
Conceptualizing strategic business model innovation leadership for business survival and business model innovation excellence

Peter Lindgren¹

Maizura Ailin Abdullah²

¹*Department of Mechanical and Manufacturing Engineering, Aalborg University*

²*The Royal Institute of Technology (KTH) in Stockholm, Sweden.*

Received 12 February 2013; Accepted: 25 February 2013

Abstract

Too many businesses are being marginalized by blind “business model innovations (BMIs)” and simple “BMIs”. As documented in previous research (Markides 2008, Lindgren 2012), most businesses perform BMIs at a reactive level i.e. perceiving what the market, customers and network partners might want rather than what they actually demand.

Few businesses have the ability to proactively lead BMIs and on a strategic level lead BMIs to something that fits the business’s long term perspective (Hamel 2011). Apple, Ryanair, Facebook, Zappo are some businesses that have shown BMI Leadership (BMIL) in a proactive way — and more importantly, as some examples of first level BMIL.

The overall aim of the BMIL is to prevent businesses from being marginalized by the BMI and thereby to optimize the business’s total BMI investment.

The literature research and case research we studied gave us some important inspiration, themes and baseline for conceptualizing BMIL and to formulate a framework proposing the BMIL strategy process. It also points to some of the requirements that should be taken into consideration and included to become successful via the BMI.

The paper focuses on the following research question:

- “How can businesses gain strategic advantage and learn business survival via BMIL?”

Keywords: Business model innovation, Business Model Innovation Leadership and management

1. INTRODUCTION - WHY BUSINESS MODEL INNOVATE?

Miller (1992) questions the notion of being "caught in the middle" or "caught in the innovation spiral". He can be claimed to say that there is a viable middle ground between business innovation strategies. Many businesses have entered a market with success as a niche player or a business focusing on other business model values or different business model values and cost structures (Ryanair, Zara Inditex, Starbuck, Yellow Tail) than established businesses in the industry and gradually expanded their businesses from there to become the leader of their business ecosystem and the BMI process in the business model ecosystem. In some cases, they have even disrupted the existing industry via BMIs. An up-to-date critique of generic innovation and BMI strategies and their limitations, including Porter, appears in Bowman, C. (2008) *Generic strategies: a substitute for thinking?*

The importance of innovation can however be traced back to the 1930's when Schumpeter first introduced the groundbreaking phenomena of disruptive innovation (Schumpeter 1934). Today, innovation is regarded as a fundamental condition for the survival of societies and businesses, whether they are big or small, even more so if they are small. Businesses are faced with the realities of perpetually-shortening business model life cycles and can no longer depend on short-term tactics, such as lowering costs and implementing minor differentiation or incremental improvements to their multitude of business models. Successful BMIs allow businesses to stay ahead of the competition in terms of cost, performance and development time to market. All these unseen advantages can translate to value to the business, customers and other stakeholders, allowing the business to ultimately stay at the front line of competition—but more importantly, in the frontline of the BMI process.

2. WHY DO BUSINESS NEED TO INNOVATE THEIR BUSINESS MODELS?

One possible answer would be: globalization. Globalization has, in more than one way, dissolved the boundaries between countries, economies, industries and organizations. It has brought about a ripple effect that affects all businesses in many ways. Technologies need to be upgraded, processes must be redesigned, communication has to be faster—all these, just to cope with the ever-changing needs of operations, customers, suppliers and global brands.

One after-effect of globalization is the usage of the Internet and "the cloud" in every day operations. The Internet has freed companies from the traditional ways of doing business, and maintaining relationships and networks. One simple example is BMI in the cloud. The application of "cloud-based BMI" has simply altered the relationships between customers, suppliers, value chains and the BMI processes. Information and knowledge travel faster, beyond measurable paradigms in the cloud. Customers and suppliers are now better-informed and well-educated about potential business models. This creates a power shift, placing the all stakeholders at an advantage in both a "TO BE" and a "AS IS BM" (Lindgren 2012).

The chain reaction goes further. Leading businesses understand the need for increased innovations in product innovation processes and the speed required to innovate products (Fine 1998, Lindgren 2003). In order to stay competitive and gain strategic advantages, businesses now have taken innovations one step higher by incorporating the BMIs (be it

radical or incremental BMI) into their strategies. It has been proven that businesses that have introduced and implemented innovation strategies are better able to survive the competitive conditions, compared to companies that have not (Cooper, 2005). However, we still lack evidence that BMIs can prove the same.

All these mentioned above, when strategically combined and implemented, have the potential to improve work processes—product innovation timelines can become shorter, production costs can be lowered, while improving product quality significantly. The speed and efficiency with which innovations are diffused throughout an economy is thought to be critical in increasing productivity and economic growth. In addition, innovations are believed to possess the ability to prolong the survivability and competitiveness of businesses. However research have shown that the most innovative business and countries are not always the winners (O’Brian 2007, Ruchonen 2007) . The issue is to place businesses performing BMIs at an advantageous position in markets via BMI. An advantage position L, compared to competitors and also other stakeholders.

And yet, innovation research initiatives for the past 50 years have only given us a fragmented understanding within the field of product innovation theory, service innovation theory and organizational theory. These research initiatives have provided us with some basic fundamentals of innovation and pointed out the complexity of innovation—put together, an opportunity to begin to study business model innovation leadership. BMIL attempts to place all the fragmented innovation components together and move our understanding of innovation further to a strategic level, i.e. from a management level to a leadership level. Such a topic reveals some new opportunities and challenges to innovation research, to the industry and the society.

BMIL for us is also about a continuous process of an integrated BMIL model which we propose as focusing on different levels of the BMI. For such a task, the management ideals are insufficient as BMIL requires vision, goals, strategy, sustained belief in BMI’s success and a strong commitment to the BMI initiatives. It is about being able to form an integrated overview of the business innovation activities and concurrently “lead” the BMI in a strategic manner, in an ever changing world where a business has continuously to rethink its BMI conditions. It is not just about handling and managing an innovative product development project, rather it is about leading the business “BMI portfolio” strategically, which we shall now elaborate.

This article intends to introduce a brief overview of the available literature on innovation and leadership. Following this, it examines and defines the framework of the BMIL, consequently leading to our framework of the BMIL and thereby leading the BMI portfolio to a strategic advantageous position in the business.

3. THE NATURE OF BMI

BMI can briefly be described as something new, be it a value proposition, customer, value chain, competence, network, relation or a value formula (Lindgren 2012), that changes the basis of the business model —the way the business model is formulated and/or designed. The BMI can be something that is significantly improved, or “based on the results of new developments or new combinations of existing business model blocks.

BMI comes in many different varieties—change of one or more business model block(s), development of a new business model block, change of a business model’s relations to other business models either internal or external the business and creation of a

new business model ecosystem. BMI is regarded as something so uncertain that the best a business can do is to pour sufficient resources into it and then hope for the best. And, when the businesses are small- and medium-sized enterprises, they are even more dependent on successful outcomes of BMI as compared to large companies.

BMI can be classified into radical and incremental business model innovations (though the terms discontinuous vs. continuous innovation are also used interchangeably) (Balachandra 2000, Leifer 2002, Tidd 2003, Taran 2010). Radical business model innovation occurs very rarely, but the benefit and rewards are exceptionally high, whether they are financial or value-based rewards to the business or beneficial returns the society. Such rare occurrences involve a breakthrough in complexity, radicality and reach (Taran 2010). Radical BMI usually results in a large change in an existing “business model’s core” or a new business model. Of course, the degree of radicality is scalable to the time of the BMI process potential measured related to three dimensions as shown in the model in Figure 1.

Incremental BMI, on the other hand, usually involves improvements and small changes in steps which are more progressive in nature. It occurs more frequently and is usually much easier for the business to carry out, simply because it is not as “foreign” and new as something which is a result of the radical BMI. The rule of thumb is that, the more common the business model innovation, the higher the potential of it to be successful. This is because it is more frequently based on tried and tested business models and BMI processes.

BMIs are a major challenge to many businesses today, as they suffer high failure rates within business models. This is due to many different reasons, among them being:

- a predominance of incremental business model innovation, which does not give long-lasting competitive advantages to the business;
- a high failure rate for BMI initiatives. Generally, only few ideas to business models usually reach their market potential, and are only successfully in the early stages of the BMI phase;
- a shorter business model life cycle for new business models, which means that up to 60 to 70% of new business models have to be re-developed within a short time after their introduction;

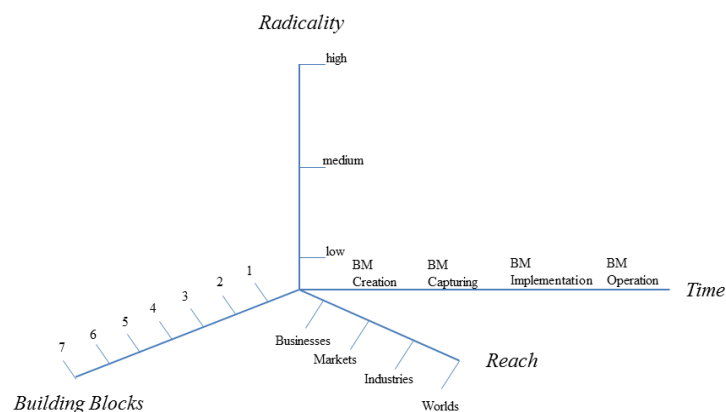


Figure 1. A three dimensional scale of BMI related to the BMI process.

- limited resources available for BMI (in SMEs) and inefficient BMI resource management in large businesses.

Perhaps, one of the biggest challenges in BMI research is measuring its outcome, efficiency and productivity, as will become evident in the upcoming section. It should be noted, however, that both radical and incremental BMIs are important to the survival of business, as both play important roles in the BMI strategy of business. We claim that the BMI success is not accidental; rather, it is a result of a combination of complex strategy thinking, capturing, dealings and actions, which when combined together, creates the basis of business sustainability. Some of these components of success will be elaborated in the next sections.

4. RESEARCH QUESTION

We studied the following research questions:

- How can businesses gain strategic advantages and business survival techniques through the BMIL?

In this context, the paper tries to conceptualize the fundamentals and basis of the BMIL. Second, the paper proposes a BMIL strategy process.

5. DESIGN/METHODOLOGY/APPROACH

The approach is a literature and qualitative research based on research carried out in the timeframe from 2002 to 2012, covering several national and international BMI projects (PUIN project, Newgibm project, ICI project, WIB project and Neffics EU-project funded by the European Commission).

6. EFFECTIVE AND EFFICIENT BMI

As mentioned previously, measuring the outcome and productivity of the BMI is a major challenge in this field. This is because each business around the world has its unique sets of criteria, goals and objectives with relation to its respective business agenda. These businesses then have different resources and varying levels of BMI skills and competences, not excluding knowledge repositories, which influence how business innovation is tackled and achieved in the respective business.

America has always had a history of rewarding creativity and churning out BMIs. However, these trends have been fast fading, according to several research projects (O'Brien 2005, Boston Consulting group 2012, INSEAD 2012, NAM 2012, The World Intellectual Property Organization, Cornell University 2013). As corporate and public nurturing of inventors and scientific research is diminishing in general, there is a need to rethink strategic BMIs not only in the US but also among other western countries. The United States and the EU have been faltering lately and the BMI's efficiency and effectiveness would pay a serious economic and intellectual penalty.

This downward trend is also observed by many institutions e.g. OECD, the National Academy of Sciences, European Commission (Horison 2020 and FP 7), that are very concerned that America and EU will lose their lead in BMIs, and worse still, will not be able to regain their lead. Both American and European politicians are expressing growing

concerns on future economic competitiveness of western businesses. Both American and European business are proposing and even trying out the traditional cures for this downward trend, i.e. cost cutting, educational programs, creating a research and innovation culture, increase in federal funds for research and tax incentives, among others, in order to ensure their lead among the most business model innovative in the world.

During the late 2000's, Europe began to show great interest in BMIs. As a response to this community-wide interest, a succession of initiatives has been introduced to encourage and nurture the BMIs throughout Europe. In March 2012, the European Council launched the "Horizon 2020" which placed BMIs and SMEs in the centre of major policy efforts. Among its many commitments was to make Europe "the most innovative and dynamic knowledge-based economy in the world" by 2010. Such an ambitious effort required a rapid upgrade of EU's business model innovative capacity and an increase in the EU's BMI expenditure. This effort was in response to a report in 2010 which revealed that the EU and America lagged behind Asia in BMI investments.

The fourth Community Innovation Survey (CIS 2008) which prepared the "Innovation policy: updating the Union's approach in the context of the Lisbon strategy" is currently in the field, and CIS 2010 is still being planned and will be underway soon. In 2003, CIS stressed that the "innovation performance in the EU remained below levels recorded in the United States or Japan, and that a lack of innovation activity could be one of the key factors in explaining EU's underperformance in terms of productivity growth in recent years" (Luxembourg: Office for Official Publications of the European Communities 2004, 13).

The Asian region, with two-thirds of the world population, was advancing fast to challenge America's lead in research and innovation in the early 2000's (Silverthorne 2005) and continue to challenge America. Thus, globally, Asia can be considered one of the largest and fastest-growing investment locations for BMIs. This development continues to offer bigger and bigger potentials where advanced BMIs are concerned, and America and Europe cannot afford to ignore this direction of BMI growth that is occurring in Asia but also in Latin America and Africa.

It is no question that the Asian region is gearing up and looking forward to the next wave of BMIs (in the form of combined disciplines of BMIL). Japan, China and India are investing heavily within the new technologies of the BMI. With the rising usage of the cloud in business model practices, it is not difficult for businesses to create, capture, deliver and consume network-based business models across businesses, markets, industries and worlds.

But, is increased investment allocation and spending in the BMIs and creative BMI labs really the solution, or rather the ONLY solution, to success? Businesses, be them "large" or SMEs, in their bid to reach the finishing line of a successful BMI, might actually bypass the golden edge of BMI success without even realizing it.

Businesses have definitely benefited from the Internet's and cloud's ability to "send" work easily around the globe. But, this is not to say that this is without problems. Businesses face fragmentation in their BMI strategy and policies, which are usually in conflict with other business models internal to the business but also with customers, network partners and other stakeholders' BMI strategies and policies. Bureaucracy is difficult to penetrate, leading to imprecise fund allocation to the right BMI projects. More importantly, businesses, in general, are lacking the BMI culture that encourages creative and strategic BMI. The gap between industry and academia is too large, hindering free

exchange of ideas and flow of information about BMIL, while education and research institutes do nothing to encourage an innovation culture of experimentation and hardly focus on how do we bring the business model ideas to the market and make them grow and benefit the businesses. The gap between academia and practitioners often lies in their differences of interests and values related to the BMI. The academia focuses upon improving and increasing innovations without thinking about the cost, efficiency and long-term benefits of the investment. The practitioners focus on their businesses and bottomline without opening up and releasing their real potentials in their business and business models. All these factors place tremendous pressure on society's management and investment in business development to create, capture, deliver and consume the successes of BMI initiatives and investment to gain long-term efficiency, effectiveness and learning. A new BMI agenda is needed both by academia, practitioners and society. An agenda that would be initially created as a network-based and would open the BMI platform in the clouds.

7. THE NATURE OF BMIL

BMIL is also a major challenge to businesses today. So far, studies on leadership related to the BMI have mainly attempted to provide guidance on how to define the leader's task and role from a management perspective while focusing on leadership competences and characteristics (Bryman 2004; Rooke 2005). These studies mainly concern discussions on individual leadership, as well as collective leadership (leadership by several managers in a group or as a team internal a business), but not leadership across different businesses and business models (both internal and external). In this context, "leadership in the clouds" is a concept where business managers have to carry out BMIL in the clouds together with other managers from different businesses. There are many studies on organizational leadership inside businesses, where the leadership of a business and various characteristics of leadership seen from a managerial, strategical and tactical perspective. When debating BMI, such studies mostly covered the management of single BMI projects, however, most often at a tactical level. In all these, leadership studies rarely focused on the strategic leadership of the BMI and further these studies do not take into consideration that the world and the BMI game has changed over the last 10–15 years taking the field of BMI to the clouds, to a network-based and open BMI-based context.

Dennis *et al.* emphasized years ago how the strategic BMIL phenomenon should look like, by presenting four main areas:

1. Strategic leadership as a **collective phenomenon**—where the strategic leadership of business models and BMIs requires contribution from more than a single individual business or business model.
2. Strategic leadership of BMI is a **processual phenomenon**—leaders need to mobilize other stakeholders in a system of interrelationships, rather than what they are.
3. Strategic leadership of BMI as a **dynamic phenomenon**—consists of the emergence, development, conduct, impact, performance and learning of management teams. This research area deals with the dynamic construction, deconstruction and reconstruction of BMIL roles over time according to the present context of the business, portfolio of business models, business model and

its building blocks together with the business model ecosystems that the business is operating in.

4. Strategic leadership of BMI as a **supra-organisational phenomenon**—BMIL roles and influences on such roles extend beyond focal business and business model boundaries. Here, collective BMIL must mobilize support and lead relationships, not only within the business, but also within its network to optimize the business performance of BMIs.

Porter (1985), Kotler (1994) and Malhotra (2000) have taken quite a different approach to BMIL, which they term **market leadership**. Malhotra defines market leadership as a business leading its position in a particular market or line of business and sees this as an optimum type of leadership. Kotler stresses the importance of having a defending market leadership. And, Porter proposes how to achieve market leadership, i.e. via cost leadership, differentiation or a focus strategy. However, none of these authors have mentioned achieving leadership via BMI i.e. BMIL.

Studies in the area of BMI have, quite surprisingly, hardly touched upon leading the market via strategic BMIs. Businesses that wish to ensure continued growth or competitiveness need to select one or more BMI champion(s), i.e. the right BMI leader who will have the BMIL skills, charisma and determination to lead the business portfolio of the BMI initiative. Taking into consideration the various theories discussed, we can ask the question “Is there a specific and distinctive form of BMIL?” And, considering the many different components of BMIs mentioned above, Is a different BMIL profile needed for today’s BMI game? Our answer to this is a clear – Yes!

The significance of BMIs is widely acknowledged in a range of organizations, societies and in global competition. Thus, it is important for businesses to develop the ability to lead BMIs and to understand what BMIL is all about. The BMI is an ongoing, never-ending strategic process. Though there are available literature on managing innovation, they address mostly and mainly the issue of business survival. BMIL, however, has many more aspects to it than just management. Today, businesses have to lead themselves into the very core of the BMI process and make their businesses stay here via BMIs. Otherwise, they will suffer the role of being marginalized in the BMI process which, as we see, several western businesses both large and small business are doing today. That is one major reason to why western countries are losing businesses and jobs because they are not creating new and sustainable businesses.

8. THE FRAMEWORK OF BMIL

Many researchers have attempted to provide their notions on what aspects to consider when discussing innovation. For instance, how to define the product innovation development task (Roseneau 1983; Leifers 2002), how to characterize the field of product innovation development (Sanchez 1996; Child & Faulkner 1998; Goldman & Price 1998; Bohn & Lindgren 2003; Price 2005, (Bessant 1999), how to define the success criteria of product innovation development (Balachandra 1983; Boer 2002; Bohn & Lindgren 2004), the characteristics of the product innovation development model (Cooper 1986; Corso 2002; Cooper 2004; Bessant 1999; Christensen 2003), and identifying and choosing the right enablers for high-speed product innovation development (Fine 1998, Lindgren 2003).

Few have, in addition, tried to answer the questions of Why is leadership in BMI important to business companies? and, How are BMILs implemented in businesses?

Cooper (2005) has commenced research in the area by focusing on product leadership as a pathway to profitable BMI, presenting four points of performance of his Innovation Diamond: strategy of the business company, portfolio of BMI activities, process for new product development and the climate of the business company (how successful senior managers are in creating and fostering an business innovative culture). However, Cooper in his work only touches upon fragments of the complete pallet of BMIL opportunities.

Until now, studies have predominantly focused on the business's individual management of BMIs, particularly, as in Coopers case, the product innovation development which is just part of the value proposition building block and part of the BMI and the BMI process that starts from an idea and concept and ends when the business company prototype is ready to launch the business model to product in the market. Our notion of BMIL should not, however, be confused nor used interchangeably with the current ideas of BMI management of market leadership. It is an ideology on how to lead the different components and the business's BMI portfolio via the innovation leadership in a framework called BMIL, in order to achieve more strategic BMI success. Our definition of BMI success is strongly related to the leadership of "the core of the BMI process" via BMI which is strongly related to the long-term vision, mission, goals and strategies.

According to our research understanding, the management of business model product innovation today takes place mostly at an individual and tactical mid-management level. As a starting point and for a summary on how we visualize the difference between business model innovation management (BMIMA) and business model innovation leadership (BMIL), please refer to Table 1.

In the BMI context, we differentiate between BMIL and BMIMA. We consider BMIL as related to the strategic part of BMI and BMIMA as related to the tactical level of BMI (Lindgren 2003).

BMIL focusses on:

How to strategically and proactively lead the business portfolio of BMs and BMI activities into the core of the BMI process?

BMIMA focusses on:

How to tactically and proactively manage the business portfolio of BMs and BMI activities in the core of the BMI process?

BMIL's overall aim is to bring the business into a better strategic BMI position and thereby into the core of the BMI process where the business has the opportunity to actively lead the game of BMI. The opposite position would leave the business with no opportunities to influence and change the BMI processes irrespective of whether the enterprise wants to join and change the BMI processes. This is not a preferable strategic position.

Up to this point, we claim that discussion and research on BMIs leave us with a rather fragmented picture of BMIL. In our mind, only one-seventh of the total BMIL has the potential. There seems to be hardly any research with specific focus on the combination of BMIL, the BMI portfolio and what is more, the strategic role that BMIL can play in businesses. The research until today on this topic is mainly related to organizational leadership dimension of BMIL, which is of course necessary, but quiet different to what we define as the BMIL.

Table 1 A basic summary of the differences between innovation management and innovation leadership.

Business Model Innovation Management (BMIMA)	Business Model Innovation Leadership (BMIL)
Short-term objectives relying on tactics	Long-term objectives built upon strategy and strategical objectives.
Internal focus with importance placed at the operational and implementation levels.	Internal focus stressing on operational and implementation levels PLUS external focus at the strategic level and integration with tactical level.
Success criteria based on cost, time, (superior) performance of BMI.	Success criteria based on continuous improvement and continuous innovation, learning, and innovation knowledge and capability development.
Prefers only minor performance improvements that can be provided by incremental BMIs.	Supports incremental innovation, but focus, at the same time, advocates riskier, radical innovation and BMI.
Depends mostly on organizational competences.	Depends on innovating organizational competences, and at the same time, encourages the exploration and exploitation of external sources of BMI competences, i.e. network partners' BMI competence.
Most of the time concentrates on one BMI project and process at a time.	Leads a portfolio of business model innovative projects and processes consisting of a balance of both incremental and radical BMI leadership process.
Stresses high speed BMI.	Stresses right speed for the BMI.
The business has an internal, almost short-sighted view of the BMI process as it does not follow through with the BMI process once the business model "leaves" the BMI phase and enters the business, market, industry and worlds. A transaction business model innovation approach. Elements of stakeholder feedback on BMI proposals are often regarded as after-BMI services.	The business has an overall view of the BMIL process and is located at the center of the BMIL process. This way, the business can strategically position itself in the market by exploiting and implementing the BMI.

A holistic, strategic concept of the BMIL is, therefore, still lacking. We find this rather peculiar, considering the importance that is being placed on the BMI and its strategy.

In this article, innovation leadership is more than product development or product leadership. A good starting point in defining our BMIL strategy process, therefore, should commence with identifying the strategic task of BMI, defining the context of BMI and defining the success criteria of BMI.

Table 2 Short-term and long-term success criteria for BMIL.

Short-term success criteria	Long-term success criteria
Time Cost (perceived and actual) Value (perceived and actual) Performance	Time, i.e. right speed, right cost, right performance Continuous improvement Continuous BMI Learning BMI efficiency BMI effectiveness Placed in the core of the BMI process Leading the BMI process

The model of BMIL strategy process is shown in Figure 2. The figure starts with the analyzing and choosing process among the different types of strategic types of BMIs that businesses can and should follow in order to accomplish both short-term and long-term success of business model innovation, finally ending up with BMI strategy implementation, control, adjustment and correction.

Our proposed framework for business model innovation leadership introduces eight main focus areas to consider.

1. The building block dimension.
2. The business model dimension.

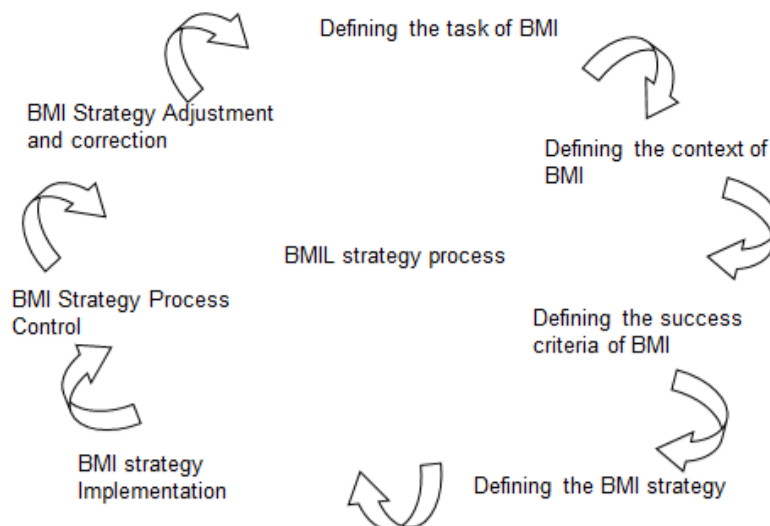


Figure 2 The BMIL strategy process.

3. The BMI dimension related to the creative part (both on AS IS and TO BE BMs) of BMI.
 4. The BMI dimension related to the capturing, delivering and consuming part which we call “act and do” part of BMI.
 5. The BMIL dimension—different viewpoints of BMI.
 6. The portfolio dimension of a business, in this case, the integration and synergy between different business models and BMI projects on different models in the business.
 7. The BMIL Strategy dimension—a business BMI strategy related to different phases in a BMI process.
 8. The BMI strategy related to different business model ecosystems.
- These eight BMIL areas have to be led individually, as well as together.

9. FINDINGS AND DISCUSSION

Perhaps, one way of visualizing the effectiveness and efficiency of a BMIL is to implement it in a innovation leadership portfolio and canvas.

Many CEOs we studied believed in pouring a large part of their resources into just one area of BMIL i.e. value proposition innovation leadership with high-investment, high-risk projects, with a belief that this one project is their only “golden egg” which will provide them with a jackpot of returns. Achieving success this way can often be attributed to pure luck. Such projects usually involve radical innovation and new knowledge. What happens is that the project would require sophisticated knowledge and thinking and it supersedes the project innovation timeframe. When this happens, the project usually requires further injection of investment, year after year, draining the available innovation resources from the business. Eventually, the BMI project is deemed unfruitful and the management is forced to pull the plug on the project, at the expense of many years of

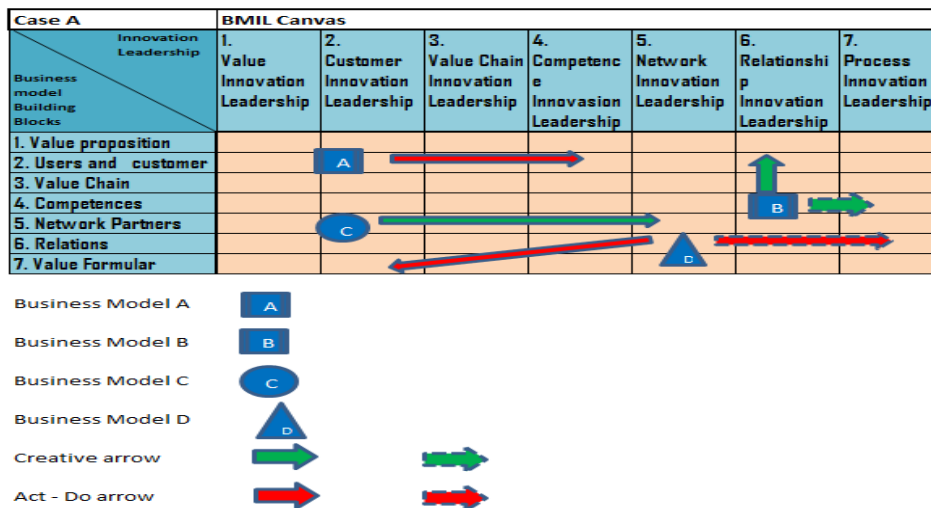


Figure 3 “TO BE” BM and “AS IS” BM in the BMIL Canvas – a case.

research and development and business resources that could have been deployed to other BMI areas and projects.

Just as investments can be made in portfolio style, so can a business's investment for business innovation projects—which in this case, we shall label as a "BMI portfolio". The idea is to diversify a business's resources, selecting a mix of business innovation projects to invest in and run, thus spreading the business innovation investment risk among different types of business innovation projects, according to the following factors.

It is believed that in the field of finance, portfolio analysis considers investors to be risk averse meaning that given two assets that offer the same expected return, investors will prefer the less risky one. Likewise, in an innovation portfolio, we assume that managers usually prefer to invest in innovation projects which are less riskier and require fewer resources. And, though they have a higher success rate, they provide lower returns, which do not contribute much to a business's profit margin (Leifers 2002).

A business's innovation portfolio in this sense should ideally consist of several carefully and strategic elected BMI projects of varying degrees of BMI initiatives. These projects should, at the same time, reflect the varying amounts of investments (whether financial, manpower or physical) needed to drive the respective BMI projects. The amount of investment assigned to each BMI portfolio item should depend on several factors, among them being:

- The type of BMI project being developed—whether it is a known BMI project that is available to the customers or a completely new business model that has not been seen before by market, industry or the world.
- The type of BMI that shall be utilized—whether incremental or radical innovation. We should also mention that this factor is closely related to the earlier factor of whether it is a known or new business model.
- The perceived receptivity of the business model in the market—customer and network partners' perceptions can help in the cases of known business models using incremental innovation. However, in the case of completely new business models being developed using radical business model innovation, there are available opinions that agree that e.g. just market research cannot satisfy this one factor (Christensen 1997, Drucker 1985, Cooper 2005).
- The expected timeline of the BMI project has the disadvantage of high development costs, long-term development periods and uncertain success rates.

The final factor that should be considered, just as in any BMI portfolio, is the risk factor. The risk assigned to each BMI portfolio component, whether it is a network-based BMI project, a BMI process project or a high-risk BMI project (with a high probability of failing, which also means that it probably requires more investment, which means that if it is successful it will result in higher returns, and if it fails, it will conversely result in higher losses) or a low-risk project (with a high probably of success, but demands low investment, and does not result in high returns when it is successful).

Having these factors in mind for a BMI portfolio will make a drawing of the strategic BMI leadership map of the business innovation leadership model more effective, in other words, which component deserves more attention and resources, at which stage of e.g.

BMI phase **and** “the business model lifecycle” should we pay more attention and investment.

Finding the perfect balance and combination of our proposed BMIL components is our interpretation of how to begin to lead BMI more strategically and bring business into BMIL.

10. CONCLUSION

BMI is not a new concept in business. However, the idea of continuous and sustainable BMI is fairly new. Businesses must learn to identify the opportunities of BMIL, react faster to changes in the field of BMIL and produce new BMI roads of BMIL faster, while balancing value, time, and cost together with continues innovation, continues improvement and learning. It is partly because of such dramatic changes in the game of the BMIs that BMIL has become a crucial and necessary ingredient for business growth and survival.

This, thus, triggers an urgent need for a new and improved thinking about leadership of BMIs. This is because business survival depends on the ability of its leaders to develop creative responses to the different types of challenges facing the BMI portfolio and BMIL. For successful implementation, top management must undertake a holistic approach to implementation and align the business innovations strategically, effectively and efficiently, both from a short-term and especially a long-term perspective.

BMIL is about developing and implementing a superior capability to innovate business models. It forces both an “outside” and an “inside” look at the BMIL processes. This “outside look” manifests itself in the ability to integrate the BMI entities and processes external to the business (hence, outsiders) and integrating them into the business, making them part of the business innovation leadership strategy. The “inside look” manifests itself in the ability to integrate the BMI entities and processes internal to the business (hence, insiders) and integrating them into the different BMI projects and processes, making them part of the business innovation leadership culture. Fulfilling this BMIL vision, related goals and strategy brings the businesses into a position of leading the BMI process—a proactive BMIL strategy opposite to a reactive BMIL strategy, thereby into a strategy advantage position via strategic BMI.

This article introduced a slightly different approach to using the BMI in order to enable a business to achieve superior strategic reach and BMI position. Focusing on factors internal to the business (such as the business model blocks, business models, business model portfolio innovation process of the business), as well as external factors such as the business model ecosystem innovation process and hereunder the network-based BMI process. The aim of this process of BMI implementing the BMIL in the business is to place the business in a more central and strategic BMI position i.e.in the core of the BMI process. This allows the business to have an overall view of the BMI process, influence the BMI process and react earlier to forthcoming BMI processes. In this way, the business can strategically position itself as the leader of the market and become the leader of the BMI process by exploiting and implementing innovation.

Our proposal to the concept of BMIL is, therefore, different to what has already been said. The differences are mainly related to a move from tactical management of BMI to a more strategic BMI focusing on the strategical advantage in the business model ecosystems via BMIL.

Further, our concept of BMIL is more holistic involving seven dimensions of strategic BMIs i.e. value innovation leadership, customer innovation leadership, value chain innovation leadership, competence innovation leadership, network innovation leadership, relations innovation leadership and process innovation leadership. This forms the BMIL “umbrella” and potential that has to be orchestrated.

11. FUTURE EXPECTED RESULTS/CONTRIBUTION

We expect, in future research, to find more tools and methods for the BMIL. We expect that these will influence the possibilities for implementing BMIL.

12. REFERENCES

- [1] Abell, D. F., “Defining the Business: The Starting Point of Strategic Planning” New Jersey: Prentice-Hall, Inc., 1980.
- [2] Balachandra, R. and Friar, J. H., “Managing New Product Development Processes the Right Way,” 1 (1999) 33-43, Information Knowledge Systems Management, IOS Press
- [3] “Factors for Success in R&D Projects and New Product Innovation: A Contextual Framework,” (August 1997) IEE Transactions on Engineering Management, Vol. 44, No. 3
- [4] Bessant, John. Challenges in Innovation Management. Brighton: Centre for Research in Innovation Management, 1999
- [5] Bohn, K & Lindgren, P, 2002, ‘Right Speed in Network Based Product Development and the Relationship to Learning, CIM and CI’, CINet, Helsinki.
- [6] Boer, H and Gertsen F From Continuous Improvement to Continuous Innovation: A (retro)(per)spective, International Journal of Technology Management.
- [7] Bryman, A. “Qualitative research on Leadership: A critical but appreciative review.” The Leadership Quarterly, 2004.
- [8] Bowman, C. (2008)
- [9] The Global Innovation Index by The Boston Consulting Group 2012 is a global index developed as a one off exercise back in 2009. It measures the level of innovation of a country. It is produced jointly by The Boston Consulting Group (BCG), the National Association of Manufacturers (NAM), and The Manufacturing Institute (MI), the NAM's nonpartisan research affiliate. NAM described it as the "largest and most comprehensive global index of its kind".
- [10] The Global Innovation Index by INSEAD,
- [11] The World Intellectual Property Organization 2013
- [12] Child, J & Faulkner D,1998, ‘Strategies of Co-operation – Managing Alliances, Networks, and Joint Ventures’, Oxford University Press, Oxford.

- [13] Casadesus-Masanell Ramon and Joan Enric Ricart From Strategy to Business Models and onto Tactics Long Range Planning 43 (2010) 195e215
- [14] Cornell University 2012
- [15] Chesbrough, H. (2003). The Era of Open Innovation. MIT Sloan Management Review , 44 (3), 1-9.
- [16] Chesbrough, Henry (2006), Open Business Models:How to Thrive in the New Innovation Landscape, Boston: Harvard Business School Press.
- [17] Chesbrough, H. (2007) Open business models. How to thrive in the new innovation landscape, Boston: Harvard Business School.
- [18] Chesbrough 2011 Keynote Speech at the Oslo innovation week October 2011
- [19] Christensen Clayton and M. Johnson, What are Business Models, and How are they Built? Harvard Business School Note 9-610-019(2009)
- [20] Christensen, Clayton M. The innovator's dilemma: when news technology cause great firms to fail. Boston: Harvard Business School Press, 1997.
- [21] Cooper, Robert G. Product Leadership: Pathways to Profitable Innovation, 2nd ed. New York: Basic Books, 2005.
- [22] Cooper, R, 1993 'Winning at New Products' Addison-Wesley Publishing Company ISBN 0-201-56381-91993
- [23] Fine, C.H. Clockspeed, Perseus Book, 1998
- [24] Francis, D. and Bessant, J. (March 2005). Technovation. "Targeting innovation and implications for capability development" Volume 25, Issue 3, March 2007, pp. 171-183
- [25] Goldman, Nagel & Price, 1998, 'Agile Competitors and Virtual Organisations', Van Nostrand Reinhold, New York.
- [26] Hayward, Bob M. "Innovation in Asia/Pacific and Japan Becoming World-Class." Gartner, March 10, 2006. Downloaded from http://www.gartner.com/DisplayDocument?id=489655&ref=g_sitelink on 25th December 2007.
- [27] Horizon 2020 and FP 7 European Commission http://ec.europa.eu/research/fp7/index_en.cfm
- [28] Johnson M.W., Christensen, M.C. and Kagermann, H. (2008) Reinventing your business model, Harvard Business Review, vol. 86 No. 12, pp. 50-59
- [29] Johnson M., C. Christensen and H. Kagermann, Reinventing your business model, Harvard Business Review 86(12) (2008);
- [30] Jia Hepeng. "China needs to encourage 'bottom-up' innovation." Science and Development Network, October 12, 2007.
- [31] Kotler, Philip, Marketing Management: Analysis, Planning, Implementation and Control, (town unknown): Prentice-Hall, 1994

- [32] Leifer, R. Critical Factors Predicting Radical Innovation Success. New York: Rensselaer Polytechnic Institute, December 2002.
- [33] Lindgren, P. "Network Based High Speed Product Innovation" (ISBN 87-91200-15-6) PhD diss, Center for Industrial Production, Aalborg University, 2003.
- [34] Lindgren P., 2012 Business Model Innovation Leadership: How Do SME's Strategically Lead Business Model Innovation? I: International Journal of Business and Management, Vol. 7, Nr. 14, 07.2012, s. 53-75.
- [35] Markides C. , Game-Changing Strategies: How to Create New Market Space in Established Industries by Breaking the Rules, Jossey-Bass, San Francisco (2008).
- [36] Magretta, J. (2002) Why business models matter? Harvard Business Review, Vol. 80, No. 5, pp. 86-92.
- [37] Malhotra 2000 (other details unknown).
- [38] Miller (1992)
- [39] Neffics 2011/2012 Baseline analysis of Business Values D 3.1., D 3.2. and Business Model innovation leadership D 4.1., D 4.2., D.4.3 the Neffics project 2012 www.neffics.eu
- [40] O'Brien, Timothy L. "Are U.S. Innovators Losing Their Competitive Edge?" International Herald Tribune, November 13, 2005, Technology & Media section. Downloaded from <http://www.iht.com/articles/2005/11/14/business/invent.php> on 25th December, 2007.
- [41] Organisation for Economic Co-operation and Development (OECD). "Measuring Innovation in OECD and non-OECD countries." (ISBN 0-7969-2062-1) Human Sciences Research Council, Cape Town, South Africa, 2006.
- [42] Osterwalder, A. , Y. Pigneur and L.C. Tucci (2004), Clarifying business models: Origins, present, and future of the concept, Communications of AIS, No. 16, pp. 1-25.
- [43] Osterwalder et all 2010 Business Model Generation
- [44] Padma, T. V. "India 'lagging behind' in innovation race." Science and Development Network, October 15, 2007.
- [45] Porter, Michael E., Competitive Advantage. New York: The Free Press, 1985.
- [46] Porter, M. E. (2011), Creating Shared Value: Redefining Capitalism and the Role of the Corporation in Society, Harvard Business Review,
- [47] Rosenau, M.D., Managing the Development of the New Products, ITP, pp. 39-41., 1993
- [48] Rooke, D. Harvard Business Review, 2005 (other details unknown).
- [49] Ruchonen Juha (2007) Victa – Virtual ICT Accelerator Technology Review 219/2007 Teces, Finland

- [50] Sanchez, R 2000b, 'Product, Process, and Knowledge Architectures in Organizational Competence', Research Working Paper, Oxford University Press, 2000-11.
- [51] Sanchez, R 1996a, 'Strategic Product Creation: Managing New Interactions of Technology, Markets and Organizations', *European Management Journal* Vol 14. No 2, pp 121-138.
- [52] Silverthorne, Sean. "The Rise of Innovation in Asia." Harvard Business School, March 7, 2005. Downloaded from <http://hbswk.hbs.edu/item/4676.html> on 25th December, 2007.
- [53] Taran, Yariv *Rethinking it All : Overcoming Obstacles to Business Model Innovation*. Aalborg : Center for Industrial Production, Aalborg University, 2011. 193 p. Publication: Research › Ph.d. thesis
- [54] Tidd, J., Bessant, J. & Pavitt, K., *Managing Innovation: Integrating Technological, Market and Organizational Change*, 3rd ed. New Jersey: John Wiley & Sons Ltd., 2003.
- [55] Ulrich, KT & Eppinger, *Product Design and Development*. 2nd ed, San Diego: Irwin McGraw-Hill, 2000.
- [56] Wind, Yuromoram. "A New Procedure for Concept Evaluation." *Journal of Marketing* (October 1973): 2-11.
- [57] Scozzi 2012 Different Practice to implement Open Innovation Ifkad conference 2012
- [58] Shafer S. M., H. J. Smith and J. C. Linder, *The Power of Business Models*, *Business Horizons* 48, 199e207 (2005).
- [60] Taran, Y., Boer, H., & Lindgren, P. (2009). *Theory Building - Towards an Understanding of Business Model Innovation Processes*. Aalborg University, Centre for Industrial Production, Denmark.
- [61] Teece David J. (2011) *Business Models, Business Strategy and Innovation Long Range Planning* 43/2-3 April/May 2010
- [62] Ulrich, KT & Eppinger, SD 2000, 'Product Design and Development', 2nd edition, Irwin McGraw-Hill.
- [63] X. Lecoq, B. Demil and V. Warnier, *Le Business Model, un Outil d'Analyse Stratégique*, *L'Expansion Management Review* 123, 50e59 (2006).'
- [64] Zott, C., and Amitt, R., and Mazza, L. (2010) *The Business Model: Theoretical roots, recent developments, and future research*. Madrid, Spain: IESE Business School, Document Number)

BIOGRAPHIES

Peter Lindgren is Associate Professor of Innovation and New Business Development at the Center for Industrial Production, Aalborg University, Denmark. He holds B.Sc in Business Administration, M.Sc in Foreign Trade and Ph.D in Network-based High Speed Innovation. He has (co-)authored numerous articles and several books on subjects such as

product development in network, electronic product development, new global business development, innovation management and leadership, and high speed innovation. His current research interest is in new global business models, i.e. the typology and generic types of business models and how to innovate them.

Maizura Ailin Abdullah is a PhD researcher at the Royal Institute of Technology (KTH) in Stockholm, Sweden. She is attached to the Integrated Product Development group of the Department of Machine Design, under the School of Industrial Engineering of Management. At KTH, her research areas include Open Innovation, Business Models and Networking within Open Innovation scenarios.