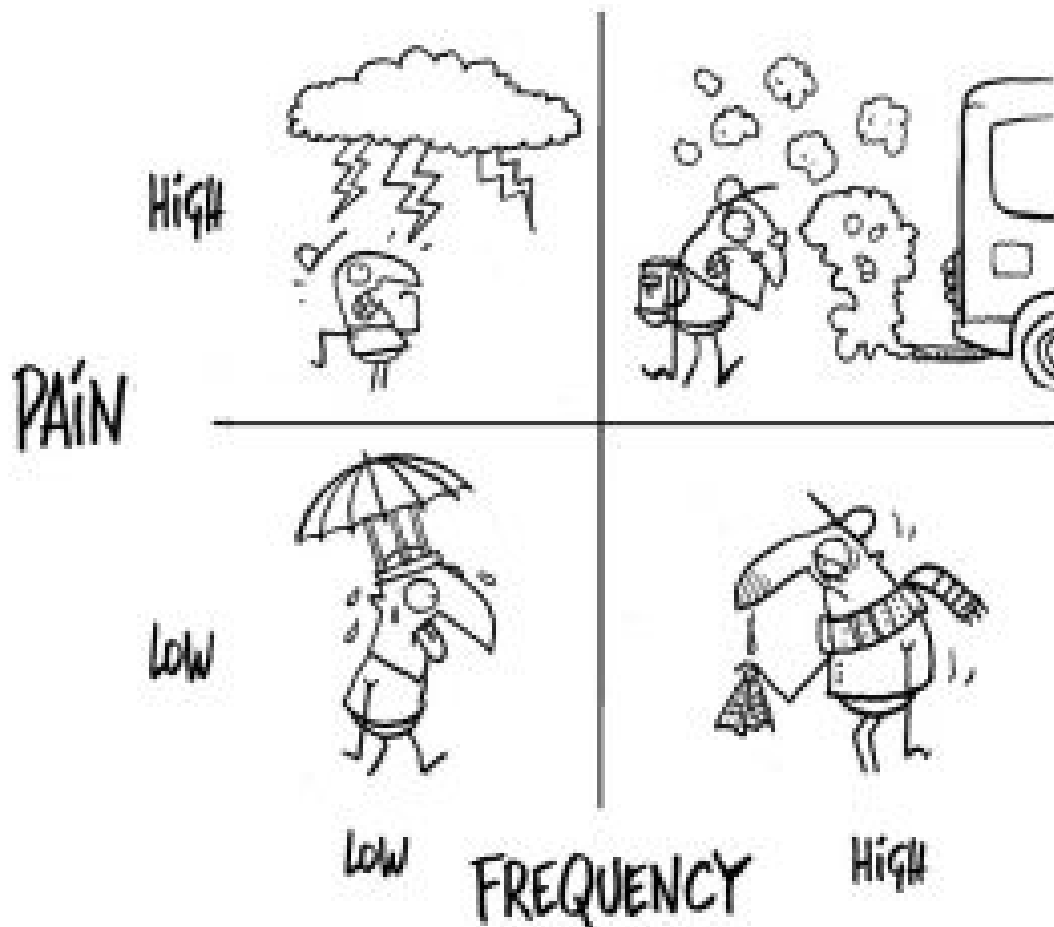
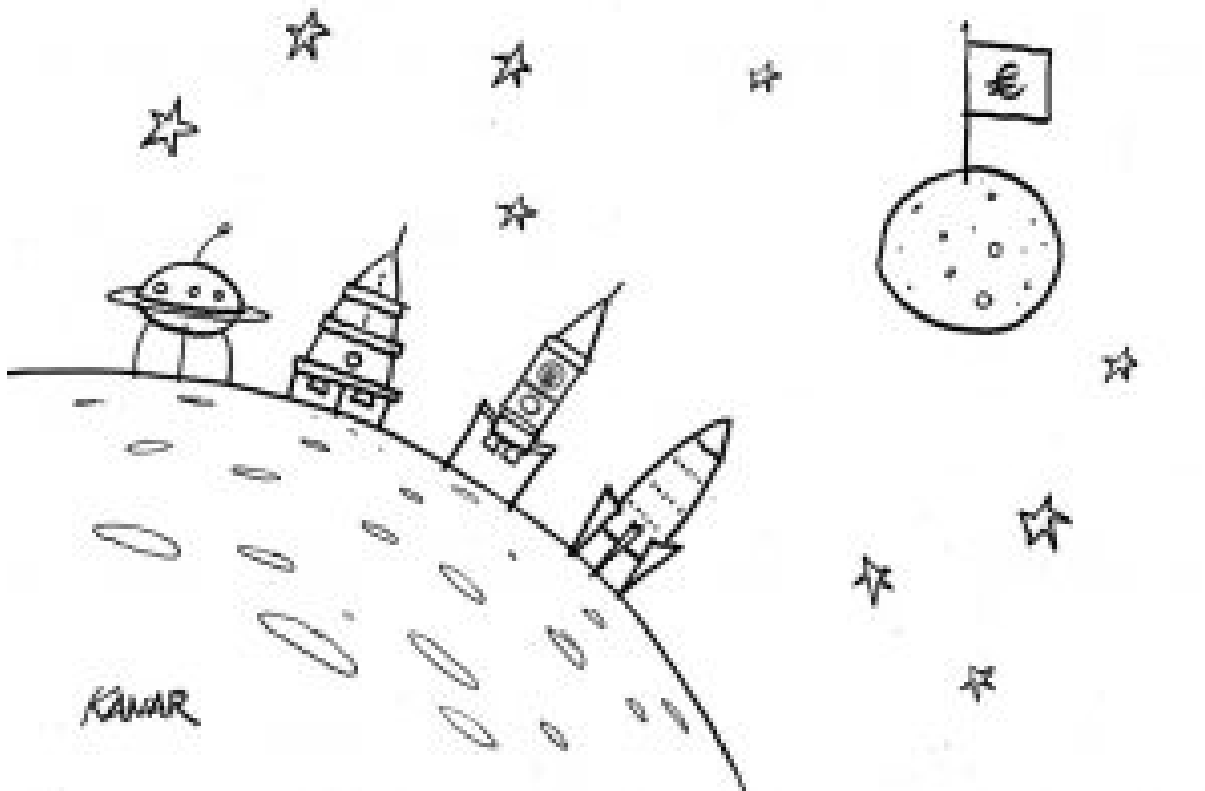


By Benoît Gailly, 17 January 2018

Designing competitive business models: Why and what?



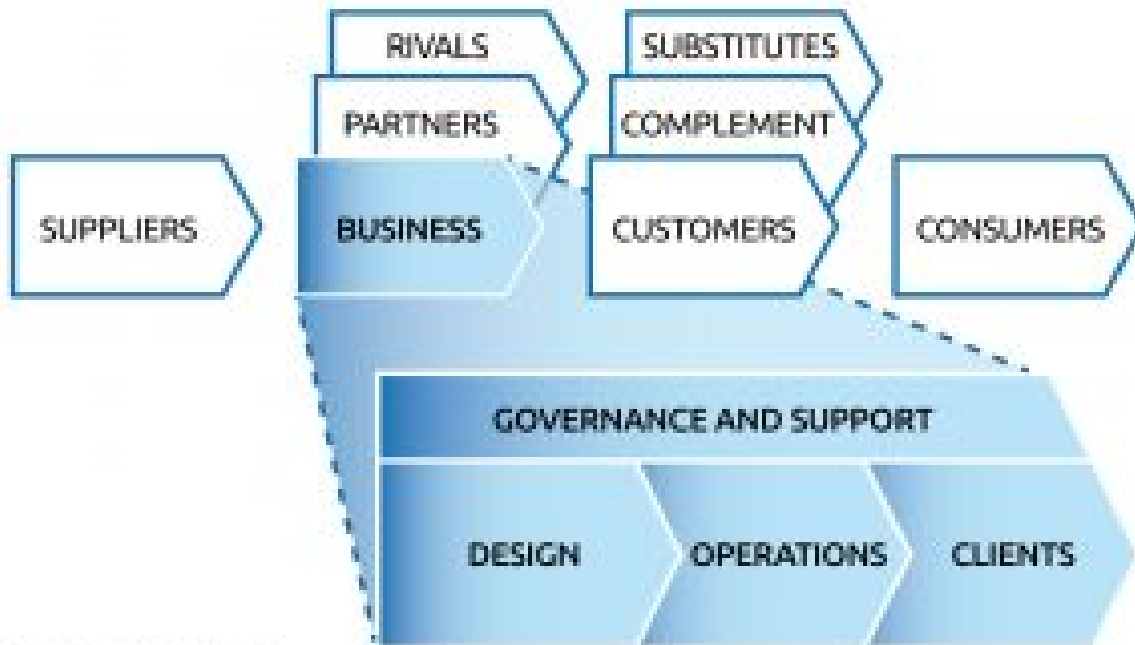
The first (obvious but still too often forgotten) strategic challenge of a successful business model is to **address somebody's problem**. It must demonstrate that potentially enough people out there have a problem and that the problem is painful enough for them to be ready to both adopt and pay for a new solution.



The second strategic challenge of a successful business model is to be **better positioned than others**. The innovators and their organization must demonstrate that they could address a relevant problem or meet a need better than the available alternatives, based on their scope as well as their scale, unique assets and/or agility.



On the other hand, the first operational challenge of a successful business model is to conceive an initial **value proposition**, which some people will actually be ready and able to find, adopt and pay for. What will be on the first invoice?



The second - and too often forgotten - operational challenge of a successful business model is to set up, integrate and scale up over time a **competitive and sustainable value chain**, including the right design, operations, client management and support activities.

Bibliography

Strategy: Why? Addressing somebody's problem

Keywords: *empathic design, market analysis, segmentation, target market*

- (Book) Christensen, C.M. and Raynor, M.E. (2003) [The Innovator's solution](#), Harvard Business School Press
- (Book) Maslow, A.H. (1998) [Towards a Psychology of Being](#), 3rd ed., Wiley
- (Video) [Jobs-to-Be-Done](#) by Prof. Clayton Christensen
- (Video) Anthony Ulwick (2016) [What Customers Want: Using Outcome-Driven Innovation to Create Breakthrough Products and Services](#);
- (Article) Acemoglu, D., & Linn, J. (2004). Market size in innovation: theory and evidence from the pharmaceutical industry. *The Quarterly Journal of Economics*, 119(3), 1049-1090.
- (Article) Covin, J. G., Garrett, R. P., Kuratko, D. F., & Shepherd, D. A. (2015). Value proposition evolution and the performance of internal corporate ventures. *Journal of Business Venturing*, 30(5), 749-774.
- (Article) Christensen, C. M., Hall, T., Dillon, K., & Duncan, D. S. (2016). Know your customers' "jobs to be done". *Harvard Business Review*, 94(9), 54-62.
- (Article) Dubois, P., De Mouzon, O., Scott-Morton, F., & Seabright, P. (2015). Market size and pharmaceutical innovation. *The RAND Journal of Economics*, 46(4), 844-871.
- (Article) Griffin, A., & Hauser, J. R. (1993). The voice of the customer. *Marketing Science*, 12(1), 1-27.
- (Article) Leonard, D., & Rayport, J. (1997). 'Spark innovation through empathic design', *Harvard Business Review*, 75(6), 102-113.
- (Article) Liedtka, J. (2015). Perspective: Linking design thinking with innovation outcomes through cognitive bias reduction. *Journal of Product Innovation Management*, 32(6), 925-938.
- (Article) O'Connor, G. C., & Veryzer, R. W. (2001). The nature of market visioning for technology-based radical innovation. *Journal of Product Innovation Management*, 18(4), 231-246.
- (Article) Reid, S. E., & De Brentani, U. (2010). Market vision and market visioning competence: Impact on early performance for radically new, high-tech products. *Journal of Product Innovation Management*, 27(4), 500-518.
- (Article) Slater, S. F., & Mohr, J. J. (2006). Successful development and commercialization of technological innovation: insights based on strategy type. *Journal of Product Innovation Management*, 23(1), 26-33.

Strategy: Why us? Being better positioned than others

Keywords: *competitiveness, strategic fit, technology regimes, unique assets*

- (Book) Brown, Shona L., and Kathleen M. Eisenhardt. [Competing on the edge: Strategy as structured chaos](#). Harvard Business Press, 1998.
- (Book) Porter, Michael E. ["Competitive advantage: creating and sustaining superior performance. 1985."](#) New York: FreePress (1985).
- (Video) [The End of Competitive Advantage](#), Harvard Business Review

- (Article) Adner, R., & Zemsky, P. (2006). A demand-based perspective on sustainable competitive advantage. *Strategic Management Journal*, 27(3), 215-239.
- (Article) Agrawal, V.V., Atasu, A., & Van Ittersum, K. (2015). Remanufacturing, third-party competition, and consumers' perceived value of new products. *Management Science*, 61(1), 60-72.
- (Article) Ahuja, G., Lampert, C.M., & Novelli, E. (2013). The second face of appropriability: Generative appropriability and its determinants. *Academy of Management Review*, 38(2), 248-269.
- (Article) Casadesus-Masanell, R., & Zhu, F. (2013). Business model innovation and competitive imitation: The case of sponsor-based business models. *Strategic Management Journal*, 34(4), 464-482.
- (Article) Christensen, C. M. (2001). The past and future of competitive advantage. *MIT Sloan Management Review*, 42(2), 105-109.
- (Article) Cooper, R. G. (1979). The dimensions of industrial new product success and failure. *Journal of Marketing*, 43(3), 93-103.
- (Article) Cooper, R. G., & Kleinschmidt, E. J. (1987). New products: what separates winners from losers?. *Journal of Product Innovation Management*, 4(3), 169-184.
- (Article) Dierickx, I., & Cool, K. (1989). Asset stock accumulation and sustainability of competitive advantage. *Management Science*, 35(12), 1504-1511.
- (Article) Haynie, J.M., Shepherd, D.A., & McMullen, J.S. (2009). An Opportunity for Me? The Role of Resources in Opportunity Evaluation Decisions. *Journal of Management Studies*, 46(3), 337-361.
- (Article) Kulins, C., Leonardy, H., & Weber, C. (2016). A configurational approach in business model design. *Journal of Business Research*, 69(4), 1437-1441.
- (Article) Leiponen, A., & Byma, J. (2009). If you cannot block, you better run: Small firms, cooperative innovation, and appropriation strategies. *Research Policy*, 38(9), 1478-1488.
- (Article) Lepak, D. P., Smith, K. G., & Taylor, M. S. (2007). Value creation and value capture: A multilevel perspective. *Academy of Management Review*, 32(1), 180-194.
- (Article) McGrath, R. G. (2013). Transient advantage. *Harvard Business Review*, 91(6), 62-70.
- (Article) McKnight, B. & Zietsma, C. (2018). Finding the threshold: A configurational approach to optimal distinctiveness. *Journal of Business Venturing*, 33(4), 493-512.
- (Article) Mitchell, D., & Coles, C. (2003). The ultimate competitive advantage of continuing business model innovation. *Journal of Business Strategy*, 24(5), 15-21.
- (Article) Nag, R., Hambrick, D. C., & Chen, M. J. (2007). What is strategic management, really? Inductive derivation of a consensus definition of the field. *Strategic Management Journal*, 28(9), 935-955.
- (Article) Shepherd, D. A. (1999). Venture capitalists' assessment of new venture survival. *Management Science*, 45(5), 621-632.
- (Article) Spieth, P., Schneckenberg, D., & Matzler, K. (2016). Exploring the linkage between business model (&) innovation and the strategy of the firm. *R&D Management*, 46(3), 403-413
- (Article) Thornhill, S., & Amit, R. (2001). A dynamic perspective of internal fit in corporate venturing. *Journal of Business Venturing*, 16(1), 25-50.

Operations: What could be sold? Designing the value proposition

Keywords: *industrial design, product/market positioning, prototypes, value proposition*

- (Book) Kotler Ph. « [Marketing Management](#) »; Prentice Hall
- (Video) Rory Sutherland: [Life lessons from an ad man](#) - TED talk
- (Video) Clayton Christensen - [When only a milkshake will do the job](#)
- (Article) Baden-Fuller, C., & Haefliger, S. (2013). Business models and technological innovation. *Long Range Planning*, 46(6), 419-426.
- (Article) Gans, J., Scott, E. L., & Stern, S. (2018). Strategy for Start-ups. *Harvard Business Review*, 96(3), 44-51.
- (Article) Gans, J. S., & Stern, S. (2003). The product market and the market for “ideas”: commercialization strategies for technology entrepreneurs. *Research Policy*, 32(2), 333-350.
- (Article) Gemser, G., & Leenders, M. A. (2001). How integrating industrial design in the product development process impacts on company performance. *Journal of Product Innovation Management*, 18(1), 28-38.
- (Article) Martin, R. L. (2011). The innovation catalysts. *Harvard Business Review*, 89(6), 82-87.
- (Article) Hauser, J., Tellis, G J., & Griffin, A. (2006). Research on innovation: A review and agenda for marketing science. *Marketing Science*, 25(6), 687-717.
- (Article) Johnson, M.W., Christensen, C.M., & Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, 86(12), 57-68.
- (Article) Manu, Franklyn A., and Ven Sriram. (1996) “Innovation, marketing strategy, environment, and performance.” *Journal of Business Research* 35(1), 79-91.
- (Article) Matthyssens, P., & Vandenbempt, K. (2008). Moving from basic offerings to value-added solutions: Strategies, barriers and alignment. *Industrial Marketing Management*, 37(3), 316-328.
- (Article) Ulaga, W., & Reinartz, W. J. (2011). Hybrid offerings: how manufacturing firms combine goods and services successfully. *Journal of Marketing*, 75(6), 5-23.
- (Article) Weerawardena, Jay. “The role of marketing capability in innovation-based competitive strategy.” *Journal of strategic marketing* 11.1 (2003): 15-35.

Operations: What could be done? Assembling a competitive value chain

Keywords: *client management, operations, sales & marketing, support, value chain design*

- (Book) Porter, M.E. (1985) [Competitive Advantage](#), The Free Press, New York
- (Video) [Value Chain Innovations in Business Eco-Systems](#); Stanford Online
- (Article) Jacobides, M.G., Knudsen, T., & Augier, M. (2006). Benefiting from innovation: Value creation, value appropriation and the role of industry architectures. *Research Policy*, 35(8), 1200-1221.
- (Article) Jacobides, Michael G., and Sidney G. Winter. “The co-evolution of capabilities and transaction costs: Explaining the institutional structure of production.” *Strategic Management Journal* 26.5 (2005): 395-413.
- (Article) Jacobides, M. G., & Winter, S. G. (2005). The co-evolution of capabilities and transaction costs: Explaining the institutional structure of production. *Strategic*

Management Journal, 26(5), 395-413..

- (Article) Tee, R., & Gawer, A. (2009). Industry architecture as a determinant of successful platform strategies: A case study of the i-mode mobile Internet service. *European Management Review*, 6(4), 217-232.
- (Article) Porter, M., & Siggelkow, N. (2008). Contextuality within activity systems and sustainability of competitive advantage. *The Academy of Management Perspectives*, 22(2), 34-56.

(c) Prof. Benoit Gailly, Louvain School of Management