progression that occurs in a group that uses mental models:

- Mapping– explicating and structuring assumptions (via systems models)
- Challenging– revealing inconsistencies in assumptions
- Improving– continually extending and testing mental models
This model is adopted and modified according to the purpose of this case study.

Zuber-Skerrit (1996) offer more practical guidance for action researchers. He describes a stepwise approach to action research:

1. Planning
2. Action
3. Observation, evaluation of the action and the researchers role
4. Reflection

These four steps may seem trivial, but illustrate the fact that action research requires much work in addition to the ‘action’ itself. Also, the four steps must be documented in order for the researcher to be able to compile her work. This means the author had to document not only the interaction with design process participants, but also his own planning of events, and afterwards, his reflections in order to complete the approach as described by Zuber-Skerit.

Checkland and Hollwell (1998) provide a less sequential and more dynamic perspective on the approach. Their model highlights the iterative nature of action research:

Graph 1 Model of action research. Source: Checkland and Hollowell’s (1998)

The author of this paper has taken aspects of Zuber-Skerrit and Checkland and Hollowell, and combined their ideas on how to carry out action research (see chapter on ‘Design Process Considerations’).
2.4. **On Case Studies**

A case study is an in-depth look at particular phenomena. Instead of focusing on easily measurable and comparable parameters, this method attempts to capture the entire complexity of the studied occurrence.

Gummesson (2004) describes case studies as particularly useful when researchers use them to map out complex phenomena that have little previous description. Business model designing does qualify as such a topic, but case studies also have their disadvantages. The most discussed issue concerns the universality of the acquired results of case study research. Marriam (1993) concludes that by using case study methodology a researcher has lost her chance to generalize. Gummesson see case studies as theory generating, rather then theory testing.

2.5. **Summary**

This research project is based on a paradigm of practice. Its basic assumption acknowledges that knowledge must be informed by practice and reject the notion of research neutrality/objectivity. Instead, it focuses on trying to capture the complexity of ‘real life’ and reflect on the researcher’s role in her research.

The action research approach is used to get access to the decision making process. In business research this approach often leads to the researcher having two roles: as a consultant and a researcher. The action research approach forces the researcher to take larger responsibility for the credibility of her results. More ‘neutral’ methods limits the responsibility to a larger extent at the same time as the usefulness of those results can be criticized as the methods run the risk ignoring the factors that are essential for the actual result of the project.

The research project uses a case study approach to allow the penetration of one specific company’s business model design process with the aim of making the description theory generating/creating, rather then verify or falsify, any particular model’s universal applicability.
3. A Business Model Design Process Description Based on Disruptive Innovations, Business Models and Previous Work

Before taking a closer look at the rise of business model analysis, it is first appropriate to take a look at disruptive innovations. Disruptive innovations are completely new innovations that have the potential of creating new markets. It was their abundance during the dotcom era that first created an interest in business models. Next, this chapter takes a look at the way business model frameworks have been used for historical analysis of business cases. The third part of the chapter reviews a description of the business model design process. As a conclusion of the reviewed sections, a business model design description is created.

3.1. On Disruptive Innovations

In what situations does someone need to carefully consider how to go about making money? Usually you would have something extra valuable that others do not have, be it a business idea or a special technical solution. The threat is not only that someone might copy it, but also that if the approach to the business case is made in a foolish way, the product or service may never make an impression on the market. Leaving the approach to the business case to the next subsection, this chapter discusses a special type of innovation— the kind with an intrinsic value that can only be liberated with a correct business approach.

3.1.1. Two Invention categories

How is it possible to sort out these special inventions? One way of doing it is by classifying them as either disruptive or sustaining (Christensen, 1997). Another denomination calls the categories radical or incremental change (Afuah and Tucci, 2003). These categories are in essence describing the same phenomenon. Sustaining and incremental innovations support and strengthen an existing technology or business process. Consider, for instance, the caller-ID function for telephones. This invention increased the usefulness of telephone technology which was strengthened by the complementary function of the invention. If looking at free VOIP provider Skype – a disruptive and radical innovation – the situation is different. This invention threatens the existing telephone technology.

Christensen (1997) observed that there are some usual characteristics for disruptive innovations. These innovations usually:

- Bring a different value proposition compared to those that had existed before
- Underperforms established products in mainstream markets, but have other features which adds new customer value
- Deliver cheaper and simpler products
3.1.2. Is the Case Study Dealing with a Disruptive Innovation?
This paper will later claim that business model designing can be an appropriate tool for managing disruptive innovation, therefore the author should first confirm that the company in question actually deals with that particular kind of invention.

The disruptive innovation of the studied company is a technical invention based on mobile IP-technology. Only one of the characteristics described by Christensen was clear at the beginning of the project. It was clear that the technology could offer cost savings in messaging like SMS/MMS. The company’s value proposition and performance, compared to the rest of the industry was still unclear. However, thanks to the design project, the company was able to demonstrate that they in fact had a unique value proposition and could show how this differed from previous offers.

3.1.3. The Manageability of Disruptive Innovations
Following the categorization, Christensen (1997) argues that disruptive innovations have to create new markets. Also, since these markets are new, there is no good information to base sound judgments on.

The next section will describe business models in the context of markets and business strategies. Meanwhile, it is sufficient to highlight that Christensen convincingly shows that disruptive innovations that arise within large organizations are often mismanaged. According to him, that is because

“Markets that don’t exist can’t be analyzed”

Also, businesses do not realize just how specialized their organizations are. The new invention may pose a threat to the old business or just not fit into the governing business model.

The latter is supported by Chesbrough’s (2003) research as well. He shows how a large organization’s (Xerox), R&D department worked on a gateway model that managed innovation badly unless it fit into the expected line of its core business. Chesbrough calls this ‘closed innovation’ - a disadvantageous way of managing the potential of disruptive innovation. Instead he proposes to let innovations with different origins, but with a match in core business, be accepted into the organization. Disruptive innovations that do not fit into the organization should, however, be developed in their own organizations. He calls this an open innovation approach.
In conclusion, the research by Christensen and Chesbrough has credibly shown that business model configurations can make or break innovations.

There are two important lessons to be learned from the research on disruptive innovations:

1. When dealing with disruptive innovation, little reliable information exists on how to conduct business.

These lessons lead us in a search for some kind of conceptual tool for managing the large complexity and unpredictability of trying to market a disruptive innovation. This thesis work uses business model designing as a tool for that purpose.

3.2. Business Model Frameworks

So what if you have the most clever invention ever? Researchers will tell you that you will get nowhere without a good business model.

Osterwalder and Pigneur (2005) show that the concept of business models came into existence during the dotcom era. This is perhaps due to the fact that people realized some of the intrinsic opportunities of a new technology but were still unsure how to make money from it. Or, using the terminology of this paper, there was plenty of disruptive inventions but less understanding of, and therefore more interest in, business model designing. Regardless of the reason, in the early twenty-first century, researchers, journalists and managers started discussing business models and how they compared to each other.

3.2.1. What is a Business Model?

Systematic research shows that early authors on the topic are talking about different things. Linder and Cantrell (2000), Lambert (2003) and Osterwalder and Pigneur (2005) all show how different authors chose to interpret the meaning of business models in their own way. Still, consensus is starting to shape and most seem to agree that business models – as the name of the concept implies – should be simplified representations of business reality. Hawkins (2002) remarks:
“A major problem is terminological imprecision and/or redundancy. ‘Do we need a business model concept?’ Most of the elements discussed specifically in the business model context are actually strategic planning models, financial models, revenue models, organizational models, technology architectures etc. The theory surrounding these ideas is relatively mature [and] underpinned by a solid body of research.

However, the literature specifically about business models does focus on two phenomena that are somewhat less well understood:

- the process of linking new technological environments to business strategies
- perceptions of value and especially to how new value propositions can be made to the market.”

It seems however that Hawkins gives a dualistic message. What is really the difference between business models and business strategies?

Magretta (2002) and Osterwalder and Pigneur (2005) draw a line between the two by allowing business models to focus on core businesses and using business strategies when focusing on how the core business of a mature company handles a mature competitive environment. This is consistent with the idea that business model designing may be a good tool for managing new, disruptive innovations.

### 3.2.2. A Definition of Business Models and its Cousins

To clear some conceptual jungle surrounding business models, the author uses the following terminology throughout this paper:

- Researchers’ concepts of business models are called business model frameworks.
- The term business model is used when discussing the business models of actual cases.
- Business model designing is used to refer to learning processes that are associated to a business model.

Osterwalder and Pigneur, two authors with the most constructive and comprehensive works on the business model frameworks so far, suggest the following definition (2005):

“A business model [framework] is a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm. Therefore we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done and with which financial consequences.”

Continually, Osterwalder and Pigneur (2005) identify three levels of business model framework analysis, which can lessen the confusion within the literature. These include:

- Definitions and meta-models (descriptions of the business model frameworks as such)
- Taxonomies of types (categories of business model frameworks)
- Modeled instances (illustrations of business models)
Osterwalder and Pigneur’s description of business model frameworks does take into consideration that they may change with time but Kijl et al. (2005) are explicit about this. They add to the discussion by introducing a dynamic business model framework that shifts the focus from product to market orientation depending on the stage of business development. Doing this in the context of mobile services, Kijl et al. reviewed literature on service development, business planning, entrepreneurship, innovation diffusion and marketing and then consolidated this material by dividing business model frameworks into three phases: Technology/R&D, Implementation/Roll-out and Market.

[Graph 3 A summary of sources for Kijl et al.’s three-phase dynamic business model framework. Source: Kijl et al. (2005).]

By introducing this dynamic perspective, they also introduce a seamless shift towards what Magretta (2002) and Osterwalder and Pigneur (2005) call business strategies which, according to them, deal with a company’s reaction to the competitive environment of a mature market.

Business model designing may thus be useful for enabling managers to focus on developing their own business when the environment is still too complex and unforeseeable to allow the traditional strategic analysis of mature markets. This does not mean that business model designing is useless for mature industries, but they to have a particular relevance to immature businesses.

In conclusion, we should note that disruptive technological innovations can be a good test bed for describing and evaluating the usefulness of business model designing. They are examples of new technology which, at the time of their invention, has yet to find a market and evident competitors. Business model designing should therefore be a good business development tool for companies based on disruptive innovation.

### 3.2.3. What is the use of Business Model Concepts?

Knowing something about what business model concepts are, it is reasonable to inquire about the use of them. At the highest, most abstract level, business models are hypothesis formulations about a certain way to run a business (Magretta, 2002). These hypothesis formulations are useful because they allow management to focus and test their ideas about their business. Magretta suggest two types of tests to see if a business model holds. If it fails, it is either due to:

- Narrative test (the story does not seem reasonable to well informed persons)

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2 In science this is called hypothetical deduction or thought experiments (Hägkqvist, 2004).
- Numbers test (profits and losses does not add up)

Osterwalder and Pigneur (2005) propose a multitude of uses for business models:
- Understanding and Sharing
  - Capture
  - Visualize
  - Understand
- Analyzing
  - Measure
  - Track and Observe
  - Compare
- Managing
  - Design
  - Plan, change implement
  - React
  - Align
  - Improve decision making
- Prospect
  - Innovate
  - Business Model Portfolio
- Patenting of Business Models

This list covers many different business model framework authors’ designated purposes. Take for example the Chesbrough and Rosenbloom’s (2002) ideas of what business model frameworks should be used for – i.e. designing businesses, making better decisions, and as a marketing/communication tool for venture capitalists. Later in this paper the author will comment on the relationship between business model frameworks and purposes.

### 3.3. Previous Work

The author has been able to find one paper that has a similar interest and approach as this thesis work. This action research based examination of business model designing was conducted by Auer and Follack (2002). The major lesson from their work will be summarized in the following paragraphs.

Auer and Follack worked with developing business models in relation to the impact of internet technology for businesses. Their situation was therefore different form this project in the sense that they worked with more established businesses. For each design project they worked according to the following framework:
- Understanding
- Identify the Internet’s Influence
- Change (business practice)

This framework connects to previously described Senge and Sterman’s (1994) model on organizational learning by mapping mental models, challenging mental models and improving mental models.
To facilitate the learning process Auer and Follack would first define the different perspective of different stakeholders of the company. This step was significant for their work since they worked with larger organizations and more divergent interests represented by different stakeholders. Next, they tried to identify and define factors influencing the studied business. Third, they attempted to understand the relation between the factors. Fourth, they aimed at clustering variables. Each of these four steps were conducted during the first phase ‘understanding’. To continue Auer and Follack used factor analysis to identify which of the factors are effected by internet as well as the options for each factor available. Last, an action plan was created according to ideas generated from the previous steps. The researchers note, however, that the actual projects are not as sequential as the framework might suggest. They even suggest that it might be beneficial to jump between different stages of the framework.

It is unfortunate that the researchers’ description of their results is imprecise. For instance, Auer and Follack claim that step one of their project frameworks can be very beneficial for an organization but do not specify in what way. A more useful conclusion is the importance of doing a thorough job during the ‘understanding’ phase. In order for the desired changes to gain acceptance, everyone involved in the change process must comprehend the use of terminology and action plans. Auer and Follack also observe the inherent conflict in doing this since most managers have little time to spare for a business model design process. They seem to be more interested in ‘just getting the results’. But as pointed out, the results will be of little use without broad participation from the company.

The researchers also find that if people have not participated from the beginning of the design process then also later meetings tend to become less effective as more time is spent on discussing basic definitions that participants do not feel comfortable with. However, definitions of result and effectiveness are also missing from the research work. The researchers conclude that it is beneficial to focus one step at a time, since the issue of business model design is too complex otherwise.

### 3.4. Constructing a Business Model Design Process Description

How does the review compiled so far effect the considerations of this master thesis? For this project a distinction will be made between the framework for the project and the actual tools used during development of it. The business model framework of the project sets some boundaries for what the project contains (and does not contain) while the tools are instruments used for filling out those boundaries. The business model is thus a result of a design process which is outlined by a business model framework and developed by
tools.

**Business Model Design Process**

![Diagram showing the business model design process: Business Model Framework + Tools = Business Model]

**Graph 4 Illustrating the business model design process.**

### 3.4.1. The Framework

The first topic on disruptive innovations can be a good starting point to paint a picture of the situation in which the described company and innovation find themselves when taking part in the case study. The innovation is new and there are no clear role models for this type of innovation. The environment is complex and the business of the company is as unclear as the Stockholm sky in November.

The author used Osterwalder and Pigneur’s (2005) business model framework to insure that no important elements are left out before the design process finishes. The elements suggested by the authors include:

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Business Model Building Block</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product</strong></td>
<td>Value Proposition</td>
<td>Gives an overall view of a company’s bundle of products and services.</td>
</tr>
<tr>
<td><strong>Customer Interface</strong></td>
<td>Target Customer</td>
<td>Describes the segments of customers a company wants to offer value to.</td>
</tr>
<tr>
<td></td>
<td>Distribution Channel</td>
<td>Describes the various means of the company to get in touch with its customers.</td>
</tr>
<tr>
<td></td>
<td>Relationship</td>
<td>Explains the kind of links a company establishes between itself and its different customer segments.</td>
</tr>
<tr>
<td><strong>Infrastructure Management</strong></td>
<td>Value Configuration</td>
<td>Describes the arrangement of activities and resources.</td>
</tr>
<tr>
<td></td>
<td>Core Competency</td>
<td>Outlines the competencies necessary to execute the company’s business model.</td>
</tr>
<tr>
<td></td>
<td>Partner Network</td>
<td>Portrays the network of cooperative agreements with other companies necessary to efficiently offer and commercialize value.</td>
</tr>
<tr>
<td><strong>Financial Aspects</strong></td>
<td>Cost Structure</td>
<td>Sums up the monetary consequences of the means employed in the business model.</td>
</tr>
<tr>
<td></td>
<td>Revenue Model</td>
<td>Describes the way a company makes money through a variety of revenue flows.</td>
</tr>
</tbody>
</table>
Table 1 General business model elements. Source: Osterwalder and Pigneur (2005)

3.4.2. The tools
A variety of instruments were used to facilitate the design process:

- Survey – conducted before and after the project to identify if the mindset of company decision makers changed due to the project
- Distribution of reading material regarding business model frameworks
- Seminars
- Personal annotations of meeting contents
- Scenario techniques
- Discussions

These will be described in more detail in the next section which describes the different stages of the project more in detail.

3.4.3. Design Process Considerations
One of the most influential considerations regarding practicalities comes from Auer and Follack (2002) plus Chesbrough and Rosenbloom (2002). They stress the involvement of company managers, without which the project risks becoming a desk product.³

Using Senge and Sterman (1994) three stages of organizational learning and adjusting for the project idiosyncrasies⁴, the three stages for this project will be called:

- Understand: finding a common understanding and terminology for the examined company
- Challenge: testing the hypotheses of the previous stage
- Formulate: formulating conclusions in a coherent way

Developing the model further through action research approaches presented by Zuber-Skerrit (1996) and Checkland and Hollwell (1998) yields that each stage of the learning process can contain several elements for which the researchers need to plan and document. Also, these are iterative and interactive. One can illustrate the merger between the three research approaches in the following way:

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³ See epilogue for continued discussion on the importance of management involvement.
⁴ Compare the situation based framework used by Auer and Follack (2002) where internet influence is the major trigger business model designing.
Graph 5 The iterative and interactive stages of the project framework.

A further consideration has to deal with understanding when this kind of project begins and ends. Since, action research is based on the active involvement of researchers, one issue of debate may be when active involvement begins and ends. In this master thesis project the author discussed the project layout and contents for several weeks before an agreement was made. Should that period count as part of the research project? Equally relevant is the question of when the project ended. Was it when the last document was authored, or is the project still alive as the company continues to develop and the author maintains his relation to the company?

It has been paper deadline considerations that have limited the contents of this paper. The discussions leading to an agreement between the company and the author, were not the focus of the research project. The ending of the project is even more difficult to define. The design process that was created through the project never really finished but continued to live on and affect the definition of the company’s own business. This description of the occurring processes ends therefore when the author drew an artificial finishline by handing out a survey on how the project participants had perceived the process.

3.5. Summary

Disruptive inventions are new inventions that, due to their novelty, give inventors few role models for how to operate their business. These inventions fail to reach the market if managers assume that old models or usual business analysis tool used for established businesses can provide a quick answer.

With the help of business model designing, managers can make a simplified conceptual model of how to conduct business. This is a good instrument for companies based on disruptive innovations as their activity and environment is usually too unclear and unpredictable to understand in terms of traditional business strategy concepts.

Previous experiences of business model designing show that decision makers’ involvement from an early stage is a major factor in making the project successful.
Research had also shown that it was good to have a topical focus for meetings and not try to treat all the problems at the same time.

Based on this material, a business model design process description was created. This description contains three elements: a framework (that outlines the design process), tools (that are used to fill the framework) and a business model (which is the result of applying the tools to fit a framework).
4. Describing the Design Process

A business model design process is essentially about knowledge sharing and learning among those participating in the process. The experiences and knowledge of individuals are all summarized in a common language so that a collective understanding of the business case is constructed. During the next sections, the knowledge sharing and learning process of two months, eight meetings, and preparation work of over 150 hours will be described.

4.1. Understand

The first phase of the project consisted of familiarizing the less informed participants of the group with the basics of the company. At this stage the group was going to consist of Mr. Andersson (head of technology), Mr. Nilsson (head of sales) and the author. This essentially meant that the author would be doing most of the learning during this phase.

4.1.1. Preparations

During the first two meetings between the author and the company, it became clear that the major benefit for the company to take part in the research was to develop its business case for forthcoming investment rounds. Mr. Andersson and Mr. Nilsson both admitted that the company had had difficulties in explaining their innovation to others. Now they wished to improve their external communication, especially when meeting future investors.

Thus, the author was given the task to create a project plan which included scope and duration of the project. According to the plan, the design process would take 5 weeks\(^5\) to finish and some ideas for project tools included:

- Customer analysis
- International market analysis
- Strategic group/Stakeholder analysis
- Competitor analysis

At this stage, no decisions on appropriate tools were made as everyone agreed that the author needed to learn more about the company first. The initial ‘learning the basics’ was accomplished partly by discussing with Mr. Nilsson and partly by reading the company’s previous business plans.

4.1.2. Getting started

For the first meeting, Mr. Nilsson had invited one of the investors, Mr. Karlsson, to participate in the design process. The design team thus increased in number from three to four members.

During the first meeting, the author suggested using Osterwalders and Pigneur business model framework elements to try to understand the company’s current situation. That

\(^{5}\) In effect the project length became 8 weeks and was limited by master thesis deadlines rather than the fact that company obtained a ‘finished’ business model.
meeting showed, however, that there was little consensus on how to interpret the Osterwalders and Pigneur’s terminology and its application for the studied company. The discussion became passionate and ended in many ideas for interesting opportunities for the company.

To create some clarity, the author tried to find a system or logic in the suggestions; therefore he suggested that he would use a scenario technique to try to find patterns in the discussed business suggestions. Using Osterwalder and Pigneur’s business model framework element descriptions, he then started sorting the different suggestions for business cases:

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Business Model Building Block</th>
<th>Scenario 1 (described on situation level)</th>
<th>Scenario 2 (described on situation level)</th>
<th>....</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product</td>
<td>Value Proposition</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td>Customer Interface</td>
<td>Target Customer</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
<tr>
<td></td>
<td>Distribution Channel</td>
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<td>Relationship</td>
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</tr>
<tr>
<td>Infrastructure Management</td>
<td>Value Configuration</td>
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<td></td>
<td>Core Competency</td>
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<td></td>
<td>Partner Network</td>
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<tr>
<td>Financial Aspects</td>
<td>Cost Structure</td>
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<td>...</td>
</tr>
<tr>
<td></td>
<td>Revenue Model</td>
<td>...</td>
<td>...</td>
<td>...</td>
</tr>
</tbody>
</table>

Table 2 Illustrating the scenario technique employed by the author to try to find patterns in business cases for the company. Source: the Author.

14 scenarios were identified. Although none of the scenarios could be defined with perfect clarity, the formulation of scenarios would still give an indication of the business domain that the company desired to cover. For example, looking at the core competency building block, three different ideas reoccurred in the 14 descriptions: the company could be a network solution provider, a channel seller or system implementer. These different core competencies are not mutually exclusive or well defined, but represent a range of roles possible to take on by the company.

It is crucial to note that the scenario formulations were a brainstorming activity and that the participants were not comfortable with all the formulations, particularly not all the specific building blocks of every scenario, such as value proposition, target customer, distribution channel, etc. Still, by formulating even the unappealing building blocks, the group was able to understand what the company did not want to deal with. The author could even use the formulations to provoke reactions from the participants. For example, if the author suggested that the company could have a core business of communications consultancy, then that idea could be provoking enough to spur more ideas of delimitations.

4.1.3. Tools employed during the understanding phase

The understanding phase was facilitated by:
• reading written material:
  o The group was introduced to the business model concept as described by Osterwalder and Pigneur (2005) and Chesbrough and Rosenbloom (2002)
  o The author studied material previously compiled by the company
• describing the company according to Osterwalder and Pigneur’s elements of business model framework
• creating scenarios of potential offers and their business model implications

4.2. **Challenge**
This phase of the project focused on challenging the participants’ ideas in order for a consensus to arise. This phase occurred naturally as the participants’ understanding reached a level that made discussions possible.

4.2.1. **Introducing the working document**
After compiling and structuring the scenarios, the author tried condensing the information to find the key vocabulary for describing the company business. The author’s analysis, based on 14 scenarios, was compiled into a Powerpoint document. This document became the starting point for the following design meetings. It provoked opinions from all participants. A topical analysis of document history shows that the company evolved continuously from:
- Understanding how to position the company
- Understanding business implications
To:
- Challenging the different ways of positioning
- Accepting business implication
To:
- Searching for an action plan and the requirements for its execution

The working routine became such that the author compiled previous discussion into the working document, made some research (e.g. on potential competitors), tried to conceive new models for generalizing the knowledge and then mailed out the working document to the participants in time, before the next meeting. Mr. Andersson commented, “The document was very good, because it made me think about our business”.

There were three hot topics during the challenge meetings:
- What is the core business?
- What is the optimal pricing method?
- Who is the target customer?

The company’s core business was settled by the ideas of Mr. Andersson. Having formulated three different core competencies for the company, the author was lured to understand how these different ideas could co-exist. In between meetings, the author spent some time at the office and discussed the core business of the company together with Mr. Andersson. The discussions led the author to realize that Mr. Andersson had had a clear but unformulated market hypothesis when he invented the company’s solution.
To find the formulations that supported Mr. Andersson hypothesis, the author tried to find a different dimension for analyzing the information market, since the company delivers a mobile information service. Dimensions like life span, mode of consumption, communication constraints, and target audience were considered. Next, according to those dimensions different media channels, the company’s offers and competing offers were positioned. Thirdly, the author sought implications derived from the description of the company’s core competency. In the following meetings, that groundwork set the agenda for later meetings.

The search for pricing models was of particular concern for Mr. Nilsson, who was head of sales. Nilsson was meeting a multitude of customers, all with their own specific needs and he had on several occasions considered how to price the company’s service. Thanks to the design meetings, three different pricing models were identified, but more important then that, a sales strategy was found. Since the company was creating a new market and customers knew little of what to expect, the focus on pricing became an issue of sales strategy. A consensus was found that the company at this stage of development needed to have as low-barriers of entry as possible towards customers. No, heavy upfront fees would work since most customers are still unsure about what to expect of the service.

The question of target customers was a particularly tricky question because the company dealt with both consumers and businesses. Also, there were no similar role models to base an analogy on. This question never reached a clear-cut answer which can be seen as the business model’s weakness if one believes that all the good ideas already exist, or as the business model’s strength if one thinks that new, good, but still difficult to formulate ideas, can surface.

The candid discussions in the group allowed ideas in the document to be challenged. Also, the author insisted on questioning presumptions of the company representatives. The company representatives on their side were not shy to rebuff.

4.2.2. Adding an extra job task

One month after the project started, the author was given the responsibility to formulate a business plan for the company. The formulation of this business plan was seen as a direct continuation of the learning process in the group. Already at the start of the project, Mr. Nilsson had hoped that the results from the design process could be used for the new business plan (although the task had at that point not been given the author of this paper). According to Mr. Andersson, the new business plan’s major objective was to be able to describe the company’s business in a simple way.

The business plan assignment complemented the author’s role in the research project as it allowed even greater access to the company’s decision process.

4.2.3. Tools employed during the challenge phase

- Attempt to systemize the information contained in the scenario descriptions
- Compiling the working document containing the accumulated learning of the group
- Research on competitors, market size estimations for the company and international barriers to entry

4.3. **Formulate**

This phase of the project focused on how to communicate the common knowledge gained in the group.

4.3.1. **Closing the working document**

The working document developed during the challenge period by adding new ideas, business descriptions, and by removing ideas that did not gain acceptance in the group. During the formulate phase the group started developing the working document with a target audience in mind. The purpose of the business plan was to prepare the company for a new investment round and the target audience was thus defined as potential investors.

With that target audience in mind the group started searching for good ways in which words and models could be used to communicate the company’s business to outsiders. For example, the competitor analysis had shown different aspects of the competition that were difficult to unify into one single consistent model. Working with a disruptive innovation, the company’s picture of its surroundings became fragmented, showing an immature market without clearly defined player roles. Thus the discussions quickly turned to how to present the information gathered during previous parts of the project. To round up the working document and finalize the design process, the group tried to summarize the discussion by defining the business model elements of Osterwalder and Pigneur (2005) and by searching for a mission statement that was in line with the business model.

4.3.2. **The Business Plan Formulation**

Having established a common understanding of the company’s business, the author was given the final responsibility to conclude the project. Based on the conclusions from the working document the author was given the task to formulate a business plan for the company. The included material concretized abstract notions into reasonable action plans that would be comprehensive to future investors.

4.3.3. **Tools employed during the formulate phase**

- Mission statement formulation

4.4. **Summary**

The business model design process of this project can be divided into three stages when focusing on participant perception and activity:

- Understand
- Challenge
- Formulate
These stages are based on a model for organizational learning that were adapted to the purpose of this business model design project, focusing on formulation of a business plan.

The understand stage consisted of familiarizing the less informed participants of the group with the basics of the company. This was done by studying old business plans and brainstorming different business scenarios based on Osterwalder and Pigneur’s (2005) framework of business model building blocks.

The challenge stage focused on challenging the participant’s ideas in order for a consensus to arise. This formulation was accomplished based on a common working document that evolved based on the ideas that survived the participants’ review.

The formulate stage focused on how to communicate the common knowledge gained in the group. This work was performed by adopting the working document with a target audience in mind and by the creation of a business plan.
5. Evaluating the Design Process and Business Models

5.1. The Survey

To measure business model awareness and change in the minds of company representatives, a survey was conducted before and after the project. The survey conducted before the project even began contained two sections. First, general questions on mission statements, competitors, current issues and important issues. Then, a second section asked to define the company’s business model elements according to Osterwalder and Pigneur (2005). The author’s idea was to try testing whether changes in business model perception concurred with the general perception of the company’s general business approach. The same questions were asked again after the end of the project with addition of a third section that questioned the participant’s perception of the project itself.

The questions in the first and second sections were only answered by Mr. Andersson and Mr. Nilsson, since Mr. Karlsson did not participate in the project from the beginning. The answers to questions in the third section include Mr. Karlsson’s comment. This chapter summarizes the results of the survey.

It should be noted that most of the questions in the survey were far from trivial, simple or specific. To give well-formulated answers, the respondents would need to think for a while regardless of their business. This factor lessens the reliability of the survey since respondents lacked the incentive to think a longer time to answer the surveys. An example of this can be found in Mr. Andersson answers, which contained unspecified references to the business plan rather than answering some of the actual questions. The results have therefore not been those that were aspired by the author. They can therefore be criticized because the author was not aware enough of the respondent’s situation or the complexity of his questions when formulating his survey.

Despite the difficulty in getting unambiguous answers, a few observations were still made. Many of the ideas in the pre-project and the post-project survey were recognizable and few clear patterns could be detected when comparing the four surveys. This could be interpreted as if the project did not have a significant impact on Mr. Andersson and Mr. Nilsson.

A clear shift occurred however in the answers to one of the questions. This question was about the five current important issues for the company. Both Mr. Andersson’s and Mr. Nilsson’s answer to this question focused on coherent high-level strategic matters in the post-project survey while their answers in the pre-project review were operational and divergent descriptions. Another shift seemed to have occurred in what Mr. Andersson and Mr. Nilsson considered their core competency. Here their views altered in favor of a core competency that could be useful for customers rather then for themselves. This may

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6 The question asked the participants can be found in the Appendix
actually signal that Mr. Anderson and Mr. Nilsson were been able to use the project to formulate some common long-term goals.

The feedback based on the third set of questions evaluating the design process itself was without exception positive. When asked about the result of the project Mr. Andersson wrote:

“A more thought-through model, it forced us to question our assumptions and gave us new perspectives.”

Mr. Andersson, Mr. Nilsson and Mr. Karlsson thought the process had:
- helped their ideas of the company to converge
- were disappointed that they did not have more time left over for it
- were open to going through the process soon again

Mr. Andersson and Mr. Nilsson’s opinion strengthens the case for the latter interpretation, i.e. that the project did have positive impact on the participants. Still, it seems rather difficult to clearly isolate the exact benefits and the conditions that made them possible. Interpreting his experiences freely, the author considers the largest benefits to arise from creating time and structure for analytical and creative thinking with the focus of improving the company’s business. This is an activity that is forgotten about in an environment with pressing urgencies created by operational matters, especially if a business consists of a smaller number of people with few resources. Forcing these stressed entrepreneurs to step back and reflect on their activity meant forcing them to use resources that were being underutilized. The business model related benefit is connected to creating a focus and structure for these thinking processes.

5.2. Action Research and Design Process Lessons

One of the crucial parts of action research is to reflect about the study and the participants openly. Some observations made by the author follow.

5.2.1. Involving the Decision Makers

Chesbrough and Rosenholm (2002) argue passionately for it but show little empirical evidence. Auer and Follack (2002) however, observe the importance of involving critical decision makers, in order to reach a successful outcome. Their idea is supported by this case study: the group discussion become a forum for collective learning which could not have been accomplished without the active involvement of the participants.

Learning is however not the only function of involving all the decision makers. Towards the end of the project, another function becomes more relevant. Having had the backing of decision makers legitimizes the results. Imagine that the author had created exactly the same business plan but without any involvement from the company representatives. It seems unlikely that any manager would feel comfortable with the conclusions, had they themselves not been a part of the formulation process.
5.2.2. On Candor

The author claimed that candor was very important for the challenge phase of the project. This is in fact easy to see. If there are no openhearted discussions about the participants’ prejudices and goals, then how can a challenging discussion arise?

One of the world’s most respected business leaders, Jack Welch (2005, 2001) is a strong proponent of business philosophy based on candor. Welch is world renowned for his work with lifting GE to a new height.

What is, then, the role of candor? According to Welch there are three major advantages connected to it:

- It gets more people in the discussion which leads to better ideas for the organization
- It generates speed and faster decisions
- It cuts costs by replacing boring reports on trivialities that everyone knows already, with genuine discussions on strategic matters

Welch (2005, p 26) writes:

“lack of candor blocks smart ideas, fast action and good people contributing all the stuff they got”.

Magretta (2002) is also careful to point out that a good business model has passed the narrative and numbers test. Of course, to make business model hypothesis testing interesting, participants of business model discussion need to be candid and thereby not accepting of narratives and numbers which they perceive to be wrong.

Mr. Nilsson commented during the project:

“The reason why the project is progressing successfully is because we can have good discussions. There is little personal prestige and good ideas gain ground.”

However, even if it is good with candor, how can business model designers secure its presence? Although very interesting, this question is unfortunately outside the scope of this paper. Still, it is relevant to reflect on some of the factors that might have been determinant for the project. First, and probably most important, the company representatives taking part in a design process need to work in a positive atmosphere to begin with. This is of course easier for a company that is going through a rapid expansion and where hopes for the future eclipse the problems of today. Second, if an outsider is to be admitted in the design process, then that person needs to quickly gain acceptance. Continually, some risks of admitting an outsider might be eliminated by legally binding commitments as in the case of this project, where the author had to promise complete confidentiality.

5.2.3. The Researcher’s Responsibilities and Role

As an outsider and project initiator, the author had a special role and a set of responsibilities to develop the project.
On several occasions, Mr. Nilsson and Mr. Andresson commented that it was good that the author had made them take time to sit down to consider business model issues. That was accomplished by making the participants gather in meetings and by staying at the office and asking about the business. In this sense, the author was facilitator of discussion, that otherwise might not have occurred.

The author’s learning process was probably also an important trigger for developing the discussion. This is due to the fact that the author was in charge of creating the working document. Looking back on the working document’s development the author realized that the document reflected his learning at the same time as it acted as an important instigator for group discussions. The triggering function was enforced when the author noticed that he, on several occasions, was acting as discussion provoker. He was not afraid of challenging the assumptions of the participants in the group.

All of these aspects were important in making the project happen.

5.3. Continuing the Discussion on Disruptive Innovations, Business Strategy and Business Models

This chapter discusses some implications for business model theory.

5.3.1. On Disruptive Innovations and Non-existing Markets

Chistensen (1997) uses the concept of disruptive innovations to explain why large established companies fail to nurture these certain innovations. The reason, according to him, is that disruptive innovations are forced to create new markets and traditional market analysis tools can not be used to understand the potential of these innovations. In his book he repeatedly excuses manager, claiming that they could not have known, because there was no way of knowing. Chesbrough’s (2003) idea of open innovation is an important argument against this position. Chesbrough would rather see research and development organizations become more flexible and realize both their capacities and boundaries of their competencies. Ideas from outside should be accepted and ideas that can not be handled should be free to develop on their own.

The results from this case study could be interpreted as an argument against Christensen’s defense of large corporate mangers. Although disruptive innovations are forced to create new market, this does not mean that tools of analysis are non-existent. This research project has suggested several. The case study has also shown that business model frameworks can be a way of handling the complex situation of understanding disruptive innovation. Managers of large corporations are not less equipped to understand the situations of disruptive innovations. They just might have fewer incentives to put in the effort.
5.3.2. Business Model Frameworks vs. Business Strategy

Business model frameworks content aside, there is a controversy regarding the role of business model frameworks. For instance, Hawkins (2002) questions whether business model frameworks cover anything new that is not already covered by other business strategy concepts. Others like Magretta (2002) claim that business model frameworks do not even belong to the concepts of business strategy.

According to Wikipedia (2006) a strategy is:

“typically an idea that distinguishes a course of action by its hypothesis that a certain future position offers an advantage for acquiring some designated gain”

Sticking to use of business models in this case study and the Wikipedia definition of strategy, then business model frameworks are all about business strategy. Previous authors on the topic may have chosen to exclude business model frameworks from business strategy because most of the business strategy writing describes strategies for large established companies conducting business in mature markets. Others have claimed that business model frameworks are redundant but have not put them in the context of environments that do not allow traditional business strategy descriptions.

That does not mean the newly started companies based on disruptive innovations have little need for strategy. The described company had to fight very hard in order to find their first customers and venture capital. In fact, strategic considerations were abundant both in the challenge and formulation phase of the project. Differentiation and value proposition for target customers is always a strategic issue regardless if you are able to use tools created for old multinationals or small start-ups. It seems more appropriate to see business model frameworks as a sub-category of business strategy rather than something redundant or parallel. The difference from other tools is that business model frameworks are particularly apt for young businesses acting in immature markets.

5.3.3. On Business Model Design Process Descriptions

There is a major difference between research on business model frameworks and the research on business model design processes. The former is based on an inductive logic, where hypotheses on the components of business models are proposed and tested by their ability survive in the scientific community. The latter tries to observe/create a phenomenon which it then describes and evaluates.

The two approaches will lead to a large difference in results. This – the similar action research case study – was both based on a project with a purpose. These experiences suggest that the purpose of a business model design project closely relates to the choice business model framework. The case studies signal that the purpose of a design process and its selected framework cannot be separated. For Auer and Follack (2002) this meant that the design project had to be shaped in a way to investigate the effect of internet technologies on already mature companies. This paper described a project which’s purpose was to prepare the studied company for new investment rounds. For both cases
studies, the business model framework was adopted according to the purpose of the project.

To understand the role of a project’s purpose it is possible to use the business model design process description proposed in this paper. It is possible to see the business model framework and tool selection as a function of the purpose of a project:

**Graph 6 Adding the purpose of a design project to the framework.**

However, if it is true that business model design projects are adjusted to a project purpose, then this observation has far reaching consequences for how the inductive study of business model framework research should be conducted. The conclusion is that the search for interesting business model frameworks must be contextualized according to clearly definable purposes, and evaluated accordingly. Also, to actually understand the use of business model and its concepts, a lot of empiric research remains to be done on what meaningful purposes exist for business model designing.

**Graph 7 The connection between business models and their purpose.**

For example, the author’s interpretation is that Osterwalder and Pigneur’s (2005) business model framework fills the purpose of a check-list for business descriptions in complex environments, especially when working with new, disruptive innovations. Others like Haaker et al. (2004) seem to create their business model with the aim of balancing the strategic interests and technological requirements.
There is also one more possibility, which is that consensus forms about the term ‘business model’ and that consensus will also form on purpose/use of it. However, that has not happened as of yet. So until that happens, researchers need to be very clear on what they consider to be the purpose of their business model.

5.4. Summary

A survey was conducted to measure the impact of the project on decision makers of the company. The results of how the company decision makers had changed their opinions due to the project were inconclusive. Nevertheless, the survey indicated that the project participants were content with the project.

Important business model design process lesson include:

- Involving decision makers
  - To create a learning process for decision makers
  - To gain decision maker’s acceptance of the project results
- Candor is an essential element in creating a effective and productive business model design
- The thesis author had the role of
  - Discussion facilitator, making the participants take time from their busy schedules
  - Discussion development trigger, provoking participants to question their assumptions

The author argued against Christensen (1997) and his pardoning of company managers that fails to assess the potential of disruptive innovations. Instead, it is suggested that managers learn how Chesbrough’s (2003) open innovation model and business model designing can be used to manage these innovations.

The author also suggests that the business model framework should be seen as a business strategy concept that is particularly useful for managing disruptive innovations which lack clear market definitions.

The author notes also that much of the confusion in the discussion on business model frameworks seem to arise from confusion about the purpose of business model frameworks. It is suggested that business model framework researchers clarify the purposes of their models so that misunderstandings may be avoided.
6. Conclusions

Evaluation techniques for business model design processes are never simple. The action research approach is a good way to get closer to the actual decision-makings of a design process. The idea of complementing the description with some type of survey is good but the survey needs to take into account the complexity of questions and resources available to respondents.

Management involvement, candor and responsible discussion facilitators and triggerers are an important parameter in creating a design project.

Managers having to deal with radically new (disruptive) innovations are encouraged to learn about Chesbrough’s (2003) ideas on open innovation and about business model designing, as this seem to be an appropriate instrument for managing complex environments with little reliable information.

Experience from the case study presented here support that the business model design processes can be described in the terms of a purpose, business model framework and tools that in turn yield a business model. This way the components of a business model design process can be identified and labeled.

It has been hypothesized that the key factor to understanding the reason why there is such a large number of business model framework suggestions on the academic arena is because different researchers have failed to agree on or clearly define the purpose of business model framework.
7. Epilogue

In retrospect, it is interesting to consider whether the project was successful thanks to manager involvement, candid discussions, discussion facilitating and triggering, or business model concepts. The studies on business models have not proven any causal relationship between business models and successful business model designing i.e. that companies without a business model framework will not be able to accomplish their goals. Rather, it has been the author’s impression that having dedicated people is the most important aspect of running a good business, with or without conscious consideration of business models. Still, even the most dedicated intentions can sometimes be misguided. Therefore, the concept of business models should probably be seen as a guide for the dedicated, not a replacement for them.
8. References


Kijl, B. et al. (2005) *Dynamic Business Models in Mobile Service Value Networks: a Theoretical and Conceptual Framework* FRUX Deliverable 2.2-II


9. Appendix – Pre-project and Post-project Survey

Section 1 (completed pre-project and post-project)
1. Please summarise the business of the company
2. What is the mission of the company?
3. What is the vision of the company?
4. What are the goals for the company?
5. By what measure(s) do you determine/quantify/compare the performance of the company?
6. For each measure, please indicate the company’s value, and the competitor(s) value
7. Please describe the company’s competitors and how they threat/co-exist/cooperate with the company
8. What, if any, alternatives exist to the way the company is doing their business today? Please explain.
9. Regarding the company, what are the 5 most important issues on your agenda now? Please indicate order of priority and reason.
10. Please estimate the percentage of new encounters that you perceive have difficulty understanding the company’s?
11. Please describe the most important strategies of the company
12. Please explain the reasons for the these strategies
13. Please make a SWOT-analysis of the company, i.e. what are the company’s:

Section 2 (completed pre-project and post-project)
14. Please describe the company’s offer and its value
15. Please describe the company’s target customer
16. Please describe the company’s distribution channel
17. Please describe the company’s relationship with the customers
18. Please describe the system of market players that allows the company to deliver value
19. Please describe the company’s core competency
20. Please describe the company’s partner network
21. Please describe the company’s cost structure
22. Please describe the company’s revenue model

Section 3 (completed post-project)
23. What is the result(s) of the project?
24. What have been the three major benefits of the project?
25. What have been the three major disadvantages of the project?
26. What is the use of business model designing, according to you? (please add a description of what business models are)
27. Would you consider going through a similar project again? If yes, when would that be suitable?
28.
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<th><strong>Due to the project...</strong></th>
<th><strong>Improved</strong> (please add an explaining comment)</th>
<th><strong>No change</strong> (please add an explaining comment)</th>
<th><strong>Declined</strong> (please add an explaining comment)</th>
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<td>… my understanding of The company’s environment</td>
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<td>… my ability to explain The company’s business to others</td>
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