

**THE MICRO-FOUNDATIONS OF BUSINESS MODEL INNOVATION  
AS A DYNAMIC CAPABILITY**

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**Marc Sniukas**

Manchester Business School  
Management Sciences and Marketing Division



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## LIST OF ABBREVIATIONS

BMI	Business Model Innovation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHF	Swiss Franc
COO	Chief Operating Officer
DBA	Doctor of Business Administration
e.g.	exempli gratia (for example)
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EUR	Euro
et al.	et alia (and others)
etc.	et cetera (and so on)
HR	Human Resources
i.e.	id est (that is)
ISO	International Organization for Standardization
IT	Information Technology
MES	Medical System
MOAPs	Managerial and Organisational Activities and Practices
MP3	MPEG Audio Layer III
n/a	Not Applicable
P&L	Profit and Loss Statement
PMO	Project Management Office
R&D	Research and Development
SWOT	Strengths, Weaknesses, Opportunities, Threats
USD	United States Dollar
VP	Vice President

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The University of Manchester

Marc Sniukas

Doctor of Business Administration

The Micro-Foundations of Business Model Innovation as a Dynamic Capability

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## **Abstract**

This study adopts a dynamic capabilities perspective to explore the activities and processes through which business model innovation arises in established organisations.

New and innovative business models are fundamental to the commercialisation of latest technologies, performance, competitive advantage, as well as the creation of value for customers, the focal company and its ecosystem. Yet, our current understanding of how established companies design and implement new business models is limited by a lack of empirical research.

The dynamic capabilities perspective offers a promising route to investigate the managerial and organisational activities and practices through which business model innovation is enacted.

Based on a review of the business model, business model innovation and dynamic capabilities literatures, business model innovation is framed as a dynamic capability and research questions are developed.

These questions are investigated using grounded theory methodology, collecting and analysing data from five case studies from the manufacturing, financial services, media, consulting, and healthcare industries.

Findings from an initial sample suggest a business model innovation process consisting of an inception, evolution and diffusion phase, encumbered by cognitive, emotional and behavioural challenges. Linking the findings to the dynamic capabilities perspective, three micro-foundations, namely, process orchestration, learning, and deployment mechanisms are identified.

Findings from a subsequent theoretical sample not only unravel the underlying managerial and organisational activities of these micro-foundations, but also reveal further details on the challenges faced, as well as the key role of senior management for orchestrating and enacting this process and its underlying activities.

Considered collectively the findings offer a novel understanding of how business model innovations come about in established organisations, a practice labelled '*crafting business models in statu nascendi*'.

The dissertation closes with a discussion and synthesis of the findings, the theoretical contribution and managerial implications, as well as limitations of the present study and areas for future research.

Keywords: Dynamic capabilities, business models, business model innovation.

## **Declaration**

I, Marc Sniukas, declare that no portion of the work referred to in the thesis has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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Marc Sniukas  
Luxembourg, September 2015





# 1 Introduction

## 1.1 Problem Statement

*“Get the business model wrong, and there is almost no chance of success...”*

*(Teece 2010, 191)*

In 2001 Apple Inc. launched the first versions of its iPod music player and iTunes music software, followed by the introduction of the iTunes Music store in 2003. Apple was neither the inventor of portable MP3 music players, nor did it invent the idea of downloadable music. Yet, Apple was the first company to invent a business model exploiting these technologies in a way that created value for the customer, itself and the music business ecosystem. Within three years the iPod + iTunes product and service bundle had become a \$10 billion offering, accounting for 50% of Apple's revenues, elevating its market capitalisation from \$2.6 billion in 2002 to \$133 billion in 2007, a period considered the iPod + iTunes growth years (Amit and Zott 2010; Johnson 2010), and turning Apple into a key player of the music industry, reinventing music distribution and consumption.

In the light of examples like these, the fascination with business model innovation is understandable. Yet, despite the progress that has been made in the last 20 years developing the understanding of business models, little is known about how established companies design and implement new business models.

A major gap in current understanding is the lack of empirical research on the process of business model innovation within established companies (Chesbrough and Rosenbloom 2002; Christensen et al. 2002; Demil and Lecocq 2010; Dottore 2009; Eyring et al. 2011; George and Bock 2011; Johnson et al. 2008; Klang et al. 2010; Leavy 2010; Pateli and Giaglis 2004).

Adopting a dynamic capabilities perspective, the objective of this study is to contribute to filling this gap by exploring the processes, activities and practices through which business model innovation arises in established companies.

The following sections outline why enhancing our understanding of the process of business model innovation is important and relevant.

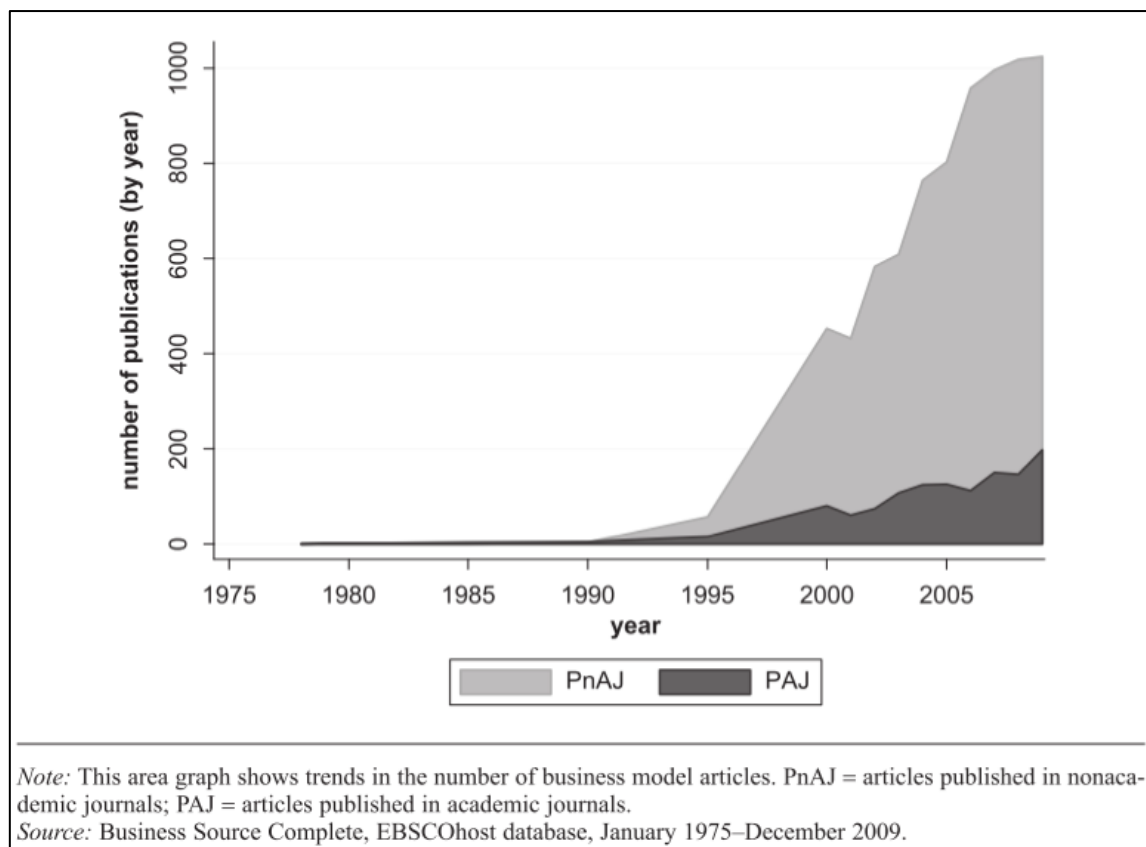
### **1.1.1 The Increasing Interest in the Business Model Concept**

A search on Google for the term 'business model' yielded an impressive 24,300,000 results as of September 1, 2015, up from 7,490,000 results as of June 6, 2014.

Ghaziani and Ventresca (2005) conducted a frame analysis of the use of the term 'business model' in public talk and searched for the term in general management articles from 1975 to 2000 using the ABI/Inform database. They found 1,729 publications, 166 of which were published between 1975 and 1994, the remaining 1,563 all having been published between 1995 and 2000.

Zott et al. (2011) performed a similar search using the EBSCOhost database, extending the analysis to 2009. They found 1,203 articles in academic journals and 8,062 in non-academic publications. Their analysis also featured the same trend and showed a surge of interest beginning around 1995 (Figure 1). They furthermore propose their figures indicate "... that academic research on business models seems to lag behind practice" (Zott et al. 2011, 1022). A conclusion shared by Christiansen and Varnes (2010).

The sudden increase of interest in the concept of business models and extensive usage of the same is often attributed to the new economy boom of the mid-1990s, the emergence of the Internet and the adoption of the concept in the e-commerce context (Demil and Lecocq 2010; Ghaziani and Ventresca 2005; Leavy 2010; Magretta 2002; McGrath 2010; Morris et al. 2005; Santos et al. 2009; Teece 2010; Zollenkop 2006; Zott et al. 2011). The way companies operated and generated revenues began to change with the Internet as a new distribution channel, giving easy access to digital data (Teece 2010) and enabling companies to do things they could not have done before (McGrath 2010).

**Figure 1 - Business Model Articles in the Business/Management Field**

Source: Zott et al. (2011)

### 1.1.2 The Importance of Business Model Innovation<sup>1</sup>

Business model innovation is not only relevant for e-businesses and start-ups though. It is at least equally important for established organisations for a number of reasons.

The invention of new business models has been **key to the commercialisation of new technologies** (Chesbrough 2007, 2010; Gambardella and McGahan 2010; Teece 2009, 2010), the economic value of which, "... remains latent until [they are] commercialized in some way via a business model" (Chesbrough 2010, 354). Indeed some technologies might not realise their full potential for value creation if the chosen business model does not support and enable it appropriately (Chesbrough 2010; Pateli and Giaglis 2004; Teece 2009). The same idea or technology taken to market using different business models might even result in different economic outcomes (Chesbrough 2010; Chesbrough and Rosenbloom

<sup>1</sup> Ideas from this section have been published in Sniukas (2012).

2002). Moore (2004) furthermore identified business model innovation as a necessary type of innovation to apply once a product enters a declining revenue growth state in its life cycle.

Going beyond innovating new products and services, **business models have become increasingly the focus of innovation** themselves (Klang et al. 2010). Novel, innovative business models have become a **major element of differentiation and sustainable competitive advantage** (Amit and Zott 2010; Eyring et al. 2011; Franke et al. 2008; George and Bock 2011; Giesen et al. 2007; Hamel 1996, 1998a, 1998b, 1998c, 2000, 2001; Hamel and Välikangas 2003; Johnson et al. 2008; McGrath 2010; Teece 2010; Venkatraman and Henderson 1998; Voelpel et al. 2004; Yates and Skarzynski 1999) and are often seen as the key driver behind the success of companies like Amazon, Dell, Southwest Airlines, Canon, eBay, etc. and products like Apple's iTunes digital download service (e.g. Chesbrough 2007, 2010; Franke et al. 2008; Gambardella and McGahan 2010; George and Bock 2011; Hamel 1998a, 2000; Johnson et al. 2008; Magretta 2002; Markides 1996, 2008; Teece 2010; Venkatraman and Henderson 1998).

It has been argued that companies have "... at least as much value to gain from developing an innovative business model as from developing an innovative new technology" (Chesbrough 2010, 356; Teece 2007, 2010). Choosing and investing in the right technology only is not longer enough; companies must also "... select or create a particular business model that defines its commercialization strategy and investment priorities" (Teece 2009, 224).

Business model innovations can lead to dramatically changing the way of 'playing the game' in an industry, new industry structures (Christensen et al. 2002; Gambardella and McGahan 2010; Markides 1997, 1998, 1999, 2000; Markides and Charitou 2003), the creation of new markets (Hamel 1998a, 2000, 2001; Markides 1996, 1997, 1998, 1999, 2000, 2008; Yates and Skarzynski 1999) and even completely new industries (Teece 2010).

Magretta (2002) notes that the business model concept is of enormous practical value as it is so **fundamental to performance**, to which McGrath (2010) adds that the business model concept might offer benefits to executives and academics alike trying to understand why some companies perform better than others.

Several studies have confirmed the link between business model innovation and firm performance.

In a study of 190 publicly listed companies in the US and Europe Zott and Amit for example found that “... innovative business model designs were associated with higher levels of performance” (Zott and Amit 2007, 190).

A study conducted by BusinessWeek in collaboration with The Boston Consulting Group also found that business model innovators outperform traditional innovators (i.e., those companies focusing on process and product innovation only) in terms of the accomplished Total Shareholder Return premium over a ten-year period. The average premium was not only more than four times greater than that achieved by process and product innovators, it was also more sustainable (Lindgardt et al. 2009).

A survey by IBM Global Business Services among 765 CEOs, business executives and public sector leaders from 20 different industries and 11 geographic regions not only found that two-thirds of CEOs expect business model innovation to be the answer to the fundamental changes in their competitive landscape and society as a whole; financial analysis also revealed that companies putting more emphasis on business model innovation experienced higher operating margin growth over a five-year period than industry peers. Besides these financial rewards, business model innovation was also seen as a way to prevent competitive threats from within the industry and from new entrants (Giesen et al. 2007; IBM 2006; Pohle and Chapman 2006). A follow up study by IBM in 2009 has shown that seven out of ten companies engage in business model innovation and that “... an incredible 98% are modifying their business model to some extent” (Casadesus-Masanell and Ricart 2011, 101; Giesen et al. 2009).

Business model innovation has also been identified as a **means to adapt to rapidly changing environments** (Amit and Zott 2010; McGrath 2011), “... including deregulation and privatization, technological changes and globalization” (Voelpel et al. 2004, 263), increased global competition from existing and new competitors and market disruptions (Casadesus-Masanell and Ricart 2011; Doz and Kosonen 2010; Giesen et al. 2009; McGrath 2011), and it is seen as “ ... an alternative for general managers and entrepreneurs to create new value, specifically in times of economic change” (Amit and Zott 2010, 1). Bock et al.

(2010) have indeed shown that business model innovation is “... positively associated with the need for discontinuous change” (Bock et al. 2010, 8).

Business model innovation furthermore offers a way to **seize opportunities** arising from industry transformations, changing customer behaviour and market needs (Giesen et al. 2009), and markets in developing countries, especially at the middle and the bottom of the pyramid (Casadesus-Masanell and Ricart 2011).

Not surprisingly managers believe in the importance of business model innovation. A study performed by General Electric among 3100 global executives from 25 countries in 2013 found that 46% of respondents “Agree the development of new business models contributes most to company performance”, while 52% “Agree their company should focus on developing new business models to boost future performance”, and 64% “Agree that coming up with new business models is important for a company to innovate successfully” (General Electric 2013). A study by the consulting company PwC found that 40% of 246 global executives ranked business model innovation in the top three of innovation priorities (PwC 2013).

### **1.1.3 Business Model Innovation in Established Companies**

While some companies have succeeded in designing and implementing new business models – often cited examples include companies like Apple, Mercedes-Benz, Hilti, SAP, Dow Corning, Nespresso, IKEA, Canon, USA Today, etc. (e.g. Gambardella and McGahan 2010; Johnson et al. 2008; Markides 1998, 2006, 2008) – it is still rare within established companies (Johnson et al. 2008; Markides 2008).

This rareness is attributed to the particular challenges business model innovation poses to established businesses (Doz and Kosonen 2010; Markides 1996).

Established companies have not learned yet how to compete through their business models (Casadesus-Masanell and Ricart 2011; Mitchell and Coles 2004a, 2004b). They not only find it hard to change, renew and innovate their existing business models (Chesbrough 2010; Johnson et al. 2008; Leavy 2010; Teece 2010), but also experience difficulties and encounter barriers in developing and implementing business model innovations (Svejenova et al. 2010).

“New business model innovation continues to represent a significant challenge for large incumbent firms despite their access to resources, market knowledge, and key technologies” (Koen et al. 2010, 50).

The challenges for established firms, identified by prior research, can be regrouped into three distinct sets or areas (Sniukas 2012, 13):

- (1) *Business model innovation challenges*: Business model innovation has been identified as a novel type of organisational innovation (Bock et al. 2010). Different types of innovation need to be treated as distinct phenomena, as they pose different challenges for established companies and arise in different ways (Birkinshaw et al. 2008; Hamel 2006; Markides 1996, 2006, 2008; Mol and Birkinshaw 2009), which leads to the assumption that established approaches to and theories on other types of innovation, e.g., product and process innovation, cannot simply be applied to business model innovation. It has indeed been argued that business model innovation requires a different approach to innovation management, different processes, tools and that the classic stage-gate models for example seem not to apply (Koen et al. 2010; Markides 2008; Pavitt 2006). The risk and financial uncertainty with business model innovation is higher than with other types of innovation (Koen et al. 2010; McGrath 2010), especially because business model innovations have potentially an impact on the whole business (Baden-Fuller and Morgan 2010) and can pose a threat to the established business (Chesbrough 2010; Govindarajan and Trimble 2011; Teece 2009; Voelpel et al. 2004).
- (2) *Organisational challenges*: The business model concept being relatively new and not well understood, coupled with the need for a distinct approach needed to business model innovation make it hard for companies to have the necessary capabilities, which is lacking within established companies (Chesbrough 2010). Organisations simply do not possess any experience and knowledge regarding this special type of innovation (Koen et al. 2010; Markides 2008). There is also disagreement in the research whether new business models need to be operated by a separate company (Koen et al. 2010). Whereas Govindarajan and Trimble (2005a, 2005b) for example say that it is necessary to set up a new entity, Markides (2008) doubts it will be

needed in every context. Companies are left wondering how to handle business model innovation.

- (3) On a *managerial and individual level*, *challenges* are related to the mental models, or cognitive maps, of managers and employees within the company. The dominant logic of 'how things are done around here', how value is traditionally being created and captured is hard to break (Chesbrough 2010; Markides 2000, 2008). These mental maps define how the organisation competes (Kim and Mauborgne 2005), who it considers being its customers, what to do and what not to do (Drucker 1994) and they are usually hard to change.

Notwithstanding these challenges, the increasingly complex and fast-changing business environment makes it necessary to rethink, adapt and renew existing business models in order for established firms to stay competitive (Gambardella and McGahan 2010; Giesen et al. 2010; Hamel and Välikangas 2003; Teece 2010), and capture the potential value from new ideas and technologies (Chesbrough 2010).

To do so, a comprehensive understanding of how business model innovation comes about in established firms is required.

#### **1.1.4 Gaps in Business Model Innovation Research**

Despite the obvious importance, growing interest, and research, as well as the vast number of publications on business models and business model innovation, little is known about how established companies design and implement novel business models.

##### **Focus on e-businesses and start-ups: Lack of research on established businesses in other industries**

Extant research is concerned predominantly with e-businesses and start-ups (Amit and Zott 2001; Christiansen and Varnes 2010; Dottore 2009; George and Bock 2011; Mitchell and Coles 2004a, 2004b; Santos et al. 2009; Yip 2004; Zott and Amit 2007; Zott et al. 2011). While it has been acknowledged that a suitable business model is foundational to the success of both new ventures and established businesses alike (Magretta 2002), the focus in existing research on the particular context and situation of start-ups and e-businesses raises the question whether the



existing findings apply equally to other industries and established businesses alike. Spector et al. (2009) argue that they do not, as start-ups face different challenges than established companies. They specifically mention the need to change existing business models as not being a challenge of start-ups.

Incumbent organisations tend to focus their efforts on managing today's business and executing the established business model (Govindarajan and Trimble 2011; Teece 2009; Voelpel et al. 2004). This leads to relying on established decision-making rules, resource allocation processes, path dependent routines, assets and strategies, and established problem-solving heuristics (Teece 2009), the departure from which creates a high level of anxiety (Teece 2007), and thus handicap and limit the search for new businesses (Teece 2009). Challenges start-ups do not face.

Similar limitations have also been noted by other researchers, who have pledged for the phenomenon of business model innovation within established companies to be further investigated (Chesbrough and Rosenbloom 2002; Dottore 2009; Lambert 2006; Pateli and Giaglis 2004; Santos et al. 2009; Sosna et al. 2010; Zahra et al. 2006; Zott and Amit 2007).

### **A 'static construct' view: Lack of research on processes of business model innovation**

Existing research regards the business model as a static concept, describing the elements and components of a business model. Indeed most of the research on business models has focused on static constructs (Amit and Zott 2014; Christiansen and Varnes 2010).

These static approaches are unfit to explain processes of business model innovation (Demil and Lecocq 2010).

A second approach to business models is more transformational and uses " ... the concept as a tool to address change and innovation in the organisation, or in the model itself" (Demil and Lecocq 2010, 227). As such the business model itself represents the unit for and of innovation (Chesbrough and Rosenbloom 2002; Hamel 1998a, 1998b, 1998c, 2000, 2001; Teece 2010). Research on methods and processes of business model innovation in established companies is missing (Pateli and Giaglis 2004). Zott et al. (2011) reviewed 103 papers and studies on business models, only 10 of which addressed the issue of business model innovation.

Especially “... more research is needed to clarify ... the mechanisms and processes of business model innovation and change” (George and Bock 2011, 88), as knowledge about why and how firms change their business models is scant (Morris et al. 2005). The lack of a robust, systematic and repeatable process for innovating new, and/or changing existing business models has been stressed by several authors and it has been argued that this lack is the biggest barrier to business model innovation within established organisations (Chesbrough and Rosenbloom 2002; Christensen et al. 2002; Eyring et al. 2011; George and Bock 2011; Johnson et al. 2008; Klang et al. 2010; Leavy 2010; Morris et al. 2005).

### **Theoretical and conceptual work: Lack of empirical research**

Dottore adds that published work has been mostly theoretical and that there is in general a gap “... with respect to inductive field research on business model innovation at firm level” (Dottore 2009, 496).

Pateli and Giaglis consider the area as having the potential to provide useful structures and guidelines for action, but also being “one of the most challenging areas for business model research” (Pateli and Giaglis 2004, 311).

### **1.1.5 Business Model Innovation as a Dynamic Capability**

The dynamic capabilities theory has been proposed as an approach to making sense of how business model innovation transpires. Although business model innovation in the broadest sense, and related concepts like, e.g., business model design, business model reconfiguration, business model change, etc., have been labelled as a dynamic capability (Agarwal and Helfat 2009; Amit and Zott 2014; Andries and Debackere 2006; Augier and Teece 2009; Chesbrough 2010; Harreld et al. 2007; Helfat et al. 2007; Sosna et al. 2010; Subramanian et al. 2011; Teece 2007, 2009, 2010), the literature combining these two paradigms is still rare (Amit and Zott 2014), and empirical investigations on business model innovation using the dynamic capabilities framework do, to the best of the researcher’s knowledge, not exist to date. Yet, the dynamic capabilities concept seems to offer a promising route to better understand and make sense of the processes through which business model innovation transpires. Indeed, it has been argued that dynamic capabilities are well-suited for studying various types of innovation processes, including processes of business model innovation (Lawson and Samson 2001).

### 1.1.6 Conclusion

As has been illustrated above, business model innovation is important for the established enterprise for a number of reasons. Novel business models are fundamental to performance, differentiation and competitive advantage; they are key to the commercialisation of new technologies, and essential to responding to changes in the environment.

As a distinct type of innovation, facing peculiar challenges and possessing particular characteristics, established companies are in need of a distinctive approach to business model innovation.

Yet, extant academic research leaves important gaps in our understanding regarding how established organisations design and implement novel business models.

Empirical research on business model innovation is rare (Dottore 2009; George and Bock 2011; Morris et al. 2005). The extensive focus on start-ups and e-businesses (Amit and Zott 2001; Christiansen and Varnes 2010; Dottore 2009; Mitchell and Coles 2004a, 2004b; Santos et al. 2009; Yip 2004; Zott and Amit 2007) left an important gap regarding incumbent firms and a lack of “... theory-building and empirical research outside of the e-business sector” (George and Bock 2011, 95). The focus on a ‘static construct’ view (Christiansen and Varnes 2010), neglected the mechanisms and processes of business model innovation within incumbent firms (Chesbrough and Rosenbloom 2002; Christensen et al. 2002; Eyring et al. 2011; George and Bock 2011; Johnson et al. 2008; Klang et al. 2010; Leavy 2010; Pateli and Giaglis 2004).

Although conceptual links between business model innovation and dynamic capabilities have been made, to the best of the researcher’s knowledge, to date, no study has empirically explored how business model innovations come about in established firms applying a dynamic capabilities lens.

## 1.2 Research Area and Objectives

### 1.2.1 Purpose of this Study

Addressing the above-mentioned gaps, the present study aims at contributing to our understanding of the processes through which business model innovation comes about in established companies adopting a dynamic capabilities perspective.

### 1.2.2 Academic Objectives

- Identify and develop an in-depth understanding of how incumbent firms, outside of e-businesses, develop and implement novel business models in practice.
- Unravel the nature of business model development and implementation processes, and explain how such processes are enacted.
- Understand and explain the challenges and complexities processes of business model innovation pose to established organisations.

### 1.2.3 Managerial Objectives

- From a managerial perspective, the objective is to develop a guiding framework outlining a process and providing directions for managers and organisations wanting to develop and implement novel business models.

## 1.3 Thesis Outline

In order to achieve the above-cited objectives this study is structured along the following six chapters:

- (1) In the **first chapter** ("Introduction"), the problem statement is developed by briefly outlining the increasing interest in the topic of business model innovation, the importance of the topic and gaps in the existing literature, which leads to the definition of the intended academic and managerial contributions. The chapter concludes with an outline of the thesis.
- (2) The **second chapter** ("Literature Review"), reviews the existing literature on the business model construct and business model innovation, focusing on answering the questions of what a business model is and what the existing literature can tell us about how business model innovation comes

about in established organisations. Linking business model innovation to the dynamic capabilities paradigm, the chapter concludes with framing business model innovation as a dynamic capability and the elaboration of specific research questions.

- (3) In the **third chapter** (“Research Design and Methodology”), after having discussed the ontological and epistemological positioning of the study, the nature of the research question, and methodological implications, the two-stage research design and research methodology are outlined and an explanation is given on how the research questions will be investigated.
- (4) In the **fourth chapter** (“Findings from the Initial Sample of Five Research Sites”), the findings from the first stage initial sample are presented. Following the research questions, the initial sample aimed at investigating the process of business model innovation and its underlying micro-foundations across five research sites.
- (5) In the **fifth chapter** (“Findings from the Theoretical Sample of One Research Site”), the results of the theoretical sample are presented, illustrating the identified micro-foundations and their underlying managerial and organisational activities and practices in rich detail.
- (6) The **sixth chapter** (“Discussion and Conclusion”), concludes the dissertation by discussing and synthesising the findings across the two samples, illustrating the theoretical conclusions and managerial implications, as well as limitations of the study and proposing areas for future research.

Table 1 illustrates the outline of the thesis and the purpose of each chapter.

**Table 1 - Thesis Outline and Purpose of Chapters**

<b>Chapter</b>	<b>Purpose</b>
1 – Introduction	Define research area and relevance
2 – Literature review	Develop specific research questions based on framing business model innovation as a dynamic capability to be investigated
3 – Research design and methodology	Develop research design and methodology
4 – Findings from initial sample of five case studies	Investigate business model innovation processes and underlying micro-foundations across case studies
5 – Findings from theoretical sample of one case study	Investigate micro-foundations and underlying managerial and organisational activities and practices in further detail
6 – Discussion and conclusion	Synthesise findings across the two samples, highlight theoretical contributions, managerial implications, limitations and areas for future research

## 2 Literature Review

*“...the academic literature on this topic is fragmented and confounded by inconsistent definitions and construct boundaries” (George and Bock 2011, 83).*

Compared to existing reviews of the business model literature (e.g. Christiansen and Varnes 2010; Klang et al. 2010; Zott et al. 2011), the objective of this literature review is not to map and categorise the existing business model literature. Instead the purpose of this review is to answer two specific questions:

- (1) What is business model innovation?
- (2) What does the literature tell us about how business model innovations come into existence?

To develop an operational definition of business model innovation, it seems important to answer the question of what exactly is being innovated. Despite the growing interest in the business model concept, and its importance for strategy, performance and competitive advantage, “... the concept lacks a clear definition and conceptual base, and there is a rather diverse application of both, the concept and the term (Casadesus-Masanell and Ricart 2007, 2010; Casadesus-Masanell and Ricart 2011; Christiansen and Varnes 2010; Ghaziani and Ventresca 2005; Teece 2010; Zott et al. 2011)” (Sniukas 2012, 8).

While Casadeus-Masanell and Ricart (2007) and Magretta (2002) claim the origins of the concept going back to the writings of Peter Drucker in 1954, the term first appears in 1975, and only becomes prominent in the lexicon of the digital economy (Ghaziani and Ventresca 2005), with Yip (2004) noting that the term business model has been used mainly to describe how an Internet company operates.

As a term, it is rich with connotation and the contexts within which it is used “... are marked by considerable ambiguity” (Ghaziani and Ventresca 2005, 531), focusing on different aspects of business models, like value chain configurations, innovation, generation of revenues, resources and capabilities, networks and transaction costs (Ghaziani and Ventresca 2005).

Hence, it seems important to answer the question of what a business model is and develop an operational definition for the purpose of being able to investigate how business models are being innovated.

Three approaches have been used to define the business model concept:

- Directly defining what it *is*;
- Defining it by listing its *components* and building blocks; and
- Defining it by referring to what it *does*, illustrating functions and the purpose of business models.

These three approaches will guide the data collection for answering the question of what a business model is.

To develop a definition of business model innovation, it seems also important to define what constitutes an ‘innovation’, or, in other terms, how new does the business model innovation need to be, to qualify as innovation.

Answering the question of what the literature tells us about the activities and processes through which business model innovation comes into existence, serves the purpose of establishing a basis for comparing empirical results to extant literature.

This chapter is structured as follows.

After this introduction, the approach to the literature review is outlined, followed by the presentation of results in the form of four perspectives on the business model concept, the static perspective, the dynamic perspective, the strategic perspective, and the operational perspective. Drawing on these four perspectives, a definition of business model innovation and a summary on the process of business model innovation is provided. The chapter closes with establishing a link between business model innovation and dynamic capabilities, outlining what it entails to investigate processes of business model innovation through a dynamic capabilities lens, which leads to a specification of the research question.



## 2.1 Approach to Literature Review

### 2.1.1 Data Collection

In order to answer the literature review questions, a custom data set was created using a two-step process.

First, a *sample of publications* to review for statements providing an answer to the two research questions outlined above was created.

Second, statements from this sample of publications were extracted and a *database of statements* containing statements on (1) definitions, role and purpose and components of business models, and statements on (2) business model innovation in established organisations in general, and (3) the processes of business model innovation in particular, was created.

#### 2.1.1.1 Sample of Publications

The most recent literature review of the business model literature was undertaken by Zott et al (2011). They searched the EBSCO Business Source Complete database for academic articles containing the term '*business model*' in the title, abstract, or keywords published between January 1975 and December 2009. Their final sample contained 103 publications, of which 93 were listed in the published article reference section. These 93 publications formed the basis of this study.

Next, the Zott et al (2011) search in the EBSCO Business Source Complete database for academic articles containing the term '*business model*' in the title, abstract, or keywords was repeated for the time period from January 2010 to December 2012. The resulting 444 publications were processed using the Zott et al (2011) inclusion criteria:

"First, to be included in our review, an article must deal with the business model concept in a nontrivial and nonmarginal way. Second, an article also must refer to the business model as a concept related to business firms (as opposed to, e.g., economic cycles). Finally, the journal in which the article appeared must be ranked in the ISI Web of Knowledge." (Zott et al. 2011, 1021)

Applying these criteria to the 444 publications led to an exclusion of 413 publications. Of the resulting 31 publications, 12 were already included in the 93

initial references. The remaining 19 publications were added to the publications sample.

The Zott et al (2011) references also included articles from Harvard Business Review. As the Harvard Business Review is listed as a periodical under “Magazines” in EBSCO, and not as an academic journal, a separate search for articles in Harvard Business Review was carried out. After a review of the abstract and, where necessary, complete articles, 17 of the resulting 22 articles were excluded based on the criteria of dealing with the business model concept in a nontrivial way and using the concept related to business firms. The remaining 5 articles were added to the sample, resulting in a total of 117 publications at this stage.

In order to further extend the sample, sources from two former literature reviews were included. Christiansen and Varnes (2010) listed 43 publications in their literature review, 23 of which were already included in the sample at this stage. Klang et al (2010) listed 40 publications, with 24 already included. The remaining 20 and 16 publications were added to the sample, resulting in a total of 153 publications.

Through reading these 153 articles in depth, further publications emerged that appeared relevant (e.g., definitions cited, references made to publications on business models or business model innovation) and which were included on the basis of providing an answer to the research questions of this literature review. This led to the addition of another 30 publications, resulting in a total, final sample of 183 publications. Appendix A outlines the publications included in the sample by sampling step. Table 2 provides an overview of the statistics of the 183 publications, which represent a total of 167 authors and author teams.

**Table 2 - Publications Sample Statistics**

<b>Item</b>	<b>Count</b>
Academic articles	108
Managerial articles	34
Books	19
Conference papers & proceedings	7
Working papers	7
Book chapters	5
Dissertations	2
Survey Reports	1
<b>Total</b>	<b>183</b>

#### *2.1.1.2 Sample of Statements*

The 183 publications were read and reviewed in depth for (1) definitions of the business model concept, (2) statements on the role and purpose of the business model concept, (3) lists of components, elements and building blocks of a business model, (4) statements on business model innovation in established organisations, and (5) statements on how established companies change and/or innovate business models. A total of 588 statements were extracted from these 183 publications and collected in a dataset using Nvivo<sup>2</sup>.

These statements could be as short as a single sentence, e.g., “A business model is a framework for making money” (Afuah 2004, 2), or as long as a complete list of functions, e.g., “A business model fulfils the following functions:

- Articulates the value proposition (i.e., the value created for users by an offering based on technology);
- Identifies a market segment and specify the revenue generation mechanism (i.e., users to whom technology is useful and for what purpose);

<sup>2</sup> [http://www.qsrinternational.com/products\\_nvivo.aspx](http://www.qsrinternational.com/products_nvivo.aspx)

- Defines the structure of the value chain required to create and distribute the offering and complementary assets needed to support position in the chain;
- Details the revenue mechanism(s) by which the firm will be paid for the offering;
- Estimates the cost structure and profit potential (given value proposition and value chain structure);
- Describes the position of the firm within the value network linking suppliers and customers (including identifying potential complementors and competitors); and
- Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals” (Chesbrough and Rosenbloom 2002, 355).

To avoid the need for reviewing the publications twice, statements referring to the two questions for the literature review were extracted simultaneously. To facilitate the analysis, the statements were kept in two separate lists as internal sources in Nvivo.

Table 3 provides an overview of the complete sampling methodology applied to create the data set.

**Table 3 - Data Collection Methodology**

<b>Step</b>	<b>Selection and assessment</b>	<b>Sample</b>
1	Collection of Zott et al (2011) references	93 publications
2	Extend the Zott et al (2011) approach to the time period Jan 2010 – Dec 2012	444 publications found
3	Application of the Zott et al (2011) inclusion criteria	413 excluded 31 publications remaining
4	Elimination of publications already included in the initial 93 sources	19 excluded 12 included
5	Harvard Business Review articles added, based on inclusion criteria	22 articles found 17 excluded 5 included
6	Christiansen and Varnes (2010) references added. Duplications already in the sample were excluded	43 publications in total 23 duplications excluded 20 included
7	Klang et al (2010) references added. Duplications already in the sample were excluded	40 publications in total 24 duplications excluded 16 included = 153 publications
8	Addition of publications found during the review of the sample	30 publications added = 183 publications in total
9	Review of the 183 publications and extraction of statements on definitions, role and purpose, and components of the business model concept, and business model innovation in established companies	290 statements on business model concept 298 statements on business model innovation = 588 statements in total

### 2.1.2 Data Analysis

Coding and analysis of the statements was done in two parts. Part 1 focused on the statements on the business model concept, part 2 on the statements on business model innovation.

First, each statement on the business model construct was reviewed and the concepts referred to were coded inductively as definitions, role and purpose, and components of the business model.

Definition statements were defined as being statements of the type “A business model *is*...”. These statements focus on the business model as an object of analysis.

Role and purpose statements were defined as statements of the type “A business model *does*...” or “The function/goal/purpose/role of a business model is to...”. Role and purpose statements focus on results or a certain type of result.

Components and elements statements were defined as statements of the type “A business model *consists of*...”, explicitly listing components, elements, or building blocks.

If statements consisted of multiple parts belonging to more than one of these categories, the various parts of the statements were coded under the category they belong to.

For example: “A business model is a framework for making money.” (Afuah 2004, 2) “Framework” was coded as a definition, “making money” as a role and purpose.

Next, the various codes were clustered within the three categories according to meaning and the concepts they refer to. These clusters and the main themes emerging within the clusters were summarised in the form of a comprehensive ‘content inventory’. This ‘content inventory’ served the purpose of providing a comprehensive overview of the content of the 290 statements collected on the business model concept. A summary of this inventory of definitions, role and purpose statements, and components is presented in Table 4.

**Table 4 - Inventory of Statements on the Business Model Construct**

Definitions	Role and Purpose	Components
<p><i>The business model as the way the company operates and does business</i></p> <ul style="list-style-type: none"> <li>- The way products and/or services are sold to customers</li> <li>- The way profit, revenues, incomes and/or cash is generated</li> <li>- The way transactions and exchanges between the parties involved are carried out</li> <li>- How the necessary activities and processes for doing business are being carried</li> </ul>	<p><i>Create, offer and deliver value and benefits for customers</i></p> <p><i>Capture value</i></p> <p><i>Create value for stakeholders</i></p> <p><i>Describe</i></p> <ul style="list-style-type: none"> <li>- How the firm makes money, generates revenues and profits</li> <li>- Transactions, what is being exchanged as part of these transactions, who participates and how the relationships are governed</li> <li>- How the firm organises itself to create and distribute value, including organisational architecture, structure and processes</li> <li>- How the company operates including, activities and how they are being executed</li> <li>- A way or logic of doing business and how the business works</li> <li>- How value is created, delivered and captured</li> </ul>	<ul style="list-style-type: none"> <li>- Financials, Revenues, Profit, Pricing, Cost</li> <li>- Resources, Assets, Capabilities, Competencies</li> <li>- Activities, Processes</li> <li>- Strategy, Competitive Advantage, Differentiation, Positioning</li> <li>- Value Proposition, Benefits, Solutions</li> <li>- Network, Partners, Suppliers, Ecosystem</li> <li>- Customers, Customer Segments, Target Market</li> <li>- Offering, Products, Services</li> <li>- Governance, Relationships, Collaboration</li> <li>- Organisation</li> </ul>
<p><i>The business model as architecture/design/system/configuration</i></p> <ul style="list-style-type: none"> <li>- The configuration, architecture or structure of the organisation, including people, assets, and capabilities</li> <li>- The structure, configuration and system of activities, processes, product, service, and information flows and transactions, and, which internal and external units perform these</li> <li>- The linkages between the various elements of this system</li> </ul>	<p><i>Analyse</i></p> <ul style="list-style-type: none"> <li>- Nature, structure, functioning, architecture and operations of a specific company</li> <li>- Relationship among the structural elements</li> <li>- How it works</li> </ul>	
<p><i>The business model as the logic for value creation and capture</i></p> <ul style="list-style-type: none"> <li>- Activities that create value</li> <li>- Processes designed to create value</li> <li>- Technology choices</li> <li>- Assumptions about how to create and capture value</li> </ul>	<p><i>Decision Making</i></p> <ul style="list-style-type: none"> <li>- Conceptualisation and design of activities for value creation</li> <li>- Identification of outsourcing opportunities and improving the current operations</li> <li>- Cost and profit potential estimations</li> <li>- Formulation of competitive strategy and strategy choices</li> <li>- Positioning the organisation in the value chain</li> <li>- A structured approach for idea generation</li> </ul>	
<p><i>The business model as a description</i></p> <ul style="list-style-type: none"> <li>- How companies work, operate and conduct business</li> <li>- How they create and deliver value to customers, stakeholders and the firm itself</li> <li>- Transactions with all the firm's external stakeholders</li> <li>- Organisational architecture</li> <li>- Financials, revenue streams and how to make money</li> <li>- Products and services offered</li> <li>- Interactions and relationships between core components and elements</li> <li>- Actors and their roles</li> </ul>	<p><i>Action and Management</i></p> <ul style="list-style-type: none"> <li>- Guide execution</li> <li>- Focusing on implementation</li> <li>- Communication and instruction</li> <li>- Initiating action</li> <li>- Alignment among external and internal stakeholders</li> <li>- Realizing the business structure</li> <li>- Execution of the business model strategy</li> </ul>	
<p><i>The business model as a recipe/blueprint/plan</i></p>		
<p><i>The business model as a tool</i></p>		

The outlined approach was then repeated on the statements on business model innovation: Statements and the concepts referred to were coded inductively, followed by multiple reviews of the codes and clustering of codes according to themes and concepts referred to. Once clusters had been identified, an extensive inventory of these clusters and the themes within them was written.

Through several cycles of reviews of the full 'content inventories', the statements and the original articles, the following four perspectives on the business model phenomenon, were developed.

## **2.2 Four Perspectives on the Business Model Phenomenon**

### **2.2.1 The Static Perspective**

The static perspective is interested in defining what a business model is, focusing on providing conceptual, textual and/or graphical (Al-Debei and Avison 2010) descriptions and representations of business models, often decomposing them into elements or building blocks.

Business models are seen as "units of analysis" (Zott and Amit 2007) and "organisms for investigation" (Baden-Fuller and Morgan 2010):

- Depicting the way a company works, operates and does business (e.g. Betz 2002; Casadesus-Masanell and Ricart 2007; Chesbrough 2007; Demil and Lecocq 2010; Magretta 2002; Teece 2007, 2010; Wirtz 2011; Yip 2004; Zott and Amit 2010);
- Outlining the architecture or configuration of the organisation, activities, processes, and resources necessary to conduct business including the interdependencies among these elements (e.g. Afuah 2004; Baden-Fuller and Morgan 2010; Bock et al. 2010; Casadesus-Masanell and Ricart 2010; Davenport et al. 2006; Demil and Lecocq 2010; Doz and Kosonen 2010; George and Bock 2011; Santos et al. 2009; Timmers 1998; Zott and Amit 2008);
- Illustrating how the company generates revenues and makes profits (e.g. Afuah 2001; Baden-Fuller and Morgan 2010; Chesbrough 2010; Davenport et al. 2006; Demil and Lecocq 2010; Linder and Cantrell 2001; Richardson 2008; Teece 2007, 2010); and



- Defining how the company creates value for customers and captures value for itself (e.g. Afuah 2004; Chesbrough 2007; Davenport et al. 2006; Demil and Lecocq 2010; Osterwalder and Pigneur 2010; Osterwalder et al. 2005; Zott and Amit 2010).

As tools these business model representations enable the description and analysis of business models, and thus form the basis for comparison of companies, their business models and performance differences. As blueprints of future states or models to be replicated, they enable decision-making, communication and foster action towards the new state.

Although a large amount of single components can be identified in the literature, they can be grouped into a limited number of clusters based on the concepts referred to. Table 5 provides an overview of these component clusters and shows the number of references identified within the 290 statements on the business model concept.

**Table 5 - Business Model Component Clusters**

<b>Component Clusters</b>	<b>Number of References</b>
Financials, Revenues, Profit, Pricing, Cost	69
Resources, Assets, Capabilities, Competencies	62
Activities, Processes	49
Strategy, Competitive Advantage, Differentiation, Positioning	37
Value Proposition, Benefits, Solutions	33
Network, Partners, Suppliers, Ecosystem	30
Customers, Customer Segments, Target Market	29
Offering, Products, Services	23
Governance, Relationships, Collaboration	15
Organisation	15
Others (sum of single counts)	11
<b>Total</b>	<b>373</b>

The approaches taken towards defining business models can be distinguished by the scope of the definition, i.e., the number of components and concepts referred to for making sense of how business is conducted, activities are organized, revenue is generated and value is being created.

Advocates of ***broader definitions*** refer to a wide and diverse range of components and concepts to make sense of the business model concept, including for example:

- The customer value proposition (a product, service or combination thereof helping customers to do more effectively, conveniently, or affordably a job that they have been trying to do), a profit formula (defining the way the company will capture value for itself and its shareholders) and the key resources and processes necessary to deliver the value proposition (Johnson 2010);
- Customer value propositions, customer segments, customer channels, customer relationships, key partners, key activities and key processes, as well as the revenue streams and the cost structure of the business (Osterwalder and Pigneur 2010);
- The value proposition, the market segment, revenue generation mechanisms, the structure of the value chain, complementary assets, estimated cost structure, the position of the company within the value chain and the competitive strategy of the firm (Chesbrough and Rosenbloom 2002); or
- The target customer, the customer need, the offering, how customers access the offering, the role of the company in the value chain, and the profit model (Sinfield et al. 2012).

***Narrower definitions*** on the other hand, focus on the particular aspect of *how* a firm conducts business, concentrating on activities, while neglecting other aspects, as core elements of the business model.

As exemplary proponents of the narrow approach, Amit and Zott define the business model as an activity system, decomposing it into activity system *content*, i.e., which activities are being performed, activity system *structure*, i.e., how these activities are linked and sequenced, and the exchange mechanisms between them, and activity system *governance*, i.e., who performs them, as the elements of a business model (Amit and Zott 2010; Zott and Amit 2010).

Building on Amit and Zott's definition, Santos et al. (2009) refer to four components in a business model: a *set of activities*, internal and external, *organisational units* that perform these activities, *linkages* between the activities,

made explicit by physical transactions and human relationships among the individuals within the linked organisational units, and *governance mechanisms* for controlling the organisational units and the linkages between them.

Svejenova et al. (2010) focus on activities, how they are being organized and the resources necessary to perform them, just like Afuah (2004) defines the business model as a set of activities, including how and when they are being performed.

In a similar vein Casadesus-Masanell and Ricart (2010) refer to choices to be made regarding policies, determining the actions a company takes, assets and resources utilized, and governance of the former two.

While acknowledging that the broader approaches might have their advantages, Amit and Zott argue that focusing “... on the activity system as the level of analysis, and on the activity as the unit of analysis [...] fosters conceptual clarity and enhances operational simplicity” (Amit and Zott 2010, 9).

While many authors consider financials, and especially the revenue streams and revenue model as a key component of a business model (e.g., Johnson 2010; Johnson et al. 2008; Osterwalder and Pigneur 2010), Amit and Zott (2010) note that, while the business model and the revenue model are interdependent, they are nevertheless conceptually distinct.

Despite these different approaches to making sense of the business model concept, three distinctive features of the concept can be observed in the literature:

- A focus on how business is conducted;
- A holistic view, going beyond the focal firm to include customers and ecosystem partners;
- A systemic view, focusing not only on the single components, but also their interdependence.

### 2.2.2 The Dynamic Perspective

Whereas the static perspective focuses on describing business models, the dynamic perspective takes a transformational (Demil and Lecocq 2010) and process view and is interested in how change and innovation of business models happen.

Empirical research on the process of business model innovation is rare and although some authors make suggestions and outline ideas about how the process of business model innovation should work, existing literature has little to say about how processes of business model innovation actually do work in practice.

Nevertheless, two approaches have been used to make sense of the processes through which business models are being innovated.

The ***contextual approach*** focuses on the environment within which the process of business model innovation happens, describing attributes of variables such as, institutional conditions, cultural conditions, or skills, traits and characteristics of leaders, acting as key influencing and moderating factors on the business model innovation process. The process of business model innovation is perceived as being emergent, and changes happen continuously, in an evolutionary fashion, if the required antecedents are present.

Doz and Kosonen for example depict business model evolution and transformation as an outcome variable depending on the presence of strategic sensitivity (an increased awareness and attention of top management as to strategic developments), leadership unity and collective commitment (the ability to make fast and bold decisions), and resource fluidity (the ability to reallocate resources quickly) (Doz and Kosonen 2008, 2010).

Santos et al. argue that business model innovation must be accompanied by organisational change to make the innovation sustainable, while at the same time proposing that organisational changes are a prerequisite to maximising "... the opportunity and likelihood that BMI will emerge from within..." (Santos et al. 2009, 12).

While Santos et al. rather describe the organisational set up, Markides (2000, 2008) stresses the need for a questioning culture, mind-set and environment promoting continual experimentation. An innovative and creative culture (Bock et

al. 2010), which is capable of accepting the new business model (Chesbrough 2010) is required.

Other contextual antecedents of business model innovation are lean and transparent processes, globally optimized operations, flexible technologies, assets and costs (Giesen et al. 2010) and organisational designs and structures focusing management's attention on business model innovation (Bock et al. 2010).

Specific characteristics that leaders need to show are:

- Innovative leadership, effective decision-making to enable breakthrough innovation, and dynamic course correction (Giesen et al. 2010);
- Being good listeners, fast learners and possessing entrepreneurial flair (Teece 2010);
- The ability to take action, show a clear commitment towards business model innovation and support it (Chesbrough 2007b, 2010; Demil and Lecocq 2010) by mobilizing resources (McGrath 2010; Shafer et al. 2005), including human, technological, financial and networking (Afuah 2004).

Furthermore, leaders need to have a good understanding of their current business model including the interdependencies among components, as well as external factors influencing it, e.g., shifting customer needs, trends, risks, threats and uncertainties, potentially having an impact on the business model (Demil and Lecocq 2010; Giesen et al. 2010; Mansfield and Fourie 2004; McGrath 2010; Teece 2010).

While Mitchell and Coles specifically argue that CEOs will not be actively involved in the process of business model innovation, but instead focus on setting the stage and establishing the necessary environment for business model innovation to emerge (Mitchell and Coles 2004a), Sosna et al. (2010) found in one case study that the owner-manager was key in driving the efforts of changing and innovating the business model.

The contextual factors put forward are, in most instances, developed conceptually and described rather generically, without any empirical grounding in the context of business model innovation. As the above examples illustrate, the contextual factors put forward are quite diverse and seem to be rather arbitrary.

The *rational<sup>3</sup> approach* focuses on actions and activities by individuals and organisations driving the business model innovation process. The process of business model innovation is seen as being composed of activities people and organisations do and practice.

Activities described in the literature can be grouped into four stages or phases of the business model innovation process in established companies.

(1) *Understanding*: The purpose of the understanding stage is the identification of opportunities for business model innovation and threats to the existing business model. Activities fostering understanding include, analysing the company, its existing business model, core capabilities, strategic assets and available technologies (e.g. Applegate 2001; Giesen et al. 2010; Johnson et al. 2008; Linder and Cantrell 2001; Skarzynski and Gibson 2008; Teece 2007, 2010; Wirtz 2011), exploring markets and customer needs (e.g. Chesbrough et al. 2006; Chesbrough and Rosenbloom 2002; Eyring et al. 2011; Johnson et al. 2008; Osterwalder and Pigneur 2010; Sinfield et al. 2012; Teece 2007, 2010), and evaluating the broader external environment, for trends that might have an impact on the current business model (e.g. Auer and Follock 2002; Teece 2010).

(2) *Developing the new business model*: The purpose of the second stage is the development of a new business model or multiple business model alternatives. Developing the new business model, and specifically the question of which components to focus on, is driven largely by the definition of the business model concept authors favour (Amit and Zott 2010) as we have seen in the static perspective. Activities in this phase include designing (e.g. Björkdahl 2009; Osterwalder and Pigneur 2010), modelling the new business model (Chesbrough 2010), and creating blue prints (Eyring et al. 2011; Johnson et al. 2008).

Several routes to developing ideas for new business models have been proposed. Teece (2010) for example suggests segmenting the market, creating a value proposition for each segment, design mechanisms to capture value from each segment, figure out how to block imitation by

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<sup>3</sup> The term 'rational' was inspired by Birkinshaw et al.'s (2008) use of the term to label an action and activities perspective on management innovation.

competitors, and disintermediation by customers and suppliers. In a similar fashion, Mitchell and Coles (2004b), Johnson et al. (2008), Giesen et al. (2010), and Eyring et al. (2011), suggest to start with defining the customer value proposition, i.e., what need or 'job-to-be-done' the customer has, and how this need can be best satisfied.

Input and inspiration for ideas can come from internal, i.e., brainstorming (Sinfield et al. 2012), as well as external sources, i.e., competitors, customers, suppliers, partners, industry experts, and other industries (Applegate 2001) and open innovation approaches (Yunus et al. 2010). It is suggested to develop multiple alternative business models, which should then be tested and evaluated (Chesbrough 2010; Santos et al. 2009; Teece 2010; Wirtz 2011).

- (3) *Evaluating business model ideas*: The purpose of the evaluation stage is to learn about which business model ideas hold the highest likelihood of being successful, and allowing for corrections of the business model before committing to major strategic and operational changes or financial investments and other resources (Chesbrough 2010; Eyring et al. 2011; Thompson and MacMillan 2010). Besides conventional activities, e.g., feasibility checks, evaluating the potential profitability (Gordijn 2005; Gordijn and Akkermans 2001), capabilities and resources required (Applegate 2001) and the scope of changes to the existing model necessary (Johnson et al. 2008), experimentation, as an activity for testing, learning and adapting business model ideas, receives by far the most attention in the literature (e.g. Baden-Fuller and Morgan 2010; Casadesus-Masanell and Ricart 2007; Chapman Wood 2007; Chesbrough 2007, 2010; Magretta 2002; Markides 2008; McGrath 2010; Mitchell and Coles 2004a, 2004b; Svejnova et al. 2010; Teece 2010).

The interest in experimentation is driven by the assumption of business model innovation yielding a high level of uncertainty, ambiguity, and risk, making conventional planning ineffective and learning by doing a necessity. As no data is likely to be available for predicting the success of a business model innovation, experimentation will generate the information necessary for decision-making and should be favoured over conventional analysis (Chesbrough 2010; McGrath 2010). The, often implicit, assumption is that a

multitude of business model ideas and complete business models need to be tested through prototyping and experimentation in order to receive feedback in practice and learn which one is most likely to be successful, before committing to a specific business model (Chesbrough 2010). Andries and Debackere (2006) illustrate for example, how experimentation consists of different 'episodes' of testing a certain direction, exploring new directions, and experimenting with more or less related business models.

Besides generating data on which business model ideas work best, experimentation is also suggested for testing the key assumptions underlying the business model innovation (Govindarajan and Trimble 2011; Hayashi 2009; Johnson and Suskewicz 2009; McGrath 2010). Whereas Chesbrough (2007) asserts that experiments can only happen in the real world, on the existing business model, McGrath (2010), as well as Sinfield et al. (2012) suggest to perform thought experiments before proceeding to marketplace experimentation, and Baden-Fuller and Morgan (2010) distinguish between thought experiments, experiments on schematic models and real-life experiments.

- (4) *Implementing the business model*: The purpose of the final stage is the implementation and scaling up of the business model after it has been successfully tested. Before the business model can be rolled out, it needs to be adapted to handle higher volumes and buy-in from key stakeholders needs to be obtained (Chesbrough 2007b). The notions of 'roll out' and 'scaling up' a business model implicitly contain the assumption that business model experiments can be conducted on a small scale, without impacting the existing business model. Activities in the implementation stage include adjusting the formal and informal organisation, including activities, processes, structures and culture (Bock et al. 2010; Demil and Lecocq 2010; Santos et al. 2009), changing the company's identity (Bouchikhi and Kimberly 2003), and activities for leading change (Chesbrough 2010), including communication, performance measurements, reward and feedback processes (Bieger and Reinhold 2011; Mitchell and Coles 2004b). Johnson et al. (2008) stress the need for a 'roadmap' outlining how the business model innovation will be rolled out. A key question regarding implementation is that of whether the business model



innovation should be implemented in a new business or organisational unit, or within the existing business. Whereas Govindarajan and Trimble (2005a, 2005b) for example suggest that it is necessary to set up a new entity, Markides (2008) doubts it will be needed in every context.

As with the contextual conditions prescribed, the activities proposed predominantly stem from conceptual thinking, not from empirical observation, and are presented at a rather high level of abstraction, outlining which activities are likely to be necessary, but offering little insight into how activities work in detail, or how the activities are being executed in practice.

Despite the different approaches used to make sense of the process of business model innovation, commonalities as to the characteristics of the business model innovation process and its associated challenges can be observed in the literature:

- Business model innovation processes yield high risk, ambiguity and uncertainty;
- Therefore they require a considerable amount of learning through experimentation and trial and error;
- This necessity for 'learning by doing' implies an iterative process of testing, learning, adapting, testing, etc., which is likely to require time and resources.

### **2.2.3 The Strategic Perspective**

The strategic perspective is concerned with the question of how business models can create value for multiple stakeholders. It is concerned with the purpose of business model innovation and change, trying to answer, why business model innovation and change are important and what the potential benefits of business model change in general and innovation in particular might be.

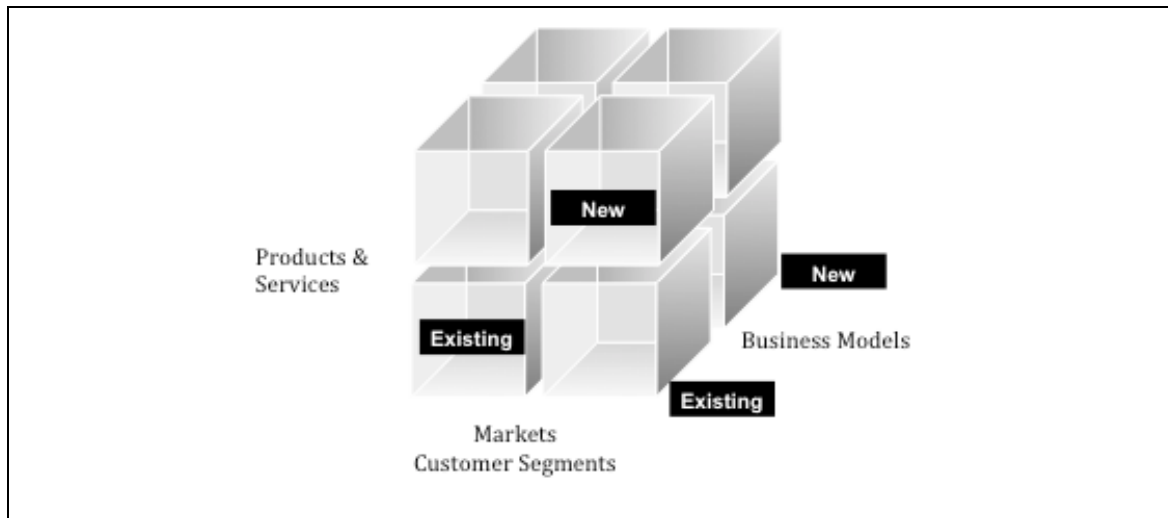
Traditionally businesses have been defined by their strategic choices of which markets to serve and which products to sell. The strategic perspective focuses on the business model, and especially the outcomes of business model innovation, as a source of value creation that is distinct from the firm's product / market position (Christensen 2001; Zott and Amit 2008). As such the business model becomes as a third strategic choice to be considered through which firms can compete (Amit and Zott 2014; Casadesus-Masanell and Ricart 2010). Not only is the choice of the

business model a strategic one, but also the choices regarding individual components can be seen as strategic (Casadesus-Masanell and Ricart 2010; McGrath 2010; Shafer et al. 2005; Tikkanen et al. 2005). As such, strategy involves the choice of business models as a complement to product and market decisions, and can thus be clearly distinguished from the later.

The three dimensions are not necessarily independent from each other though. Whereas it is possible to launch a new product or enter a new market without changing the business model, to do so successfully might be dependent on the choice of the business model and require business model change and innovation. Zott and Amit (2008) suggest that choices of products, markets and the business model act as complements, and a fit between the three dimensions can enhance company performance, especially in the case of 'novelty-centred', i.e., innovative, business models. This raises the question of how innovative the business model needs to be in order to create the potential benefits. While Yunus et al. (2010), Hamel (2000), or Linder and Cantrell (2001) advocate radical change and innovation, Amit and Zott (2010) propose that benefits can be gained from subtle changes.

The strategy cube (Figure 2) illustrates the focus on the business model as a third choice of strategic management, next to the traditional choices of markets and products. In this third dimension, value is not created through product innovation or entering a new market, but through innovating the specific way a company operates, which activities it performs and how these are being orchestrated.

Business model innovation has thereby simply been defined as introducing changes, innovations, improvements and replacements to existing business models (e.g., Demil and Lecocq 2010; Gambardella and McGahan 2010; Markides 2006; Mitchell and Coles 2004b; Santos et al. 2009).

**Figure 2 - The Strategy Cube**

Source: Own representation

The following drivers of business model innovation and change can be found in the literature:

- Internal drivers include, the need to commercialize a new technology (Björkdahl 2009; Pateli and Giaglis 2004), new products or services (Giesen et al. 2010), the decline of the current business model's success (Govindarajan and Trimble 2011; Linder and Cantrell 2001), or the need to enter new emerging markets (Casadesus-Masanell and Ricart 2011).
- External drivers include, the need to respond to external threats and environmental changes, e.g., competitor moves (Cliffe 2011; Linder and Cantrell 2001), rising resources cost, or the emergence of substitutes (Demil and Lecocq 2010; Doz and Kosonen 2010), economic turbulence (Giesen et al. 2010), shifting customer preferences (Giesen et al. 2010; Linder and Cantrell 2001), or governmental interventions (Wirtz 2011).

In terms of potential benefits, three classes of benefits, expressed here as three different value propositions, can be distinguished as potential outcomes of business model innovation.

- (1) *The Customer Value Proposition*: One purpose of the business model is to create benefits and value for specific, targeted customers (Afuah 2004; Björkdahl 2009; Davenport et al. 2006; Demil and Lecocq 2010; Mäkinen and Seppänen 2007; Osterwalder et al. 2005; Teece 2010; Zollenkop 2006). Such value is created through producing, offering and delivering products

and services that customers want and which fulfil their needs (Afuah 2004; Brousseau and Penard 2006; Itami and Nishino 2010; Santos et al. 2009).

Two approaches towards defining the customer value proposition can be distinguished in the literature. The first approach uses the customer value proposition as a synonym for the offering of products and services (Afuah 2001; Anthony et al. 2008; Bieger and Reinhold 2011; Kachaner et al. 2011; Kindström 2010; Patzelt et al. 2008; Richardson 2008; Wikström et al. 2010), whereas the second approach defines the customer value proposition as a function of the targeted customer segment, the customer need or job-to-be-done and the solution offered by the company (Al-Debei and Avison 2010; Dubosson-Torbay et al. 2002; Giesen et al. 2010; Halme et al. 2007; Johnson 2010; Osterwalder and Pigneur 2010; Yip 2004; Yunus et al. 2010).

Consider for example Anthony et al. representing the first approach: "The customer value proposition ... defines the product(s) and/or service offering(s) an enterprise delivers to its customers at a given price" (Anthony et al. 2008, 137). Johnson on the other hand defines the customer value proposition as "... a product, service or combination thereof that helps customers do more effectively, conveniently, or affordably a job that they've been trying to do. The CVP describes how a company creates value for a given set of customers at a given price" (Johnson 2010, 239).

Or Osterwalder and Pigneur define the value proposition as "... the bundle of products and services that create value for a specific customer segment" which "... solves a customer problem or satisfies a customer need" (Osterwalder and Pigneur 2010, 22). In this view the customer value proposition can also consist of non-product or service related features, like the customer experience, the reduction of cost or risk, design, convenience and accessibility for example (Eyring et al. 2011; Johnson 2010; Osterwalder and Pigneur 2010).

Whereas the first view focuses on the offering, the second approach emphasises the customer, asking about the benefits of the offering for the customer (Halme et al. 2007; Hamel 2000; Skarzynski and Gibson 2008) or the customer need that is being fulfilled (Al-Debei and Avison 2010; Osterwalder and Pigneur 2010).

(2) *The Firm Value Proposition*: Besides only creating value for the customers, the business model creates value for the company itself (Afuah 2004; Chesbrough 2007; Johnson 2010; Mäkinen and Seppänen 2007; Teece 2010). These benefits can be threefold. Strategic benefits include competitive advantage through differentiation, a unique position in the market and the creation of superior value for the customer (Afuah 2004, 2001; Chesbrough 2007; Demil and Lecocq 2010; Hamel 2000; Itami and Nishino 2010; Kindström 2010; Morris et al. 2005; Shafer et al. 2005; Skarzynski and Gibson 2008; Wirtz 2011; Zollenkop 2006), market share, brand and reputation (Applegate 2001), and the exploitation of business opportunities (Bock et al. 2010; George and Bock 2011; Zott and Amit 2010), e.g., through the commercialisation of new technologies (Al-Debei and Avison 2010; Andries and Debackere 2006; Chesbrough and Rosenbloom 2002; Doganova and Eyquem-Renault 2009).

Operational benefits include higher flexibility and speed in terms of reaction to the market, higher degrees of asset utilisation and inventory turnover (Pohle and Chapman 2006).

Financial benefits include increased performance in terms of growth in revenues, lower cost, and thus higher profits, reduced capital investment, and the transformation of fixed cost into variable cost (Afuah 2004, 2001; Björkdahl 2009; Davenport et al. 2006; Gambardella and McGahan 2010; Pohle and Chapman 2006; Teece 2010).

(3) *The Ecosystem Value Proposition*: Finally, value should not only be created for and captured by customers and the company itself, but also for other stakeholders and parties involved in the wider ecosystem (Applegate 2001; Björkdahl 2009; Davenport et al. 2006; Johnson 2010; Mahadevan 2000; Seddon et al. 2004; Zott and Amit 2010). Although this value is not further specified in the literature, it can have the same forms as the value created by the focal firm and be of strategic, operational and financial nature.

## **2.2.4 The Operational Perspective**

The focus of the operational perspective, which received little attention in the literature to date, is on operating, managing and controlling business models once they have been implemented, with the objective to fully exploit the growth and

profit potential of the business model (Linder and Cantrell 2001). A key aspect of business model management seems to be the need for continuous improvement of the business model's performance through adjustments (Mitchell and Coles 2004b; Morris et al. 2005; Osterwalder and Pigneur 2010), which requires the right kind of measurements, reward and feedback mechanisms (Mitchell and Coles 2004b), while continuously optimizing cost and managing quality (Wirtz 2011). Wirtz (2011) distinguishes between three modes of business model management, the entrepreneurial mode, with a focus on growth, the adaptive mode, with a focus on continuous adjustment to a changing environment, and the planning mode, with a focus on both, growth and efficiency, arguing that different modes are appropriate for different stages in the business model's life cycle. He further adds business model controlling as an important function of management to constantly assess performance in terms of fulfilment of customer demands and profitability. A constant controlling and monitor of the current business models performance, may be needed to indicate when it is time to consider changing and innovating the business model.

Table 6 provides an overview of the key features of the four perspectives on the business model phenomenon.

**Table 6 - Key Features of Four Perspectives on the Business Model Phenomenon**

<b>Features</b>	<b>Static Perspective</b>	<b>Dynamic Perspective</b>	<b>Strategic Perspective</b>	<b>Operational Perspective</b>
Key question addressed	What is a business model?	What are the processes of business model innovation and change?	How to create value through the business model?	How to manage business models for performance?
Key topics of interest	Definitions, components and building blocks	Contextual factors and activities of the processes of business model innovation and change	Outcomes and benefits of the business model and business model innovation and change in terms of value for customers, the firm and the ecosystem	Management, measurement, controlling, continuous improvement
Main approaches	Narrow definitions vs. broad definitions	Contextual approach vs. rational approach	Subtle change vs. radical innovation	Continuous adjustment for efficiency and / or growth

The four perspectives on the business model phenomenon proposed draw clear concept boundaries and further extend current understanding of the business model concept. While acknowledging the multitude of perspectives and approaches for making sense of the business model phenomenon, they clearly separate the various streams. The four perspectives are not mutually exclusive, but rather enable a better understanding and a more holistic picture of the business model concept. Furthermore they allow to position existing and future research more precisely.

## 2.3 A Framework of Business Model Innovation

Drawing on the four perspectives on the business model phenomenon developed above, the questions posed by this literature review can be answered. To synthesise the four perspectives into a framework of business model innovation, the operational perspective seems less relevant. While the static perspective is vital to describing the actual business model, as well as the new business model, the dynamic perspective provides insights on the process of business model innovation, whereas the strategic perspective adds an outcome dimension to the framework.

### 2.3.1 Defining Business Model Innovation

For the purpose of this study, business model innovation will be defined as a specific type of innovation, focusing on a focal firm's business model as the unit of innovation. Drawing on the static perspective and considering the strategic perspective, the business model will be defined using the narrow approach, focusing on the business model as an activity system.

As for the components of the business model, building on the Amit and Zott (2010) definition of a business model as an activity system, the following components, will be used:

- *Activity System Content*: Refers to the choice of activities to be performed.
- *Activity System Structure*: Refers to how these activities are linked and sequenced.
- *Activity System Governance*: Refers to who performs these activities including the internal and external organisational units, and the links, i.e., the transactions and the relationship between them.

This narrow definition, focusing on the specific activities of how a focal firm does business, is in line with the strategic perspective, focusing on the business model as a source of superior value creation for customers, the firm itself, and the ecosystem, complementing the traditional strategic choices of products and markets.

For the purpose of this study, the revenue model will be kept separate from the business model, and highlighted separately only if necessary.



In summary, for the purpose of this study, business model innovation will be defined as a specific type of innovation, introducing innovations to the components – i.e., activity system content, structure, and governance – of a firm's business model that can be subtle or radical, with the objective to create superior value for customers, the firm itself and the ecosystem.

### **2.3.2 The Process of Business Model Innovation**

The second objective of this literature review was to answer the question of what extant literature tells us about the processes through which business model innovations come into existence. As we have seen, two approaches have been used to make sense of such processes: the contextual approach describing variables influencing the process, and the rational approach, describing activities constituting the process of business model innovation. These activities have been grouped into stages of the business model innovation process: understanding, development, evaluation, and implementation. Experimentation as an activity for 'learning by doing' has received considerable attention, motivated by the assumption that data for decision-making as to the success of business models is limited and cannot be gathered through analysis, and thus needs to be created through trial and error.

The process of business model innovation is initiated by internal and external triggers, which can be summarised as the wish to exploit business opportunities and the need to fend off threats.

## **2.4 Framing Business Model Innovation as a Dynamic Capability**

The dynamic capabilities paradigm has been suggested as an appropriate lens for investigating business model innovation and the processes through which it comes about for a number of reasons:

- (1) First, business model innovation has been labelled as a dynamic capability itself (Agarwal and Helfat 2009; Andries and Debackere 2006; Augier and Teece 2009; Chesbrough 2010; Harreld et al. 2007; Helfat et al. 2007; Sosna et al. 2010; Subramanian et al. 2011; Teece 2007, 2009, 2010).
- (2) Second, it has been argued that dynamic capabilities are well-suited for studying various types of innovation processes, including processes of business model innovation (Lawson and Samson 2001).
- (3) Third, managerial and organisational activities and processes are central to the dynamic capabilities theory (Helfat et al. 2007).

### **2.4.1 Defining Dynamic Capabilities**

The dynamic capabilities framework is seen as an advancement of the resource-based view of the firm (Barreto 2010; Easterby-Smith et al. 2009; Eisenhardt and Martin 2000; Helfat et al. 2007). Whereas the resource based view "... is considered to be essentially static in its nature ..." (Barreto 2010, 259), the dynamic capabilities approach is concerned with the intentional change of an organisation's resource base (Ambrosini and Bowman 2009; Eisenhardt and Martin 2000; Helfat et al. 2007; Winter 2003). The concept of 'resource base' is being used in a broad sense to include tangible, intangible assets, as well as human resources the organisation owns, controls or has access to (Eisenhardt and Martin 2000; Helfat et al. 2007; Helfat and Peteraf 2003; Teece 2007).

Helfat et al. define dynamic capabilities as "... the capacity of an organisation to purposefully create, extend, or modify its resource base" (Helfat et al. 2007, loc 96) and include the function of dynamic capabilities is "... to identify the need or opportunity for change, formulate a response to such a need or opportunity, and implement a course of action" (Helfat et al. 2007, loc 99).

In a similar vein, Teece (2007, 2009, 2010) disaggregates dynamic capabilities into three capacities: “ ... the capacity to (1) sense and shape opportunities and threats, (2) seize opportunities, and (3) maintain competitiveness through enhancing, combining, protecting and reconfiguring the enterprise’s intangible and tangible assets” (Teece 2007, 1319).

More specifically, dynamic capabilities have been defined as “... specific and identifiable processes ...” (Eisenhardt and Martin 2000, 1105; Helfat et al. 2007), routines and activities (Barreto 2010; Eisenhardt and Martin 2000; Helfat et al. 2007; Rosenbloom 2000; Salvato 2003; Salvato and Rerup 2010; Teece 2007, 2010; Teece et al. 1997; Zollo and Winter 2002), whose role is to change the firm’s resource base (Ambrosini and Bowman 2009; Eisenhardt and Martin 2000; Helfat et al. 2007; Teece 2007).

The underlying activities and practices of these processes have been grouped into ‘building blocks’ (Salvato and Rerup 2010) or ‘micro-foundations’ (Teece 2007, 2009) of dynamic capabilities and a distinction has been made between those activities and practices relating to the organisation, i.e., organisational capabilities, and those specific to management, i.e., managerial capabilities (Helfat et al. 2007; Teece 2009; Teece and Pisano 1994).

Helfat et al. (2007) have argued that, in order to understand how organisations identify and respond to opportunities or needs for change, and implement a course of action, we need to understand the underlying processes, activities and practices, going beyond describing what organisations and managers do to also understand how they do it.

Within the dynamic capabilities framework, management actions and behaviour, and their impact on the reconfiguration of the firms’ resource base, play an important role (Augier and Teece 2009; Helfat et al. 2007; Teece 2009). Entrepreneurial management seems to be required for organisations to perform the three functions of sensing opportunities, formulating responses, and implementing a course of action (Teece 2007). Managers thereby must “ ... articulate goals, help evaluate opportunities, set culture, build trust, and play a critical role in the key strategic decisions” (Augier and Teece 2009, 417), and “ ... design and implement new business models ...” (Augier and Teece 2009, 418)

Summarising the above: A dynamic capability is essentially a process, which can be decomposed into specific micro-foundations, and their underlying managerial and organisational activities and practices. The process fulfils the functions of identifying a need or opportunity for change, formulating a response, and implementing a course of action, and is applied to alter the organisation's resource base. Management plays a key role in enacting this process.

Examples of such dynamic capabilities include: new product development and innovation (Danneels 2002; Eisenhardt and Martin 2000; Lawson and Samson 2001; Winter 2003), process R&D, restructuring, re-engineering, post-merger integration (Zollo and Winter 2002), leading innovative business projects (Salvato 2003), strategic decision making and alliancing (Eisenhardt and Martin 2000), to list just a few.

It seems important to note that it is not the capabilities as such that are dynamic. Dynamic capabilities are stable phenomena acting on another stable phenomenon, namely the resource base, with the intention to change the latter one. "The dynamism consists in the interaction of the dynamic capability and the resource base, allowing the modification of this resource base." (Ambrosini and Bowman 2009, 33)

#### **2.4.2 Business Model Innovation as a Dynamic Capability**

A key feature of the dynamic capabilities concept is its concern with intentional change, including change of the business model, in order to stay competitive (Helfat et al. 2007), a focus shared with the strategic perspective on the business model outlined above.

A second key feature is the interest in managerial and organisational activities and practices, underlying dynamic capabilities, going beyond merely knowing what organisation managers and organisations do, e.g., innovate their business model, but also how they do it (Helfat et al. 2007), a concern shared with the rational perspective on processes of business model innovation.

Finally, a third key feature shared with the static perspective on the business model is the holistic view on the resource base including all types of tangible and intangible resources and assets. While the static perspective might focus on a focal

firm, it looks at the broader activity system to include activities performed by ecosystem partners (Zott and Amit 2010).

Teece (2007) lists the activities of inventing, designing, selecting, reconfiguring, and implementing viable business models as micro-foundations of seizing opportunities through new business models and reconfiguring the existing business model as a specific type of asset, stating that business model innovation is without doubt a dynamic capability.

## **2.5 Conclusion**

Framing business model innovation as a dynamic capability, the following conclusions can be drawn:

Drivers for business model innovation, in the form of opportunities or threats, which exist either within the firm or outside, need to be sensed by management and the organisation.

Management and the organisation need to be capable of formulating a response to the threats or a way to seize these opportunities. Business model innovation can be interpreted as a specific type of response, namely that of introduction innovations in the firm's business model.

And finally, management and the organisation need to be able to implement the new business model, potentially reconfiguring the existing business model as a particular type of asset.

Thus, investigating business model innovation as a dynamic capability requires looking at the processes, their micro-foundations, and the managerial and organisational activities and practices underlying these, including the role of management, through which the three functions of identifying an opportunity or need for business model innovation, formulating a response in the form of a novel business model, and implementing the new business model, are being enacted.

## **2.6 Research Questions**

As a consequence of the above, the research area and research objectives can be further specified with the following research questions:

- (1) What is the nature of such a process of business model innovation in established companies?
- (2) What is the nature of the micro-foundations, and their managerial and organisational activities and practices, underlying this process?
- (3) What are the challenges and complexities inherent to enacting this process?
- (4) What is the role of top management within this process?

Having outlined the research questions, the research design and methodology will describe how this study aims at answering them.

## 3 Research Design and Methodology

### 3.1 Research Design

#### 3.1.1 Ontological and Epistemological Positioning

*“To ensure a strong research design, researchers must choose a research paradigm that is congruent with their beliefs about the nature of reality. Consciously subjecting such beliefs to an ontological interrogation in the first instance will illuminate the epistemological and methodological possibilities that are available.” (Mills et al. 2006, 2)*

According to Bryman and Bell (2007), the continuum of ontological positions ranges from objectivism on one end to constructionism on the other, while epistemological positions can range from positivism to interpretivism, whereas Easterby-Smith et al. (2012) distinguish between realist, internal realist, relativist and nominalist ontologies and positivist and social constructionist epistemologies. If the term “constructionism” is used to denote an epistemology opposite of positivism, it expresses both the relation to the social world and the knowledge of this world (Bryman and Bell 2007).

Our ontological and epistemological positions are inextricably bonded to our personal view and beliefs of the world. Personally, I am of the opinion that we construct our realities based on our interpretations of the experiences we make and the meaning we ascribe to events taking place around us. As a consequence, I believe that there are many truths, depending on the viewpoint of the observer. Hence, my position can be denoted as constructionist / interpretivist, or relativist / constructionist respectively, depending on the nomenclature used.

What are the characteristics of these paradigms? First, both, constructionism as well as relativism, deny the existing of a single, objective reality (Bryman and Bell 2007; Easterby-Smith et al. 2012; Mills et al. 2006).

Thus, reality is not determined by objective, external factors, but instead constructed and given meaning by people and therefore depends on individuals' interpretations of their surroundings (Bryman and Bell 2007; Easterby-Smith et al. 2012; Gioia and Chittipeddi 1991; Girod-Séville and Perret 2001; Partington 2000).

Hence, "... the world consists of multiple individual realities influenced by context" (Mills et al. 2006, 2). Human action is the result of what we make of a situation, our interpretation and the meaning we assign to events rather than being merely a direct reaction to them (Easterby-Smith et al. 2012; Gioia and Chittipeddi 1991).

Second, an interpretivist epistemology is built on the belief that we gain knowledge about others' constructed realities through emphatic, interpretative understanding of human action, interpretations and meanings (Bryman and Bell 2007; Charmaz 2006; Partington 2000). This belief presupposes the assumption that research participants are "knowledgeable agents" (Gioia et al. 2013, 17), being aware and capable of explaining their thoughts and actions (Gioia et al. 2013).

Third, the constructionist / interpretivist paradigm is based on the assumption that our role as researchers is to reconstruct these interpretations and meanings (Partington 2000), while at the same time being aware that, as researchers, we construct our own interpretations, findings and conclusions of the data, rather than discovering them (Corbin and Strauss 2008). Just like readers of research construct their interpretations of the reported conclusions (Corbin and Strauss 2008).

The belief is that, as researchers, "... we are pretty knowledgeable people too" (Gioia et al. 2013, 17), capable of finding patterns in data, delineating concepts and relationships and formulating these in theoretical terms (Gioia et al. 2013), without separating who we are from our research and analysis (Corbin and Strauss 2008).

"Concepts and theories are constructed by researchers out of stories that are constructed by research participants who are trying to explain and make sense out of their experiences and/or lives, both to the researcher and themselves." (Corbin and Strauss 2008, 10)

According to Easterby-Smith et al. (2012, loc 866) the strengths of the constructionist paradigm are the "... ability to look at change processes over time, understand people's meaning, adjust to new issues and ideas as they emerge, and being able to contribute to the evolution of new theories".

The outlined characteristics will inform the research design and methodology outlined below (chapter 3.1.3).



### 3.1.2 The Nature of the Research Question

Besides the ontological and epistemological paradigm, the nature of the research question is equally important to the choice of the research design and methodology (Dey 2005).

The use of a dynamic capabilities lens, outlined in chapter 2, to make sense of how established organisations innovate business models entails a strong focus on processes, as dynamic capabilities are essentially processes (Ambrosini and Bowman 2009; Eisenhardt and Martin 2000; Helfat et al. 2007), which in turn consist of activities, events and choices made (Langley 1999). This view of process is consistent with Van de Ven's third definition of "process as developmental event sequence", as compared to "process as explanation for variance theory" or "process as a category of concepts" (Van de Ven 1992). Pettigrew (1992) argues that only such a definition of process as a sequence of events is able to describe the development and change of an issue over time. A process is seen as a continuous sequence of activities, interactions and emotional responses to situations with the objective of achieving a goal or solving a problem (Corbin and Strauss 2008).

The main characteristics of such a process definition and the challenges associated with the complexity of researching processes and analysing process data can be summarised as follows.

First, process data consist primarily of stories describing outcomes in terms of what happened, who did what, and when, (Langley 1999, 2009), and the details of these activities and events are unlikely to be documented properly. Yet the temporal dynamics, the progression and evolution of activities of individuals, and events over time are central to process research as defined above (Langley 2007, 2009; Shanley and Peteraf 2006; Van de Ven 1992). Therefore, as researchers we need to rely on a mix of historical data collected through documents and retrospective interviews (Langley 1999) to be able to reconstruct these activities and events.

Second, because of the interconnection and interaction between multiple units and levels of analysis, e.g., environments, actors, events and results (Pettigrew 1992; Shanley and Peteraf 2006), the exploration needs to go beyond the events as such and include, at least to a certain extent, the context within which events unfold

(Langley 1999). An analysis of context is necessary to understand its influence on the process and to be able to understand events (Corbin and Strauss 2008) and illuminate “how and why things ... change ... and evolve over time” (Langley 2007, 5). Moreover, besides the context and the event sequences it is also necessary to illuminate the “... underlying mechanisms which shape those events” (Pettigrew 1992, 8).

Third, as such data is likely to be of a qualitative nature, it is difficult to isolate units of analysis and draw clear boundaries between different levels of analysis (Langley 1999). The research methodology used needs to be able to handle such data and allow for conceptualisation of events and identification of patterns in events, activities, and choices (Langley 1999, 2009).

### **3.1.3 Methodological Implications**

What are the methodological implications of the constructionist / interpretivist paradigm and the nature of the research question?

The constructionist / interpretivist paradigm leads to a qualitative research strategy focusing on individuals’ interpretations of their world (Bryman and Bell 2007; Graebner et al. 2012), which are investigated mainly through contextualised research, field studies and on-site interviews (Girod-Séville and Perret 2001).

A qualitative research strategy is able to capture the complexity of process and context related phenomena, including underlying mechanisms, in concrete, rich and more nuanced detail (Bryman and Bell 2007; Corbin and Strauss 2008; Easterby-Smith et al. 2012; Graebner et al. 2012; Helfat et al. 2007; Langley 2009; Miles and Huberman 1994) than a quantitative strategy would allow (Langley 2007).

As the objectives of this study are to identify, describe, explain and understand the phenomenon of business model innovation in its natural setting, a case study design is considered as the appropriate research design (Royer and Zarlowski 2007). Case studies are not only “... the preferred method when (a) ‘how’ and ‘why’ questions are being posed, (b) the investigator has little control over events, and (c) the focus is on a contemporary phenomenon within a real-life context” (Yin 2009, 2), they are also relevant if the research question requires an “... extensive and ‘in-depth’ description ...” (Yin 2009, 4) of phenomenon and “... real life events –

such as ... organisational and managerial processes ..." (Yin 2009, 4). Inductive case studies are also "... especially appropriate in new topic areas" (Eisenhardt 1989, 532), with a lack of prior theorising and when the aim is to build theory (Eisenhardt 1989).

Inductive, qualitative case studies have also been identified as being especially appropriate to further advance our understanding of dynamic capabilities (Ambrosini and Bowman 2009; Barreto 2010; Lawson and Samson 2001; Salvato 2003; Wang and Ahmed 2007), as they allow us "... to consider what managers actually do – their specific actions and inactions ..." (Helfat et al. 2007).

Besides the qualitative research strategy, and the case study design, the grounded theory methodology was chosen. Not only does the grounded theory methodology fit the constructionist / interpretivist paradigm as outlined above (Birks et al. 2013; Charmaz 2006; Easterby-Smith et al. 2012; Mills et al. 2006; Orlikowski 1993; Urquhart et al. 2009), it has also been identified as an approach well suited for inductive research to collect, analyse and make sense of complex qualitative data in general and process and context data in particular (Bryman and Bell 2007; Charmaz 2006; Corbin and Strauss 2008; Easterby-Smith et al. 2012; Gasson and Waters 2013; Goulding 2009; Langlely 1999, 2009; Orlikowski 1993), fostering the study of actions and processes (Charmaz 2006).

Since the publication of the grounded theory methodology in 'The Discovery of Grounded Theory' by Glaser and Strauss (1967), different schools of thought on grounded theory have developed. The present study mainly draws upon (1) the 'evolved grounded theory' (Mills et al. 2006) by Corbin and Strauss (2008), primarily referring to the third edition of the text written by Corbin, which follows earlier editions by Strauss and Corbin, (2) the constructionist grounded theory by Charmaz (2006), as well as (3) the Gioia methodology (Gioia et al. 2013).

Grounded theory is a primarily inductive qualitative research method that pursues the objective of describing and explaining phenomena, as well as constructing theory, which is grounded in the data (Birks et al. 2013; Charmaz 2006; Corbin and Strauss 2008; Urquhart et al. 2009).

The methodology provides a range of systematic guidelines for collecting and analysing qualitative data, which should be applied in a flexible fashion (Charmaz 2006; Corbin and Strauss 2008).

The detailed characteristics of the grounded theory methodology and how they informed the present study will be outlined in the following research methodology section (3.2).

### **3.2 Research Methodology**

A key characteristic of the grounded theory methodology is the iteration between data collection and analysis (Birks et al. 2013; Charmaz 2006; Corbin and Strauss 2008; Dey 2005; Urquhart et al. 2009).

Data analysis starts immediately after the first data have been collected, and the emerging concepts inform further data collection. In other words, after key concepts have been elaborated through coding of the data gathered during an initial sampling phase, a theoretical sampling strategy is applied.

Theoretical sampling follows the objective to sample for concepts, i.e., data are collected with the aim to illuminate emerging concepts further in terms of their properties and dimensions. Sampling for representativeness is not a goal (Birks et al. 2013; Charmaz 2006; Corbin and Strauss 2008; Miles and Huberman 1994; Urquhart et al. 2009). As a consequence, the complete sample cannot be fully developed in the initial stages of the research (Egan 2002; Gasson and Waters 2013).

Following these concepts of initial and theoretical sampling the present study was executed in two stages, whereas the first stage followed the initial sampling approach and the second stage the theoretical sampling approach.

As interviews and archival documents have been identified as key sources of rich data for qualitative studies (Charmaz 2006; Corbin and Strauss 2008; Gioia et al. 2013; Langley 2009; Miles and Huberman 1994), data collection efforts focused on these two sources.

### **3.2.1 Stage 1 – Initial Sample**

#### *3.2.1.1 Data collection and sampling*

The purpose of the initial sample and the first data collection phase was to identify patterns and common themes of business model innovation processes and their underlying micro-foundations. To enhance confidence in the findings a multiple case sampling strategy was applied (Miles and Huberman 1994). The diverse nature of the sample allowed for richer theory development (Danneels 2002).

The initial sample consisted of five different companies, which had successfully launched a business model innovation. Details of all five research sites and their business model innovations are provided in chapter 4.2. Four of the five research sites were identified via Internet research, relying on news reports of their business model innovation and one site was identified via personal contacts (Langley and Truax 1994). In line with the research area and questions, cases were chosen based on the following criteria:

- The company had launched a business model innovation;
- The company and the business model innovation were not in the domain of e-commerce;
- The company was an established company, not a start up;
- The company seemed likely to be able to provide data pertinent to the research question (Charmaz 2006; Langley and Truax 1994).

All companies were contacted initially via email introducing the DBA candidate, outlining the purpose of the research and asking whether the contacted person would be interested in participating in the research. In all five cases, the initial contact was at the top management level, i.e., CEO, managing director, or member of the executive board. In some cases the details of the research were clarified in a follow up telephone conversation, before proceeding to an interview.

Besides the five companies participating in the research, another four companies were contacted. One did not respond, two decided after initial discussions that the effort for participating was too high, and one company had not yet launched a business model innovation, but was rather interested in a joint action research project.

Initial interviews were conducted with the first contacts. Interviews lasted about 90 minutes and were conducted face to face on site in participants' offices. Following grounded theory guidelines, interviews were initiated with very broad, open-ended questions, of the sorts "Tell me about your business model innovation", "How did it all start", "What happened next", "How did you...", "When was that", "Could you please tell me more about..." etc. (Charmaz 2006; Egan 2002). Unstructured interviews generate richer data and are especially "data dense" (Corbin and Strauss 2008, 27).

As a backup strategy to mitigate the risk of respondents getting stuck or in the case of needing more guidance through specific questions, a topic guide was developed (Corbin and Strauss 2008; Gasson and Waters 2013). The topic guide consisted of questions based on the initial framing of business model innovation as a dynamic capability developed in the literature review (chapter 2). During the initial sampling stage, the topic guide was rarely used, and if, only one or two questions were picked to keep the conversation flowing or to elucidate a certain area. The full topic guide can be found in Appendix B.

Following this first round of interviews, up to two additional interviews with people having closely participated in the business model innovation effort and having been identified as playing an important role by the initial respondent were conducted in each organisation. Interviews followed the same guidelines as outlined above and were conducted face to face where possible, or else via telephone. Interviews were deliberately kept open-ended at this point to allow for data on possibly new concepts to be gathered. Although this second round of interviews did not yet follow a theoretical sampling approach, participants were asked to talk about certain events or topics that colleagues had mentioned to gain additional perspectives on these matters, especially if the second interviewee did not explicitly refer to these topics. All interviews were audio-recorded, and additional notes were taken during the interview.

Table 7 provides an overview of the 13 interviews conducted during the initial sampling stage and interviewees' roles in the organisation. Company names are actual ones.

**Table 7 - Overview of Interviewees and their Roles by Research Site**

<b>Research Site</b>				
<b>Fahrenheit 212</b>	<b>Isovolta</b>	<b>Seven Ventures</b>	<b>Trumpf</b>	<b>Hirslanden</b>
CEO & Founder	VP R&D	Managing Director	Head of New Business Development	Managing Director
President & Founder	COO	Team member (associate level)	Group CFO	Former Head of Corporate Development
	Head of Procurement		Head of Financial Services	Head of Hospitality and Facility Management

### 3.2.1.2 Data analysis

The grounded theory methodology provides a range of guidelines on how to analyse qualitative data. Analysis is seen as a process of interacting with the data using these analytic techniques progressing from description to explanation (Corbin and Strauss 2008). This process is part art, constructing a consistent and explanatory story, using the techniques creatively and flexibly to transform the “... raw data into something that promotes understanding and increases professional knowledge ...” (Corbin and Strauss 2008, 47) and part science, by grounding concepts in the data (Corbin and Strauss 2008). “The analytic process should be relaxed, flexible and driven by insight gained through interaction with data rather than being overly structured and based only on procedures.” (Corbin and Strauss 2008, 12)

On the following pages these generic analytic strategies and methods, will be outlined along a description of how they were used throughout the study. Dey stresses that qualitative data analysis can be seen as a “series of spirals” through which “... we loop back and forth ... within the broader progress of the analysis” (Dey 2005, 272).

While the data analysis process is iterative and alternates with data collection, it pursues four main objectives:

1. Creating a data structure;
2. Analysing for context and process;
3. Establishing relationships and linkages between the categories constructed; and finally,
4. Theoretical integration.

These four building blocks represent the core of qualitative analysis, namely describing phenomena and classifying them by developing concepts that stand for the data, and making statements about how concepts interconnect (Corbin and Strauss 2008; Dey 2005), and the aims of qualitative research: description, conceptual ordering, and theorising (Corbin and Strauss 2008).

The key analytic strategies and tools employed throughout this process are (1) coding, (2) asking questions, (3) constant comparison, (4) memo writing and sorting, and (5) applying visual methods. Each of these will be explained within the four main building blocks of the grounded theory methodology. Each step of the analysis was recorded in a research journal, documenting dates and steps taken.

The findings from the initial sample, including coding categories will be outlined in chapter 4.

### **Creating a data structure**

In order to be able to analyse qualitative data, the data need to be transformed into manageable pieces, which can then be explored for ideas and concepts (Miles and Huberman 1994). Data need to be reduced and displayed in some form before conclusions can be drawn (Miles and Huberman 1994). Establishing such a data structure not only enables analysis, it also provides transparency, illustrating the connection between data, theoretical concepts, and the emerging grounded theory (Gioia et al. 2013).

The data structure for the initial sample was established and analysed for concepts performing the following four steps:

1. Transcription of the audio-recorded interviews;
2. Coding of the raw data;
3. Writing memos;



4. Analysing for concepts, i.e., clustering key themes into categories.

### ***Transcription***

First, each interview was transcribed verbatim from the audio recording, resulting in about 20 pages per interview. The transcripts were imported into Nvivo<sup>4</sup>, a computer software package for coding and analysis of qualitative data. To familiarise again with the interview, each interview was read, while listening to the audio recording. As interviews were conducted in German, the representative quotations reproduced throughout this text were translated by the researcher. To ensure meaning was preserved, research participants were shown original quotes and translations for their consent. Original versions of statements and documents are reproduced in Appendices E and F.

### ***Coding***

Next, each interview was coded. Coding is the process of assigning labels to segments of data in order to reduce the data to manageable pieces and enable analysis (Charmaz 2006; Corbin and Strauss 2008). Whereas codes can be used to merely summarise the data, they should be used in a fashion that supports the analysis, labelling pieces of data according to what they indicate, what is happening in the data and what it means (Charmaz 2006), as a basis for more theoretical interpretation (Charmaz 2006; Corbin and Strauss 2008; Miles and Huberman 1994).

Coding is not only a mechanical process of labelling data though, it is also a way of understanding and learning about the data, and what is happening by studying it closely (Charmaz 2006).

An analytic technique for gaining a deeper understanding about the data and constructing codes that goes beyond simple descriptions is the practice of asking questions. Asking questions enhances understanding by forcing the researcher to read in an active way (Dey 2005). Basic questions to ask are “What is happening here?” “What is going on in the interview accounts?” (Charmaz 2006), “What does this mean?” (Corbin and Strauss 2008), along with the questions: Who? What? When? Where? Why? (Dey 2005).

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<sup>4</sup> [http://www.qsrinternational.com/products\\_nvivo.aspx](http://www.qsrinternational.com/products_nvivo.aspx)

The initial coding is supposed to be “informant centric” and stay close to respondents’ language using, where possible, in vivo codes (Charmaz 2006; Gioia et al. 2013; Goulding 2009).

Using gerunds and words indicating action instead of topics, has been suggested as a technique helping to identify activities, events, processes and sequences, while prohibiting jumping to conclusions too quickly, or adopting existing theories too easily, and helping to avoid that the analysis stays at a descriptive level (Gioia et al. 2013; Langley 2007).

Codes can be assigned to segments of data of different sizes, e.g., word, phrases, sentences, paragraphs (Miles and Huberman 1994), line-by-line (Charmaz 2006), or section by section, using natural breaks in the text, e.g., a different topic starts in the transcript or a different question is being asked (Corbin and Strauss 2008).

Charmaz advocates an initial line-by-line coding of the full transcriptions, the advantages being, a deeper level of understanding, the need to study the data very closely, while staying open to all possible directions, without becoming so immersed in the respondents’ worldview that one accepts them without question, and acting as a corrective against imposing preconceived ideas and concepts on the data (Charmaz 2006).

Having initially coded the full transcripts of interviews line-by-line, using gerunds and staying close to participant language, the researcher felt that analysing such codes was difficult, as single lines were taken out of context. The approach was adopted, coding flexibly by phrase, sentence, paragraph or line-by-line, using the approach that seemed to fit best with the data, and helping most with understanding what was going on in the data.

This first level of coding as described here is similar to what has been labelled “open coding” (Corbin and Strauss 2008), “initial coding” (Charmaz 2006) or “1<sup>st</sup> order coding” (Gioia and Chittipeddi 1991; Gioia et al. 2013) elsewhere.

### ***Writing memos***

After coding an interview, a short memo with reflections on key themes, impressions and thoughts arising during the coding process was written, trying to summarise and make sense of what was happening and going on within the particular interview (Miles and Huberman 1994).

Writing memos is a grounded theory methodology technique used throughout the entire research process to document the ongoing analysis and achieve a thorough description. Memos are “preliminary analytic notes” (Charmaz 2006, 3) written to oneself for different purposes, e.g., reflection, to remember a particular thought, to capture ideas or insights gained, brainstorming, question, describe and explain what is going on in the data, and make sense of observations, and data (Dey 2005; Egan 2002; Miles and Huberman 1994; Mills et al. 2006). Memos are useful to record the analysis and develop ideas and definitions of concepts, categories and their properties and dimensions in later stages of the analytic process, and capture questions and avenues to further pursue (Charmaz 2006; Corbin and Strauss 2008; Pratt et al. 2006). Writing memos should be an informal, “creative activity” (Dey 2005, 93).

Memos were written and stored using Evernote<sup>5</sup>, a note taking software, and occasionally pen and paper. Evernote had the advantage of being accessible on a multitude of devices and hence being always at hand. Hand written notes could be captured by photo and added to Evernote. The notes for each interview were kept in a dedicated memo and organised chronologically. Appendix C shows an illustrative early memo written on the process of business model innovation.

### ***Analysing for concepts***

After the initial coding, data were analysed for concepts. Analysing for concepts is a process wherein the 1<sup>st</sup> order codes from the initial coding stage are clustered into a smaller number of 2<sup>nd</sup> order concepts (Corley and Gioia 2004; Gioia and Chittipeddi 1991; Gioia et al. 2013; Miles and Huberman 1994; Pratt et al. 2006; Urquhart et al. 2009).

Whereas the 1<sup>st</sup> order codes use “informant centric” terms, the 2<sup>nd</sup> order concepts are labelled using more “theory centric” themes (Gioia and Chittipeddi 1991; Gioia et al. 2013) and conceptual names (Corbin and Strauss 2008). The goals of this step in the analytic process are to identify common themes and patterns in the data and start to delineate the characteristics (also called properties and dimensions) of these concepts (Charmaz 2006; Corbin and Strauss 2008).

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<sup>5</sup> <http://www.evernote.com>

If possible and/or necessary, these 2<sup>nd</sup> order concepts can be further aggregated into higher-level, conceptual categories (Charmaz 2006; Corbin and Strauss 2008), “aggregate dimensions” (Gioia et al. 2013, 20), or “broader themes” (Urquhart et al. 2009, 372). These higher-level categories can contain several lower level categories, themes and patterns (Charmaz 2006; Corbin and Strauss 2008), explaining events and processes in the data (Charmaz 2006).

This process of relating higher order categories to sub-categories as described here is similar to what has been labelled “axial coding” (Charmaz 2006) elsewhere. Corbin and Strauss (Corbin and Strauss 2008) use the term “axial coding” more generally for relating categories to each other (what will be done in the next step) and not necessarily limit it to relating higher-level categories to sub-categories.

Elaborating such a data structure of 1<sup>st</sup> order informant-centric themes, 2<sup>nd</sup> order, more abstract, theoretical concepts and 3<sup>rd</sup> level conceptual aggregate dimensions not only makes the grounding of findings transparent, it also enables the researcher to draw theoretical insights applying beyond the case studied (Gioia et al. 2013). It seems important to note that grounded theory does not aim to fully reproduce respondents’ accounts as evidence, but rather demonstrate a clear link between the theoretical analysis and the data from which it was constructed, by using illustrative parts of their stories (Charmaz 2006; Mills et al. 2006).

The process is facilitated through the usage of the grounded theory methodology techniques of asking questions, and writing memos as outlined above, and in addition, through constant comparison.

Constant comparison is a technique whereby incidents in the data are compared to each other for similarities and differences (Charmaz 2006; Corbin and Strauss 2008). If a 1<sup>st</sup> order code is conceptually similar to a previous one, it will be clustered into the same 2<sup>nd</sup> order concept. Incidents within the same category are compared to each other to develop the characteristics, i.e., the properties and their dimensions of the concept (Corbin and Strauss 2008; Dey 2005; Egan 2002; Partington 2000; Urquhart et al. 2009).

The following steps were taken in the initial stage to analyse for concepts.

First, 2<sup>nd</sup> order categories were developed for each interview independently and a summarising memo outlining the key categories was written for each interview (Miles and Huberman 1994; Pratt et al. 2006).

Next, categories from each interview within a case study were compared to each other and a set of categories was constructed for the case study (Charmaz 2006). Again a summarising memo was written for each case study.

Third, to search for cross case patterns, categories were compared across case studies (Eisenhardt 1989; Gioia and Chittipeddi 1991; Orlikowski 1993), using matrix displays (Dey 2005; Miles and Huberman 1994; Partington 2000).

Through several rounds of comparing codes to codes, codes to categories, categories to each other and data to the developed concepts across the five case studies, a preliminary list of concepts relevant to making sense of the process of business model innovation within established organisation was developed and refined. Throughout this process, memos were written on each concept. Appendix C illustrates early versions of the data structure of the business model innovation process. The final structure will be described in chapter 4.

### **Analysing for context and process**

Once the data structure has been established, exploring it for context and processes are two analytic tasks within the grounded theory methodology and qualitative research (Corbin and Strauss 2008), which are necessary to develop a “thick “ description (Dey 2005).

Context can be thought of in terms of macro and micro level conditions, whereas processes can be looked at as phases, stages, patterns of events, progress towards a goal, or sequences of action (Charmaz 2006; Corbin and Strauss 2008; Langley 1999). Processes and action need to be situated within their surrounding conditions (Corbin and Strauss 2008; Dey 2005).

In line with the research questions, the focus of this study lied on unravelling the challenges encumbering the processes and role of top management as particular context factors.

Several coding schemes have been proposed to analyse the data for context and process.

Corbin and Strauss for example recommend what they call “the paradigm ... a perspective, a set of questions that can be applied to data to help the analyst draw out the contextual factors and identify relationships between context and process” (Corbin and Strauss 2008, 89). The basic elements of the paradigm, represented and visualised in the conditional/consequential matrix, are (1) conditions, i.e., concepts relating to why, where, when, at the macro and micro level, (2) actions, interactions and emotions, as responses to the conditions, and (3) consequences, the outcomes of actions and interactions (Corbin and Strauss 2008).

Partington (2000) suggests the use of (1) external organisation context, (2) internal organisation context, (3) individual and collective managerial cognition, and (4) action.

Dey (2005) advocates using (1) settings for describing the context, (2) definitions for perceptions of situations, (3) processes for sequences, changes, transitions and turning points, (4) activities for regular patterns of behaviour, (5) events for specific happenings or incidents, (5) strategies for how people get things done, and (6) relationships and structure for friendships and coalitions.

Miles and Huberman (1994) refer to Lofland’s (1971) coding scheme of: acts, activities, meanings, participation, relationships, settings, and Bogdan and Biklen’s (1992) codes: setting / context, definition of the situation, perspectives, ways of thinking about people and objects, process, activities, events, strategies, relationships and social structure, methods.

The argument against using such coding schemes is that data are forced into preconceived categories (Glaser 1992; Matavire and Brown 2011). The researcher understood the intention of these coding schemes less in terms of using them as *a priori* categories and forcing the data into them, but rather using such schemes to analyse and make sense of the codes and concepts that have been derived from the data.

Hence, these coding schemes were not for coding in the sense of labelling data per se, but for guiding the analysis of concepts developed, asking questions such as: What is the process here? Under which conditions does it take place? Who are the actors within the process? What are these people doing, saying, feeling? How do

they act? What are the consequences and results of these actions and the processes? (Charmaz 2006).

Visual methods like diagramming and matrices have been suggested to analyse process data and supporting a more abstract conceptualisation (Langley 1999, 2009; Langley and Truax 1994; Miles and Huberman 1994). Diagrams are well suited to analyse patterns in events, and matrices for preparing chronologies for analysis (Langley 1999).

For each case it was tried to establish a business model innovation history, outlining the key events in the innovation of the business model. During the initial sampling stage, this step proved difficult, as detailed data and documentation were missing. During the theoretical sampling stage, particular emphasis was put on collecting such data and establishing a more detailed event history and chronology.

### **Establishing relationships and linkages**

After the key concepts and categories have been constructed, the objective is to establish relationships and links between them. At this stage the analytic objective moves from looking for similarities and differences between concepts, to how they interact (Dey 2005), linking and integrating context and process back together and describing the nature of these dynamic relationships (Charmaz 2006; Corbin and Strauss 2008; Gioia et al. 2013). Linking categories aims at constructing a “substantive theory of action” and statements of relationships form the basis of theory in the form of possible hypotheses (Charmaz 2006). Charmaz (2006) labels this stage in the analytic process “theoretical coding”.

Visual methods have been suggested as a technique facilitating this particular analytic step. Visual methods comprise all sorts of displaying data in a reduced and visually appealing form, e.g., diagram, maps, charts, networks, but also tables and matrices, and are suited for data analysis and supporting the presentation of conclusions (Dey 2005; Miles and Huberman 1994).

Besides being well suited to analyse process data, as outlined above, diagrams and visual mapping strategies are also very useful for establishing relationships between concepts (Charmaz 2006; Corbin and Strauss 2008; Dey 2005; Gersick 1994; Mills et al. 2006).

Several steps were taken to establish the relationships between concepts. First, while writing memos, possible relationships between concepts were accounted for. These tentative relationships formed the basis for further development. Second, concepts and the tentative relationships were mapped, both using computer software, Nvivo offers a tool for diagramming, and hand drawn visuals. Several approaches were tested, trying to arrange concepts and relationships in a way that would best represent the data and make conceptual sense. Again, throughout this process, memos were written to capture the relationships and their properties. Appendix C shows a picture of such a visual memo / process matrix that was build using sticky notes.

The preliminary conceptual framework of business model innovation as a dynamic capability and the underlying micro-foundations resulting from the analysis of the findings of the initial sample will be described in chapter 4.

### **3.2.2 Stage 2 – Theoretical Sample**

#### ***3.2.2.1 Data collection and sampling***

Following a theoretical sampling approach, the initial concepts and the emerging framework developed as an outcome of initial data collection, guided the direction and focus of the second field study (Dey 2005; Langley and Truax 1994).

Whereas initial sampling is rather opportunistic, trying to find relevant materials (Charmaz 2006), or respondents who experienced the researched phenomenon (Gioia et al. 2013) and can help to shed light on the research question and provide early insights (Goulding 2009), theoretical sampling is directed by the emerging concepts and themes, the objective being to gain better insights into these concepts, develop them fully in terms of their properties and dimensions (Corbin and Strauss 2008), and fill “conceptual gaps” (Charmaz 2006, 28). “Theoretical sampling involves starting with data, constructing tentative ideas about the data, and then examining these ideas through further empirical inquiry.” (Charmaz 2006, 102) Data collection leads to analysis, which leads to concepts. These concepts raise questions, which in turn lead to more data collection (Corbin and Strauss 2008).

Hence the direction of data collection and the selection of data sources are informed by the emerging concepts and themes, rather than by considerations of



representativeness (Charmaz 2006; Corbin and Strauss 2008; Gioia et al. 2013; Miles and Huberman 1994).

This process of theoretical sampling is recommended to last until saturation is achieved. Saturation denotes the development of categories and concepts in terms of their dimensions and properties, and possible relationships to each other, until no new properties surface (Charmaz 2006; Corbin and Strauss 2008). "Data saturation is evident when data collection no longer contributes to elaboration of the phenomenon being investigated." (Egan 2002, 286)

According to Corbin and Strauss, "In theoretical sampling the researcher has to let the analysis guide the research. The researcher has to ask questions and then look to the best source to find the answers to those questions" (Corbin and Strauss 2008, 126).

Whereas the goal of the first stage and the initial sample was to delineate the process of business model innovation and its underlying micro-foundations, the purpose of the second stage was to further investigate the managerial and organisational activities and practices underlying these micro-foundations.

For the second field study a specific research site, Klinik Hirslanden (a detailed introduction will be provided in chapter 4), and single case study, was the best source to answer the questions raised by the findings of the initial study and to achieve the stated goals for two main reasons.

First, whereas the initial sample illustrated that every company in the sample had designed and implemented a new business model, four companies had established the new business model in dedicated companies or business units, and only Hirslanden, had replaced its existing business model. As such, this one site represents an extreme case, potentially providing data the other four sites could not provide, namely on the reconfiguration of the existing business model.

Second, only Hirslanden had additional sources of data in the form of documentation of activities and events of the business model innovation process available, and was willing to share those. During the initial research stage it became apparent that respondents found it difficult to recall all events and especially their chronology. Archived documents were indispensable in reconstructing event chronologies and establishing timelines (Langley 2009).

In the second stage data were collected using two sources, interviews and archival documents. This triangulation of data sources allowed for additional information on emerging concepts and for cross-checking, which lead to stronger confirmation of these concepts (Eisenhardt 1989; Orlikowski 1993).

Interviews in the second stage ranged from one to several hours, loosely guided to explore a range of topics in a more conversational mode to answering structured focused questions (Charmaz 2006). Interview participants were decided upon with the managing director on the grounds of who could provide information to illuminate particular topics or answer specific questions.

Eight additional interviews were conducted in the second stage, with the following participants:

- The managing director
- The former head of corporate development and deputy director
- The current head of corporate development
- The head of hospitality and facility management
- The head of the medical system
- The head of marketing and communication
- The chief of anaesthesia and intensive care
- A hospitality and facility management employee

The three initial interview transcripts from the initial sample were also included in the analysis.

Furthermore a total of 740 pages of documents were collected. Documents provided an independent source of rich data, and were selected according to evidence searched and specific questions to be answered (Dey 2005).

The documents collected included four years of management workshop presentations and minutes, which were key during the development of the new business model, meeting minutes, various company presentations, as well as presentations on the business model innovation, organisational charts from the relevant time period (January 2009 to December 2014), implementation project plans and handbooks illustrating the implementation methodology. Furthermore dozens of follow up emails for requesting and obtaining specific information and for clarification of specific questions were exchanged.

Both, conducting interviews and the collection of documents, were carried out in multiple cycles during the second, theoretical sampling stage. Each additional interview or request for documents was more focused and guided by the need to explain emerging concepts and their relationships in more detail.

### 3.2.2.2 *Data analysis*

Data analysis of the theoretical sample followed the grounded theory methodologies outlined above (section 3.2.1.2).

First, interview recordings were transcribed verbatim, followed by coding of the full transcripts of each interview. As the purpose of the theoretical sample was to illuminate the concepts, i.e., the micro-foundations, developed during the initial sample, 1<sup>st</sup> order codes were assigned to these concepts. As the three micro-foundations had guided data collection, only a small number of statements did not fit into these categories. Analysing these statements in detail revealed that they did not relate to the research questions, leading to their elimination from further analysis. In addition to the newly collected data, the three interviews from the initial sample were also reviewed for data pertinent to the three micro-foundations, and relevant data was coded.

In addition to the interview transcripts, documents were coded.

After the initial coding, data were analysed for concepts, context and process, and 2<sup>nd</sup> order clusters were elaborated by micro-foundation, using constant comparison. As during the initial sample, written and visual memos were developed to assist with data analysis. Appendix C illustrates a visual memo on the concepts developed from the theoretical sample.

Several iterations of constant comparison and clustering led to the findings from the theoretical sample described in chapter 5.

Table 8 provides a summarising overview of the two data collection and analysis stages.

**Table 8 - Overview of Data Collection and Analysis Stages**

	<b>Stage 1</b> <i>Initial Sample</i> Chapter 4		<b>Stage 2</b> <i>Theoretical Sample</i> Chapter 5
Purpose	Understand process of business model innovation Understand underlying micro-foundations		Understand managerial and organisational activities and practices underlying the micro-foundations
Sample	Five research sites		One research site
Data	Data from 13 interviews	⇒	Data from 11 interviews Archival company documents
Analytic procedures used	Coding, analysing for concepts, context, processes, establishing relationship between concepts, constant comparison, memo writing		Coding, analysing for concepts, context, processes, establishing relationship between concepts, constant comparison, memo writing
Development of theory	Description of business model innovation process and underlying micro-foundations		Description of managerial and organisational activities and processes

### 3.2.3 Theoretical Integration

As the aim of the grounded theory methodology is to construct theory (Birks et al. 2013; Egan 2002; Mills et al. 2006; Urquhart et al. 2009), the final step of the methodology is theoretical integration.

Theoretical integration pursues two objectives: First, a type of integration, which might be labelled “internal integration”, and second, a type of integration, which might be labelled “external integration”.

Internal integration refers to the presentation of findings “ ... as a set of interrelated concepts [which are] related through statements that denote the nature of the relationship” (Corbin and Strauss 2008, 104). Simply listing themes is not enough to claim having developed a theory. Bringing together context, process and the relationships developed throughout the analytic process in way that provides a theoretical explanation is key (Corbin and Strauss 2008). Furthermore it is necessary to relate the categories and concepts developed to a central or core,

unifying category, and overarching theme, or main story line, explaining what is going on (Corbin and Strauss 2008; Egan 2002; Pratt et al. 2006).

External integration denotes the integration of the findings with existing theory (Orlikowski 1993; Pratt et al. 2006). Comparing the theory with conflicting and similar literature can lead to sharpening of constructs and raising the theoretical level further (Eisenhardt 1989; Goulding 2009; Urquhart et al. 2009).

Two types of theories can be distinguished, substantive theory and formal theory, the difference being that substantive theory applies to a narrower area and restricted problem, whereas a formal theory has a wider applicability (Charmaz 2006; Gasson and Waters 2013). Substantive theory can be developed into formal theory through exploration in different settings and broader contexts (Partington 2000).

Theories resulting from grounded theory research are rather of the substantive nature (Charmaz 2006), yet findings nevertheless possess relevance beyond the individual case(s) studied (Easterby-Smith et al. 2012). This relevance is achieved through the development of theoretical categories, grounded in the data, which are empirically valid because they can explain the phenomenon in each individual case, while at the same time generalising patterns across case studies (Charmaz 2006; Eisenhardt 1989; Gioia et al. 2013; Orlikowski 1993). This type of generalisation has been referred to as “analytic generalisation”, i.e., generalisation of concepts and patterns, as compared to “statistical generalisation” (Orlikowski 1993; Yin 2009).

A finished grounded theory should provide explanations of the process studied in theoretical terms, including the characteristics of concepts developed, actions and interactions, and the relationships among them, outlining the context, i.e., causes and conditions, within which the process emerges and unfolds, mechanisms driving the process, and portray its consequences (Charmaz 2006; Dey 2005; Egan 2002; Langley 2009).

The theoretical integration step is presented in chapter 6 as discussion and synthesis of the findings (internal integration) and their theoretical contributions (external integration).

### **3.3 Evaluating Grounded Theory Research**

How to evaluate the quality of constructionist grounded theory research? The following part outlines the common criteria, summarised as rigour and relevance, suggested, and addresses key issues identified with grounded theory research.

#### **3.3.1 Rigour**

An important aspect regarding rigour of grounded theory is the grounding of findings in the data (Corbin and Strauss 2008; Egan 2002). The credibility of findings can be established by clearly illustrating the link between data, concepts and theory through a logical data structure as outlined above, and by providing ample detail and inserting original data throughout the text (Corbin and Strauss 2008; Gioia et al. 2013; Langley 2009; Mills et al. 2006). In short, the theory needs to fit the data and this needs to be evident to the reader.

To ensure findings are grounded in the data, the management of preconceptions to avoid imposing existing theories on the data is crucial (Urquhart et al. 2009). This raises the question of how to handle a researcher's existing knowledge and experience, as well as a priori theory and conceptual frameworks developed in literature reviews. Whereas it has been suggested to perform the literature review only after the field study when using grounded theory methodology, one has to acknowledge the limitations doctoral research requirements pose on this ideal procedure.

Extant literature and a priori frameworks can be used fruitfully. Not only do they provide guidance for the research at the outset, they also need to be used during the theoretical integration stage as data to compare findings against, asking how the constructed theory is similar or different from the literature (Corbin and Strauss 2008), but not as a way to interpreting data (Birks et al. 2013). Existing literature and frameworks can also provide questions for interviews and during analysis, to suggest areas for theoretical sampling or confirm findings (Corbin and Strauss 2008).

Own pre-existing knowledge can also be used as data to compare findings against (Corbin and Strauss 2008). Some kind of background is furthermore seen as necessary to be able to recognise patterns in the data and evaluate the significance of concepts (Corbin and Strauss 2008; Dey 2005).

Pre-existing knowledge and a priori concepts thus act as “sensitising concepts” to develop ideas and make sense of the data, codes and concepts developed, whereas the researcher should not be shy to discard of them if they prove irrelevant (Charmaz 2006).

Dey (2005) makes the point, saying there is a difference between an open mind and an empty head.

Nevertheless it needs to be ensured personal ideas and concepts are not forced onto the data by constantly asking “Are these concepts truly derived from data or am I imposing these concepts on the data because I am so familiar with them” (Corbin and Strauss 2008, 37).

Credibility can also be enhanced through validation of the findings by research participants (Corbin and Strauss 2008; Langley 2009) and demonstrating sufficient data has been collected and analysed to support the findings (Charmaz 2006). The notion of “theoretical saturation” denotes a state whereas all concepts and categories have been sufficiently well described (Charmaz 2006; Corbin and Strauss 2008; Dey 2005).

A second aspect relating to rigour is the rigorous use of the methodology and its various analytic procedures of iterative coding, constant comparison, theoretical sampling and the practice of memo writing. These key techniques should be used as intended (Corbin and Strauss 2008), and their usage, as well as the analytic process should be recorded and clearly documented (Gioia et al. 2013; Goulding 2009; Langley 2009).

### **3.3.2 Relevance**

Relevance, and hence contributions to both the academic and the managerial domain, can be attained through creativity, originality and the applicability of findings and the developed theory.

Beyond contributing to knowledge, concepts and theories developed should exhibit some creativity and originality, that is, the findings should provide new insights, extending, and possibly challenging, existing concepts and practices (Charmaz 2006; Corbin and Strauss 2008; Gioia et al. 2013).

Findings should be applicable, meaning, the constructed theory should fit the research area, be easy to understand, and sufficiently general to apply to diverse situations and guide action (Corbin and Strauss 2008; Egan 2002). Relevance also necessitates a framework or theory, which explains the underlying, often invisible, mechanics of processes and renders these explicit (Charmaz 2006).

Finally, relevance should also be evaluated in terms of whether the findings can spark further research (Charmaz 2006).



## **4 Findings from the Initial Sample of Five Research Sites**

### **4.1 Introduction**

In the following chapter the findings emerging from the data collected during the initial sample are presented. The chapter is structured as follows.

First, in order to provide context and background information, a brief introduction to the five research sites and their business model innovations will be provided.

To illustrate the business model innovations, the definition of a business model as activity system delineated in the literature review (chapter 2) is used to describe the traditional business model and the new business model. As outlined in chapter 2, due to the highly interdependent nature of the business model and the revenue model, the later will be illustrated if it changed with the new business model. In addition, Appendix D outlines the outcomes of the business model innovations for each case as to the benefits created for the focal firm, customers and the ecosystem.

Next, based on the common patterns across the case studies, a framework of the business model innovation process having emerged from the data collected from the 13 interview respondents and the five cases studies from the initial sample will be illustrated.

In line with the conceptualisation of dynamic capabilities as processes outlined in chapter 2 (literature review), the purpose of the initial sample and the first data collection phase (to identify patterns and common themes of business model innovation processes in established organisations), and the general objectives of initial sampling, both outlined in chapter 3 (research methodology), the findings shed light on the research area and provide insights on themes and concepts pertinent to the process of business model innovation in established companies.

As suggested by Eisenhardt and Graebner (2007), the presentation of findings is organised according to the emerging theory, as compared to reproducing the full case histories as narratives.

Following Corley and Gioia (2004), three data displays were chosen to present the findings:

- (1) Findings narratives: summaries of informants' reports from each of the five case studies. Unless otherwise specified, narratives illustrate common themes reported by all informants from a specific case.
- (2) Representative data: representative statements from interviewees reproduced as coded by theme. In line with grounded theory methodologies the objective is not to reproduce full accounts, but to use representative parts of respondents' stories. These representative quotations will be shown in tables at the end of each section, which also illustrate the data structure and coding scheme.
- (3) The emerging preliminary framework of the business model innovation process and the micro-foundations of business model innovation as a dynamic capability shown in Table 29.

The structure and sequence of the presentation of the overall findings and each theme follows the common practice of reporting grounded theory methodology based findings of 'telling-showing-telling' (Golden-Biddle and Locke 2007; Locke 2003). After a short, descriptive introduction to the theme (telling), the findings narratives and original statements will be presented as evidence (showing), followed by a theoretical interpretation and interim discussion of the evidence (telling).

Finally, the chapter closes with a discussion, synthesis and interpretation of the findings from the initial sample linking them to the dynamic capabilities paradigm.

## **4.2 Research Sites**

### **4.2.1 Site 1 – The Private Hospital**

#### **The company**

Klinik Hirslanden in Zurich is one of the most exclusive private hospitals in Switzerland. Founded in 1932, it is part of the Hirslanden Private Hospital Group, which was formed in 1990 by the merger of several private hospitals, and has been part of the South African Medi-Clinic Corporation hospital group since 2007 (Hirslanden 2013b).

Earning a total revenue of CHF 399 million in its financial year 2014/2015, with a staff of about 2,100 people (including employees, affiliated and salaried doctors), Klinik Hirslanden treats nearly 18,000 patients per year in 330 beds. Providing 25% of the operating income of the Hirslanden Private Hospital Group, twice as much as the next hospital, it is the single most successful clinic of the 16 hospitals being part of the group employing a total of 8,450 employees. (Hirslanden 2015a, 2015b)

In its 50 centres and institutes, Klinik Hirslanden offers a broad range of medical services covering most procedures and custom tailored treatments, applying the highest professional industry standards of medical and nursing care. The main focus areas are cardiology, visceral surgery, neuroscience, orthopaedics, gynaecology, obstetrics and a 24-7 emergency unit. (Hirslanden 2013a, 2013b, 2013d, 2013e)

#### **The business model innovation**

Over the course of five years from 2009 to 2014, Klinik Hirslanden gradually changed its business model, from the traditional chief physician model, to an innovative and worldwide unique business model combining the chief physician and private practitioner systems, allowing Hirslanden to move from treating private patients only to providing medical care to public and privately insured patients alike, while being allowed to provide “highly specialised medicine” under the Swiss legal health care system. This transition required a shift in moving from providing infrastructure to doctors only to offering a full range of services to private practitioners and patients alike. Table 9 illustrates the traditional and the

new business model of Klinik Hirslanden using the business model as activity system definition outlined in chapter 2.

**Table 9 - The Hirslanden Business Model**

<b>Dimension</b>	<b>Traditional Business Model</b>	<b>New Business Model</b>
	From “infrastructure provider”	To “system provider”
Content	<ul style="list-style-type: none"> <li>• Patient care, focus on treating private patients</li> <li>• Provide infrastructure to private practitioners</li> </ul>	<ul style="list-style-type: none"> <li>• Focus on core activities which can be directly influenced by the hospital and have an impact on patient well being and satisfaction</li> <li>• Patient care, treating private patients plus patients under the legal health care system</li> <li>• Provide system solutions to private practitioner surgeons, e.g., infrastructure + general medical care (peri-operative activities)</li> <li>• Orchestrate work within the newly created “medical system”</li> <li>• Hospitality management</li> <li>• Managing medical programs</li> <li>• Supporting private practitioners in their strategy, organisation and marketing (co-branding)</li> </ul>
Structure		<ul style="list-style-type: none"> <li>• New patient process</li> <li>• New processes between departments</li> <li>• Standardised processes and quality standards to be followed</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Chief physician system</li> <li>• Traditional chief physician organisational structure</li> <li>• Individual departments organised by area of expertise</li> <li>• Mix of employed generalist and specialist doctors, plus private practitioners</li> <li>• Private practitioners work highly independently</li> </ul>	<ul style="list-style-type: none"> <li>• “Hirslanden System”: combining the chief physician system and the private practitioner system</li> <li>• New organisational chart based on the “medical system” grouping all general medical services (e.g., patient care, anaesthetics and intensive care, emergency unit)</li> <li>• “Umbrella” concept grouping medical centres and private practitioners around clinical pictures</li> <li>• Generalist doctors are employed</li> <li>• Specialist doctors (i.e., surgeons) are acting as private practitioners</li> <li>• Coordination of private practitioners</li> </ul>

## **4.2.2 Site 2 – The Media Investment Corporation**

### **The company**

SevenVentures GmbH is a wholly owned subsidiary of the listed ProSiebenSat.1 Media Group, the leader in the German TV advertising market and one of the leading media corporations in Europe, generating EUR 2.6 billion in revenues in 2013, and employing 3,500 staff in 12 countries. ProSiebenSat.1's core business is free TV – operating six free TV stations in Germany, Austria and Switzerland, reaching more than 42 million households – financed by advertising. Other businesses include an international production network, a digital services portfolio, consisting of online platforms like MyVideo, or maxdome, Germany's largest online video-on-demand portal, a range of online games, an independent music label, and the media investment company SevenVentures.

### **The business model innovation**

The traditional TV advertising model is based on customers buying advertising minutes, often through agencies, at a fixed fee and volume discounts. Typical customers are large multinational Fortune 500 type of companies. ProSiebenSat.1 invented a media-for-equity and media-for-revenue share business model, giving start-ups and small and medium sized companies access to TV advertising. Although ProSiebenSat.1 does not disclose financials for SevenVentures separately, it states that the Digital & Adjacent segment provided 18,6% revenue share in 2013, with a “significant contribution” (ProSiebenSat.1 2013, 96) from the digital commerce business. (ProSiebenSat.1 2010, 2013; SevenVentures 2014a)

Table 10 illustrates the key dimensions of the traditional and new business models.

**Table 10 - The SevenVentures Business Model**

<b>Dimension</b>	<b>Traditional Business Model</b>	<b>New Business Model</b>
	From “pay per minute”	To “media-for-equity and media-for-revenue-share”
Content	<ul style="list-style-type: none"> <li>• TV programming</li> <li>• Sales</li> <li>• Network operations</li> </ul>	<ul style="list-style-type: none"> <li>• Target selection</li> <li>• Portfolio management</li> <li>• Supporting companies in their branding and marketing efforts</li> <li>• Media production &amp; planning</li> </ul>
Structure		<ul style="list-style-type: none"> <li>• Dedicated new operational processes</li> </ul>
Governance		<ul style="list-style-type: none"> <li>• Dedicated organisation to operate the new activities</li> <li>• New capabilities brought in by hiring investment bankers</li> <li>• Dedicated operations team</li> <li>• Using the traditional businesses’ support functions (e.g., finance, legal, audit)</li> </ul>
Revenue model	Sales of advertising minutes at volume discounts	Revenue mix composed of: <ul style="list-style-type: none"> <li>• Minimum guarantee</li> <li>• Revenue share</li> <li>• Equity proceeds</li> <li>• Exit participations</li> </ul>

### 4.2.3 Site 3 – The Electronics Manufacturer

#### The company

Isovolta Group is a leading international manufacturer of electrical insulating materials, technical laminates and composites. As part of Constantia Industries AG, a privately owned Austrian company currently employing about 4,000 staff with annual sales of about EUR 1 billion, Isovolta employs 1,600 employees across 18 locations on three continents, generating EUR 233,7 million in revenues in 2012. Isovolta’s core competence is the development and manufacturing of “...high-grade insulation material and high-precision parts for special applications and pre-pregs to decorative foils for the interior lining of aircraft and high-speed trains” (Constantia 2012), using its expertise in “...the fields of impregnation, laminating, compression moulding, machining, polymer chemistry and process technology”

(Isovolta 2012). With its broad product portfolio, Isovolta serves about 20 industries, including, electronics, aviation and engineering.

### **The business model innovation**

Driven by the need to commercialise a new product in a new market, Isovolta had to adapt its business model to be able to respond to the dynamics of the new market and move from its traditional standard manufacturing model to a project based business model. To change the way it operates this new business, become faster and more flexible when reacting to customers' demands, first dedicated human resources were assigned to the new initiative, followed by a dedicated team and assets in production, leading to the foundation of a dedicated business unit. Along the way, activities like production planning were eliminated in the new system, research and development cycles shortened and quality standards and methodologies enhanced.

Table 11 summarises the traditional and new business models of Isovolta.

**Table 11 - The Isovolta Business Model**

<b>Dimension</b>	<b>Traditional Business Model</b>	<b>New Business Model</b>
	From "manufacturing business"	To "project business"
Content	<ul style="list-style-type: none"> <li>• R&amp;D</li> <li>• Manufacturing</li> <li>• Sales &amp; Marketing</li> </ul>	<ul style="list-style-type: none"> <li>• Same activities, but performed differently, i.e., faster reaction times to customer demands</li> </ul>
Structure	<ul style="list-style-type: none"> <li>• Linear processes</li> <li>• Production planned 2-3 weeks ahead</li> <li>• Long development and testing cycles (up to several years)</li> </ul>	<ul style="list-style-type: none"> <li>• Linear processes</li> <li>• Flexible production (little to no planning)</li> <li>• Short development and testing cycles (within 1 week)</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• Manufacturing all products within the same organisation using the same resources</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated business unit, including dedicated teams and resources, e.g., production facilities</li> <li>• Relocation of associates to dedicated unit</li> </ul>

#### **4.2.4 Site 4 – The Financial Services Company**

##### **The company**

Trumpf Financial Services is part of the family owned Trumpf, a German high-tech company focusing on the sectors:

- Machine tools for flexible sheet metal and tube processing;
- Laser technology for production technology;
- Electronics and power supplies for high-tech processes; and
- Medical technology, providing equipment for operating rooms and intensive care departments.

In 2013, the company had 9,925 employees, achieving sales of EUR 2.34 billion, across 47 locations worldwide (Trumpf 2013, 2014a).

Founded in 2001, Trumpf Financial Services provides financing solutions – financial and operating leasing, hire purchasing, factoring, and investment loans – for its own products to its international customers, through its own companies and international partnerships. In 2013 Trumpf Financial Services received a full-service banking license authorized by the German BaFin (Federal Financial Supervisory Authority), allowing it to engage in European cross-border banking transactions and requiring it to offer deposit products (Trumpf 2014b).

##### **The business model innovation**

The business model innovation for Trumpf consisted of being the first and still only company in its industry operating a dedicated and fully owned financial services company. Over the period of 14 years from 2001 to 2014, the business model of Trumpf Financial Services evolved from completely outsourcing financial services, to insourcing major activities to becoming a full bank.

Table 12 outlines the traditional and new business model of Trumpf. BM1, BM2, and BM3, denote the three major iterations of the Trumpf Financial Services business model.



**Table 12 - The Trumpf Financial Services Business Model**

<b>Dimension</b>	<b>Traditional Business Model</b>	<b>New Business Model</b>
	From “selling equipment”	To “selling and financing equipment and becoming a full bank”
Content	<ul style="list-style-type: none"> <li>• R&amp;D</li> <li>• Manufacturing</li> <li>• Sales &amp; Marketing</li> <li>• No financial services</li> </ul>	<p>BM1 and 2:</p> <ul style="list-style-type: none"> <li>• Financial services</li> <li>• Audit</li> <li>• Risk management</li> <li>• Contract management</li> <li>• Using financial services as a strategic instrument to manage the balance sheet (e.g., refinancing of contracts)</li> </ul> <p>BM3:</p> <ul style="list-style-type: none"> <li>• Operating a full bank including deposits</li> </ul>
Structure	<ul style="list-style-type: none"> <li>• Separation of sales and financing</li> </ul>	<ul style="list-style-type: none"> <li>• Sales processes adapted to include financial services</li> </ul>
Governance	<ul style="list-style-type: none"> <li>• External financing organisation is face to the customer</li> </ul>	<p>Dedicated organisation within Trumpf, Trumpf financial services is face to the customer.</p> <p>BM1:</p> <ul style="list-style-type: none"> <li>• Outsourcing all financial services backend operations (e.g., managing of contracts)</li> <li>• Cooperating with a wide range of international partners for financing services</li> </ul> <p>BM2:</p> <ul style="list-style-type: none"> <li>• Insourcing all financial services operations</li> <li>• Close collaboration with a selected number of partners</li> <li>• New organisation in Switzerland</li> </ul> <p>BM3:</p> <ul style="list-style-type: none"> <li>• Full bank for cross-European transactions</li> </ul>

#### **4.2.5 Site 5 – The Innovation Consultancy**

##### **The company**

Fahrenheit 212 is a privately held innovation consultancy with offices in New York and London, employing about 50 staff as of May 2015. Originally founded 2004 as part of advertising agency Saatchi & Saatchi, the company was taken private through a management buy-out in 2006.

Fahrenheit 212 specialises in what it calls “Growth through Innovation” offering product, service and new business development and launch services to clients of all sizes and industries, to solve their growth challenges through innovation. (Fahrenheit 212 2013)

Because of its focus on both, creativity and commercial applicability of ideas and concepts, a practice labelled “Money & Magic” (Fahrenheit 212 2013), which is at the core of its innovative business model, Fahrenheit 212 received a considerable amount of media attention and press coverage in recent years by Fortune, Forbes, the New York Times, Esquire, FastCompany, etc. This attention can be attributed in part to the interest in the topic of innovation in general, Fahrenheit 212’s innovative business model and the success it has achieved with its new approach.

##### **The business model innovation**

Fahrenheit 212 created a new business model combining the creativity of an advertising agency with the commercial acumen of a strategy consulting company, a practice it calls “Money & Magic”. This new model required creating a new activity system that is not only distinct from the advertising model, but also from the traditional consultancy models as shown in Table 13. The model is complemented by a revenue model making 2/3 of Fahrenheit 212’s revenues dependent on hitting predefined milestones throughout the process of creating new inventions for its customers.

**Table 13 - The Fahrenheit 212 Business Model**

<b>Dimension</b>	<b>Traditional Business Model</b>	<b>New Business Model</b>
	A: From “advertising agency” B: From “traditional consulting”	To “accountable innovation consultancy”
<b>Content</b>	<ul style="list-style-type: none"> <li>• A: Developing media campaigns</li> <li>• B: Focus on either commercial side or creative side of innovation engagements</li> </ul>	<ul style="list-style-type: none"> <li>• Innovation consultancy projects</li> <li>• Integration of creative and commercial activities</li> </ul>
<b>Structure</b>	<ul style="list-style-type: none"> <li>• A: Creative process only</li> <li>• B: Separating ideas and execution stages</li> </ul>	<ul style="list-style-type: none"> <li>• New processes for creative and commercial services running in parallel</li> <li>• Integrating ideas and execution stages</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• A/B: 1 team works on 1 assignment</li> <li>• B: Co-location of teams</li> </ul>	<ul style="list-style-type: none"> <li>• Organisational structure reflecting the creative process and commercial process running in parallel</li> <li>• Teams work on multiple assignments</li> <li>• No co-location</li> </ul>
<b>Revenue Model</b>	<ul style="list-style-type: none"> <li>• Fixed project fees, usually calculated as fees per hour</li> </ul>	<ul style="list-style-type: none"> <li>• Flexible, performance based compensation tied to clients’ stage gate process (up to 2/3 of total fee)</li> </ul>

### **4.3 Patterns of Business Model Innovation Processes in Established Companies**

Despite these idiosyncratic contexts of each organisation described above, the activities companies in the sample engaged in, and the processes they went through in order to create and implement new business models, exhibit common patterns.

The process of business model innovation in the five research sites of the initial sample can be dissected into three phases:

- An *inception* phase, within which a trigger was identified, followed by the development of a first initial idea, and the validation of this idea;
- An *evolution* phase, during which the details of the business model were designed and implemented concurrently; and
- A *diffusion* phase, during which the new business model was spread throughout the organisation or scaled up in size.

The following sections demonstrate and provide evidence of how these phases were enacted across the case sites and discuss each phase in detail.

#### **4.3.1 The Inception Phase**

The inception phase can be best described as consisting of the recognition of a trigger, followed by the development of an initial idea to respond to this trigger, and the validation of this idea.

##### ***4.3.1.1 Identifying a trigger***

Findings from the initial sample show that in each of the five case studies, the business model innovation process was triggered by either sensing an opportunity to enhance competitiveness and generate new growth for the organisation, and/or facing a challenge. The respective triggers are illustrated below for each research site as findings narratives. Table 14 exhibits additional representative statements as evidence.

All interview respondents from **Fahrenheit 212** reported that the company was originally founded as part of Saatchi & Saatchi with the mandate to generate growth and additional revenues for the advertising agency. A group of executives at Saatchi & Saatchi saw an opportunity in using the agency's creative competency and leveraging it outside of advertising in innovation consulting. They assessed that CEOs believed in innovation as a growth driver, but were unsatisfied with their company's innovation performance.

The director of **Hirslanden** reported that his motivation to engage in the process was driven by the results of about 70 semi-structured interviews he conducted with internal and external stakeholders within the first 100 days of having taken up his position as managing director in 2008, and his assessment of the development of the legal environment in Switzerland. He described the results of his interviews as a feeling of the organisation being highly efficient, but only being interested in money and not deeply caring about patients, which he depicted as "*a dangerous development*". He furthermore assessed the Swiss legal health care system was moving in a direction of tighter regulation with the introduction of the so-called 'Spitalliste<sup>6</sup>'. These new regulations demanded hospitals to fulfil a number of requirements in order to be allowed to provide services to patients under the compulsory government health insurance system and be allowed to provide medical services classified as highly specialised medicine. He concluded the organisation needed, what he called "*a realignment*", as a response to these challenges and to stay competitive in the future. Having completed his doctor of business administration studies shortly before his promotion to managing director of Klinik Hirslanden, he also described his "*academic interest*" as a personal motivator.

All interview respondents from **Isovolta** reported that their business model innovation process was triggered by the need to adapt to the dynamics of a new market it had entered with a new product. Following an exclusive contract with a single customer for an initial period of two years from 2007-2009, and the success Isovolta achieved with this customer, the managing director assumed there was an

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<sup>6</sup> The 'Spitalliste' denotes a list of hospitals in Switzerland, which fulfil the necessary requirements:

[http://www.gd.zh.ch/internet/gesundheitsdirektion/de/themen/behoerden/spitalplanung\\_spitallisten.html](http://www.gd.zh.ch/internet/gesundheitsdirektion/de/themen/behoerden/spitalplanung_spitallisten.html)

opportunity to approach additional customers and grow the business. Isovolta engaged in market research activities to estimate the potential of the new product and the new market. After establishing contact with prospective clients and receiving positive feedback, the company engaged in business activities. Trying to manufacture and sell the new product into the new market using the existing activity system resulted in internal, mostly operational, disruptions and challenges, and revealed a lack of abilities to timely fulfil customer demands.

All interview respondents from **ProSiebenSat.1** and **Trumpf** reported that it was their respective CEO initiating the process.

Interview respondents from **ProSiebenSat.1** explained that when Thomas Ebeling, former CEO of Novartis, was appointed CEO of the media group in March 2009, he saw an opportunity to make TV media available to start-ups and small and medium enterprises with innovative business ideas, the goal being to enable these companies to grow with the help of TV advertising and create a new customer segment, along with new revenues, for the media group. The need to create new revenue growth was additionally driven by the desire to leverage unused inventories, i.e., advertising minutes not sold.

Interview respondents from **Trumpf** reported that while Berthold Leibinger, the former CEO of Trumpf, was on the non-executive board of the BMW Group, he observed how the automotive company was successfully employing financial services to foster its sales and tasked Trumpf's CFO to establish a financial services organisation at Trumpf.

**Table 14 - Representative Quotations for “Triggers”**

Theme	Representative Quotations
Sensing an opportunity	<ul style="list-style-type: none"> <li>• “Growth of Saatchi &amp; Saatchi was the original mandate. We saw an opportunity in using our creative competences outside advertising, in innovation.” (CEO Fahrenheit 212)</li> <li>• “We asked ourselves: ‘How can we use the competence of Saatchi &amp; Saatchi and put it somewhere outside of advertising and marketing?’. The answer was to go into innovation.” (CEO Fahrenheit 212)</li> <li>• “CEOs believe innovation is the growth driver, but they are not happy with their [innovation] performance.” (CEO Fahrenheit 212)</li> <li>• “Prof. Leibinger came sometime in 2000 back from the Supervisory Board of BMW, he was a member of the supervisory board at the time, where he saw what the automotive financial service companies do to foster sales and said ‘I want to have this too’. That was, in principle, the impetus within Trumpf, coming from top management, ‘I want to have this too’.” (Managing director Trumpf Financial Services)</li> <li>• “And Trumpf has come to this topic, establishing its own leasing company, while Mr Leibinger was on the Supervisory Board of BMW. When our former CFO, one of my predecessors, was told ‘You have to check the establishment of our own leasing company’.” (CFO Trumpf)</li> <li>• “The very clear impulse was in the end to develop a business idea, which would allow new companies, new business ideas to grow using television advertising. That was always the mission. And on the other side came, a kind of optimisation, leveraging, how can we capitalise our free inventory better.” (Managing director SevenVentures)</li> <li>• “These were requirements by the Board and in fact, the basic idea was, create my advertising clients for the future. Build up companies successfully over a period of three years, so that they become depended on media on the one hand, and on the other hand, have the size in terms of revenues, to be able to be handed over to the classic sales. So to raise our customers of tomorrow.” (Associate SevenVentures)</li> <li>• “The margin was significantly different [i.e., higher] from the other business and that was the reason that our former business unit manager said if this works so well, and if you do so well, there have to be other manufactures [i.e., potential customers], in this business area.” (Vice President R&amp;D Isovolta)</li> <li>• “The successes were actually there relatively quickly and it was clear from the beginning that if we do it well, it can be a good business, so the carrot was big enough.” (COO Isovolta)</li> </ul>

Facing a challenge	<ul style="list-style-type: none"> <li>• “The external pressure was significant. I noticed when we don’t somehow make the system compatible with these regulatory requirements we lose our economic power. Hence it was driven by an external pressure and then by mine, let’s say ‘academic interest’”. (Managing director Klinik Hirslanden)</li> <li>• “The problem during the interviews was that one had the feeling the whole house is simply a bank, it's a hospital but only talks about money. That was a conclusion.” (Managing director Klinik Hirslanden)</li> <li>• “This flexibility, this speed, this can be seen as a business model innovation, because you have to adapt to it.” (Vice President R&amp;D Isovolta)</li> <li>• “So therefore completely different requirements, much shorter product life cycles, project business, not standard business.” (Vice President R&amp;D Isovolta)</li> <li>• “This is radically different, you have to react extremely quickly to customer requests, they ask of you to develop a prototype based on a drawing within two days.” (Vice President R&amp;D Isovolta)</li> <li>• “The business itself is another. That is to say it is a really de facto project business where anyone who wants to have an application, there is a contract, and just because you get this contract, does not mean you will receive the next one as well. This is significantly different [from our other businesses].” (COO Isovolta)</li> <li>• “It’s a very fast-moving business, shorter, faster phases, aggressive market. You have to be flexible in order to compete.” (Head of procurement Isovolta)</li> </ul>
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In all of the five research sites the business model innovation process was initiated by a member of top management, expressing a desire to seize an opportunity or respond to a need to adapt to internal as well as external challenges they had identified. The manner of how the opportunity or challenge was identified was highly idiosyncratic. Whereas the managing director of Hirslanden engaged in a more formal assessment, Isovolta saw an opportunity and experienced the necessity to adapt while it was already engaging in business activities in the new market. ProSiebenSat.1 and Saatchi & Saatchi were driven by the desire to grow their business, and saw an opportunity in the markets they identified (respondents did not report on how these opportunities were identified), while the CEO of Trumpf saw an opportunity to grow revenues by copying a business model from another industry.



#### 4.3.1.2 *Developing an initial idea*

Following the trigger, the organisations in the sample developed a first idea for how to seize the opportunity or respond to the need to adapt. The following findings narratives summarise interview respondents' accounts of how they framed the opportunities and challenges faced, the resulting goals they formulated and the first ideas they developed based on these initial insights. Table 15 provides representative statements as evidence.

Interview respondents from **Fahrenheit 212** reported that they assumed the high failure rates of innovation projects, according to their accounts 95% of innovation initiatives fail in terms of not being able to generate commercial results, was due to two problems: First, a lack of creativity within traditional businesses, and second, innovation agencies might be creative and produce innovative ideas, but they nevertheless produce high failure rates, because they are not accountable for the success of their ideas in the market. The president and co-founder stressed how important their initial goal was for the development of their business model. *"It is very important to appreciate how explicit that goal was with us. We were here to change the hit rate. The goal was to make our innovation practice more effective at delivering tangible outcomes to company shareholders. So we needed a mechanism to make sure we would never come to the point where innovation failure was OK. How we didn't know."* (President Fahrenheit 212) As a "naïve" answer, as the co-founder and CEO put it, to those two challenges, they tried to find a better way to apply creativity to innovation challenges by studying the academic literature available on the topics of creativity and innovation, which led to the development of a proprietary innovation process. Additionally, they made themselves accountable by tying a part of Fahrenheit 212's fee to the financial success of the ideas it developed in the market. Initially this success fee consisted of 2% of the first three years' revenues the ideas coming out of their work generated in the market.

As outlined above, at **Hirslanden**, the managing director had identified two challenges during his initial assessment, and he concluded that the company had to refocus on its core business: patient care. The initial idea was to *"sharpen our core business"* (Managing director Hirslanden) by focusing on performing those activities that the hospital can directly influence and, which contribute directly to

patient well-being and satisfaction. To achieve this focus, the managing director wanted to create a new business model taking advantage of the two dominant business models in the industry: the chief physician system and the private practitioner system. All interview respondents from Hirslanden recognised the managing director as the main creator of the initial idea.

Interview respondents from **ProSiebenSat.1** reported how Thomas Ebeling tasked a senior executive, who would eventually become managing director of SevenVentures, to come up with a concept for a new business model. ProSiebenSat.1's assessment was that small and medium sized companies typically face several challenges when it comes to TV media and advertising: They cannot afford the cost, they do not possess the necessary liquidity, cannot afford the risk of spending their scarce cash on an investment with an incalculable and uncertain return, and they do not have any experience with TV advertising. According to the managing director of SevenVentures the challenge was to create a business model that reduced these barriers, and made media affordable for these small and medium sized companies, while at the same time providing ProSiebenSat.1 with a new growth platform, creating additional revenues from an unexploited customer segment at a margin that would not dilute its existing profitability. All the while without disgruntling the traditional, high paying customers. The initial assumption was that each minute of free inventory sold, which would else be unsold, provided additional revenues to the group, no matter the price level. The managing director explained that the danger of this assumption was the pressure such a strategy would put on prices, cutting them to the level of direct response TV<sup>7</sup>, which is usually only broadcasted during certain times of the day, i.e., mostly at night, which in turn makes it only attractive to certain types of products and customer segments. So instead of offering low prices, ProSiebenSat.1 created the idea for the new media-for-revenue-share business model: offering media for free in return for a share of the revenues created by the advertising. The managing director of SevenVentures acknowledged that the idea of a media-for-revenue-share business model had been discussed several times before the arrival of Thomas Ebeling and

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<sup>7</sup> Compared to traditional advertising, the objective of which is to build or increase image, direct response TV (DR-TV) aims at creating an immediate purchase by the viewer through showing a telephone number or Internet address.

that the change of the CEO brought the necessary openness and willingness in the company to discuss and implement this idea.

As **Trumpf** was copying a business model from another industry, the basic idea was clear from the outset as interview participants reported. Yet, lacking any knowledge about the financial services business, Trumpf's former CFO visited several financial services companies and other manufactures offering financial services to learn how they were handling this particular business. The resulting initial concept consisted of outsourcing all key activities of the new business to an external service provider.

To adjust to the need for higher flexibility, informants from **Isovolta** reported how they decided to introduce changes in the research and development team, assigning dedicated staff members to the new product and introducing shifts to make sure it could cope with the demands for quick responses from customers.

While the formulation of these initial ideas seemed to be relatively easy, up to the point of being "*trivial*" (CFO Trumpf), for the organisations in the sample, initial ideas were characterised by a high level of abstraction. The initial ideas lacked details as to the components of the business model, and the companies did not possess any knowledge or fact about the feasibility and probability of success of the new business model. The managing director of Trumpf Financial Services reported on how this lack of experience and knowledge led to feelings of uncertainty.

Table 15 provides original quotes illustrating the development of the initial idea and the lack of knowledge.

**Table 15 - Representative Quotations for "Developing an initial idea"**

Theme	Representative Quotations
Developing the initial idea	<ul style="list-style-type: none"> <li>• "The model was indeed relatively clear, you place a machine and get your money back over the course of four years. The business model is most trivial." (CFO Trumpf)</li> <li>• "And that was the starting point, the [former CFO] examined various models, spoke to several leasing companies, visited several other companies who were already doing sales financing, ... and has elaborated a model that eventually led to the establishment of our Financial Services." (CFO Trumpf)</li> <li>• "The idea for this business model was born at the beginning of 2009. That went ,bum'. His [managing director] experience from previous years put swiftly to paper." (Former head of corporate development Klinik Hirslanden)</li> <li>• "I thought about ... where does this hospital need to be in the next 10 years. I looked at the various systems in the world, hospital systems, and tried to develop a vision for myself behind closed doors of where to take the private practitioner model and I decided to make a fusion between the chief physician system and the private practitioner system." (Managing director Klinik Hirslanden)</li> <li>• "It's fortunately often the case that such processes and impulses are always tied to a specific person and mostly come from management and usually when changing a leadership position or a point of view, when circumstances change. In our case, we got a new CEO in March 2009, Thomas Ebeling. He ... had basically a completely different view, ... a completely different view on the market, on us, on the television business and that helped, to open up certain barriers that are normally in the minds, and open up these blinders that we have developed in our business silos." (Managing director SevenVentures)</li> <li>• "And based on this simple necessity to fill our inventory with such models, the logic of media for revenue share developed." (Managing director SevenVentures)</li> <li>• "Conventional wisdom at the time said that businesses are terrible at innovation because they lack creativity. So we said, all right what we need to do is deliver a better way to apply creativity to innovation challenges. We found amazing academic work ... and came up with an amazing way to apply that theory to the development of innovation ideas. And that was kind of the basis for our initial practice." (President Fahrenheit 212)</li> </ul>
Lack of knowledge	<ul style="list-style-type: none"> <li>• "But I did not know exactly where we were heading, where the journey would lead us. I only communicated 'sharpening of our core business'. That was quite clear to me ... we have to focus again on our core business, treating the patients. We need to know what</li> </ul>

	<p>we really do best. That was not yet clear [at this stage], that came only during the workshops.” (Managing director Klinik Hirslanden)</p> <ul style="list-style-type: none"> <li>• “Even after half a year one could not say with certainty where we were headed really.” (Associate SevenVentures)</li> <li>• “But we had no idea, first of all as I said, about the contracts, but also how to manage such contracts.” (CFO Trumpf)</li> <li>• “You have to imagine, the owner comes and says I want to have this too [financial services], and the involved managers, the commercial functions, machine tools [producers], they do not know anything about financial services. So it was marked by uncertainty.” (Managing director Trumpf Financial Services)</li> <li>• “So it was this phase where one just had no idea what am I supposed to do with this tool, with this company.” (Managing director Trumpf Financial Services)</li> <li>• “We did not know how it works on a large scale. We were able to handle the small volumes, yes, but large ones.” (Vice President R&amp;D Isovolt)</li> </ul>
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#### 4.3.1.3 *Validating the initial idea*

As a response to the lack of knowledge and experience, organisations in the sample engaged in various strategies, which can be summarised as ‘initial piloting’, i.e., taking initial steps to test and validate the idea by receiving feedback from key constituencies.

The following findings narratives illustrate the piloting strategies employed. Table 16 provides representative statements for the validation and piloting theme.

Interview respondents from **Fahrenheit 212** reported how the company shared their new model with potential clients, who were convinced by the new innovation model, admired the courage of being accountable with the success-based compensation model and hired Fahrenheit 212. Former Procter & Gamble CEO Alan G. Lafley was in fact so persuaded that he bought all of Fahrenheit 212’s capacities for a period of 6 months.

The head of corporate development from **Hirslanden** reported how the managing director shared his observations from the analysis and the resulting ideas with his management team during a workshop. They agreed on the need for a realignment of the hospital and decided to start implementing the new business model by adapting the organisational structure of the clinic.

The Vice President of Research & Development reported how **Isovolta** initiated first steps to implement the internal changes and approached potential clients, who were pleased by Isovolta's new speed and flexibility in research and development and wanted to engage in regular business activities.

**ProSiebenSat.1** published a press release advertising the new media-for-revenue-share model and received over 100 applications from interested companies.

The CFO of **Trumpf** reported how his predecessor reached out to external financial services providers to see whether they would be interested in partnering with Trumpf, outsourcing all administrative activities of the new financial services company. In parallel, Trumpf started building a small internal team, which focused mainly on the sales side, and it established a dedicated financial services company.

As the development of the initial idea, activities for validating and implementing validation activities seemed to be remarkably simple for the organisations in the sample. As the narratives show, piloting strategies ranged from discussing the idea with key stakeholders, to taking first small operational steps. Results of the initial piloting activities were positive for all cases in the sample, which led the organisations to take next steps towards engaging in regular business activities and operating the new model. Apart from Hirslanden, all companies in the sample validated their ideas with external stakeholders. Fahrenheit 212, Isovolta and ProSiebenSat.1 validated their ideas with potential customers, while Trumpf searched for an external partner to help operate the new business model.

Table 16 provides representative statements on these topics.

**Table 16 - Representative Quotations for "Validating the initial idea"**

Theme	Representative Quotations
Importance of validation	<ul style="list-style-type: none"> <li>• "You always have to gain experience so that you can evaluate the idea ... this is a very important aspect." (Managing director SevenVentures)</li> <li>• "I believe that there must be some sort of piloting. And you have to be ready to do a piloting and work on the topic and to say I will fine-tune it." (Managing director SevenVentures)</li> <li>• "So you start trying, what is leasing, how does it feel like, what can I do with it, if I build this myself, what tools do I need, which employees, which know-how do I need." (Managing director Trumpf Financial Services)</li> </ul>
External validation	<ul style="list-style-type: none"> <li>• "We showed the model to P&amp;G who bought it." (President Fahrenheit 212)</li> <li>• "At the end of 2009 we gave out a press release, announcing that we offer this [media-for-revenue-share] now. And if I remember correctly, I had within 14 days over 150 business plans on the table." (Associate SevenVentures)</li> <li>• "We contacted those [potential customers] and they were very interested. There are three or four large [customers], which we identified, and we got in touch with them, asked whether we could present ourselves with our products, and we immediately raised their interest." (Vice President R&amp;D Isovolta)</li> <li>• "Once the two years had passed, we started to provide samples to the company ABC, with a market share of 50-60% they were by far the largest at the time. They saw that we wanted, we can, we have new ideas, we can implement new ideas ... and we are more flexible than the competition. That was the first case and from that point onwards we were actually the first contact for new projects at the company ABC. Then the wheel started turning faster and one thing led to another." (Vice President R&amp;D Isovolta)</li> <li>• "When we came and said, you'll get this for free and you'll get this tomorrow or the day after, the enthusiasm was of course high. They [customers] were not accustomed to this. That was our big advantage, so really this flexibility in appearance and customer service. With new ideas and trying new ideas to take root and rapidly and that has differentiated us from our competitors." (Vice President R&amp;D Isovolta)</li> </ul>

Internal validation	<ul style="list-style-type: none"> <li>• “I can remember well, he [managing director] came on October 1, 2008 and in January 2009 he held the first management meeting ... The entire management team was there for the first time, and he presented the results of his analysis of the first 100 days in office. He presented in a relatively structured way where we stand, told people that we have a hospital, which is very successful, the most successful private hospital in Switzerland, and I have now analysed the situation and we do not need a turn around, but we need a realignment, he called it.” (Former head of corporate development Klinik Hirslanden)</li> </ul>
Taking operational steps	<ul style="list-style-type: none"> <li>• “But we had no idea how to manage such contracts. Therefore we outsourced the entire administration at the beginning. We had internally only two people ... later came another staff member as the volume grew, but they were focusing on sales, visiting the customers, ... and the entire administration, contract management, payments, accounting of leasing payments received, etc. up to establishing the annual report at the end of the year, all this was done by the outsourcing partner. And so it just started small and grew successively.” (CFO Trumpf)</li> <li>• “We restructured the medical system. That was first the organisation chart, which looked completely different before. We adapted the organisation chart of the hospital to the business model, we reorganised it completely and searched for a manager of the medical system.” (Former head of corporate development Klinik Hirslanden)</li> </ul>

#### 4.3.1.4 Discussion of the Inception Phase

The activities the organisations in the sample engaged in during the inception phase can be interpreted as knowledge acquisition, interpretation, application and creation activities.

Sensing an opportunity or need for change, as well as the formulation of a response required organisations to acquire, interpret and apply knowledge about the market, its dynamics, customers' needs and challenges, as well as company internal information.

In four of the five cases, formulating a response revolved around solving issues for the customer: increase the success of innovation (Fahrenheit 212), offer higher speed and flexibility (Isovolta), provide better patient care (Hirslanden), and, make TV advertising available to start-ups and SMEs (ProSiebenSat.1). Hence, the search for knowledge concentrated on achieving a better understanding as to how to



solve the customers' challenges. Trumpf did focus less on the customer, but more on solving the challenge of operating the new business model.

Fahrenheit 212 acquired knowledge about why companies struggle with innovation, plus it studied academic publications to develop a better innovation process. The managing director of Hirslanden acquired knowledge about the organisation through conducting interviews, his experience during the first 100 days on the job and researching different hospital business models for a potential solution. The managing director of SevenVentures relied on prior knowledge of past discussions about the media-for-revenue-share model, plus, although not explicitly mentioned, it can be assumed that the knowledge about the start-up and small and medium size customer segments, and their particular reasons not to buy TV media, must have been acquired somehow. Isovolta relied on the knowledge it had accumulated through experience, while Trumpf referred to the knowledge of other companies and outside experts.

It seems crucial to notice that the organisations in the sample only possessed a rudimentary understanding of the opportunity and/or need for change at this point, which in turn led to the development of equally rudimentary initial ideas, characterised by their abstract and draft nature at this stage. As the business model was new, companies naturally lacked any experience with which elements of the new business model needed to be designed, which elements of the existing business model needed to be changed, what implications the new business model would have on the organisation, and whether it had the potential for achieving desired results.

As this knowledge about the validity of their ideas was not readily available, organisations engaged in experiential action to create it. While ProSiebenSat.1, Fahrenheit 212 and Isovolta, gained validation from customers, the managing director of Hirslanden focused on his management team as a source of feedback. The knowledge of how to operate a financial services business was available and Trumpf acquired it by partnering with an external service provider.

Two types of challenges can be distinguished at this point.

First, conceptual/cognitive challenges relating to the formulation of the initial idea. Applying the conceptualisation of the business model as activity system, the

challenge for Fahrenheit 212, ProSiebenSat.1, and Hirslanden seemed to revolve around designing the content of the activity system, i.e., which activities to perform, as well as about the revenue model to employ (in the case of ProSiebenSat.1 and Fahrenheit 212).

Trumpf seemed to focus less on the choice of activities to perform, as it was copying an existing model, but rather on how to implement and operate them. In a similar vein, for Isovolta the questions did not revolve around which activities to perform, but how to perform them differently to be able to cope with the demands of the new customers. That is, questions did not revolve around the content of the activity system, but around the structure, i.e., how to perform, sequence and link activities, and the governance, i.e., who performs the activities and the relationship between actors.

These differences in the focal elements at this stage might be explained by the differing degrees of novelty of the business model ideas, and hence whether existing knowledge about the business model, and especially the content of the activity system, was available or not.

Whereas the ideas developed by Hirslanden, Fahrenheit 212 and ProSiebenSat.1 can be interpreted as ‘new-to-the-world’ type of innovations, the business models of Trumpf and Isovolta existed already, and can be interpreted as ‘new-to-the-industry’ and ‘new-to-the-company’ types of innovation respectively.

In the case of ‘new-to-the-world’ types of innovation, design activities revolved around *which* activities to perform as part of the business model, i.e., the content of the activity system, whereas in the case of ‘new-to-the-industry’ and ‘new-to-the-company’ types of innovation, the design activities focused on *how* to perform activities, i.e., the structure and governance of the activity system.

The second type of challenge was an emotional challenge. Feelings of insecurity and uncertainty arose as a reaction to the lack of experience with the new business model and knowledge about its validity and feasibility.

Although none of the informants reported explicitly on this fact, it can be assumed that the positive results achieved through the validation activities taken at least eased the emotional discomfort, and that this raise in confidence motivated the organisations to further pursue the new business model.

### 4.3.2 The Evolution Phase

Following the positive outcomes of the validation activities, organisations in the sample entered the evolution phase. The evolution phase can be best described as an iterative cycle of design and implementation activities, facilitated by insights gained and experiences made. The case histories of the evolution phase developed from respondents' accounts in Table 17, Table 18, and Table 19 illustrate this iterative nature of events. Table 20 provides further representative statements as evidence for the iterative nature of the process and the need to learn.

**Table 17 - Evolution Phase at Fahrenheit 212**

<b>Evolution at Fahrenheit 212</b>	
<b>Learning</b>	<p>Despite the <i>"amazing customer propositions"</i> created, the <i>"needle on the hit rate did not move at all"</i> (President Fahrenheit 212). In the eyes of their clients, Fahrenheit 212 was extremely successful, but not by its own measures.</p> <p>Fahrenheit 212 created a vast amount of ideas, which it saw never being taken to market or not being as successful as it had hoped. It was not enough for them to impress their clients with innovative ideas; they wanted to create new products, services and businesses that succeeded in the market and helped their clients to achieve considerable growth. <i>"The model was not wrong, it was just not enough to overcome innovation failure."</i> (President Fahrenheit 212)</p> <p>The company stepped back and tried to understand the root causes of innovation failure once again. On the one side, Fahrenheit 212 saw the world of management consultancies, defining growth strategies, but not turning these high-level strategies into tangible offerings consumers would buy. There was a considerable amount of commercial insight, but no creativity.</p> <p>On the other side, there were the design companies, who showcased high creativity, but lacked the commercial rigor of the management consultants. These companies tended to work exclusively with a consumer focus: Finding consumer problems and designing products and services to solve them, without commercial acumen and orientation towards company strategy.</p>

<p><b>Design</b></p>	<p>Fahrenheit 212 realised that each of these two approaches had the piece that the other was missing. Creative and innovative ideas for new products, services and businesses needed to be aligned with business requirements in terms of financials, (e.g., ROI or margin requirements), operational realities (e.g., can we manufacture it), technology available, and the overall strategic directions of the company.</p> <p>Hence, the solution to overcome innovation failure was not to develop different or better ideas, as Fahrenheit 212 had tried to do, but to combine creativity (solve for the consumer) with commercial acumen (solve for the business).</p> <p>To be able to overcome innovation failure and deliver the new approach Fahrenheit 212 labelled “Money &amp; Magic”, it built a new type of practice, deliberately structured to address the needs of the consumer, as well as the needs of its business clients.</p> <p><b>Action</b></p> <p>First, the necessary activities to fulfil the commercial promise needed to be developed. Activities focusing on commercial acumen (e.g., market share calculations, financial benchmarking, calculating potential revenues, manufacturing, and distribution cost, etc.) had to be integrated with the already existing creative ones.</p> <p>Second, instead of relying on the traditional, sequential process separating execution from ideas, Fahrenheit 212 created a process and working model, where both teams, the ideas development team and the commercial strategy team, collaborated from day one on a project.</p> <p>To be able to carry out the new activities, new skills and capabilities were brought into the company by hiring business analysts with the needed experience and background in finance and business, often with an MBA.</p> <p>A new organisational structure was created to accommodate the two teams, the ideas team and the commercial strategy team. The two teams were led by two heads on the same hierarchical level. The president still considers this a vital point in order to establish the right mind-set and DNA of the two being equally important to the success of innovation.</p> <p>Compared to traditional management consultants, teams were no</p>
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	<p>longer co-located to the client's office, but worked in Fahrenheit 212's office, and they were not assigned to a single project, but involved in multiple projects at the same time.</p>
<b>Learning</b>	<p>While the new "Money &amp; Magic" business model worked well in terms of creating innovative products and services for clients, Fahrenheit212 realised that the initial idea of being paid a success fee of 2% of the first three year's sales of the product, created challenges for its own cash flow. On the one hand the timing was not optimal and on the other hand there were a lot of crucial moments to making the idea a success in the market it did not control once the idea had been sold to the client.</p> <p>Fahrenheit 212 asked itself, which moments in the innovation process were the most crucial ones for its clients and learned that every client had some form of stage gate model, with a number of hurdles and gates to pass, which it used to structure innovation projects and make investment decisions. Innovation managers typically considered it a huge success if an idea was approved to pass a gate and move on to the next stage.</p>
<b>Design</b>	<p>Hence, instead of tying its entire variable fee to the commercial success in the market, it aligned its success fee to the achievement of certain milestones in the client's stage gate process, getting paid each time its ideas pass a gate and overcome a major hurdle inside the company.</p>
<b>Action</b>	<p>The model was proposed to new clients to receive their feedback.</p> <p>Today, Fahrenheit 212 aligns up to 2/3 of its revenues to the achievement of these internal milestones and the commercial success of a product in the market, while always staying flexible and adapting to the client's internal processes.</p>

**Table 18 - Evolution Phase at ProSiebenSat.1**

<b>Evolution at ProSiebenSat.1</b>	
<b>Learning</b>	After the positive reactions to the press release, ProSiebenSat.1 started to evaluate the various companies that had shown interest in the new business model and drew up the details of the media-for-revenue-share contracts, and approached the first customers to executed deals with them.
<b>Design Action</b>	
<b>Learning/ Design</b>	After initial trials, it learned that a share of revenues was not enough to maintain its margins, so it further expanded the model to include the 'minimum guarantee', a fixed amount for media services, augmented by a share of revenues, calculated based on the positive effects on sales through TV advertising.
<b>Learning</b>	It also learned that not every product and type of company is suitable for its model. One of the early customers for example was a local soft drinks producer. Although the business looked promising, ProSiebenSat.1 found out, unfortunately only after having run the TV advertisements, that the drinks were not listed with major supermarkets and the producer did not have the capacity to fulfil demand. It also run into discussions with companies about how much of the revenues were generated as a result of the TV media. In the case of physical in-store sales, ProSiebenSat.1 had no means to track sales.
<b>Design</b>	As a result of these and similar experiences, ProSiebenSat.1 decided to focus on e-commerce, where additional revenues triggered by advertising could be tracked more easily, and it focused on companies and products with no inventory risk.
<b>Action/ Learning</b>	After having successfully executed the new business model and an increasing volume of business, ProSiebenSat.1 realised that, especially in the case of working with start ups, other investors were not too pleased with the cash drain the ProSiebenSat.1 model entailed, and it saw that equity participations would bring potentially higher financial returns in the case of a successful initial public offering or sale of the company.
<b>Design/ Action</b>	This insight led to the design of a media-for-equity offering as part of the business model. Yet, executing this model surfaced certain financial

<b>Learning</b>	<p>and legal challenges for the media group, which had to be accounted for and discussed at length with the media groups executive management. (These issues were solved through constructing legal contracts, the details of which were not disclosed.)</p>
<b>Design/ Action</b>	<p>As a response to increasing volume of the business, ProSiebenSat.1 designed an organisational structure and processes in which core activities specific to the new business model were consolidated in a dedicated company, while supporting activities, e.g., legal, finance, accounting, controlling, tax and production, were carried out by the respective departments of the parent company. Two teams were created to manage and execute the core activities of the new business model and people to staff these teams were hired.</p> <ul style="list-style-type: none"> <li>• The investment team, consisting of investment bankers having been hired to bring in the necessary skills and capabilities to identify and evaluate the potential of investment targets.</li> <li>• The operations team, which is in charge of managing all processes from due diligence to media planning.</li> </ul>
<b>Learning  Design</b>	<p>The newly established company was successful in helping to create strong brand awareness and an increase in sales for several companies, considered success cases of the new business model, e.g., Zalando, an online shoe retailer, or Tom Tailor, a German casual wear clothing brand with retail shops in 21 countries and a large online presence. The success of the business model led ProSiebenSat.1 to use it more strategically to invest with media performance in promising markets, choosing the start-ups, products and services to invest in, while shifting the majority of the reward to equity proceeds or exit.</p>

**Table 19 - Evolution Phase at Trumpf Financial Services**

<b>Evolution at Trumpf</b>	
<b>Learning</b>	The biggest challenge Trumpf faced in the early years was the operational side of the financing business: setting up and managing the contracts and the accounting part of financial services.
<b>Design/ Action</b>	<p>As Trumpf lacked the necessary knowledge and expertise in these areas, it outsourced them to a specialised leasing institution.</p> <p>It hired an outside expert to drive the initiative and manage a small internal financial services sales team, but only achieved minor success.</p>
<b>Learning</b>	The collaboration with the external partner proved difficult, as he demanded high interest rates, while at the same time passing the risk of defaults to Trumpf. The objectives of the external partner were not aligned with those of Trumpf. The focus of the partner was to sell its products, using Trumpf as a sales channel. Trumpf on the other hand saw financing solutions as a strategic tool to foster its own sales. Furthermore, having only limited understanding of Trumpf's business, the partner did not show the necessary flexibility to deal with Trumpf's customers and support them in the case of payment difficulties.
<b>Design/ Action</b>	<p>In early 2003 a new managing director for financial services was brought in to deal with these issues and build a successful financing business within Trumpf.</p> <p>As a first step an internal accounting department was build up to be able to perform accounting and contract management activities in-house. At the same time the Trumpf Financial Services team needed to collaborate with the sales force and engage in the selling process.</p>
<b>Learning</b>	Due to the increasingly high volume of the financing business, and the according needs for funds, the increasing cash commitment and high accounts receivable on Trumpf's balance sheet, the company needed to find a different way to refinance itself.
<b>Design/ Action</b>	<p>The business model was changed, collaborating with external partners only for refinancing purposes, selling contracts in the background to these in order to match maturities and ensure the necessary liquidity. The main difference to the former model was that, instead of the financial institution dealing directly with the Trumpf customer, now</p>



	<p>Trumpf Financial Services took over the operations of all activities and was the main contracting partner for its customer and the customer received the machine and the financing directly from Trumpf and only Trumpf dealt with the external financial institutions for refinancing purposes.</p>
<b>Learning / Design / Action</b>	<p>The new model proved so successful that Trumpf decided to expand it internationally and a new company was founded in Switzerland to take care of cross border operations.</p>
<b>Learning / Design / Action</b>	<p>Facing the increasing regulation of financial services in Germany and the European Union on the one hand, and the opportunity of the so called EU-Pass, a regulation allowing full regulated banks to provide services they offer in their home country also across borders within the European Union, on the other hand, Trumpf decided to apply for a full banking license which it received in 2014.</p>

**Table 20 - Representative Quotations for "Iterative Process"**

<b>Theme</b>	<b>Representative Quotations</b>
Learning and designing the new business model while operating it	<ul style="list-style-type: none"> <li>• "I think it's kind of, this business model development, the theoretical part and the practical part are extremely closely interlocked. It has evolved continuously, learning by doing, an iterative process. It's just a very creative process." (Former head of corporate development Klinik Hirslanden)</li> <li>• "The vision I had originally in mind and the final outcome ... that's totally different. The business model was developed while operating it, and, how should I say, it got fine-tuned and sharpened. You can't say that it originated on the drawing board. This is probably the most important conclusion. What I had originally in mind went in the direction of reinventing the private practitioner system, the fusion of employees and non-employees, chief physician and private practitioner, but of course, it was far from being so concrete and specific as it is today." (Managing director Klinik Hirslanden)</li> <li>• "I think there is a whole facet of fine-tuning ... there must be some sort of continuous improvement of the system." (Managing director SevenVentures)</li> <li>• "I think that was a trial and error principle, following the motto, we try, we find out it is better to get customers with a fixed guarantee of 10%, 15% into the program, to look already at whether such a clientele can afford this from its cash flow, can finance this, therefore the companies are all a bit further [in their development]"</li> </ul>

	<p>and can afford it, and then ... there are sales baselines, there are incrementals, there are equity shares and this is how the model became more sophisticated.” (Managing director SevenVentures)</p> <ul style="list-style-type: none"> <li>• “You get in, and then it becomes interesting, you learn. And then you can continue to develop of course, if you know what's important. Then the next step, we get bigger, ... we gain a foothold in the area and with the experience, with the knowledge of what is important, what the core criteria are, you can then also evolve.” (Vice President R&amp;D Isovolta)</li> <li>• “Then actually the internal process, these adaptations, started, more flexible production, better quality control, reacting more flexibly in research and development and so on. So responding to this speed, that took some time.” (Vice President R&amp;D Isovolta)</li> <li>• “We simply had to learn during the course of the project how this whole thing works and it really was continuous learning.” (Vice President R&amp;D Isovolta)</li> <li>• “The first tests were run and from these experiments, something like a prototype material developed in painful legwork, which was then tested again and again, again and again, production was further adjusted until someday the material suited the customer’s needs and he switched to our material.” (COO Isovolta)</li> <li>• “We got more sophisticated along the way. We started in a very naive way. It’s like learning a craft, rather than being an expert in the field. At the beginning we were no more or less successful than anybody else, despite the business model. Only through experience it became clear that creating something new for a company, there were two problems to solve, one for the customer, requiring consumer insight, solving for the customer, and the other one for the business requiring commercial insight, solving for the business.” (CEO Fahrenheit 212)</li> <li>• “It took some trial and error to figure it out. You propose the new structure to clients to see what they say. You experiment with new clients and learn what works and what doesn’t.” (CEO Fahrenheit 212)</li> <li>• “It took trial and error to figure out that there was some value in spreading our incentives across multiple milestones, rather than having one huge hit at one moment, ... it made better sense to do it that way. The learning was: propose that kind of structure to clients and see what they say, experiment with new clients. It was harder to change the model with existing clients. New clients were the laboratory.” (President Fahrenheit 212)</li> <li>• “We didn't know much about how innovation would work when we started out. We learned a lot more. The model and the amount of money in the model evolved. In the beginning we got very little money for the work we did, because we didn’t know how valuable it was or could be. We had no idea how valuable the product was.” (President Fahrenheit 212)</li> </ul>
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As these case histories and the quotations in Table 20 illustrate, operating the new business model led to making experiences and gaining insights, which triggered the next cycle of design and fine-tuning of the business model. The execution and operation of activities based on the new design led to new experiences, which in turn led to new design activities. As experiences accumulated and companies gained a deeper understanding of customers' and their own needs, the design of the business models reached a higher level of maturity and sophistication. While going through this cycle, the organisations in the sample developed the details of their business models component by component while at the same time implementing them step by step and operating the new business model, although it might not have been completely developed.

The three steps of learning, designing and taking action were highly interdependent and often boundaries between them were not clearly identifiable. Yet, for analytic purposes, the learning, design and action themes will be further described separately in the following sections.

#### 4.3.2.1 *Making experiences and learning*

The organisations in the sample made two different types of experiences: (1) having success, and (2) encountering challenges.

**Having success** meant favourable outcomes and positive experiences, indicating, the business model was generating the desired results, was accepted by key stakeholders, while at the same time being feasible from an operational point of view. Table 21 provides quotations illustrating the successes experienced by the organisations in the sample.

**Table 21 - Representative Quotations for "Having Success"**

Theme	Representative Quotations
Acceptance by customers results in increased demand	<ul style="list-style-type: none"> <li>• "The exciting thing was ... when you open the floodgates you don't have a problem with demand - quite the contrary. There are many companies who wanted this advertising model. The demand was there." (Managing director SevenVentures)</li> <li>• "We have helped some firms to good results. Zalando is a European success case today. And there are several targets that can say, ok with this advertising I succeeded to better exploit and build my market position." (Managing director SevenVentures)</li> <li>• "It was then I think 300 kg in the week, that was a huge amount."</li> </ul>

	<p>That was unthinkable, first we dreamed of 50 kg a week and then it was 200 kg then it was a ton a week and that was madness.” (Vice President R&amp;D Isovoltà)</p> <ul style="list-style-type: none"> <li>• “We had tremendous success working that way. We were creating amazing customer propositions. One after another. The clients would throw more and more projects at us every day.” (President Fahrenheit 212)</li> </ul>
Financial success	<ul style="list-style-type: none"> <li>• “We have de facto also achieved nice results for the group, on top, ... where we all said before, oh, the advertising market is really slow again, we have to see.” (Managing director SevenVentures)</li> <li>• “The first milestones were basically the attainment of a sales target by the end of 2009.” (Associate SevenVentures)</li> <li>• “Because all of a sudden just from a let's start something and see if it ever reaches the minimum goal, which we achieved, all of a sudden large monthly sums started to pour in. And we saw, OK as a cash business this definitely works.” (Associate SevenVentures)</li> <li>• “That was at the beginning of 2010 after half a year. One could quite clearly see even after the first month of launching a topic, that the company got a huge jump in [web site] visits. We have driven a lot of online topics at the beginning and through this jump of the visits, there was of course an increase of revenues.” (Associate SevenVentures)</li> <li>• “Suddenly the leasing company had no more losses, but we had a turnover of 30 million more in the group, we had a profit of 2.7 million, instead of a negative result. So the whole thing was turned from black to white. People realised this could be fun and what possibilities it [financial services] offers.” (Managing director Trumpf Financial Services)</li> </ul>
Importance of having success	<ul style="list-style-type: none"> <li>• “It has paid off for our own success and ... all of a sudden just because there very large deals with the corresponding cash revenues. This led to a very high attention on this business after already about half a year.” (Associate SevenVentures)</li> <li>• “With these larger amounts we learned how to do it and the business got taken seriously internally, people saw that there was serious business to be made, that we were not completely bonkers. As we felt safer, we made the next steps to Asia.” (Vice President R&amp;D Isovoltà)</li> <li>• “And, as we have learned to run with it and had [the first customer] really under control ... as we felt as safe, we made the next steps to Asia.” (Vice President R&amp;D Isovoltà)</li> </ul>

Having success meant first and foremost customers accepted the business model. This acceptance was visible by the high demand, and increasing volumes of business, which translated into financial results.

As illustrated in Table 17, Table 18, and Table 19 above, having success also encompassed the discovery of what worked well, e.g., Fahrenheit 212's innovation process delivered creative innovations, and it learned to appreciate the value of its services, while ProSiebenSat.1 learned that it is easier to track online sales than in-store sales, and that it could have profited from equity proceeds. These insights gained would later be used in the further design of the business model.

The evidence in Table 21 also illustrates the importance of having success for the continuation of the business. By having success, the new business models received increasing attention within the organisations and the success led people to realise the potential of the idea and to an increase in confidence in the business model.

While organisations in the sample experienced success with their new business models, they also **encountered challenges**. The case histories outlined in Table 17, Table 18, and Table 19 above, and the following findings narratives, as well as the representative quotations in Table 22 illustrate the challenges faced.

The VP R&D, as well as the COO of **Isovolta** reported how the need to respond flexibly and timely to customer demands resulted in frequent disturbances of the production process, as the running production had to be stopped and a machine re-configured to produce a sample of the new product for a client within hours. Being used to a solid production plan, which had always been established a week ahead, these short-term changes created major resistance from employees and had a negative impact on productivity and efficiency. Isovolta furthermore discovered that it needed to improve the quality of its products along with its quality assessment methodologies. The success of the new business led to an increase volume, amplifying these challenges.

All interview respondents from **Hirslanden** reported how the hospital changed its organisational structure in order to operate the new business model. The most prominent change was the introduction of the so-called 'medical system' regrouping all medical activities, including patient care services. This change entailed that the heads of patient care were no longer reporting directly to the

director of the clinic, but to the head of the medical system instead. As a result, resistance within patient care rose to a level at which the head nurses resigned from their job and left Hirslanden. Furthermore, as this medical system was such a unique invention, Hirslanden had serious trouble finding a candidate with the capabilities to lead in this function. The challenge of operating this new unit was reinforced by the fact that, the role and responsibilities of this position had not yet been clearly defined. Hirslanden also had to find the right skill level of employed generalist doctors, whose role differed from the role such doctors would assume in a more traditional hospital business model environment. These challenges created doubts with the managing director, whether it would be possible at all to operate the new business model. Furthermore, in order to implement the new focus on excellent patient care, and the hybrid business model of employed generalist doctors and independent specialist private practitioners, processes needed to be adapted and roles and responsibilities redefined.

As illustrated in Table 17 interview participants from **Fahrenheit 212** reported how they were unsatisfied with the success they achieved, and how the revenue model led to too long payment terms. Building a new and unique type of innovation practice required the company to create a new organisational structure, processes and collaboration model between the creative and the commercial team. Additionally it became clear that innovation consulting and the traditional Saatchi & Saatchi advertising business had less in common as originally assumed, and that especially Saatchi & Saatchi's client contacts could not be leveraged to sell innovation consulting.

The managing director of SevenVentures reported how **ProSiebenSat.1** faced a series of challenges. Besides the difficulties it faced not being able to track in-store sales or with several of its customers not being able to fulfil demand, it also faced company internal challenges. The new business model, and especially the media-for-equity option, posed legal and financial challenges to the media group. Media-for-equity meant ProSiebenSat.1 was actively investing in companies and needed to show these equity positions and participations on its balance sheet. These investments bore the risk of having to be written off in case the companies did not succeed. Risks the CEO and CFO did not want to accept.

In a similar vein, the managing director of **Trumpf** Financial Services reported how the financial risk the new business model posed to the group created discomfort. Having to finance the assets meant Trumpf needed the liquidity to do so. It also meant, assets would stay on its balance sheet and revenues had to be spread over the financing period. Furthermore Trumpf Financial Services needed to convince and educate the sales force to work with the new entity, instead of relying on the established relationships with the former, external financing partners. In addition, working with the outsourcing partners proved difficult as outlined above in Table 19.

**Table 22 - Representative Quotations for "Encountering Challenges"**

Theme	Representative Quotations
Business model is not working / is not fully defined, creating risks	<ul style="list-style-type: none"> <li>• “This played out for several years and the business was growing, but we stepped back at one point and said, this actually isn't working. And what we meant by that was, we were delivering amazing ideas, driven by high-level creativity, but the needle on hit rate was not moving at all. Some of our ideas were moving forward, an awful lot were not. The funny thing was we had very, very happy clients who just accepted innovations fail a lot. But this wasn't enough for us. We were in this business to create better outcomes to overcome innovation failure. So the model was not wrong, it was just not enough to overcome innovation failure. So with all this business coming our way ... we were very good at what we were doing in the eyes of our clients, but we were not successful by our own measures, on changing the hit rate of ideas actually going to market and doing what they were expected to do from a company growth standpoint.” (President Fahrenheit 212)</li> <li>• “The first thing we realised was that tying all our incentives to a percentage of sales in the market made the timing way too long. Particularly as a lot of the innovation we are doing is breakthrough and has a considerable lead-time. Not only did we have to wait 12 months to launch, but also another 12 months post launch to see how did it perform. The realisation was that this timeframe was quite unhelpful.” (President Fahrenheit 212)</li> <li>• “There were internal power struggles so to say and it was in the beginning not 100% clear, we establish a medical system, we have this head of the medical system, who presides over this triangle of the medical institutions, and nursing, but what is in his competence, what can he tell them, what not, based on which KPIs does he lead, etc.” (Former head of corporate development Klinik Hirslanden)</li> <li>• “At first it was the way that we still had a [financing] partner .... However, there were problems with them, because they took high</li> </ul>

	<p>interests from our customers, but passed the risk to us. There were repurchase agreements and collateral, etc. and at some point we said, it cannot be that they have all the fun and we the risk, we have to turn this around. And because they were a bit difficult to discuss with, we started to push them out of the regions. That wasn't easy at first, because our sales people were used to working with them in the regions. Anyway, it was a bit tough to introduce our financing topics at the beginning. And in the beginning we did the financing in-house. Meaning the money came from Trumpf, which was then just used for financing." (CFO Trumpf)</p> <ul style="list-style-type: none"> <li>• "We couldn't agree with the [external financing company] how flexible they could handle this issue in the back office. We have small customers, sometimes these small customer earn a lot of money. Sometimes they earn a little less, and then they defer a payment. Often we have at the beginning also technical problems with our machines, ... and sometimes also in the middle, and then the customer says, that's your problem, I do not pay, and then we have these discussions and you have to adapt in the backend." (CFO Trumpf)</li> <li>• "You have several complexes. I sell a machine for 100, if I sell to the third party and it is financed by a third party, I have 100 sales revenue, I can show my earnings, etc. I have an internal company selling the machine at 100 to a customer, the internal company does the funding, I have manufacturing cost in my P &amp; L, but have no sales, have no income, which comes over 5 years, ... I have to depreciate the machine. So I have even more cost, so many components and that of course leads to a leasing company showing negative numbers in the beginning with this structure, if I keep it on the balance sheet. The balance sheet is extended, equity is shortened etc., so this whole complex." (Managing director Trumpf Financial Services)</li> <li>• "So simple points. The company, this target, has financial difficulties and says ok we agree on payment terms and extend them. So I've got a kind of payment period for bigger items, which I can extend to, for example, 14 months. Here you would normally say yes fine, I book the sales non-cash, it is not optimal, but to date I have no cash flow problem, cash is available. So it is not an issue, I have some flexibility. But I do not really have this flexibility, because we are limited by our banks regarding how many loans we can issue. We are financed by banks and due to governance issues, we are also listed, we are limited in terms of how long we are allowed to tolerate receivables and thus accordingly loans. This means if we are too aggressive and do too many of these transactions, we have a problem with governance breach ... You don't think of such points you construct such a model." (Managing director SevenVentures)</li> <li>• "The second point is the risk of impairment of goodwill, if you</li> </ul>
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	<p>choose direct investments and equity positions. We had two sides on this subject, the one strongly influenced by the lawyers and also the CEO, we have to have control here, ... we need to be able to say exactly what the companies can do and cannot do, we need to play an active role. On the other side the CFO, who said if we participate everywhere ... then we have the problem that we have to show it in our books, which is a direct participation. With the direct participation we have the problem that we also have to account for the media that we are investing. This means, we have the goodwill plus the media, because we invest the media ... and then you have a value of 10 – 15 million and if the company goes bankrupt because it is insolvent then you need to take this amount out of your books again.” (Managing director SevenVentures)</p> <ul style="list-style-type: none"> <li>• “A big topic were impairment risks. So if we participate in a company, hold equity, and the company runs badly, something happens, somehow retroactive cash payments or write offs occur for the group, which we did not want at all.” (Associate SevenVentures)</li> </ul>
Internal resistance	<ul style="list-style-type: none"> <li>• “Not without resistance, so this change, for example in the production planning from this relatively not completely rigid, but this rigid weekly planning towards a relatively flexible handling of products and we will not do this tomorrow, but we will do it still today. This was a change of thinking and mind-set, which was of course time consuming and tedious, that’s clear. But it was necessary and does work in the mean time.” (Vice President R&amp;D Isovolta)</li> <li>• “It was not easy. Especially if we come back to this point of work preparation. This flexible planning, these were tough discussions, this cannot work, and you're mad, that's all a mess. That was tedious, no reproach to the colleagues. It's really, it's two different worlds and to achieve this transition, we were aware that this could not be done from today to tomorrow. That was troublesome, yes.” (COO Isovolta)</li> <li>• “It is interesting, during the development of the business model, who are the winners and who are the losers. You have a vision, you go this way with the people and the question is really very quickly, do I have the right people who are willing to go that route with me and I have to say that I lost almost everybody apart from 2 people in the first year.” (Managing director Klinik Hirslanden)</li> <li>• “The opposition came primarily from the closest collaborators, employees who lost power, who saw all a sudden now the doctors have a say, I have to bear additional responsibilities, which I didn’t have to bear before.” (Managing director Klinik Hirslanden)</li> <li>• “There was internal resistance to the change. For example, an important point is the patient care services. Those are several people who were no longer directly reporting to the director. In Switzerland this is a sacred cow ... In all the public houses, it is so,</li> </ul>

	<p>there was in the past an executive director, a medical director and a nursing management, nursing directors. These three persons constituted the hospital management. Grading the nursing management down, put them one level down in the hierarchy, has led to huge resistance and the two nursing managers, we had this divided into the specialised care, intensive care unit, operating room, etc., the other are the beds. Both nursing managers are now replaced. They both left.” (Former head of corporate development Klinik Hirslanden)</p> <ul style="list-style-type: none"> <li>• “This led to the CEO saying, I never wanted to have this business in a way that we have any risks, it should be a completely risk-free business. So we do not want the risk, but of course we wanted to be involved in decision-making and decide when an exit happens.” (Managing director SevenVentures)</li> </ul>
Operational challenges	<ul style="list-style-type: none"> <li>• “As the first regular deliveries went off, that was a completely different world, also regarding quality requirements. Whereas for electrical insulating materials you need to do a single measurement and enter it into the test certificate, here you have to provide statistics, a distribution curve and that was of course a new request.” (Vice President R&amp;D Isovolta)</li> <li>• “In production, we actually run with the regular production, on the old, on the available machine, more bad than good, it is actually still surprising that it worked so well. What was difficult was this production planning as mentioned before, to align this flexible production planning with the conservative one, on the same machine. This was very time-consuming. This then also led to the discussion that combining weekly schedules, or 14-day plans, with the needed flexibility, that did not work, that did not fit together. That was actually the next step, that we needed to create an understanding that we need to react very flexibly and that this idea of a rigid weekly plan, that this does not work for this model.” (Vice President R&amp;D Isovolta)</li> <li>• “This model does not exist anywhere in the world. We needed to figure out how to create collaboration between creative people and commercially focused MBAs who had not been trained or experienced in inventive thinking. So we had to build a whole new organisation model and a whole new process to do this. On the way we learned a lot of things that work and a lot of things that don't.” (President Fahrenheit 212)</li> <li>• “We realised the two businesses had nothing to do with each other. Saatchi had the wrong contacts within companies and they couldn't be leveraged.” (CEO Fahrenheit 212)</li> <li>• “The main problem was actually finding the people who wanted to bear this responsibility, for example the employed generalists.” (Managing director Klinik Hirslanden)</li> <li>• “Another [difficulty] was, once you have the model, you realise suddenly that you have to adapt all the processes.” (Managing</li> </ul>

	<p>director Klinik Hirslanden)</p> <ul style="list-style-type: none"> <li>• “To find that person who has the skills to lead all of these extremely competent people, mostly professors, and who has a sound business and economic understanding, that person, I burned three people until I had someone who could do this. So a business model that doesn’t find the people who can then also implement it is of course not an efficient model and for some time I seriously doubted that I can find someone who is capable of doing this. Taking this CEO function in the medical area. It took me about two years, before I had somebody.” (Managing director Klinik Hirslanden)</li> </ul>
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As these findings illustrate, companies faced several challenges during the evolution phase. A first set of challenges related to the business model itself, not delivering the desired results. Although the business models worked to some extent, they did not reach defined objectives or created unwanted risks. A second set of challenges related to difficulties operating the new business model. Companies had to develop new capabilities and create new processes to be able to operate the new business model. Both challenges led to resistance from group management or employees.

Table 23 provides a summary of experiences made by case study based on interview respondents’ accounts.

**Table 23 - Successes and Challenges by Case**

<b>Case</b>	<b>Having Success</b>	<b>Encountering challenges</b>
Fahrenheit 212	<ul style="list-style-type: none"> <li>• Acceptance by customers</li> <li>• Valuable product</li> <li>• Financial success</li> </ul>	<ul style="list-style-type: none"> <li>• Business model not delivering desired results</li> <li>• Need to create new practice, including new organisational structure and new processes</li> <li>• Need for new skills and capabilities</li> </ul>
Hirslanden	<ul style="list-style-type: none"> <li>• Acceptance by top management</li> </ul>	<ul style="list-style-type: none"> <li>• Need to create new organisational structure, new processes, new roles and responsibilities</li> <li>• Resistance from employees</li> <li>• Need for new skills and capabilities</li> </ul>
Isovolta	<ul style="list-style-type: none"> <li>• Acceptance by customers</li> <li>• Financial success</li> </ul>	<ul style="list-style-type: none"> <li>• Operational challenges</li> <li>• Resistance from employees</li> <li>• Need for new skills and capabilities</li> <li>• Difficulties to find the required skills</li> </ul>
ProSiebenSat.1	<ul style="list-style-type: none"> <li>• Acceptance by customers</li> <li>• Financial success</li> </ul>	<ul style="list-style-type: none"> <li>• Business model not delivering desired results</li> <li>• Resistance from CEO &amp; CFO</li> </ul>
Trumpf	<ul style="list-style-type: none"> <li>• Financial success</li> </ul>	<ul style="list-style-type: none"> <li>• Business model not delivering desired results</li> <li>• Collaboration with key partners</li> <li>• Resistance from CFO</li> <li>• Need for new skills and capabilities</li> </ul>

#### 4.3.2.2 *Designing and fine-tuning the business model*

Organisations in the sample responded to experiences made and challenges encountered by engaging in activities to further design and refine their business model and/or formulate solutions to the organisational challenges faced.

These design activities were determined by (1) what was being designed, i.e., the content of design activities, (2) how and with whom the contents were elaborated, i.e., the type of design activities, and (3) where ideas for designing the business model and organisational interventions originated from, i.e., the sources of inspiration.

The following findings narratives illustrate these three dimensions for each of the case studies in the sample. Table 24 provides additional representative quotations.

As outlined above in Table 17 to further design its business model, **Fahrenheit 212** relied on insights gained from engaging in business with customers, and developing a deep understanding of existing innovation consultancy business models during the evolution phase. A new innovation process integrating commercial and creative skills was developed and these capabilities had to be brought into the organisation by hiring new staff members. Fahrenheit 212 formed an organisational structure accommodating these two skill sets in two separate teams, the commercial team and the creative team. The revenue model was adjusted based on experiences made and insights gained from clients. These changes also led to a much closer collaboration with customers, which would benefit Fahrenheit 212 again by gaining deeper insights on the customers' needs. As a response to the lack of synergies between Fahrenheit 212 and its parent, Saatchi & Saatchi, a management buyout was concluded. Informants did not explicitly report on how specific design activities were carried out or who was involved besides the two co-founders.

All interview respondents from **Hirslanden** reported how the management team engaged in a series of workshops to develop the various elements of its business model. During these workshops topics pertinent to the business model, e.g., what are the key success drivers of the hospital, what do patients expect, why do patients choose our hospital, what are the key performance indicators we need to manage, how do we organise the relationship to key partners, what are our processes, what is the patient process, etc., would be discussed and reviewed, and

decisions on how to proceed would be made. Discussions during these workshops were perceived as creating a common understanding among participants about the workings of the hospital, as well as needs and expectations of various stakeholders. As a result of these discussions, Hirslanden changed its activities, offering support to private practitioners, and streamlining its processes around providing better patient care. It went through numerous organisational changes throughout the design and implementation of the new business model, completely reorganising internal departments, redefining roles and responsibilities, and structures and relationships to doctors. Hirslanden changed the contract with all specialist doctors, encouraging them to leave their full time employment at the hospital to become private practitioners, supported the doctors in organising themselves in centres of competence and provided strategy and marketing activities for these centres.

In between workshops the business model was continuously discussed in regular team and department meetings. The former head of corporate development also reported how he and the managing director had regular exchanges. In between workshops, Hirslanden furthermore engaged in research about existing business models, health care trends, patient satisfaction, and success factors of hospitals, etc. Some of this research was carried out by Hirslanden itself, while some of it was done by external service providers. Additional meetings on department level were used to further develop and clarify details, e.g., roles and responsibilities between nursing services and the hospitality department.

Responses to organisational challenges faced by Hirslanden were solved through the direct involvement of the managing director, who took HR decisions, promoting and replacing key people, and acted as the head of the medical system when no suitable candidate for the position could be found. The managing director formed a small core team with close collaborators – himself, his assistant, the head of corporate development, and the head of marketing – to discuss and drive the initiative.

Interviewees from **Isovolta** explained how a small core team of four people, the Vice President of R&D, the head of sales, the head of purchasing, and one associate from research and development, would discuss how to solve challenges faced, while involving key stakeholders as needed. Key stakeholders involved were

internal, e.g., when trying to solve the production planning challenges, but also external, e.g., customers for gaining feedback and developing new solutions, or suppliers, partnering with them on sourcing materials, and educating them as to the increased flexibility and speed the new business required. The business model content developed revolved around assigning dedicated staff to research and development, manufacturing and quality management, while at the same time changing existing procedures and introduction new ones. Within the research and development department for example, shifts were introduced to be able to cope timely with demands from global clients. New quality assurance and measurement techniques were introduced. Introducing specific rules on how to handle demands from the new product team for switching manufacturing partially solved the issues in production planning.

The managing director of SevenVentures described how key decisions were discussed with the **ProSiebenSat.1** CEO and CFO, while also involving the traditional sales department. External experts were hired for their expertise on specific industries ProSiebenSat.1 wanted to target with their new business model and to solve the legal and financial challenges faced. As outlined in Table 18 besides this external knowledge, ProSiebenSat.1 relied mainly on experiences made as input to its design activities. The main elements designed revolved around the new revenue model, activities required to operate the new model, hiring the required skills to fulfil the needed activities, and establishing processes for operating the new model. Interview respondents did not report on any specific design activities.

Interview respondents from **Trumpf** reported how a new managing director for financial services was hired to bring in expertise. The new managing director changed the business model by insourcing key activities, building up the necessary accounting capabilities and partnering with external financial service providers for re-financing purposes as outlined in Table 19. Insourcing these activities required new IT systems to handle the financial contracts. Convincing the sales force to work with the Trumpf Financial Services instead of external partners was achieved through communication and *“hard work”* as the managing director reported. Interview respondents did not report on any specific design activities. Sources of inspiration were experiences made and the new managing director’s knowledge.

Table 24 - Representative Quotations for "Designing the New Business Model"

Theme	Representative Quotations
Activities	<ul style="list-style-type: none"> <li>• "I don't believe you can do this [develop a business model] behind closed doors. You have to develop it with the people." (Managing director Klinik Hirslanden)</li> <li>• "The workshops were held about every six months. But of course you also talk in the regular meetings about these things. But these workshops were the main pillars." (Former head of corporate development Klinik Hirslanden)</li> <li>• "We have had many discussions. These thoughts were then developed into concepts." (Former head of corporate development Klinik Hirslanden)</li> <li>• "Doctors participated [in the workshops]. The workshops were so in a semi-annual rhythm, but in between there were of course many discussions, you also speak in management meetings about such things. I think these ten workshops were the pillars, the milestones." (Managing director Klinik Hirslanden)</li> <li>• "It was actually a continuous coordination with classic sales and also with the executive board." (Associate SevenVentures)</li> <li>• "We also always discussed all issues with him [CEO]. So not only obtained his permission, but also reported the performance and he was always very granular, very deeply into the topics." (Associate SevenVentures)</li> <li>• "That was very very deep joint development with customers. So it was really, a joint development, not only production support, but really joint development with customers." (COO Isovolta)</li> </ul>
Content	<ul style="list-style-type: none"> <li>• "We harmonized our organisational chart with the business model. We changed it completely." (Former head of corporate development Klinik Hirslanden)</li> <li>• "Interestingly, after only 1 year I had people in the management team, who had only been project employees previously. In particular one who simply had the capabilities necessary for this [the business model innovation]. He made a shooting star career." (Managing director Klinik Hirslanden)</li> <li>• "Once you have the model, you suddenly realize that you have to adjust all the processes." (Managing director Klinik Hirslanden)</li> <li>• "We asked who wanted to work for this new area, who wanted to be trained to work in this area. Some people said they would love that." (COO Isovolta)</li> <li>• "The first milestone was the adaptation of our processes." (COO Isovolta)</li> <li>• "We have a different system in production planning, whereas in our core business we have fixed production plans for the next 2-3 weeks, which are usually not changed or only a little, here we only plan for next week, and most of the time even this is changed. So</li> </ul>



	<p>we have become extremely flexible in production planning.” (Vice President R&amp;D Isovolta)</p> <ul style="list-style-type: none"> <li>• “With the introduction of a dedicated operations team, processes were documented and these processes were then continuously optimized. At the same time more and more processes were developed by the operations teams.” (Associate SevenVentures)</li> </ul>
Sources of inspiration	<ul style="list-style-type: none"> <li>• “[Our clients’] stage gate model had 80% of the answer for us. Clients celebrate whenever they clear a gate in the stage gate process. When we’re partners to these guys, that’s the way we should be thinking. We are partners, that’s how we should act. We’ve oriented a great deal of our business model, but also in our process, around the stage gate model of clients and understanding what must happen to make it through the next stage.” (President Fahrenheit 212)</li> <li>• “Innovation comes from the customer, not from some idea. You can only be the best in the world in something, if you really understand what the customer wants. If you understand, why the customer comes to you.” (Managing director Klinik Hirslanden)</li> <li>• “Each hospital needs patients, and the primary care physicians and the specialists usually bring the patients. If you understand how they think, then you can align the system. So we said, that was the third workshop, we developed this together [during the workshop] the referring physician is the key driver for the hospital, the family doctor, at least three-quarters of patients come through the family doctor or the emergency services, and then we said, but the patient care is then the driver of the referral rate. Once [the patient] is here, the doctor is actually irrelevant strangely enough. We think it’s just because of us, but patient care is much more important for the patient. Those are decisions that you read nowhere in the literature.” (Managing director Klinik Hirslanden)</li> <li>• “We did many studies. We were wondering for example, what is needed for highly specialized medicine ... what is really important, the system, the hospital or the surgeon? I did a lot of literature research and found out about a Switzerland-wide study involving over 3.5 million patients ... that the surgeon if he can do it, then he can do it almost anywhere. The problem of deaths in the high-end medicine is the system that is not stable, so too few cases in a hospital means poorer quality. Not because of the surgeon but because the practice [in the hospital] is lacking, practice makes perfect, it’s as simple as that.” (Managing director Klinik Hirslanden)</li> </ul>

The design content focused on designing activities to be performed, processes and procedures for performing these activities, organisational structures, systems, HR changes, and stakeholder relationships, in particular customer relationships and relationships to key partners.

Design activities for developing the business model and organisational interventions ranged from individual reflection and decision-making, to discussions during team meetings and regular business meetings, or dedicated business model workshops. Besides the core team, key stakeholders, e.g., employees, partners, suppliers, customers, etc., were involved in these design activities on an as needed basis, just like external experts were contracted for providing particular insights and expertise if required.

A key question pertinent to the design of the new business model related to the sources of inspiration or where ideas for the new model came from. Ideas originated from experiences made and insights gained, a deep understanding of customers' needs, the given industry, its structure and dynamics, the current organisation, including its processes and core competencies, and the needs of key stakeholders. Some organisations also turned to literature for inspiration.

Table 25 provides a summarising overview of the most prominent types of content, design activities and sources of inspiration by case study.

**Table 25 - Design Content, Activities and Sources of Inspiration by Case**

<b>Case</b>	<b>Content</b>	<b>Activities</b>	<b>Sources of inspiration</b>
Fahrenheit 212	<ul style="list-style-type: none"> <li>• Innovation process</li> <li>• Collaboration process</li> <li>• Organisational structures</li> <li>• New skills</li> <li>• Revenue model</li> </ul>	<ul style="list-style-type: none"> <li>• Not explicitly reported</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences made</li> <li>• Understanding of existing business models / industry</li> <li>• Understanding of customers</li> <li>• Literature</li> </ul>
Hirslanden	<ul style="list-style-type: none"> <li>• Organisational structures</li> <li>• Patient care processes</li> <li>• Relationship to doctors</li> <li>• Activities to support doctors</li> <li>• Roles and responsibilities between departments</li> <li>• HR decisions</li> </ul>	<ul style="list-style-type: none"> <li>• Workshops</li> <li>• Team meetings and discussions</li> <li>• Department meetings</li> <li>• Individual reflection</li> <li>• Involving key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences made</li> <li>• Understanding patients' needs</li> <li>• Understanding internal and external stakeholder needs</li> <li>• Understanding internal processes</li> <li>• Understanding exiting business models / industry</li> <li>• Literature</li> <li>• Market research</li> </ul>
Isovolta	<ul style="list-style-type: none"> <li>• Dedicated staff</li> <li>• Work procedures</li> <li>• Decision making rules</li> </ul>	<ul style="list-style-type: none"> <li>• Team meetings and discussions</li> <li>• Discussions with internal and external stakeholders</li> <li>• Involving customers and suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences made</li> <li>• Understanding internal processes</li> <li>• Understanding customer needs</li> <li>• Understand industry dynamics</li> </ul>
ProSiebenSat.1	<ul style="list-style-type: none"> <li>• Activities</li> <li>• Processes</li> <li>• Organisational structure</li> <li>• New skills</li> <li>• Revenue model</li> </ul>	<ul style="list-style-type: none"> <li>• Discussions with CEO and CFO</li> <li>• Team meetings and discussion</li> <li>• Discussions with key stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences made</li> <li>• Understanding customer needs</li> <li>• Understanding internal stakeholder needs</li> <li>• External expert knowledge</li> </ul>
Trumpf	<ul style="list-style-type: none"> <li>• Activities</li> <li>• Processes</li> <li>• Organisational structure</li> <li>• New skills</li> <li>• Relationship to external partners</li> </ul>	<ul style="list-style-type: none"> <li>• Not explicitly reported</li> </ul>	<ul style="list-style-type: none"> <li>• Experiences made</li> <li>• External expert knowledge</li> </ul>

#### *4.3.2.3 Implementing and operating the new business model*

Following the further design of the business model and/or responses to organisational challenges faced, organisations in the sample engaged in implementation and operating activities. Implementing and operating the new business model entailed the introduction of new elements and was accompanied by the reconfiguration of the existing activity system, e.g., which activities are being carried, in which sequence, how, when and by whom, including the organisation's structure, staff, and the relationships to key stakeholders.

As design and implementation activities happened simultaneously in an iterative fashion as demonstrated above, the boundaries between them were not very clearly identifiable at this stage of the research. Nevertheless, organisations in the sample engaged in activities targeted at facilitating the execution of a certain course of action.

The following findings narratives illustrate these activities. Table 26 provides additional representative quotations.

Respondents from **Trumpf**, **Isovolta** and **Hirslanden** highlighted the need for communication and giving explanations to employees.

The managing director of **Trumpf** Financial Services reported how important it was to be in close one on one contact with the Trumpf sales force and demonstrate expertise in order to gain their trust.

**Isovolta's** COO and Vice President of R&D outlined the need for communicating and above all explaining reasons for changes to their employees for them to realise the requirements of the new business and achieve a change in thinking.

In a similar vein, interview respondents from **Hirslanden** described how the company engaged in communication activities in order to not only create understanding among associates as to the new business model, but to also influence their behaviour towards the renewed focus on patient care and the new business model. Hirslanden also changed its company wide meeting structure to ensure decisions taken got cascaded throughout the organisation. In addition the corporate development department supported the implementation of decisions taken by instituting a project management office. The progress of implementation was also followed by the project management office and during review meetings.

**Fahrenheit 212** supported implementation with its so-called ‘100 day plans’, within which organisational objectives were broken down into individual level objectives per employee for the next 100 days with compensation tied to achieving these goals. It also continued to propose new ideas to clients to collect their feedback.

For **ProSiebenSat.1** implementation was a matter of just doing business, operating the new business model and decisions taken while making deals with new clients. Interview respondents did not report on specific implementation activities.

As has been outlined above, having success and making positive experiences facilitated the reconfiguration of the existing organisation towards the new business model.

**Table 26 - Representative Quotations for "Implementation"**

Theme	Representative Quotations
Communication and engaging employees	<ul style="list-style-type: none"> <li>• “That was pure persuasion, that was just sitting down, explaining the market and simply explaining the necessity, that it is not harassment, but that it is really required and that it doesn’t work without it [the flexibility] and that we are really successful with it [the new product], and then it was a fast-seller. But if you only call and say, now we have to produce this and tomorrow you call and say, something else is more important again, we change everything again, you will not get any understanding, instead you really have to explain it, justify it. And then it works.” (Vice President R&amp;D Isovolta)</li> <li>• “A lot of discussion ... the need for the right information at the right place quickly became clear. Because ... also the value of the raw materials is completely different, a few minutes of inattention and not properly processing the material, which is 30 times more expensive, costs a pretty penny. So to raise people’s awareness that this is such an expensive material, and that it has to be treated differently and more carefully, that was difficult at the beginning. I say in the beginning, until we realised that we need to explain this value to employees, because otherwise they cannot understand it. So a lot of informing employees was necessary, for them to be able to understand why now suddenly everybody is so nervous.” (COO Isovolta)</li> <li>• “We [management] of the clinic must ensure that it [information] gets communicated and cascaded. When you realise that the information is not cascaded, then it must be defined in the meeting, what will be communicated today, and if they forget, it</li> </ul>

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	<p>gets documented in the meeting minutes. And then you see in the meetings whether it was communicated or not.” (Head of hospitality and facility management Klinik Hirslanden)</p> <ul style="list-style-type: none"><li>• “We have adapted the meeting structure. We have the Steering Board, which is the management, the head of the medical system is in this management circle, and then right after this [meeting] 1.5 hours later, again each week on Tuesday, he has his medical system session ... he leads this large medical system through a meeting structure ... this whole ... cascade has been introduced and this was done consistently.” (Former head of corporate development Klinik Hirslanden)</li><li>• “Starting with the philosophy and purpose of the company again, we needed a mechanism that made clear that we are outcome obsessed ... we run the business based on 100 day plans where we define the outcomes we want as a company and then we break that down to every single person in the company. Everybody has six or seven things they are accountable to deliver in these 100 days. People write their own plans and we gauge their performance against that. We get together in the company every 100 days and we share how we did. All of these outcomes add up to what we wanted as outcomes for the company. And the bonus system of the company is driven entirely off of those 100 day plans.” (President Fahrenheit 212).</li><li>• “You really have to ... virtually around the clock, so really with sometimes only short interruptions, we were always present when sales had the need, the requirement for advice, either sales itself or at the customer meeting, sometimes we sit at the customer at 7 clock in the morning, sometimes at 9 clock in the evening at the customer or at 11 clock. So you have to be present, when they notice aha there is someone who supports me in my sales and supports me when I need it when I'm here and it's not somebody sitting somewhere from 8 clock in the morning and leaves at 5. You must just really demonstrate, when you need us we are there.” (Managing director Trumpf Financial Services)</li></ul>
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Project Management and reporting	<ul style="list-style-type: none"> <li>• “There is an overarching body that is responsible for the entire project management, which also continuously asks for progress. Where do you stand today? What was done the last three months? Where are difficulties? Where do you fail to hit the objective? What can you do about it? They collect this feedback and during our weekly project meetings, we discuss the various projects milestones, or delays, just ... so that the issues are raised in order to see where we can put our resources.” (Head of hospitality and facility management Klinik Hirslanden)</li> <li>• “After each management meeting, there was a list of measures, to dos, everything we had decided, and these came into an action list, then, over the next few weeks, months, etc. these points were processed and implemented.” (Former head of corporate development Klinik Hirslanden)</li> </ul>
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#### 4.3.2.4 Discussion of the Evolution Phase

The activities in the evolution phase can be interpreted as knowledge creation, acquisition, application, codification and dissemination.

Operating the new business model created knowledge about opportunities and needs to further design the business model, which motivated organisations in the sample to engage in further design activities.

During the design step, the created knowledge was supplemented by knowledge acquired from external expertise, e.g., hiring outside experts, researching literature, and performing market research, and by knowledge articulated from internal and external stakeholders, i.e., during discussions, meetings and workshops, or while involving customers or key partners. The knowledge created and acquired was then used to further design and fine-tune the business model and formulate responses to the challenges faced. As the companies acquired a deeper understanding of the businesses, customers’ needs, industry and market dynamics, and processes and procedures of their organisations, and their knowledge increased, they were able to design more sophisticated business models.

Implementing new design elements entailed the reconfiguration of previously implemented elements. This reconfiguration of the existing business model and existing organisational structures and processes were supported by knowledge

codification and dissemination, e.g., establishing implementation plans and communicating knowledge about the new business model.

During the evolution phase, organisations in the sample faced three types of challenges.

First, further cognitive/conceptual challenges relating to the design of the business model. As business models did not yet deliver the desired results, companies kept on redesigning and fine-tuning key elements of the activity system, until the business models became more sophisticated. For Fahrenheit 212, Hirslanden and ProSiebenSat.1, the focus of design activities in this stage seemed to have expanded from focusing on the content only to span across all dimensions of the business model as activity system, i.e., the content, structure and governance. Isovolta and Trumpf still concentrated on how to perform the chosen activities, focusing on questions of structure and governance.

Second, like during the inception phase, organisations in the sample still experienced emotional challenges. Whereas the lack of confidence seemed not to be as strong as in the inception phase, it still emerged, e.g., the managing director of Hirslanden having doubts about whether the business model can be operated at all. Some companies reported how the successes achieved gave them the confidence to engage in the next steps, e.g., Isovolta expanding to new customers and the Asian market.

During the implementation of activities, the number of involved associates increased, and emotional challenges surfaced with new stakeholders, i.e., employees showing resistance when confronted with changes due to the new business model.

Third, behavioural challenges relating to the operation of the new business model emerged as an additional challenge. Operational difficulties required companies to acquire new skills and capabilities to be able to operate their new business models. Fahrenheit 212 for example designed the new business model, and had to hire an additional skill set. Hirslanden had difficulties finding the right person to lead its medical system and doctors willing to take additional responsibility.

The findings from the initial sample strongly suggest that business models were, first of all not fully designed and then implemented and second, they were not



designed on the drawing board, but rather 'on the go', while implementing and engaging in business activities. The process was a highly iterative one, integrating steps and activities of learning, thinking and doing. At a certain point, the business models were sufficiently designed and fine-tuned to produce the desired results and the organisations had gained the experiences to operate it efficiently. This was the moment when the organisations in the sample moved into the diffusion phase.

### 4.3.3 The Diffusion Phase

During the diffusion phase the focus for the organisations in the sample switched from designing, fine-tuning and implementing the business model to operating it on a larger scale. The following findings narratives illustrate activities in the diffusion phase. Table 27 provides additional representative quotations.

#### 4.3.3.1 *Scaling up the new business model*

Interview respondents from **Fahrenheit 212** reported how the company acquired new clients, and expanded its business into new customer segments, i.e., private equity. It has grown from a staff of 12 employees in 2010 to about 50 employees in 2015, while tripling its revenues between 2009 and 2012 (Fahrenheit 212 2015). In 2014 it opened its first overseas office in London.

In a similar vein, **Trumpf** Financial Services expanded its business model internationally, opening an office in Switzerland and serving more and more countries through that office as well as its German headquarters. In 2014 the financial services business grew into becoming a full bank, allowing Trumpf to offer financial services across Europe. The managing director of Trumpf Financial services reported on how the documentation of its processes and knowledge were key to further roll out the business model.

Research participants from **Isovolta** reported how a new business unit with dedicated assets and resources was established. Having managed to produce consistently at the demanded quality and flexibility, sales volumes continued to grow, which motivated Isovolta to invest in dedicated production facilities. As the new business was still considered being completely different from the traditional ones, the decision was taken to establish a separate business unit, with a dedicated management and staff.

**ProSiebenSat.1** continued to expand its business within SevenVentures, grew its staff from the first two people to about 60 in 2013, and started to use the new business model in a more strategic fashion, investing into and managing a portfolio of holdings in specific segments, i.e., beauty, travel, home and living, and fashion and lifestyle. In January 2015 ProSiebenSat.1 launched 7Commerce to group its strategic investments in established businesses and distinguish it from the non-strategic media-for-equity investments in early start-ups managed by SevenVentures (Heimlich 2015).

#### *4.3.3.2 Spreading the new business model*

Interview respondents from **Hirslanden** reported how the company moved from designing the business model into what it called *“living the new business model”* (Managing director Klinik Hirslanden), anchoring it sustainably, instead of integrating further ideas. Activities in this phase focused on raising awareness and understanding about the new business model and building the necessary skills and capabilities to operate it throughout the entire organisation. To do so, Hirslanden engaged in extensive communication and training activities. It started by integrating an explanation of the new business model, now branded as the *“Hirslanden System”*, into new employee on boarding sessions. All staff with direct patient contact were trained on the new business model and its implications on their behaviour during the so called *“customer orientation”* workshops. During these workshops, associates also have the possibility to develop ideas and make suggestions for things to improve in their area that contribute to living the new business model. To enhance the effectiveness of these workshops, internal *“ambassadors”* were trained as facilitators. Furthermore middle managers were engaged and enabled to lead within the new structures through workshops with their managers, training and coaching sessions. The former head of corporate development and the head of hospitality and facility management both highlighted the importance of middle managers acting as change agents and how they lacked the skills and capacity to fulfil this role.

To be able to communicate the new business model and according changes in the organisation, knowledge about the new business model, new processes and also methodologies, e.g., Hirslanden’s approach to project management, had to be documented as reported by interviewees.

As the statements in Table 27 illustrate, Klinik Hirslanden made the largest effort to spread the new business model throughout the organisation and acknowledged that this was a considerable multi year effort.

**Table 27 - Representative Quotations for "Diffusion"**

Theme	Representative Quotations
Living the new business model	<ul style="list-style-type: none"> <li>• “Now we have to be careful not to do too much. I think this is the time, which was not the case six months ago, where we shouldn’t bring in anything new, now we have to prioritise and try to consolidate, not fine-tune any longer, not change the model any further, but try to anchor the people within the new model.” (Managing director Klinik Hirslanden)</li> </ul>
Communication and training	<ul style="list-style-type: none"> <li>• “We started the employee training last fall (autumn 2012). We started workshops last summer with the ambassadors, who should cascade this into the clinic. Then the trainers came in autumn, and we developed the trainings with them. Then in January we started with our first training at the hospital.” (Head of hospitality and facility management Klinik Hirslanden)</li> <li>• “[The] customer orientation workshop was launched last year. We hold this workshop once a month and mix employees from the whole organisation, hospitality, patient care, all those working on the front lines, and we train them in customer orientation. They have to actively participate, what works well in their departments, what could be better, how can we achieve this. We have two trainers, they were trained as trainers, they get 25 participants, and they elaborate and train the customer orientation model, so that everybody really understands it. We have another six to eight trainers who are being trained as such at the moment. The feedback from these teams were: Now for the first time we have something where we can participate actively, Second, they understand it and they actually make the proposals not only from patient care, but with all involved interfaces together. The workshop is now actually classified as one of the best trainings that we do, and if you go in there and see what's going on, it is a successful field, it has never been cascaded in this form before. Because these are our own people, who conduct these trainings, which is something quite different if the trainers are from your own organisation. And from the workshop we always receive ideas for improvements. These ideas then go to the Steering Board again, who discusses them and decides what to implement and what not. These things are then presented at the next workshop. What did we retain from the last workshop, what has been implemented, so that people have the motivation and see this is valuable, we can make a contribution.” (Head of hospitality and facility management Klinik Hirslanden)</li> </ul>

	<ul style="list-style-type: none"> <li>• “That's everyone from every department who is actually on the front lines, these people are trained first. And there are 1,300 employees currently, who we need to train. Because one really has to focus on the front lines, those in direct contact with patients ... because they must understand and live the customer orientation. This idea has to be broken down to the whole organisation, to medical staff as well as nursing staff.” (Head of Hospitality and facility management Klinik Hirslanden)</li> <li>• “We have coached middle management. They were grateful for that. This is still on-going.” (Former head of corporate development Klinik Hirslanden)</li> <li>• “There is a new employee on boarding day once a month. On average about 40 people start working each month at Klinik Hirslanden and, regardless of their place of work, if that is now the cleaning crew or maintenance, or doctors, whoever, they are all brought together at an introductory day and the director has one hour at the beginning where he explains the business model itself with everything that goes with it in detail. They hear that at the beginning, but if you only hear this once, and it is not further discussed in the departments and in the teams, then it is forgotten again, and I think it will take another two to three years of work, to further cascade [the message].” (Former head of corporate development Klinik Hirslanden)</li> </ul>
Scaling up the business model	<ul style="list-style-type: none"> <li>• “We have a separate business unit, because it doesn't fit. It's too special, too individual, too short term, too different, for it to make sense to operate it with the same people.” (COO Isovolta)</li> <li>• “There was then the point when one is big enough, that's like cutting the cord around puberty of a child. So along the lines of, at some point you're pampered and cared for, then you learn to go, then you can go and ... you get bigger and more independent and eventually you're really independent.” (COO Isovolta)</li> <li>• “Yes, we will continue to go this way, relatively quickly. We now make cross-border transactions in the Netherlands, UK, Denmark, France, the Czech Republic from Germany. We will expand this ... we can offer a wider range [of products and services], so we can serve the market better.” (Managing director Trumpf Financial Services)</li> <li>• “We said, this model that we have here is very successful. We should internationalise it. We said we have to develop a vehicle, how we can internationalise this German model. We did that by establishing a second company, a leasing company in Switzerland and this leasing company should cover the Swiss market, which is, however, manageable, and make cross-border.” (CFO Trumpf)</li> <li>• “It was a tedious, long and slow process, because we didn't have a feeling for it. We have accumulated the experience; we now know what we are doing. We have developed a feeling for it and are now ready to take the next step. It is very strongly related to the</li> </ul>

	experiences one has made." (Managing director Trumpf Financial Services)
Middle management	<ul style="list-style-type: none"> <li>• "The implementation, this change process, the implementation of the concept that can change the established daily business, this translation work needs to be done by people between top management and associates, so in the middle as translators, change agents, of which there are far too few, who are capable, and we didn't do enough to engage them. A top manager cannot do this. I did road shows ... talked to the teams, they enjoyed this, but coming once with a presentation ... in the following weeks and months, that's gone. Middle management should somehow collaborate, absorb, disseminate, middle management is a major bottleneck. Few people who somehow make this translation work into the department ... We have a problem with the middle management. Skills, attitudes and afterwards simply amount, number of people. Begins with skills, has a bit to do with attitude. One could be further with the implementation of anchoring of this model in the minds of individual employees when middle management had better pulled or had had the capacity or whatever." (Former head of corporate development Klinik Hirslanden)</li> <li>• "And then we have the [middle] management workshops, where we have further worked with the middle management because at some point you have bring them on board. The model must be understood. The steps we try to implement, you have to engage middle management, and as such we cascade the information from the top management workshops to the middle management, we called these "Kaderkreativzirkel", of which we do four per year. And there we discuss these topics, to get middle management on board, and develop ideas." (Head of hospitality and facility management Klinik Hirslanden)</li> <li>• "I think division managers have a very good understanding of the business model. On the department head level it varies depending on the division. In the medical system itself it is a bit mixed depending on how active the division manager is in engaging his department heads, some are very well informed and with some there's still room for improvement and at the level of employees, we have to be honest, it will take another two to three years. Until all employees have really properly understood it [the new business model]." (Former head of corporate development Klinik Hirslanden)</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>• "And today we have the documents electronically, we have the processes, you can retrieve everything, you can show it. And that in a speed, if somebody calls me today, he can have it in half an hour. Because it has simply been done [documented], and not just told, we were forced to put it in writing, because we need an</li> </ul>

	<p>electronic tool, which we can rely on, you have the information in front of you, you don't forget anything." (Head of hospitality and facility management Klinik Hirslanden)</p> <ul style="list-style-type: none"> <li>• "It is I think an important moment, to share all this expert knowledge and information, [about] financial services, and to make it openly accessible. One could easily withhold it. Sharing it gives the colleagues, irrespective of their hierarchical level, the feeling, this is tangible, this is transparent. This is not some kind of black box, and we don't know what the outcome is. So we have various manuals that we continue to develop and update. I also believe that we are a first mover in the group. We thought about how we can make these manuals and this knowledge that what we have, available. At some point there are limits, eventually you can no longer grasp everything, you do not know where I can find what and who knows what. We are now setting up an IT tool." (Managing director Trumpf Financial Services)</li> </ul>
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During the diffusion phase a key difference exists between Hirslanden and the other cases in the sample. As at Hirslanden the new business model replaced the former one, and the existing organisation with about 2,000 employees had to be transformed, diffusion efforts seemed to be considerably larger than in the other cases, where the new business model was implemented in a separate structure with a smaller number of associates.

#### 4.3.3.3 Discussion of the Diffusion Phase

During the diffusion phase activities by the organisations in the sample no longer focused on designing the business model, but instead on how to operate it on a larger scale, by either scaling it up in size or spreading it throughout the organisation.

Conceptual/cognitive and emotional challenges vanished for behavioural ones, i.e., creating awareness and understanding of the new business model and the required mind-set and behavioural changes throughout the entire organisation. Reconfiguration activities thus concentrated less on implementing the new business model or transforming the existing one, but more on the behaviour and mind-set of employees. Hirslanden engaged in extensive knowledge codification and dissemination activities to facilitate this reconfiguration.

Whereas Hirslanden reported strong evidence of such challenges and activities, it can be assumed that other companies in the sample might have experienced

similar ones. Fahrenheit 212 and ProSiebenSat.1 for example grew their staff considerably. As these companies had invented unique business models, knowledge of these had to be passed on to the new employees. ProSiebenSat.1 for example hired investment bankers, who probably had never invested using media. Passing on the knowledge is likely to have required knowledge codification and dissemination. Interview respondents from ProSiebenSat.1 reported how processes and operating procedures had already been documented. In a similar vein, Trumpf had documented its processes and procedures and started to make them available to the entire organisation. These activities can be interpreted as supporting the large-scale roll out of the new business model.

The shift from evolution to diffusion required identifying the opportunity to do so. How this knowledge was acquired or created is unclear at this stage of the research. It seems as the business model had reached a certain level or sophistication and maturity, and management had gained sufficient confidence in the business model to make the decision for this transition.

#### **4.3.4 Process Management and the Role of Top Management**

Regarding the nature of the process, the topics of (1) who was driving and steering the business model innovation process and (2) how consciously and actively this was done, emerged from interview respondents' accounts. Representative quotations in Table 28 illustrate these topics.

Interview respondents from Hirslanden, ProSiebenSat.1, and Trumpf reported on the key role the managing director of their respective organisations played in directing and steering the process through all phases. All managing directors from these organisations actively engaged in the process, up to the point of taking interim middle management positions in the case of Hirslanden to drive the implementation of the new business model forward. This active engagement is reported as a core element pertinent to the process of business model innovation and highlighted as a factor key to the success of the process. In the case of Isovolt the managing director was not directly involved, but the core team comprised the heads of sales, research and development, and purchasing, who are all members of the senior management team. In the case of Fahrenheit 212 it was clear that the

CEO and president were the main actors driving and steering the process, while implementing objectives through the use of the '100 days plans'.

Hirslanden and Isovoltà informants reported how they established a small core team. These core teams were no larger than five people from the organisation and usually staffed with members of the executive management team and one or two associates. These teams were in charge of driving the process forward, working on the design content and steering the implementation. They would design the business model and organisational interventions based on experiences made and knowledge acquired as outlined above.

**Table 28 - Representative Quotations for "Process Management"**

Theme	Representative Quotations
The role of the managing director	<ul style="list-style-type: none"> <li>• "The process was primarily steered by me and then developed a dynamic on its own within the team. That must be said and alone you're not going to do something like this. In between I had personal lows and there were others who pursued it then." (Managing director Klinik Hirslanden)</li> <li>• "Of course, I already expected of myself to be able to [lead the medical system] and did lead it for a certain time. This had the advantage that people knew where I wanted to go." (Managing director Klinik Hirslanden)</li> <li>• "I often collaborated, I prepared presentations for these management meetings and in some cases he [managing director] did do that or we did it together and cooperated closely. But he's definitely always been the driving force, without him it would not have been possible." (Former head of corporate development Klinik Hirslanden)</li> <li>• "From my perspective the [managing director] had the lead." (Head of hospitality and facility management Klinik Hirslanden)</li> <li>• "Perhaps to conclude, especially for the [managing director], you really have to say, if he hadn't received this mandate, nothing would be as it is today. Because he just had the drive, he had the understanding of the topic, the companies, of deal making, of all things, which eventually led to the success." (Associate SevenVentures)</li> <li>• "This rises and falls with the person who has driven the topic. Clearly with the [managing director]. He has really shown a great performance. He was also stubborn enough to stand up to the sales people. Sometimes you have to be stubborn and he has really managed to build a team that is highly competent and does this topic with commitment. Has also has a certain credibility with our sales and internally and that's very important. If you have</li> </ul>



	<p>somebody, who is, how should I say, a bit vague, then it's not working. And he has really done an outstanding job. We had a predecessor, whom we had to let go, because he was not capable of establishing this standing. It only requires small things, which suddenly lead to questioning the man, and if something is missing, you have no chance." (CFO Trumpf)</p>
Small core team	<ul style="list-style-type: none"> <li>• "So, the core team I would say was just sales, research and development in the person of the former staff member and in my person and who was then very heavily involved was purchasing, so that I would describe as a core team. It was really a very small team." (Vice President R&amp;D Isovolta)</li> <li>• "The [managing director] himself, myself, the head of the medical system, then the head of marketing, who brings in a little of an outside perspective, the assistant manager of the managing director, and the quality manager was also always present part [of the team]." (Former head of corporate development Klinik Hirslanden)</li> </ul>
Steering mode	<ul style="list-style-type: none"> <li>• "It was not a conscious process. One has seen what was needed and has then gradually, and sometimes reluctantly, adapted to it." (Vice President R&amp;D Isovolta)</li> <li>• "The original project plan has nothing to do with what actually happened." (Vice President R&amp;D Isovolta)</li> <li>• "Though textbook project management. Milestones, responsibilities, deadlines, prioritizing, projects are clear throughout the clinic, what is a project, what is an activity, what is a measure, we have even all measures which are decisions of meetings minutes, with 2000 employees we have a lot of meetings, of these two thousand employees, all these go onto a central list of measures. So we've got a really pretty rigorous project activity and measure management." (Managing director Klinik Hirslanden)</li> <li>• "We formulated decisions after each workshop and consistently implemented them." (Managing director Klinik Hirslanden)</li> </ul>

#### *4.3.4.1 Discussion of Process Management*

Notwithstanding the common patterns of activities and stages in the process of business model innovation across the five case studies outlined above, there is evidence, albeit not strong at this stage of the research, that organisations underwent the process in different fashions. Whereas some of the accounts tell a picture of random, ad hoc reactions to the situations faced, others evoke a picture of a more consciously steered and active approach.

Hirslanden interview respondents stressed the structured nature of the process, with focused periods during which certain elements of the business model were designed, in regular workshops for example, followed by a rigorous implementation of design decisions taken, applying instruments like project management, a dedicated communication and meeting structure to implement actions, or a rigorous reporting to follow up on execution. Respondents from Isovolta on the other hand explicitly mentioned how their project management efforts failed or the process being not deliberate or even conscious. The cases of ProSiebenSat.1, Trumpf and Fahrenheit 212 also evoke pictures of conscious reflection of results achieved and whether the new business model fulfilled the purpose defined at the outset. Fahrenheit 212's new business model was very successful in the eyes of its clients for example, but the company reflected on whether it had achieved its original goal, concluded that it had not and engaged in further design activities.

Even if the process might not have been conscious, this does not automatically mean that it was not steered. Organisations still needed to identify an opportunity or need for change, formulate a response and implement a course of action. These activities certainly required some form of steering and organisation, although it might have been a more informal type of steering than the one exhibited by Hirslanden. The scope of Hirslanden's transformation and the size of the organisation might explain the presence of this more formal process management.

## **4.4 Discussion and Synthesis of Findings from the Initial Sample**

The findings from the initial sample shed new light on the research questions. In the following sections the findings will be discussed and synthesised as to providing first answers to these. In line with grounded theory methodology, and the requirements of process research, the findings will be presented in a sequence illustrating a main story line fostering internal theoretical integration, and elucidating the relationships between the emerging concepts (as outlined in chapter 3).

### **4.4.1 The Nature of the Process of Business Model Innovation in Established Companies**

The organisations in the sample went through three phases to design and implement a new business model.

First, the inception phase, during which an opportunity or need for creating a new business model was identified, an initial idea was developed and this idea was validated through experiential action. The lack of thorough understanding and in-depth knowledge led to the development of draft and rudimentary first concepts at this stage.

Second, the evolution phase, during which the details of the business model were developed while simultaneously operating the model. Making experiences and encountering challenges triggered further design activities, implementing new business model elements or reconfiguring existing ones led to new experiences, which again led to new design activities.

The evidence illustrates that business models were not designed first, and then implemented. Design and operation happened concurrently and the details of the business model were only developed step-by-step, just as they were only implemented step-by-step.

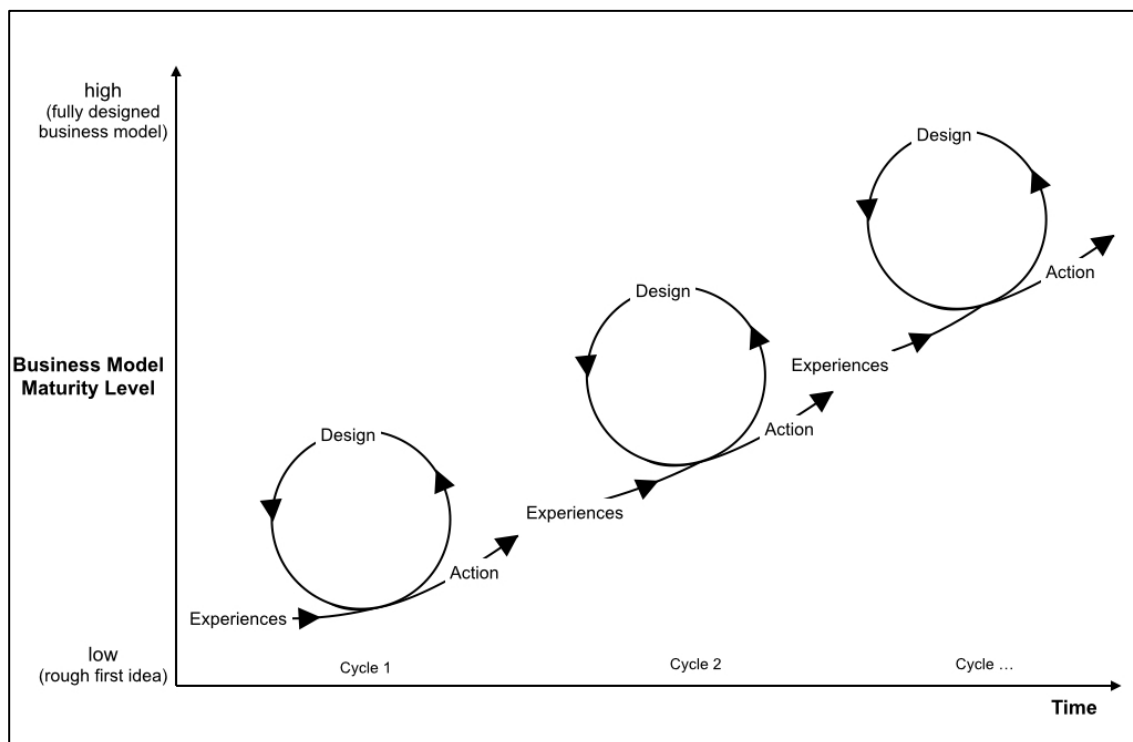
Designing the business model required organisations to engage in action and make experiences. Interview respondents highlighted the fact that their business models were designed, while being operated: An approach that was referred to as “crafting the business model”, by one of the research participants. As organisations

accumulated more and more experience and knowledge, the maturity and sophistication of the business models gradually increased. Figure 3 illustrates these iterative cycles of making experiences, designing, engaging in action, which are comparable to Lewin's cycle of action research, Kolb's process of experiential learning, or Königswieser and Exner's cycle of systemic consulting (Kolb 1984; Königswieser and Exner 1998; Lewin 1946).

None of the organisations in the sample reported on using any kind of creativity techniques to develop their business models, but instead relied on a deep understanding of the business, the industry, prevailing business models, customers' and stakeholder needs, and knowledge about existing organisational structures, processes and practices.

None of the organisations in the sample experimented with multiple ideas or business model alternatives. Instead every organisation stuck with the original idea and tried to make this idea work. Although respondents did refer to "trial and error", activities focused on trying various ways to make the initial business model idea successful, not trying different business model ideas.

**Figure 3 - Crafting the Business Model: Iterative Learning - Design - Action Cycles during the Evolution Phase**



Source: Own representation

The evidence suggests that “trying and succeeding” seems to be more important and a more appropriate way of thinking about how the process unfolded. Organisations in the sample relied on making positive experiences, e.g., having successes and gaining insights to resolve challenges faced and to further design their business models. Having success was vital to increase the confidence actors had. The assumption can be made that only encountering errors would probably have demotivated organisations to keep on pursuing their ideas. It is important to notice that none of the organisations in the sample experienced complete failure at any stage. This does not mean that they did not encounter challenges, as has been illustrated. Yet, the successes seemed to have been larger than the defeats, which increased the confidence in the opportunity, business model idea as such, and the organisation’s capabilities to execute and operate the new business model successfully. Confidence seems to have been vital for keeping the momentum of the process and the initiative alive. Confidence gradually rose as the organisations moved through the inception and evolution phase up to a level where the confidence in the new business model was high enough to move into the diffusion stage.

Having success and communicating this success to employees also facilitated the reduction of resistance within the organisation.

Third, the diffusion phase, during which efforts switched from designing the new business model to operating it on a larger scale, by either spreading it throughout the existing organisation or scaling it up in size.

The evidence from the initial sample illustrates how this process was neither entirely linear, nor exclusively iterative, but did instead blend these two characteristics. The overall process was linear as organisations moved from incubation to evolution and finally diffusion. Within the evolution phase it was highly iterative, repeating cycles of learning, design and action.

Whereas none of the organisations in the sample experienced an iterative cycle in the incubation phase, it is imaginable that the first idea turns out to be not successful after the validation step and needs to be reworked. How the process plays out in such an instance needs to be further investigated.

The process of business model innovation was as much about iteratively designing and implementing the business model as it was about designing and implementing interventions on the organisational level required to support the implementation and operation of the new business model and the reconfiguration of the existing one.

Although the organisations in the sample went through the same steps and phases and needed to gain experience and confidence while doing so, they did so in different fashions. Whereas some cases suggest a rather random, unplanned, undertaking, other cases, especially Hirslanden, indicate a more conscious and actively steered process.

#### **4.4.2 The Challenges and Complexities Inherent to Enacting this Process**

The organisations in the sample encountered three types of challenges during the business model innovation process.

First, cognitive/conceptual challenges, relating to designing a functioning business model. Designing the business model required decisions about the content, structure and governance of the business model as an activity system. Those organisations in the sample creating ‘new-to-the-world’ types of business model innovations concentrated first on designing the content of the activity system in the inception phase, followed by the structure and governance in the evolution phase. Those organisations creating ‘new-to-the-industry’ or ‘new-to-the-company’ types of business model innovations, did not focus on designing the content, but instead focused on structure and governance topics throughout the process.

Second, behavioural challenges, emerging on the organisational level as difficulties to implement and/or operate the new business model due to lacking skills and capabilities.

Third, emotional challenges, expressing themselves in the form of doubts, lacking confidence in the new business model and resistance from key stakeholders.

These three types of challenges surfaced with varying intensity throughout the three phases of the business model innovation process. Whereas the inception

phase was characterised by conceptual and emotional challenges mostly on the management level, the evolution phase exhibited all three types of challenges, with emotional ones shifting from the management level to the associates. The diffusion phase was dominated by behavioural challenges, e.g., middle managers lacking the skills to implement and lead within the new organisational structures.

#### **4.4.3 The Micro-Foundations and their Underlying Managerial and Organisational Activities and Practices**

To solve these challenges the organisations in the sample engaged in activities indicating learning and deployment mechanisms in action.

At the beginning of each of the three phases, inception, evolution, and diffusion, knowledge about opportunities or needs for change needed to be acquired and/or created. In the inception phase knowledge was acquired that motivated organisations in the sample to engage in business model innovation. In the evolution phase, knowledge about opportunities or the necessity to further design the business model was acquired and created. In the diffusion phase, knowledge about the opportunity or need to spread and scale up the business model needed to be acquired.

In a similar vein, to develop the initial idea, further design the business model and also the diffusion strategies, organisations in the sample engaged in knowledge creation, acquisition, articulation, and application activities. Knowledge created through engaging in business activities was completed by knowledge acquired through internal and external expertise. This knowledge was articulated and integrated into new designs during discussions, meetings and workshops. To design the new business models, deep understanding and knowledge about customers, the market, industry dynamics, internal organisational structures, processes and procedures, as well as stakeholder needs was articulated, acquired or created. As this knowledge accumulated, the maturity and sophistication of the business models increased.

All these activities can be interpreted as experiential and cognitive learning mechanisms.

Deployment activities aimed at implementing a course of action, with the objective to execute and operate the new business model. During the inception phase,

activities focused on gaining feedback from key stakeholders as to the validity of the new business model. During the evolution phase these activities focused primarily on configuring and reconfiguring organisational structures and processes, whereas during the diffusion phase they shifted to configuring and reconfiguring key behaviours. Deployment activities focused on knowledge codification and dissemination. The new business model, including new organisation charts, processes, etc. were documented and disseminated through various means throughout the organisation.

In the case of a more consciously and actively managed process, a third set of, primarily managerial, activities can be observed. Process orchestration activities revolved around consciously establishing structures and routines, e.g., hold (regular) meetings and workshops to design the business model, initiate knowledge acquisition, articulation and application activities, establish rigorous project management and communication to facilitate the implementation of decisions taken, institute reporting lines and activities to review the progress of implementation, within which the overall process of business model innovation and the learning and deployment activities could unfold. The existence of at least two different modes for managing the process of business model innovation raises the question of the context within which they emerge. One assumption put forward is that it makes a difference whether the new business model replaces the existing one or is implemented in a separate structure and lives along side the existing business model. A second assumption is that the scope, in terms of number of employees impacted, makes a difference.

#### **4.4.4 The Role of Top Management**

The present sample indicates that top management was actively engaged in all these activities and throughout the process, from identifying the opportunity or need to engage in business model innovation, to initiating the process, to managing it, and to being the main actors within the process, designing and implementing the new business models. The active engagement of top management was seen as a key success factor of the business model innovation process.



#### **4.4.5 Preliminary Framework of the Micro-Foundations of Business Model Innovation as a Dynamic Capability**

As has been outlined in the literature review (chapter 2), dynamic capabilities perform three functions (Helfat et al. 2007):

- (1) Identifying opportunities or needs for change;
- (2) Formulating a response;
- (3) Implementing a course of action.

The findings from the initial sample elucidate how these functions were performed by the organisations across the three phases of the business model innovation process. The foundational managerial and organisational activities and practices can be interpreted as:

- (1) *Process orchestration mechanisms* steering the overall business model innovation process;
- (2) *Experiential and cognitive learning mechanisms* underlying the identification of opportunities and needs, as well as the formulation of responses in the form of designing the business model and organisational interventions;
- (3) *Deployment mechanisms* underlying the implementation of design choices made, and the configuration and reconfiguration of the business model, i.e., activity system content, structure and governance, and organisational behaviours.

Table 29 provides a summarising overview integrating the findings and the dynamic capabilities view into a preliminary framework of the micro-foundations of business model innovation as a dynamic capability. The micro-foundations are indicated by the numbers (1), (2) and (3).

The details of these micro-foundations were further investigated during the theoretical sampling stage and will be outlined in chapter 5.

**Table 29 - Preliminary Framework of the Micro-Foundations of Business Model Innovation as a Dynamic Capability**

<b>(1) Process orchestration mechanisms</b>			
	<b>Inception</b>	<b>Evolution</b>	<b>Diffusion</b>
<i>Functions of Dynamic Capabilities</i>	Identifying opportunities and needs for business model innovation	Identifying opportunities and needs to further design the business model	Identifying opportunities and needs to spread / scale up the business model
	<b>(2) Experiential and cognitive learning mechanisms</b>		
<b>Formulating a response</b>	Developing the initial business model idea	Designing business model details + reconfiguration strategies	Designing reconfiguration strategies
	<b>(3) Deployment mechanisms</b>		
<b>Implementing a course of action</b>	Validating the initial idea	Reconfiguring the activity system content, structure and governance	Reconfiguring key behaviours

## **5 Findings from the Theoretical Sample of One Research Site**

### **5.1 Introduction**

Having identified the three micro-foundations of business model innovation as a dynamic capability (process orchestration, learning, and deployment) in chapter 4, the focus of the theoretical sample, outlined in this chapter, is on unravelling the managerial and organisational activities forming the basis of these micro-foundations.

The findings from the theoretical sample indicate that the first of the three micro-foundations, that is process orchestration mechanisms, consist of a set of managerial practices and principles, manifesting themselves in the learning and deployment mechanisms and guiding the mode in which these two mechanisms were enacted.

After having provided evidence for these managerial practices, the second and third micro-foundations, learning and deployment mechanisms, will be described. In order to better understand how learning and deployment were enacted, a thick description of the managerial and organisational activities underlying these micro-foundations will be presented. Whereas in practice these activities were highly interdependent and may not have been restricted to a single objective, for analytical purposes they are described separately according to their primary function, i.e., learning, or deployment.

Evidence is provided as findings narratives, excerpts from company documents and representative quotations. Findings narratives are based on research participants' accounts and company documentation, i.e., presentations aimed at communicating the Hirslanden business model, presentations on market research and various studies, workshop documents and minutes, meeting minutes, an ISO audit report, a project management handbook, various versions of the organisational chart, and personal email communication between the researcher and research participants. Documents covered the time period from January 2009

to December 2014. Excerpts from original company documents are provided in Appendix F.

Although representative quotations have been assigned to a primary topic, many refer to multiple themes, illustrating the complex and interrelated nature of activities and practices. “Power quotes” are provided within the body of the text, whereas additional representative “proof quotes” are presented in tables illustrating the coding scheme at the end of each section (Pratt 2008, 501).

The chapter closes with a discussion and theoretical interpretation of the findings.

## **5.2 Process Orchestration and the Role of Top Management**

The findings from the theoretical sample provided further evidence for the key role of top management (see also chapter 4) in shaping the business model innovation process and guiding and directing the organisation through it. Process orchestration activities and practices revolved around establishing structures and routines, and being actively involved throughout the process to provide top down direction and guidance, while at the same time involving the organisation.

*“The process was primarily steered by me and then developed a dynamic on its own within the team. That must be said and alone you’re not going to do something like this.” (Managing director)*

The following sections provide evidence on these topics in the form of findings narratives. Table 30 provides representative quotations. Whereas the process orchestration practices will be illustrated here, further details on how they were enacted will be provided in the description of the learning (chapter 5.3) and deployment (chapter 5.4) mechanisms below.

### **5.2.1 Providing Direction**

Interview respondents reported on how important top management, and especially the managing director, was for the business model innovation process.

The managing director provided direction and guidance in several ways.

First, it was the managing director who recognised the need to engage in the process based on his company diagnostic (see chapter 4 for details). Based on this diagnostic he started the process by establishing a series of management workshops, which he prepared and facilitated.

Second, the managing director was the mastermind behind the main elements of the business model, developing initial concepts and ideas for the “circle model”, the “hospital value formula”, and how to differentiate services offered to various patient segments, for example. The initial ideas for these concepts were contributed by him based to a large extent on his prior experience, the academic research he had concluded before taking the position at Klinik Hirslanden, and the data gathered during the business model innovation process. In addition to these ideas, he also provided key inputs and guided the management discussions and focus on the relevant topics.

Third, the managing director defined a sophisticated company wide meeting structure to establish top-down and bottom-up communication channels, thereby changing established routines.

Fourth, when no suitable candidate could be found to lead the newly created medical system, an organisational division regrouping all medical departments, the managing director took the position for about 18 months. He reported on how leading this division allowed him to create awareness and understanding among employees regarding the new business model.

Fifth, all these aspects were supported by interview respondents, who reported how it was his vision and entrepreneurial spirit and motivation to further develop the hospital that inspired them.

Next to the managing director, interview respondents reported on the role of other top management members. The head of the medical system for example reported on how he took on a department management position in his division when no suitable candidate could be found, or how he provided top down direction for the reorganisation of his division. Other colleagues reported on the role they played for developing the new business model during the management workshops and being key for cascading information within their divisions and departments. The former head of corporate development was the mastermind of the “umbrella concept”. All in all, senior management was actively engaged throughout the entire process as will be demonstrated.

### 5.2.2 Involving the Organisation

While top management was key in driving the business model innovation process, providing direction, and developing the new business model, interview respondents also highlighted the need to involve organisational members.

The managing director for example highlighted that while he might have provided ideas, it was essential to involve his colleagues to develop the details of the concepts and ideas put forward, and to drive implementation. Something he could not have done on his own. He highlighted how he believes a new business model can neither be developed nor implemented from behind closed doors, but instead requires a collective effort. In a similar vein, the heads of the medical system, hospitality management or anaesthesia and intensive care reported how important it was to involve associates in their divisions to implement the new business model and related projects.

The details of involvement activities will be provided below when describing the learning and deployment mechanisms (chapters 5.3 and 5.4). Table 30 provides representative quotations for the process orchestration mechanisms.

**Table 30 - Representative Quotations for “Process Orchestration Mechanisms”**

Theme	Representative Quotations
Providing guidance and direction, while involving the organisation	<ul style="list-style-type: none"> <li>• “My team has supported and further developed everything, the vision was mine, the implementation was of course not from me, that was a team effort.” (Managing director)</li> <li>• “That was such a vision that I had really. That was from me. There are so three, four pillars, which were influenced by me and the others were from the team. This way we have further developed the business model. A lot is not from me but comes from the basis.” (Managing director)</li> <li>• “I knew that we had to sit together about every half year to analyse and discuss the business model.” (Managing director)</li> <li>• “I don’t believe you can do this [business model innovation] behind closed doors. You have to develop it with the people.” (Managing director)</li> <li>• “This was for me the most effective measure to shape this change process in such a short time at this speed and with the inclusion of as many employees as possible. There were a lot of information meetings, management meetings so with the department heads, division heads, staff meetings, where we have really tried to involve the people and where we regularly informed about news,</li> </ul>

	<p>... also reported on the projects, implementation, progress, what does it all mean for the individual employee, and we also described specific achievements and successes and also failures. Project management, strict inclusion of employees, turning them into partners, implementing together with them, and provide the direction and requirements from the highest level, namely the executive board.” (Head of medical system)</p> <ul style="list-style-type: none"> <li>• “The organisational chart was top down ... that needs to come top down, I ... have of course aligned with top management before, so this reduction of the departments on five areas, that was a top down decision, also the reorganisation of the overall [patient] care at the clinic, that was a top down specification ... [which] was then discussed in workshops with the project team members from nursing and from the management and we defined individual measures, competences, responsibilities, timelines were defined and then implemented. And [this approach] is practically enshrined in our basic principles.” (Head of medical system)</li> <li>• “[The managing director] was the driving force behind it. This is an inclusive process. As I said, he developed this circle model somehow. I mean he was 8 years in St. Anna and got to know the Hirslanden group and he is someone who always reads and looks around and browses in magazines and reflects, etc., and he was the one who crystallised ideas, and summed them up and brought them to the point.” (Former head of corporate development)</li> <li>• “A single person alone cannot develop such a business model. But it needs the driving force, the engine, the restlessness, someone who keeps on pushing and is the mastermind. We had many conversations. During these discussions the restlessness led to thoughts, which turned into concepts. But he [managing director] was definitely always the driving force. Without him this would not have been possible. But, I believe, it was then also the team who put these concepts to paper describing them in detail.” (Former head of corporate development)</li> <li>• “This business model process, I would argue, is a creative process, triggered by the hospital management, by the director, based on entrepreneurial thinking, wanting to create something that sets us apart from the competition and makes us competitive in the future, unlocking new markets, allows us the continued access to top physicians, helps us to deliver top quality, etc. So that's the motivation.” (Former head of corporate development)</li> </ul>
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### 5.3 Learning Mechanisms

Findings from the theoretical sample revealed the following managerial and organisational activities and practices pertinent to knowledge creation, acquisition, articulation, integration and codification:

- A series of regular management workshops;
- Holding ad hoc discussions and meetings;
- Searching and collecting company internal, market and stakeholder data;
- Creating visual representations of the business model and key elements.

The following sections provide data and evidence on each of these activities in the form of findings narratives, “power quotes”, and excerpts from company documents. Table 33 provides additional representative “proof” quotations.

#### 5.3.1 Management Workshops

Interview respondents reported that eight management workshops having taken place between 2009 and 2012 were the main pillars of the business model design and fine-tuning process. The managing director furthermore highlighted how the workshops were key for creating awareness among management for the need for change.

*“The workshops were so in a semi-annual rhythm, but in between there were of course many discussions, you also speak in management meetings about such things. I think these workshops were the main pillars, the milestones.”*

*(Managing director)*

Each workshop was held offsite at various locations in Switzerland, revolved around a main topic and resulted in insights, which would influence the design of the business model. During the workshops decisions for next action steps were taken.

Participants of these workshops were the people constituting the executive committee, called the “Steering Board”, and the so-called “Bereichsleiter”, i.e., the heads of the various divisions reporting to the steering board. As the organisational chart changed, so did the participants of the management workshops. Depending on workshop topics, additional participants were invited to contribute their expertise. For workshop 6 for example, the so-called



“Abteilungsleiter”, i.e., department heads reporting to the division heads, were invited. Detailed participant lists were not available for all workshops.

The following section provides further details on the workshops based on workshop slides, minutes and respondents’ comments as findings narratives.

### **Workshop 1 – January 2009**

The first workshop revolved around the managing director’s analysis of the 70 semi-structured stakeholder interviews he had conducted since his arrival in October 2008. Having presented his analysis, management decided that a realignment of the clinic was necessary. Inspired by the literature, i.e., Michael Watkins’ “The First 90 Days: Proven Strategies for Getting Up to Speed Faster and Smarter” Harvard Business Review Press, realignment was defined as “reenergizing a previously successful organisation that now faces problems”, a situation characterised by the challenges of “convincing employees that change is necessary” and “carefully restructuring the top team and refocusing the organisation”, while building on the opportunities “the organisation has significant pockets of strength” and “people want to continue to see themselves as successful” (company documentations, see Appendix F.1 for original slides).

Based on this definition, Hirslanden’s management defined the following objectives for its realignment (company documentation, see Appendix F.1 for original slides):

- *Performance culture*: Strengthen the corporate culture towards associates being proud to work at Hirslanden and focusing on personal patient care.
- *Focus on core business*: Improve the patient experience. Quick access to treatments, reliable patient information, punctuality / reduction of waiting times.
- *Discipline to achieve competitive advantage*: Binding principles, tasks and humanity lead to real appreciation and constructive criticism. Positive employee experiences and trust lead to competitive advantage. Provide incentives for above average performance. Achieve synergies by working on the system.

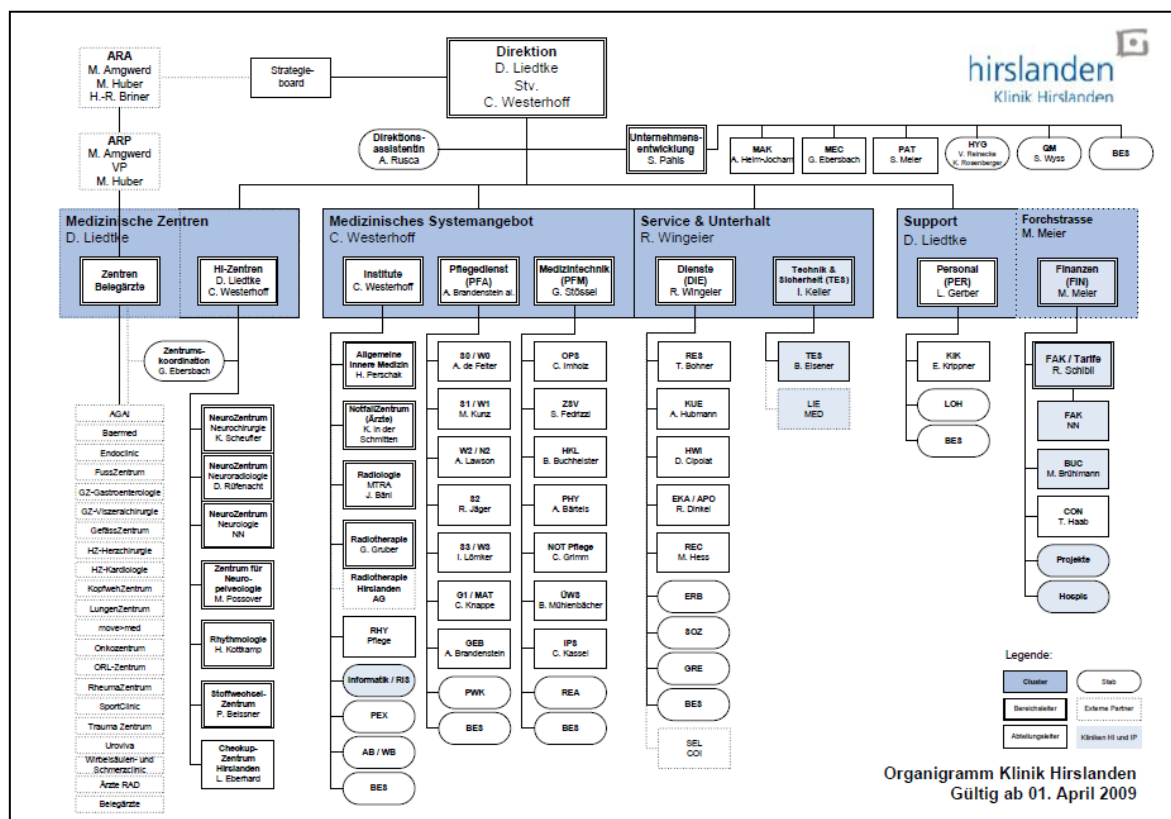
- *Innovation for market leadership*: Transparency about results, external benchmarking, and competition between management within the Hirslanden group.
- *Creating awareness for change*: Management as role model, communicating initiatives and good results at the right place and time, seizing synergies and adapting the organisational structure.

To achieve the objective of focusing on the core business, Hirslanden asked itself what its core business actually was. A decision was made to define the patients as well as the affiliated private practitioners as customers, and hence focus on carrying out activities, which had an impact on their satisfaction and, which the hospital could directly influence. This decision led to the adaptation of the organisational structure, documented via a new organisational chart, separating the core business from the management support functions.

The new organisational chart devised after the workshop depicted in Figure 4 highlights the focus on the key areas and the newly formed clusters, regrouping divisions and departments, into:

- A cluster focusing on the affiliated private practitioners and medical centres (“Medizinische Zentren”);
- A cluster regrouping peri-operative services and medical patient care (“Medizinisches Systemangebot” MES);
- A cluster for non-medical patient services and maintenance (“Service & Unterhalt”);
- A cluster for management support, i.e., human resources and finances (“Support / Forchstrasse”).

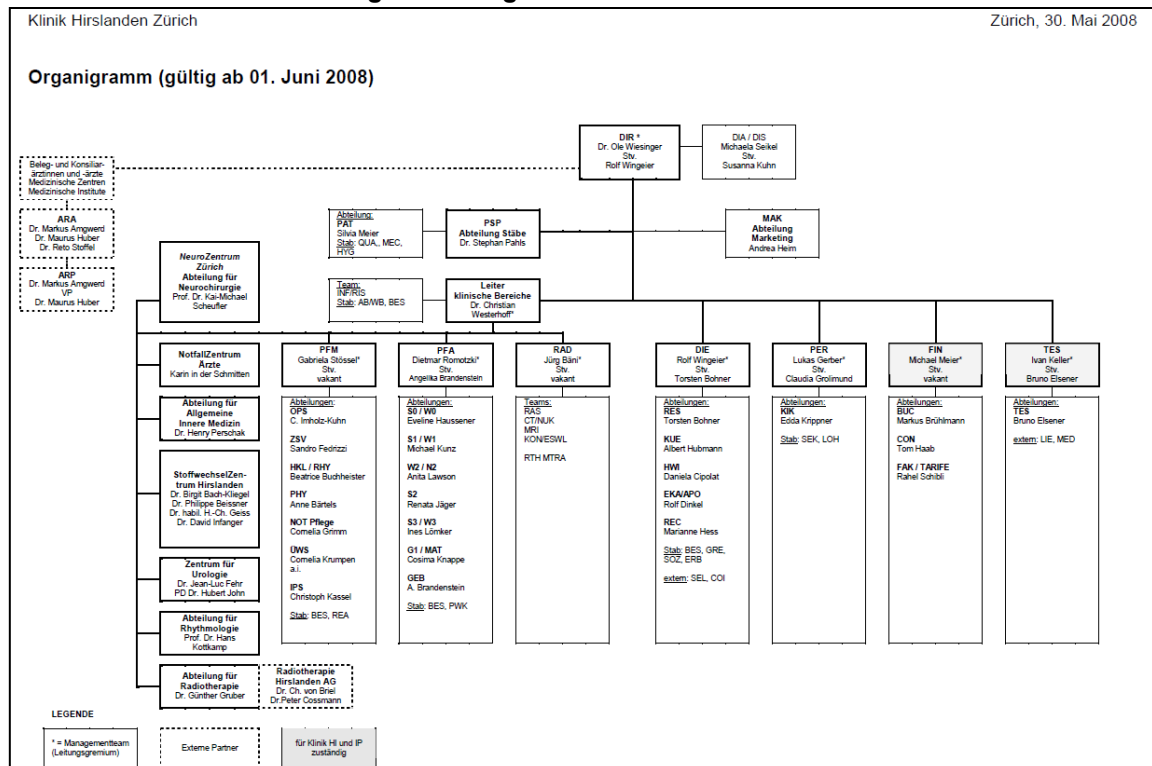
Figure 4 - Organisational Chart April 2009



Source: Company documentation. Newly created clusters are highlighted in dark blue.

Figure 5 shows the previous organisational chart as a reference point.

Figure 5 - Organisational Chart 2008



Source: Company documentation

**Workshop 2 – July 2009**

To enhance the focus on the core business, the second workshop revolved around answering the questions how and why patients choose a specific hospital, and what the requirements for successfully conducting highly specialised medicine are. As an input to answering these questions several presentations on competition within the health care industry, key success factors of hospitals, customer satisfaction drivers, existing hospital business models and the results of a patient market study from 2006 were discussed. The management team came to several main conclusions, which would influence the design of the business model:

- The referring doctor (i.e., family doctor or specialist private practitioner) is the primary decision maker or determinant of hospital choice. These stakeholders forward or attract the patients to a hospital. The decision was taken to conduct a referrer market study to better understand their needs and satisfaction with Klinik Hirslanden.
- The successful medical outcome of highly specialised medicine is not primarily dependent on the surgeon. Quality, safety and security (as expressed by mortality rates) are driven by the lack of experience of the system with cases of highly specialised medicine. Hence, a minimum amount of medical cases to guarantee a certain level of practice within the hospital is required.
- Once patients are in the hospital, their satisfaction is driven by personalised patient care and non-medical services rather than by the specialist doctor, whom patients often do not see after the operation.

These conclusions were summarised as follows:

**“Conclusion:**

- Total alignment of the enablers to basic, performance and excitement/delighter attributes.
- Business models are to be directed towards medical outcome, efficiency and "Good Patient Experience".
- The winners will be those business models able to manage a high number of cases per disease, severity and geographic penetration at high satisfaction.”  
(company documentation, see Appendix F.2 for original slide)

Furthermore it was decided to position Klinik Hirslanden as being focused on offering highly specialised medicine and top service quality, to both patients and private practitioners.

The conclusion was turned into focus topics for the rest of 2009 (company documentation, see Figure 8 shown in chapter 5.3 for original slide):

- “Strengthen our corporate culture: identification and pride of our employees with the hospital and their job, personal care of patients.
- Improve the patient experience.
- Develop the relationship to referring doctors.
- Improve the efficiency and effectiveness of management and leadership.”

### **Workshop 3 – March 2010**

Having made the decision to focus on the core business in workshop 1 and having refined what patients and referring doctors’ needs are in workshop 2, the third workshop focused on the question of what Klinik Hirslanden can really excel at and defining more specifically what its core business actually is.

The workshop started with a review of the previous workshops and a confirmation of the focus areas 2009 still being valid for 2010. In retrospect, the first workshop was seen as important for redefining the focus of the hospital and establishing a common understanding and opinion among the management team. The second workshop was seen as an important follow up, with interesting discussion and important inputs, although results were felt as being less specific, tangible and impact was not yet felt.

The third workshop was guided by a review of Jim Collins’ hedgehog concept from the book “From Good to Great”, focusing on answering the three questions:

- What can we be the best in the world at?
- What are we deeply passionate about?
- What drives our economic engine?

Based on these questions the management team developed the following vision for Hirslanden.

Our vision:

- We are the best private hospital in the initial deployment of medical excellence. We establish medical centres in connection with a high quality basic medicine.
- Our passion is to provide first-class services with a focus on our patients. (“Dienstleister aus Leidenschaft”)
- Our key economic performance indicator is EBITDA per case from the admission to the discharge of the patient. (company documentation, see Appendix F.3 for original slide)

#### **Workshop 4 – October 2010**

Workshop 4 started with another review of prior workshops and a reconfirmation of conclusions drawn and the key focus areas.

To assess the current state of implementation of the new business model, the workshop proceeded with presentations and reviews of several analyses clustered around the organisational structure of the time:

- The medical system. Data sources: patient letters to the director, referrer market study 2009, private practitioner interviews, Hirslanden group and European benchmarks.
- Support functions. Data sources: employee surveys 2005 and 2009, employee exit monitoring (i.e., why did employees leave), feedback collected during various events and team meetings.
- Corporate development. Data sources: Projects, project status reporting, risk monitoring, personal perception by the head of corporate development.

The various results were synthesised into a comprehensive SWOT analysis. The strengths and weaknesses shown in Table 31 provided an overview of achievements since the beginning of 2009, as well as key topics that needed to be addressed. The weaknesses would guide the topics to be discussed in subsequent workshops.

**Table 31 - Strengths and Weaknesses 2010**

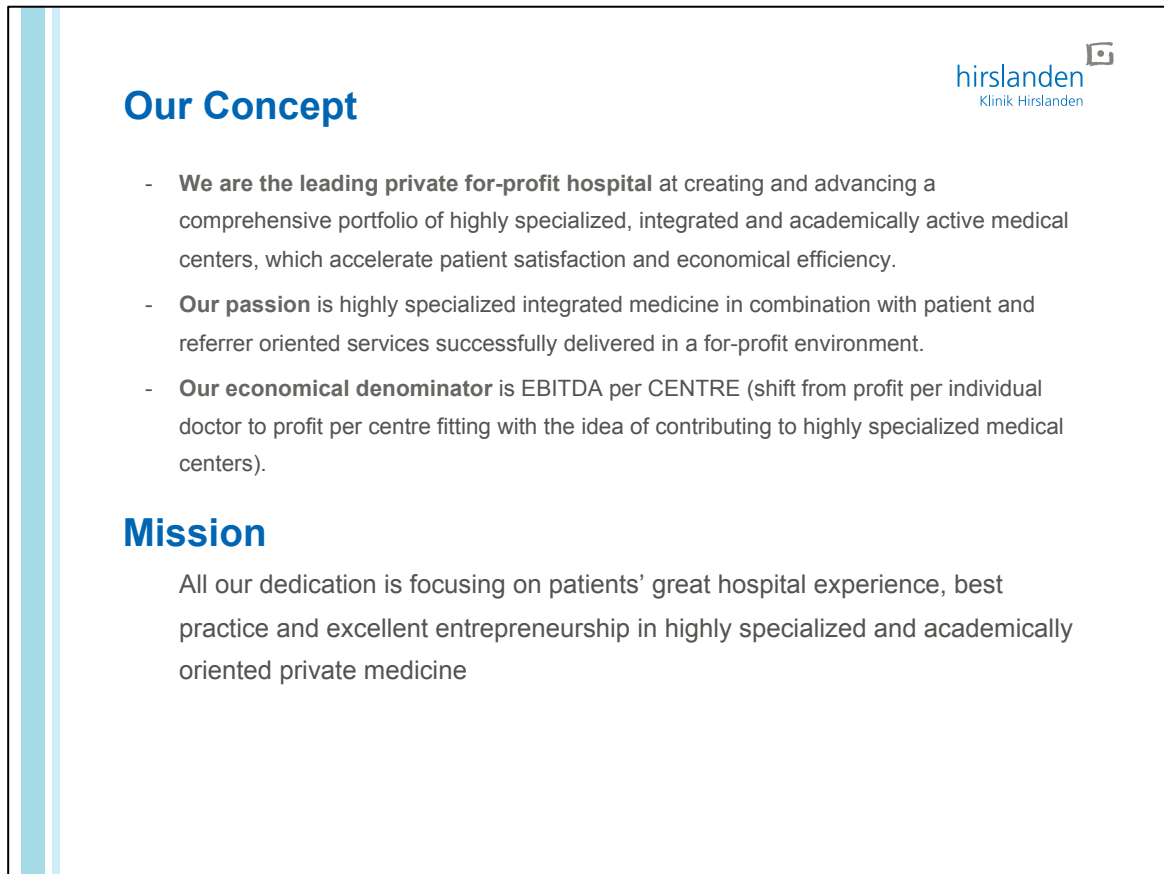
Strengths	Weaknesses
<p><b>S1</b> Almost complete medical services offering at a high quality standard under one roof.</p> <p><b>S2</b> Fast access to specialists in certain cases.</p> <p><b>S3</b> High willingness to invest.</p> <p><b>S4</b> Good basis for decision making because of a meaningful controlling.</p> <p><b>S5</b> High individual readiness for entrepreneurial thinking at all levels.</p> <p><b>S6</b> Established service culture in the company overall.</p> <p><b>S7</b> For most highly specialized interventions the Hirslanden Clinic meets the minimum case numbers.</p>	<ul style="list-style-type: none"> <li>• <b>W1</b> Inadequate medical documentation because of incomplete or missing information flow.</li> <li>• <b>W2</b> Inadequate patient satisfaction compared to the Hirslanden group.</li> <li>• <b>W3</b> Inefficient handling of workload fluctuations because of inadequate steering of demand and resource planning.</li> <li>• <b>W4</b> Due to group-wide introduction of KIS [Hospital Information Management System] no short-term integration is possible at short notice.</li> <li>• <b>W5</b> Lack of commitment to rules of conduct from affiliated doctors.</li> <li>• <b>W6</b> Insufficient consistent case leadership for complex diseases.</li> <li>• <b>W7</b> Insufficient interaction between service and medicine (see circle model).</li> </ul>

Source: Company documentation, see Appendix F.4 for original slide.

After reviewing the SWOT analysis, and following an input on strategic management, the management team proceeded to what was called “strategic work”, including the approval of the vision, the economic engine, and goals for the financial year 2011/2012. Although the wording of the vision was slightly adapted, the core elements remained intact (Figure 6), reinforcing the positioning of the hospital:

- From routine to high-end medicine. (“Von Routine zu Spitzenmedizin”)
- From customer orientation to hospitality. (“Von Kundenorientierung zu Gastfreundschaft”)
- From cost orientation to cost per case orientation. (“Von Kostenorientierung zu Fallkostenorientierung”)
- From specialist clinic to Academic Hospital. (“Von Facharztambulanz zu Academic Hospital”)

Figure 6 - Vision and Mission



The image is a screenshot of the Hirslanden Klinik website. It features a light blue vertical bar on the left side. The main content area has a white background. In the top right corner, the Hirslanden logo is visible, consisting of the word 'hirslanden' in blue and 'Klinik Hirslanden' in a smaller font below it, next to a small square icon. The section 'Our Concept' is titled in bold blue text and contains three bullet points. The 'Mission' section is also titled in bold blue text and contains a single paragraph.

**Our Concept**

- **We are the leading private for-profit hospital** at creating and advancing a comprehensive portfolio of highly specialized, integrated and academically active medical centers, which accelerate patient satisfaction and economical efficiency.
- **Our passion** is highly specialized integrated medicine in combination with patient and referrer oriented services successfully delivered in a for-profit environment.
- **Our economical denominator** is EBITDA per CENTRE (shift from profit per individual doctor to profit per centre fitting with the idea of contributing to highly specialized medical centers).

**Mission**

All our dedication is focusing on patients' great hospital experience, best practice and excellent entrepreneurship in highly specialized and academically oriented private medicine

Source: Company documentation

The resulting focus areas for the financial year 2011/2012 were defined as (company documentation, see Appendix F.4 for excerpt from workshop minutes.):

- Strengthening the identification of employees, employed generalist doctors and specialist private practitioners with the hospital.
- Development of the medical system (MES): Vision, strategy cockpit.
- Steering of demand and management of resources.
- The Enzenbühl project [a construction project building a new wing at the hospital].



**Workshop 5 – May 2011**

The focus for the year 2011 was defined as further driving the sustainable, efficient and effective implementation of the business model through the medical system, the organisational unit regrouping all medical care activities of the hospital.

Digging deeper into the weaknesses identified in workshop 4, workshop 5 focused on reviewing implementation progress and analysing how to foster it. After reviewing prior workshop contents, the results of a survey among employees and management regarding their awareness and understanding of the new business model were presented, followed by a detailed presentation of the current implementation status within each department of the medical system.

The workshop also contained theory inputs on change management and various studies on how to achieve commitment.

The workshop minutes highlight the following key insights:

- Good understanding of business model among division heads;
- Less understanding among department heads and employees;
- Missing sense of solidarity among departments in the medical system;
- Nevertheless, people believe in the success of the medical system;
- Lack of commitment and missing sense of solidarity of employed generalist doctors and affiliated private practitioners towards the new organisational structure (the medical system) and the new business model;

and measures developed to address the identified challenges:

- Establishing a training program for medical system employees to enhance understanding;
- Establishing standard processes and structures for all stakeholders;
- Establishing a feedback tool to report on private practitioner behaviour;
- Clear definition of roles and responsibilities among all involved parties;
- Achieving a focus on medical pictures instead of focusing on medical disciplines, as a way to manage the affiliated, yet independent private practitioners.

**Workshops 6, 7 and 8 – September 2011, May 2012, September 2012**

Workshops 6, 7, and 8 followed up on the objectives and weaknesses identified earlier, focusing on analysing and defining the processes within the hospital.

Workshop 6 revolved around the issues of demand steering, resource management and the patient and information flow, addressing questions like: What is the patient process, what are the key activities in each phase, who has and needs which information about the patient? To gain a better understanding of these areas, the department heads participated in workshop 6. Workshop 6 resulted in changes to the processes and organisational structure and participants highlighted the importance of workshop 6 to better comprehend the needs of involved stakeholders and establish a common understanding among the division and department heads.

Workshop 7 introduced the topic of defining all business processes, which workshop 8 continued with an added focus on customer orientation. From the workshop documentation it seems like workshop 7 did not yield the desired results, hence the topic of defining the business processes was picked up again in workshop 8. Workshop 8 resulted in process descriptions and the decision to align the processes with the organisational structure, distinguishing between the core business, management and support processes (Figure 7).

Similar to prior workshops, each workshop started with a review of past workshop topics, main decisions taken and progress made towards implementing and operating the new business model.

Additionally theory inputs were given on business process definitions, rules of process modelling, processes in other hospitals, and on customer orientation.

Having recently been admitted on the Swiss “Spitalliste” in early 2012, and hence being allowed to serve both compulsory national health insurance patients and private patients, the topic of customer orientation and how to differentiate medical and non-medical services for the various patient groups arose. As part of workshop 8, the participants embarked on a learning journey, visiting a wellbeing and medical health resort and looking at how the resort works and what customer orientation means in various departments.

Figure 7 - Process Map



Source: Company documentation. Top blue = management processes, middle = core processes, bottom green = support processes

The decision was made to differentiate in a similar way airlines differentiate between economy, business, and first class passengers. Private patients have access to a larger choice of non-medical services (e.g., à la carte dining, higher quality rooms) and are more involved in the choice of their medical services (e.g., being able to choose hospitalisation dates, customised treatments to fit their lifestyle), whereas the national health insured patients have less services available and receive a more standardised medical treatment, which is nevertheless of an exceptional high-end quality in terms of safety and security.

Table 32 provides a summarising overview of the workshops, when they took place, the main topics discussed, activities carried out during the workshop and the key insights gained and decisions taken. The summary was compiled from workshop presentations and minutes. Appendix F.5 illustrates an excerpt from the workshop 7 minutes, showing a brief recap of all workshops and their focus topics until that date.

Table 32 - Overview of Management Workshops

Event & Date	Description
Management Workshop 1  January 13/14, 2009	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>• The managing director's analysis</li> <li>• What is our core business?</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Managing director presents results of his 70 interviews</li> <li>• Presentation of a study on factors influencing hospital choice</li> </ul> <p><b>Main insight:</b></p> <ul style="list-style-type: none"> <li>• Patients as well as referring doctors (i.e., family doctors and private practitioners) are customers of the hospital</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Management agrees on the need for a realignment</li> <li>• Definition of core business as: patient satisfaction, patient outcome, and referring doctor/private practitioner satisfaction</li> <li>• Decision taken to focus on four key topics for 2009: Culture, patient experience, referrer satisfaction, reconfiguration of the organisational structure to achieve focus on core business and create awareness for the change</li> <li>• New organisational chart</li> </ul>
Management Workshop 2  July 01/02, 2009	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>• How will we inspire private patients for Klinik Hirslanden in the short and medium term?</li> <li>• What are the needs of our different customer groups?</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Review of workshop 1 topics and decisions taken</li> <li>• Presentation of secondary research and theory inputs on competition within the healthcare industry and key success criteria, e.g., Noriaki Kano's theory on customer satisfaction drivers</li> <li>• Review of existing business models of international competitors</li> <li>• Review of patient market research study 2006 results</li> </ul> <p><b>Main insights:</b></p> <ul style="list-style-type: none"> <li>• The referring doctor is the key driver of hospital choice</li> <li>• Patient satisfaction is driven by personalised services and care</li> <li>• Patient outcome in highly specialised medicine requires a certain number of patient cases</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Conclusion to adapt the business model</li> <li>• Definition of three customer groups: patients, family doctors, private practitioners operating at Hirslanden</li> <li>• Decision to position Hirslanden within the "highly specialised medicine / top service quality" segment</li> </ul>

	<ul style="list-style-type: none"> <li>Decision taken to conduct a referrer/family doctors market study 2009 to evaluate their satisfaction with Hirslanden and understand their needs</li> </ul>
Management Workshop 3  March 25/26, 2010	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>Jim Collins' hedgehog concept and what it means for Hirslanden</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>Review of workshops 1 and 2 and conclusions as to achievements</li> <li>Theory input based on Jim Collins' book "Good to Great" and concepts</li> <li>Definition of Collins's hedgehog concept for the clinic</li> </ul> <p><b>Main insight:</b></p> <ul style="list-style-type: none"> <li>Key stakeholders are passionate about providing services to patients, rather than providing medial treatments only</li> <li>This insight was expressed in the slogan: "Providing services is our passion" (German original: "Dienstleister aus Leidenschaft")</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>Vision based on Collins' hedgehog concept</li> </ul>
Management Workshop 4  September 30, October 01, 2010	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>Vision and strategy</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>Review of workshops 1, 2 and 3</li> <li>Presentation and review of the business model visual representation "Kreismodell" (circle model)</li> <li>Presentation of a SWOT analysis based on various data sources</li> <li>Review of referrer market study results</li> <li>Theory input on strategic management</li> <li>Review of vision</li> <li>Development of overall strategy 2011 – 2014</li> <li>Development of strategic goals 2011/2012</li> </ul> <p><b>Main insights:</b></p> <ul style="list-style-type: none"> <li>The positioning of the clinic becomes more specific</li> <li>Current strengths and weaknesses</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>Reconfirmation of conclusions and key focus areas from previous workshops</li> <li>New version of the vision including top medical performance and outstanding patient services</li> <li>Definition of strategy, focus areas and goals for the financial year 2011/2012</li> </ul>
Management Workshop 5  May 11-13,	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>Implementation levers and success drivers of the new business model within the Medical System (MES)</li> </ul>

2011	<p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Review of prior workshops since 2009, the clinic performance formula, and the business model (“Kreismodell”)</li> <li>• Presentation of survey results (“Pulse check”) regarding the awareness about the new business model among associates and management</li> <li>• Theory input on change management and how to achieve commitment</li> <li>• Guest speaker on teams and collaboration in sports</li> <li>• Presentations and inputs from each department within the Medical System</li> </ul> <p><b>Main insight:</b></p> <ul style="list-style-type: none"> <li>• Various insights around implementation/operational issues within the Medical System</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Definition of focus topic 2011: The sustainable, efficient and effective implementation of the business model</li> <li>• Definition of a series of drivers and measures aimed at standardising processes and structures, and enhancing commitment and a sense of solidarity among associates and doctors within the Medical System</li> </ul>
<p>Management Workshop 6</p> <p>September 28-20, 2011</p>	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>• Patient and information flow and processes within the clinic</li> <li>• Steering demand and managing resources</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Review of prior workshops since 2009</li> <li>• Theory input on Kaplan and Porter article “How to solve the cost crisis in health care”, Harvard Business Review</li> <li>• Analysis of patient flow, definition of key activities and processes</li> </ul> <p><b>Main insights:</b></p> <ul style="list-style-type: none"> <li>• Enhanced understanding about internal needs from the various departments among participants</li> <li>• Necessity to create an interdisciplinary patient case history is a priority</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Definition of process, key activities, involved functions, the patient process, steering mechanisms, identification of issues and interfaces</li> <li>• Definition of changes to processes and organisational structure</li> <li>• Participants acknowledged the contributions of the department heads, who participated for the first time at this workshop. The decision was made to invite them to future workshops as needed.</li> </ul>

Management Workshop 7  May 24/25, 2012	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>• Business processes</li> <li>• Definition of information hubs within the processes</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Review of prior workshops since 2009</li> <li>• Review of activities implemented since last workshop</li> <li>• Theory input on business processes: definitions, rules of process modelling</li> <li>• Theory input on business processes</li> <li>• Review of business process landscape of Klinik Hirslanden and other clinics of the Hirslanden group</li> </ul> <p><b>Main insight:</b></p> <ul style="list-style-type: none"> <li>• (not evident from workshop documentation)</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Distinguishing between three groups of processes: Core, management, and support processes</li> </ul>
Management Workshop 8  September 06/07, 2012	<p><b>Main topics:</b></p> <ul style="list-style-type: none"> <li>• Customer orientation</li> <li>• Business processes</li> <li>• Can we manage to create a process landscape from which our vision, strategy and business model can be recognised?</li> </ul> <p><b>Main activities:</b></p> <ul style="list-style-type: none"> <li>• Learning journey: Workshop participants get a view behind the scenes of one Europe's leading wellbeing and medical health resorts to learn about how it approaches customer orientation</li> <li>• Review of prior workshops since 2009</li> <li>• Review of activities implemented since last workshop</li> <li>• Review of insights gained from the learning journey</li> <li>• Review of results from a pilot customer orientation workshop</li> <li>• Review of alternatives to describe the clinic's business processes, introduction of a template</li> <li>• Review of process landscapes from Hirslanden Group and other hospitals</li> <li>• Review and discussion of open questions as to the business processes</li> </ul> <p><b>Main insight:</b></p> <ul style="list-style-type: none"> <li>• (not evident from workshop documentation)</li> </ul> <p><b>Main decisions/outcomes:</b></p> <ul style="list-style-type: none"> <li>• Definition of which process belong to which of the three groups core, management and support processes</li> <li>• Detailed description of processes using a template</li> <li>• Decision to align the description of business processes with the organisational chart</li> </ul>

### 5.3.2 Discussions and Meetings

Besides the management workshops, interview respondents reported that topics pertinent to the business model were also discussed in one on one conversations, especially between the managing director and the former head of corporate development, core team meetings and regular project and management meetings.

Both the managing director and the former head of corporate development acknowledged how they jointly developed ideas while discussing them. The managing director furthermore illustrated how the idea for the “circle model” (a detailed description is provided in chapter 5.3.4) emerged during a conversation with a doctor, as he was trying to explain how he thought patient safety and security could be increased.

Interview respondents reported on how a core team, composed of the managing director, the former head of corporate development, the head of marketing and communication, as well as the managing director’s assistant, played a major role in further developing the outcomes of the various management workshops. Core team members reported how the team would meet, discuss ideas, go apart with everybody reflecting on his or her own, meet again and develop the next version of key concepts.

*“There was a core team that worked on it [the new business model]. We met consistently and continued to work on it, further developing it. Then we parted with the ideas, thought about them, came back together and developed a good first draft, which we then showed [in the management workshops].”*

*(Head of marketing)*

Interview respondents furthermore reported on illustrative episodes of discussing the new business model and certain aspects with various stakeholder groups. The managing director would for example present and discuss it on group level management meetings, or in regular meetings with private practitioner representatives to receive their feedback.

### 5.3.3 Data Search and Collection

Research participants and company documents outlined a range of activities aimed at collecting data from various sources to inform the design and implementation of the new business model.



*“We did a lot of science between the workshops ... how do the patients come to our clinic for example, these were larger market studies, which cost also a lot of money, already this market study on the profile of our patients ... we invested around 120'000.- CHF for a market research firm, in order to understand this. Nobody knew how this worked. I believe most hospitals don't understand the profile of their patients, why patients come to us and not somebody else, I only realised based on these analyses what we are good at. That's also why we could not schedule these workshops closer to each other; we needed time for these studies. Partially we also conducted these studies ourselves. For example we had the patients interviewed or the referring doctors by a PhD student, she interviewed all specialist doctors. We also used master students and PhDs to answer questions that came out of the workshops. I think one of the most important workshops was this workshop on what are the needs of patients, referring doctors and specialists, that was an epiphany for me.”*

*(Managing director)*

The following is a summarising list of the main sources and collection activities.

Hirslanden conducted a range of studies to investigate patient satisfaction, the image patients have of the hospital and their needs: Studies conducted by Hirslanden in 2008, 2009, 2010, patient feedback “letter to the board” from 2008, 2009, 2010, patient focus group in 2011, and a market study conducted by an external research institute in 2006.

The managing director also conducted personal conversations with patients to inquire about their experience at the hospital. Interview respondents stressed how crucial it was to understand why patients and referring doctors choose Klinik Hirslanden. Understanding these factors led to recognising what the hospital's core competencies really are.

As the private practitioners and referring doctors are seen as Hirslanden customers, studies were also conducted to assess their satisfaction, image of Hirslanden and needs: Private practitioner study 2008, referring doctors satisfaction studies 2009, 2010, interviews with affiliated private practitioners 2010 and a focus group. The private practitioners were also asked about their feedback on the new business model.

Employee satisfaction was evaluated by an external research institute in 2008, and 2011, the trial period exit monitoring 2008, 2009, and 2010, and feedback to

management 2008, and 2011. Employee awareness and understanding of the new business model was evaluated in 2011.

Literature, academic research and existing studies on customer satisfaction, the health care industry, cost management and value creation in health care, mortality studies, strategy, change management, etc. were used as inputs during the management workshops. Besides these sources being used for the management workshops, interview respondents also reported how literature was used for self-study. Especially the managing director acknowledged how he was influenced by the literature and his training during his DBA studies.

Data for benchmarking was collected on performance, business models and processes of Hirslanden group and other hospitals. A team from Hirslanden also visited other hospitals around the world to learn how they work and organise.

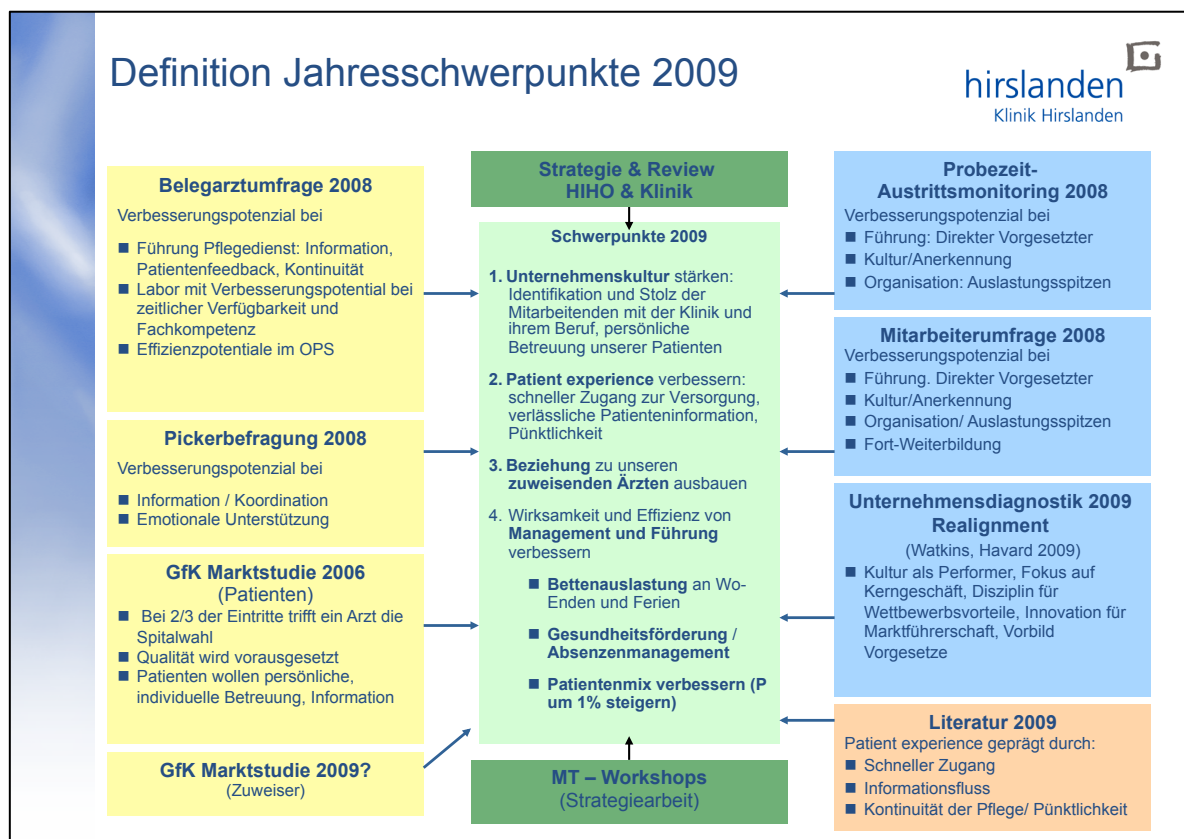
Various analyses were conducted before and during the management workshops, e.g., the managing director's initial diagnosis, the SWOT analysis during workshop 4, the review of the implementation progress during workshop 5, process analyses during workshops 6, 7 and 8.

Just like the managing director conducted interviews with various internal and external stakeholders when he took his job, two other interview respondents reported on doing interviews with employees from their departments when they took on their jobs.

Performance data from various management information systems in the hospital was also used: Hirslanden value formula data, hospital management cockpit, risk management data, project reporting, etc. (called "Managementtools" in Figure 8, Figure 9, and Figure 10).

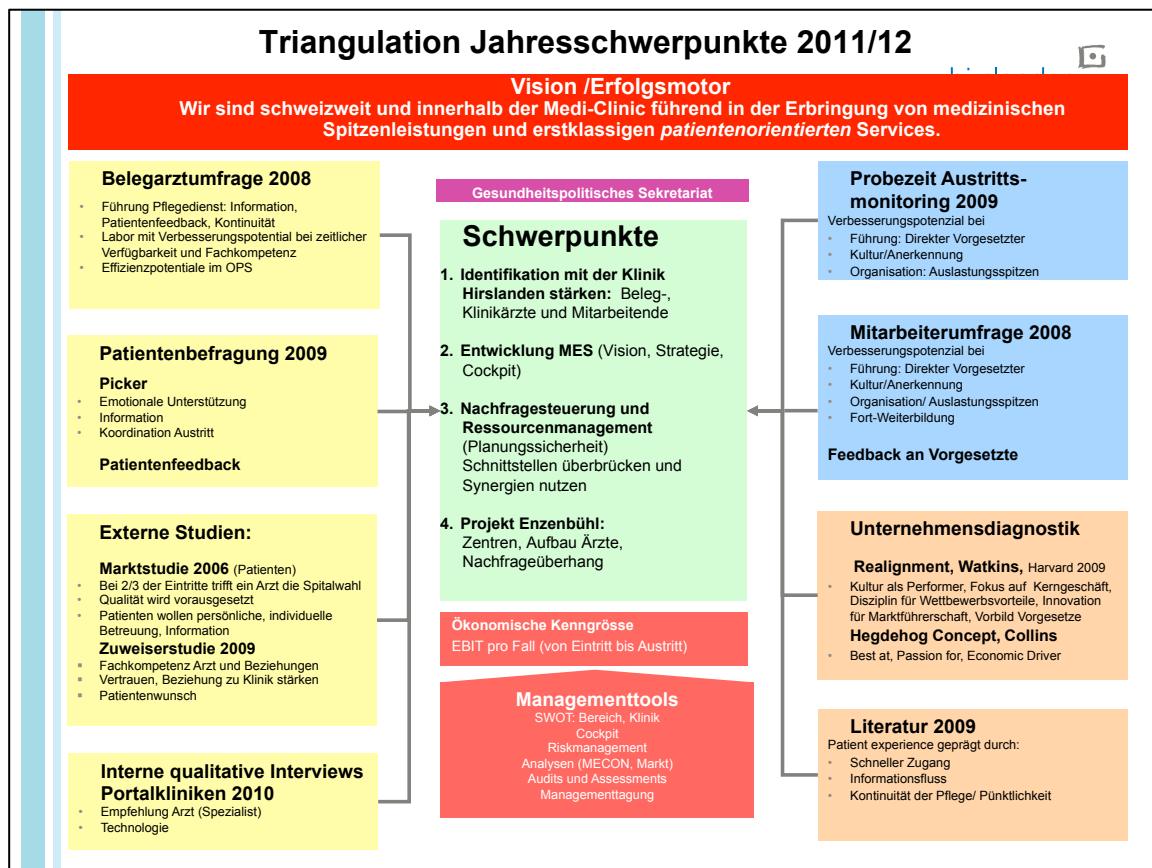
The slides from workshop documents in in Figure 8, Figure 9, and Figure 10 highlight the most important data sources from 2009 to 2013.

Figure 8 - Slide from Workshop 2 outlining the Origins of the Focus Topics 2009



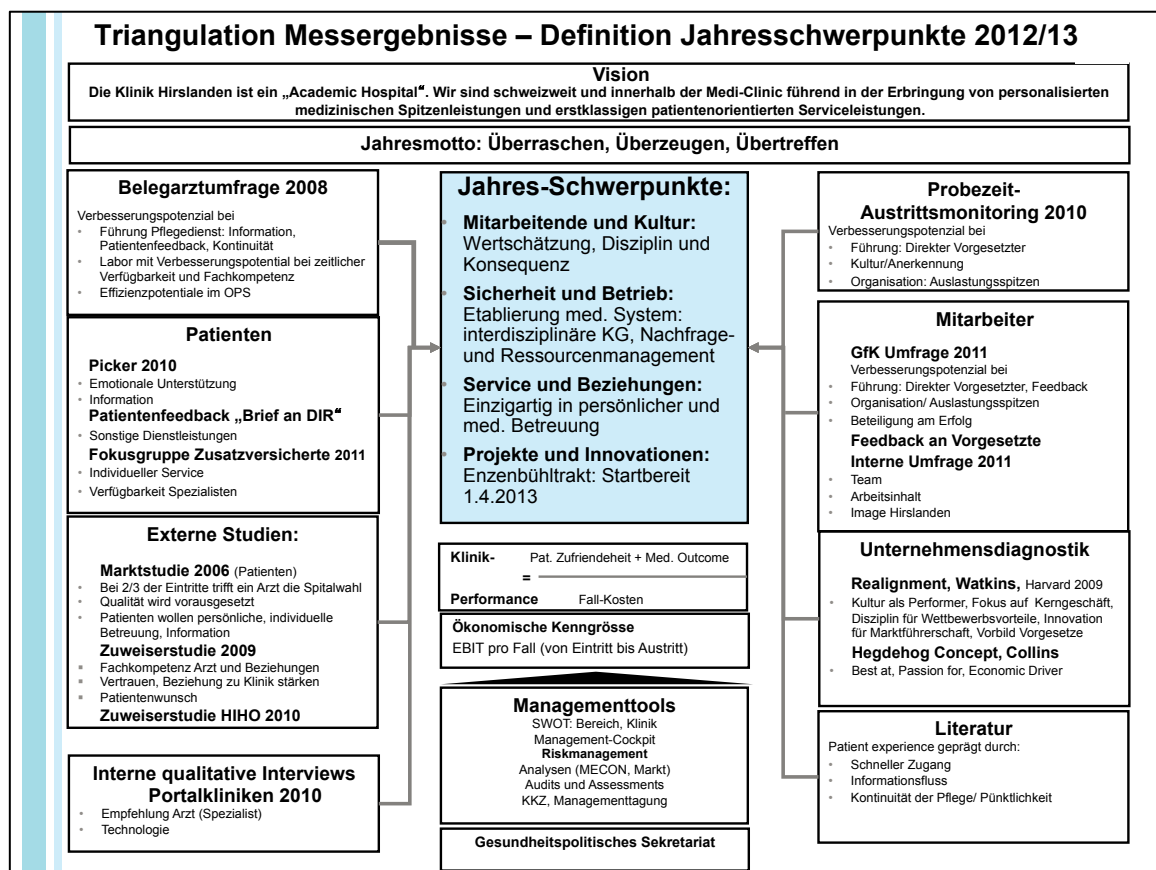
Source: Company documentation. Yellow = external studies, blue = internal studies, orange = literature, dark green = strategy and management workshop activities, light green = resulting focus topics.

Figure 9 - Slide from Workshop 4 outlining the Origins of the Focus Topics 2011/2012



Source: Company documentation. Yellow = external studies, blue = internal studies, orange = literature, now including Watkins and Collins, top red = overall vision, bottom red = key performance indicators and management tools, light green = resulting focus topics.

Figure 10 - Slide from Workshop 7 outlining the Origins of the Focus Topics 2012/2013



Source: Company documentation.

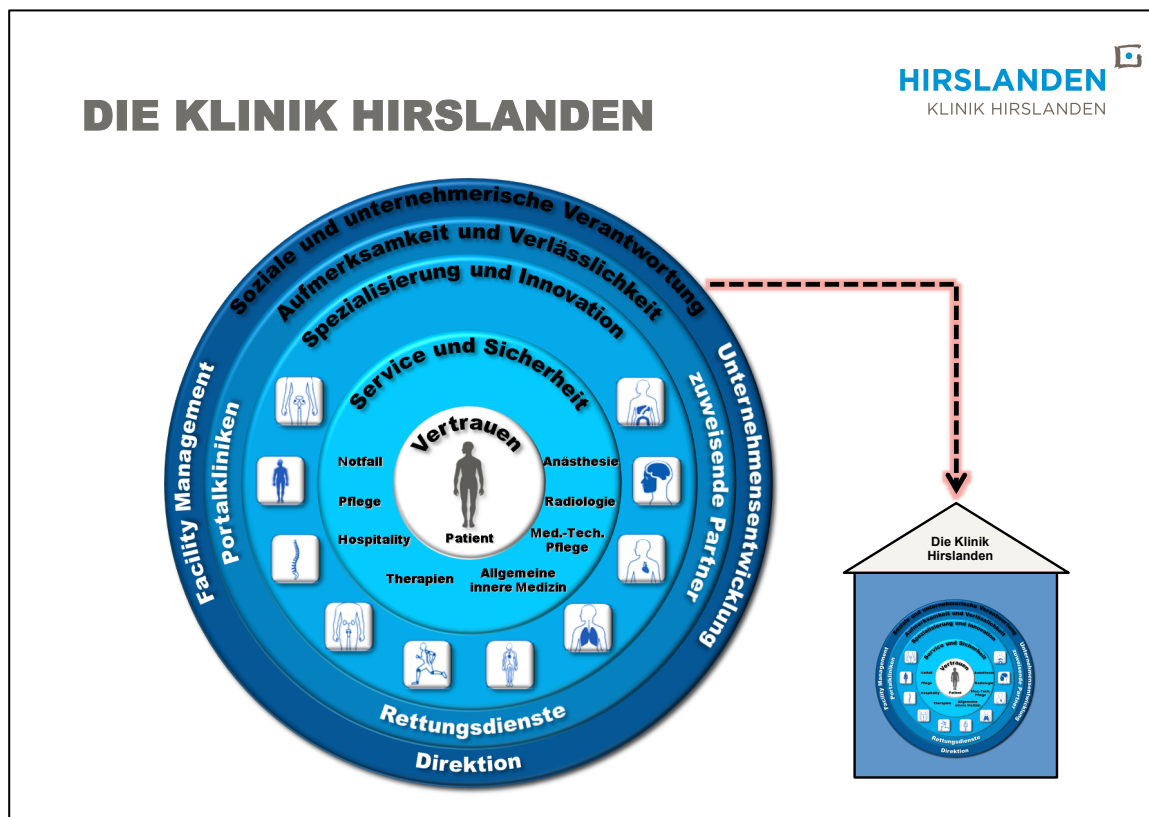
### 5.3.4 Creating Visual Representations

The results of the business model design activities were documented in three key visuals, besides the organisational charts and the process maps, representing the core elements of the new business model:

- The *circle model*, illustrating the core principles and components of the business model;
- The *value formula*, representing the core drivers of value creation and the key performance measures of the business model that need to be managed;
- The *umbrella concept*, illustrating the governance structure of the private practitioners.

The so-called “circle model” (“das Kreismodell”) is a visual representation of the Hirslanden business model outlining its key elements (Figure 11).

Figure 11 - The Hirslanden Business Model Representation



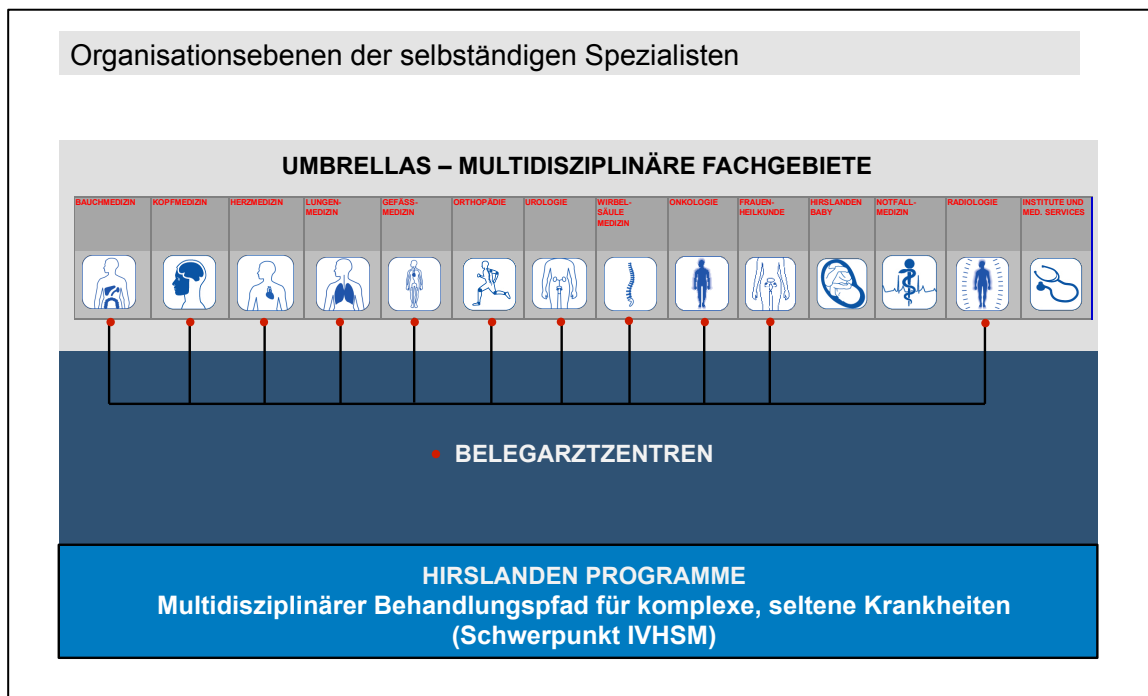
Source: Company documentation.

The circle model explains the philosophy of the Hirslanden business model (company documentation):

- Klinik Hirslanden has a unique organisational structure, which is adapted to the needs of our private hospital and the private practitioner system – the so-called Hirslanden System.
- The patient and his medical needs and individual wishes and expectations are at the core of our daily actions. He puts his trust in us. (Represented by inner circle “Trust”)
- To live up to this trust, important core services are carried out by the clinic. These services are grouped within the so-called “Medial System”. The MES is accountable for a high level of patient care quality and safety. The following services are part of the medical system: 24/7 emergency unit, patient dispatch, general internal medicine, general surgery, radiology, anaesthesia, intensive care, therapy, nursing. (“Service and security” 2<sup>nd</sup> circle)
- The clinic offers a wide range of treatments under one roof. The affiliated, independent private practitioner centres are clustered into our so-called “Umbrellas”. Competing with each other in a fair way, they ensure an innovative and specialised patient care quality. (“Specialisation and innovation” 3<sup>rd</sup> circle)
- Klinik Hirslanden is connected to partner institutions, offering them a high level of attention and reliability. (“Attention and reliability” 4<sup>th</sup> circle)
- And finally, every organisation only functions as well as it is managed. Our modern and innovative management features a high sense of responsibility towards our patients, employees and the public. (“Social and entrepreneurial responsibility” outer 5<sup>th</sup> circle)

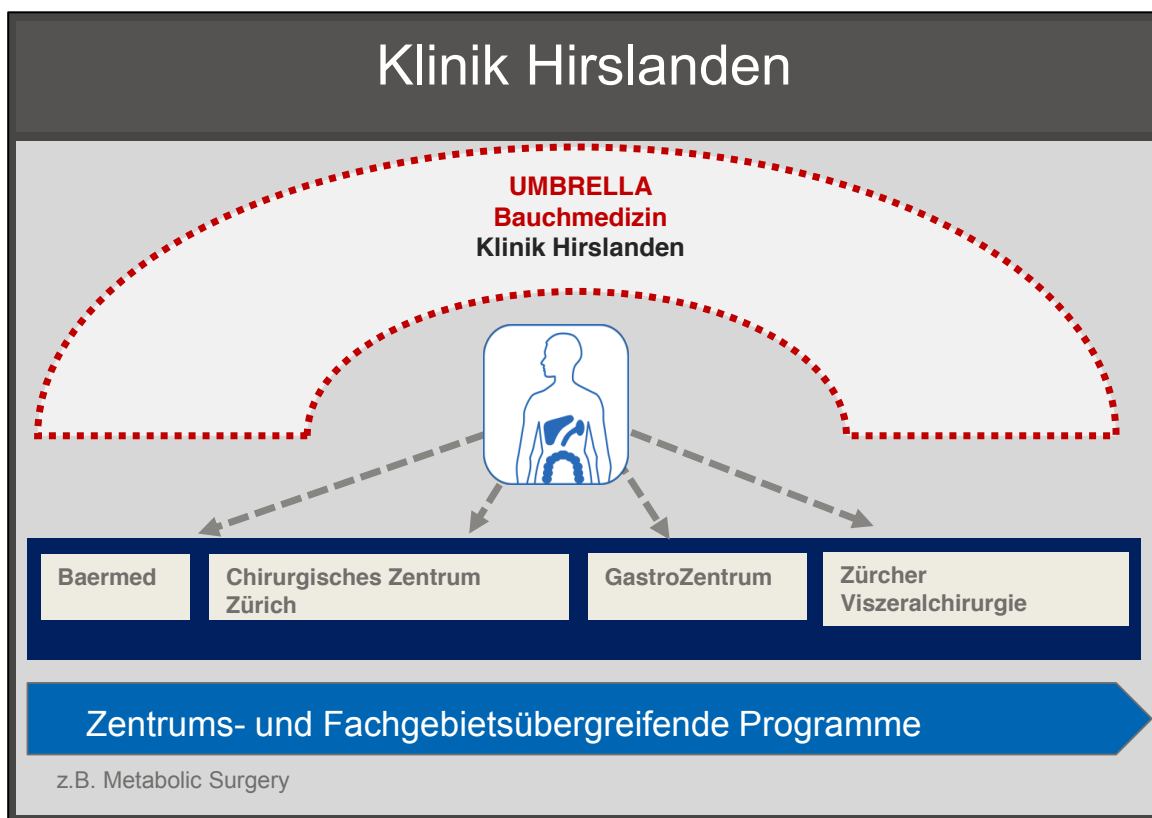
The “umbrella” concept was a response to the need to manage and organise the work of the independent private practitioners in a way that would ensure high medical standards. The so-called “umbrellas” are multi-disciplinary fields of activities, regrouping all relevant medical disciplines (represented by various private practitioner centres) around medical pictures (Figure 12). Figure 13 illustrates the “stomach medicine” umbrella regrouping all practices and centres related to the stomach.

Figure 12 - Umbrella Concept



Source: Company documentation.

Figure 13 - Umbrella "Bauchmedizin"

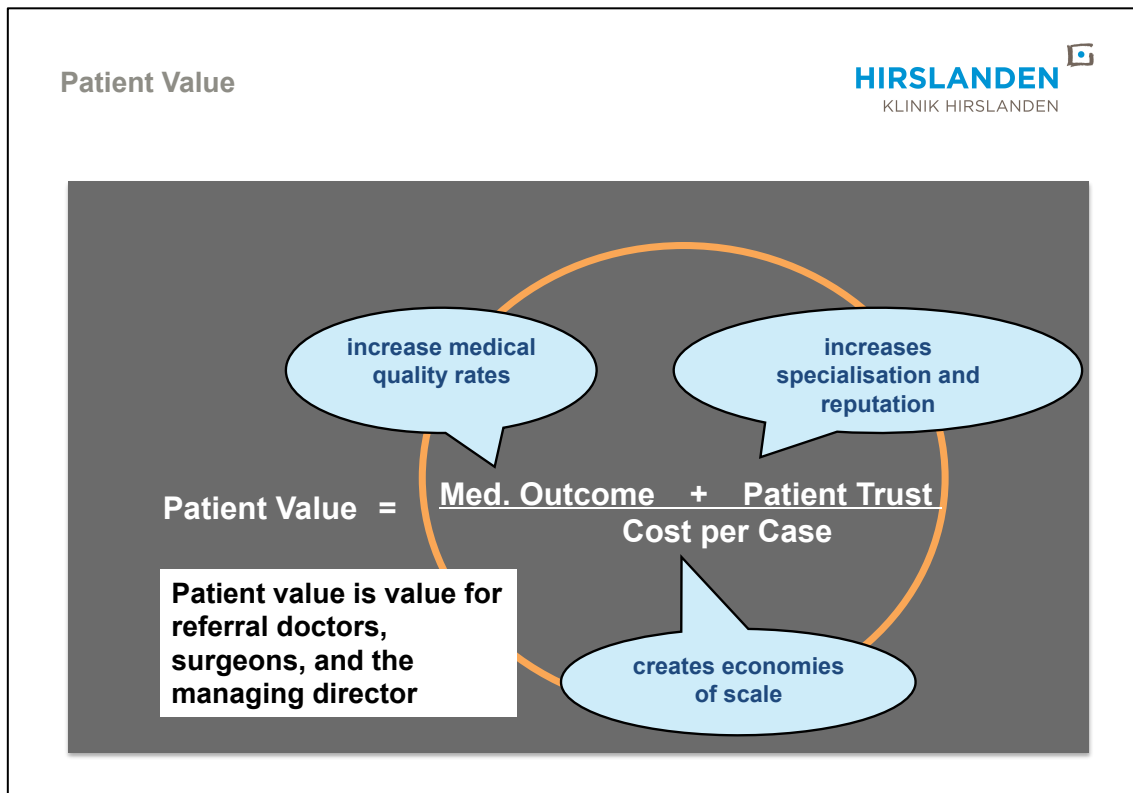


Source: Company documentation.



The value formula, depicted in Figure 14, highlights the key performance indicators, which need to be managed.

**Figure 14 - The Hirslanden Value Formula**



Source: Company documentation.

Table 33 provides representative quotations for the learning mechanisms.

**Table 33 - Representative Quotations for “Learning Mechanisms”**

Theme	Representative Quotations
Management workshops, discussions and meetings	<ul style="list-style-type: none"> <li>• “We said focus on core business, answering what that is was then the driver for the other workshops. In the other workshops we then systematically looked at the customer, who is the customer, how does he get to the hospital, is the patient really the customer, these were the discussions we had ... what are the expectations of our patients and how will they get to the hospital, that was the question of the workshop.” (Managing director)</li> <li>• “We worked on very specific topics. Once in a management workshop we worked on the success factors of the medical system and somehow what remains to be done in the medical system ... Last year we looked at the patient care process ... we also looked at things like this hedgehog concept, simply to talk it through as teaching and discuss it with each other. It was always very serious and focused work on such subjects which for the most part had a logical sequence ... it was working on the business model each time ... even if we did not always declare it as such it fitted in this overall context.” (Former head of corporate development)</li> <li>• “After each management workshop, there was a list of measures, to dos, everything we had decided, and these came into an action list, then, over the next few weeks, months, etc., these points were processed and implemented.” (Former head of corporate development)</li> <li>• “We formulated decisions after each workshop and these were then consistently implemented. After the first workshop we used the organisational chart.” (Managing director)</li> <li>• “The [managing director] himself, myself, the head of the medical system, then the head of marketing, who brought in a little of an outside perspective, the assistant manager of the managing director, and the quality manager was also always part [of the core team].” (Former head of corporate development)</li> <li>• “So every division manager and then these cluster managers and the director and additionally department managers, depending on the topic ... So there were always besides these about 12 or 13, 14 division managers, and the director, there were always about 2 - 3 department heads, depending on the topic [of the workshop].” (Former head of corporate development)</li> <li>• “The circle model was my idea and this idea came very early and accidentally. I wanted to explain a doctor colleague what I mean by safe medicine and drew the patient and all around a circle with patient care and the medical services that I wanted to have authority to give directives over, so that I could enforce high standards of safety and service quality for the specialists. That was almost by accident and the start of the circle model.”</li> </ul>

	(Managing director)
Data search and collection	<ul style="list-style-type: none"> <li>• “We read a lot of literature. To bring people closer [to the topic], I gave them a lot [of literature] from my past. We studied the chief physician system, the classic consultant system, so we studied various business models. That’s part of it, otherwise you cannot sensitise people for which business model we actually had. People did not know that they had a business model. They were not aware of this.” (Managing director)</li> <li>• “The core driver ... was to know, why do people want to take care of a patient in a particular clinic and the second driver was cutting-edge medicine, what is needed for excellence in medicine? That was a second study we did.” (Managing director)</li> <li>• “We made a lot of studies. Here we asked ourselves, what it needs for highly specialized medicine ... I asked myself what is really important the system, the hospital or the surgeon in the field of highly specialized medicine? I did a lot of literature research and found out about a Switzerland-wide study involving over 3.5 million patients ... that it is exactly not the surgeon, if he can do it, then he can do it almost anywhere. The problem of deaths in the high-end medicine is the system, so the system is not stable enough, not enough cases in a hospital means poorer quality. Not because of the surgeon, but because the exercise is lacking, practice makes perfect, it is as simple as that. But oddly enough not the surgeon is the problem, because he has had enough practice in his career. It is the system, anaesthesia, the setting, the hospital infrastructure, generalists do not have the practice. And from this idea or this finding must be said that the hospital needs practice, this structure of generalists and specialists emerged. And also the certainty that I have to employ the generalists, because ... otherwise you never get a stable trained team in the house. And the surgeons, they are like engineers, they do the procedure and then leave again. We organise everything around. Which the patient really strangely no longer perceives. But this is much more important than the surgeon.” (Managing director)</li> </ul>
Documentation	<ul style="list-style-type: none"> <li>• “The model, the Hirslanden system, is clearly defined ... to explain it to you today, it’s actually clear, it is also clear where we are going, it is also clear how we manage it financially etc., it is also clear how we manage the flow of patients. I do not know whether today a clinic is capable on management level to work like we do today. For us as managers, that’s really, now for me it is the first time that I have a hand-out, that I have it on several slides, I can go somewhere and present it, and as good, with the same passion as our director. First, because we are convinced, and second, because we have communicated it to the employees and we have adapted the processes.” (Head of hospitality and facility management)</li> </ul>

## 5.4 Deployment Mechanisms

Whereas the learning mechanisms and their foundational activities and practices are the basis for the identification of opportunities and needs for change, as well as the formulation of responses, deployment mechanisms were key for implementing these responses.

Findings from the theoretical sample revealed the following managerial and organisational activities and practices pertinent to deployment:

- Establishing a meeting structure;
- Adapting organisational structures and processes;
- Ad hoc department meetings and workshops;
- Cross company workshops for middle management and associates;
- Information sessions, events, and communication activities targeted at internal and external stakeholders;
- Project management;
- Rearranging human resources.

The following sections provide evidence on each of these activities in the form of findings narratives and “power quotes”. Table 34 provides additional representative “proof” quotations.

### 5.4.1 Establishing a Meeting Structure

Besides establishing the above-mentioned workshops, interview respondents elaborated on how a sophisticated organisation wide meeting structure was established to ensure management could provide top-down directions and guidance, while at the same time involving the organisation from the bottom-up. The managing director reported on how this meeting structure was developed during one of the management workshops.

*“In this workshop I also have very strictly, almost military, structured the information chain. I have enforced that the meetings have a logic, that there are top-down and bottom-up ways that need to be observed and lived consistently and in a disciplined way. This has brought about a lot, because then I really got assertiveness into the base and the base also felt understood by management.”*

*(Managing director)*

The meeting structure revolved around the so-called “Meeting Tuesday”. Each Tuesday began with a meeting of the steering board, followed by a project review meeting, after which division heads held meetings with their department heads. Interview respondents outlined how during the cluster meeting, information from the previous meetings was communicated to the division heads and topics and decisions with impact on the division were discussed. On Wednesdays division heads communicated the information in specific department meetings, followed by individual team meetings.

Just as information was communicated top-down, it could also be communicated bottom-up through these meetings to reach the steering board if necessary.

Besides the regular meeting structure, interview respondents highlighted the importance of the so-called “MES cluster meetings” to drive the reconfiguration of the organisational structure and the introduction of the new medical system (MES).

Having decided on a new organisational structure during the first management workshop, the newly created medical system cluster was formed. The cluster regrouped all medical care departments and operations of the hospital within one organisational unit. This reorganisation led to several challenges. First, the appointed head of the medical system had no experience with leading such a unit. As the unit was new, roles and responsibilities of the involved parties and the newly created position of head of the medical system were initially unclear. Second, the structure led to resistance primarily by nursing management as reported in chapter 4. Third, middle management, employees and the newly employed generalist doctors did not know what the purpose of the medical system was or how to behave within it. As a consequence senior management felt that the new business model had been developed conceptually, but not been implemented within the organisation, especially beyond the middle management level.

After two leaders had come and gone between 2009 and 2011, the managing director himself took the lead of the medical system for about 18 months from early 2011 until mid of 2012.

As a first act he introduced the “MES cluster meeting”, a regular weekly meeting with all division and department heads within the medical system to discuss

current topics. These meetings represented a stark contrast to the former management mode and existing routines, which consisted of individual one on one meetings between the medical cluster head and his subordinates. Interview respondents reported how the new transparency of these meetings, all topics were discussed in front of all participants, created discomfort with participants. The meetings also introduced strict documentation of decisions taken and a clear agenda for following up on these items. The agenda followed the same structure with key items being (Based on company documentation, see Appendix F.6 for exemplary meeting minutes):

- Review of the minutes from the last meeting;
- Discussion of the managing director's items;
- Update from the various divisions and departments within the medical system and discussion of their agenda items;
- Review of a task and measure list, follow up on status;
- Review of key performance indicators.

Interview respondents reported how the value added of these meetings became apparent after about six months.

Interview respondents highlighted how the meetings were key for increasing the collaboration between involved departments and for everybody across hierarchies to understand management's intentions and expectations.

Participants of these meetings reported how they contributed to creating a common understanding, clarify roles and responsibilities, and a shift towards thinking and acting as one unit, instead of the previous department driven thinking.

This common understanding did initially nevertheless not automatically lead to implementation of decisions taken and cascading of information from middle management to employees. The head of corporate development, who was in charge of meeting minutes during the managing director's lead, reported on how people were not used to collaborating across departments or organising and working in projects, and did not know how to lead and act within the new system.

The newly appointed head of the medical system, reported how, when he arrived in 2012, the structure had not been completely implemented and not all associates

did know what the medical system was or, even when they knew, had not fully understood or accepted its principles.

Various additional deployment activities were necessary to achieve these objectives.

#### **5.4.2 Adapting Organisational Structures and Processes**

Between 2009 and 2014 Klinik Hirslanden and especially the medical system went through a number of reorganisations, which were necessary to operate the new business model.

To find the most functional organisational structure, Hirslanden engaged in experimental action. Being unsure how to best lead the medical departments within the medical system, the managing director reported how he tested different approaches, e.g., establishing one chief physician or a partner structure with multiple chiefs being in charge of leading a department. Once an approach had worked in one department it was replicated in other departments. These trials led to the establishment of a chief physician structure for the medical departments run by the hospital (Figure 17).

Transforming the organisational structure also led to the introduction of additional activities. With the growth of the medical system, the need for a dedicated planning and steering function for example became apparent (Figure 18). Other new activities introduced were demand forecasting or administration of the newly created clinical trial unit, taking over all administrative tasks and freeing up doctors from having to take care of these.

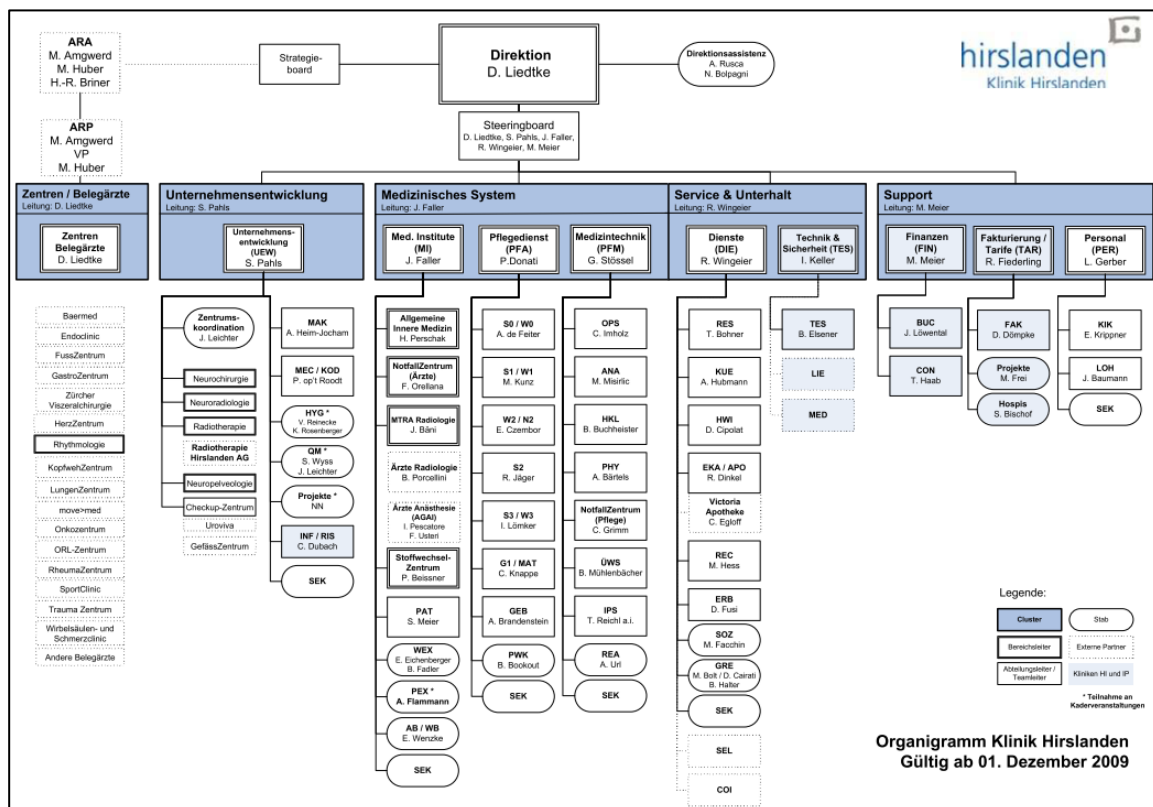
The head of the medical system outlined how reorganising the structure within the medical system also contributed to breaking down silos and encouraging people to collaborate in newly formed departments, while taking the opportunity to install new people on management positions who had understood, were willing and capable to implement the new business model.

Adapting organisational structures also entailed implementing a clear division between generalist and specialist doctors. In practice this meant that all generalist doctors were employed by the clinic, whereas those specialist doctors who were employed, were encouraged to leave full time employment in favour of becoming

an independent affiliated private practitioner. Coordination and governance of these independent practices was managed through the above-mentioned interdisciplinary umbrellas. Besides new coordination activities, Hirslanden also introduced strategy and marketing support for the private practitioners and quality standards and audits to guarantee a certain level of safety and security for services provided by these independent doctors.

Figure 15 illustrates the first organisational change, forming the clusters of various departments and reconfiguring the organisation around the core business and the supporting functions as decided during the first management workshop.

Figure 15 - Organisation Chart 2009

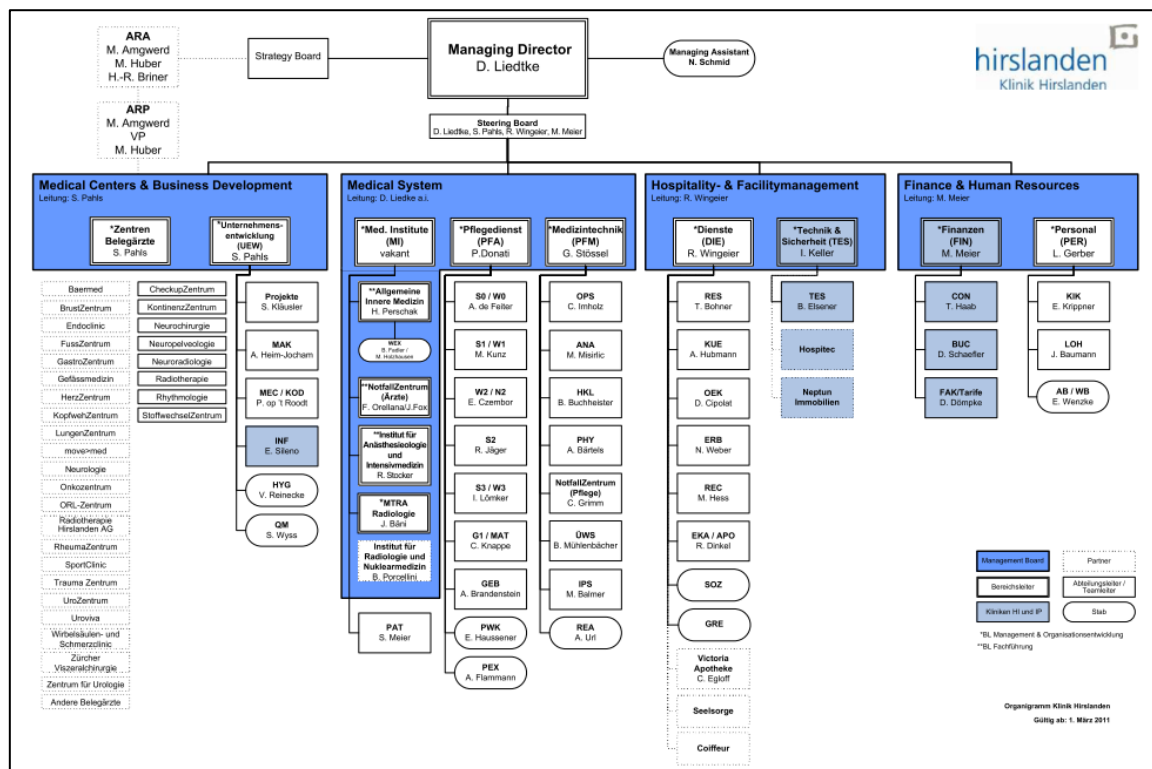


Source: Company documentation.



Figure 16 outlines how the medical centres and the corporate development departments were merged in an effort to find a governance structure for the affiliated private practitioners and centres. Within the medical system the newly created positions of employed generalist doctors are part of the management board (dark blue boxes).

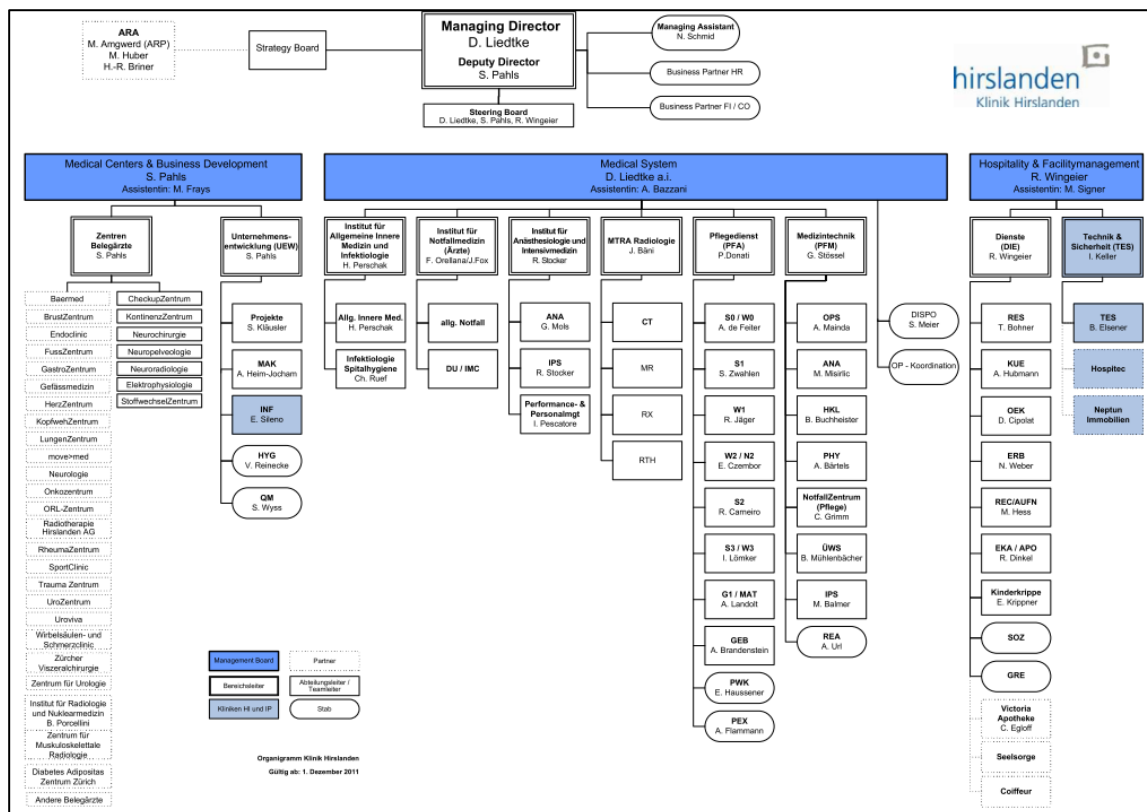
Figure 16 - Organisation Chart March 2011



Source: Company documentation.

Figure 17 illustrates a stronger focus on the core businesses: patient care within the medical system and non-medical services regrouped under hospitality and facility management. Compared to Figure 16, the generalist doctors are no longer part of the management board. The governance of the medical centres and private practitioners is still separated from the medical system.

Figure 17 - Organisation Chart December 2011



Source: Company documentation.

### Figure 18 - Organisation Chart 2013

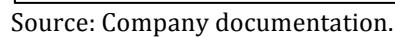
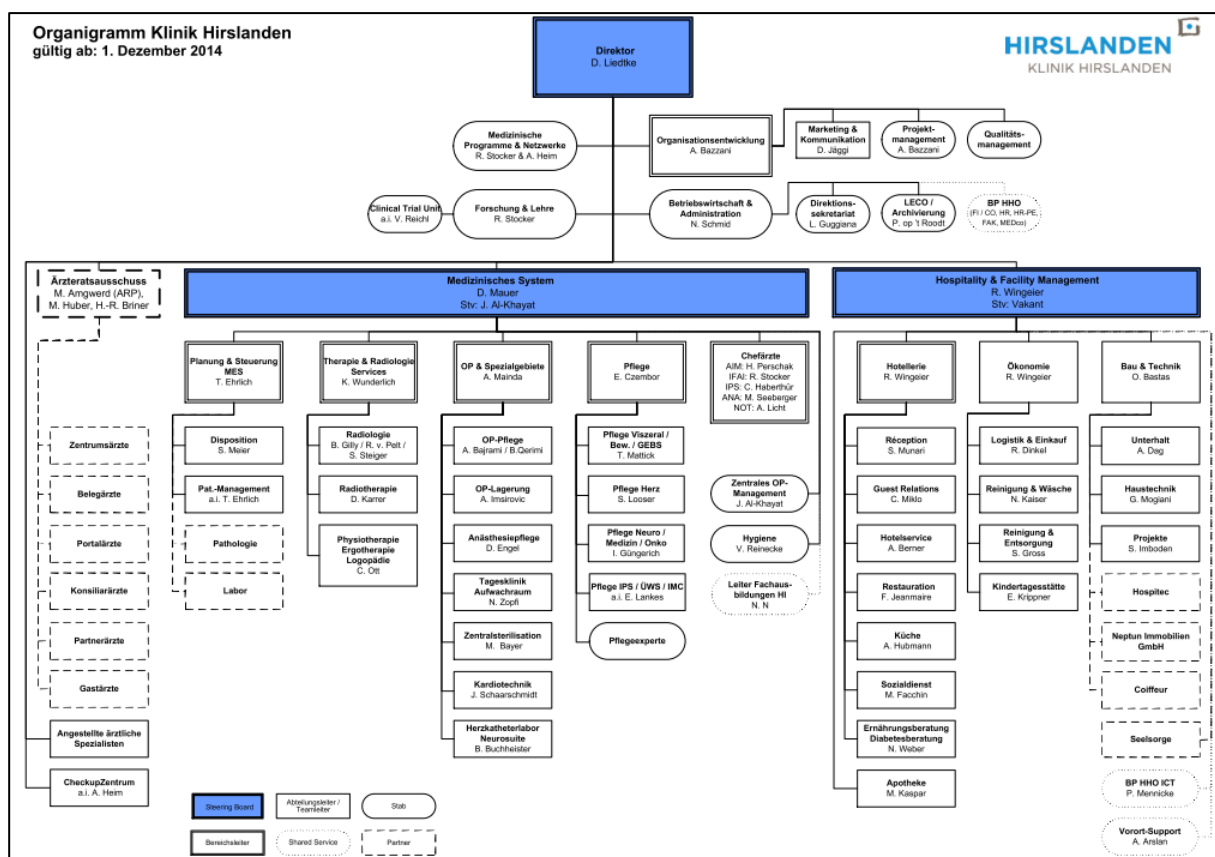


Figure 19 highlights the most recent reorganisation and a clear separation between the management support functions (now including corporate development), reporting to the managing director, the medical functions all regrouped within the medical system, the non-medical functions clustered within the hospitality and facility management division, and the board of doctors, representing the affiliated independent private practitioners. The steering board comprises the managing director and the heads of the medical system and hospitality and facility management.

Figure 19 - Organisation Chart 2014



Source: Company documentation.

The introduction of the new business model including new governance structures also required the adaptation of processes<sup>8</sup> as outlined above (Workshops 6, 7, and 8) or the redistribution of roles and responsibilities between departments, essentially reconfiguring the activity system content, structure and governance. When the hospitality unit was created for example, roles and responsibilities between patient care and non-medical service staff had to be realigned. In a similar vein the roles and responsibilities of the hired generalist chief doctors were initially unclear.

Such alignment discussions happened in department meetings and workshops.

### **5.4.3 Department Meetings and Workshops**

Several interview respondents reported on how implications of the new business model were discussed in regular and ad hoc department meetings and workshops.

The head of hospitality and facility management for example outlined how several meetings between the services and patient care staff were necessary to clarify the roles and responsibilities between them and develop ideas on how to further improve the patient experience in collaboration.

In a similar vein the head of the medical system and the chief doctor of the anaesthesiology and intensive care department reported how they used several regular department meetings to discuss the functioning of their work within the medical system, what worked well and where they saw opportunities for improvements.

Within the medical system for example, a weekly meeting called “Head of MES on the hot seat” was introduced to engage in discussions with employees, inform them about news and answer their questions. Informing and involving employees in such regular meetings was seen as a key intervention towards reducing initial resistance towards the new business model.

Regular meetings were also established with private practitioner representatives to explain and discuss the new business model with them. Involving them in the

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<sup>8</sup> At the time of conducting the present study, Hirslanden had also just started to adapt its IT system to the new structures and processes.

business model discussions and asking them for their feedback was seen as an important factor for ensuring their commitment towards the new business model.

#### **5.4.4 Middle Management and Associates Workshops**

Implementing and acting according to the new business model also required a new mind set and behaviour focusing on the core business of patient care, while providing services to the private practitioners. Hirslanden established two standard trainings and workshops, one focusing on middle management, the other on employees, to address these issues.

As outlined in chapter 4, interview respondents attributed middle management a crucial role for the communication and implementation of the business model, while acknowledging that it lacked the skills and experience to deal with such an organisational change. To mitigate these issues, workshops, trainings and coaching were offered.

*“And then we have also the [middle] management workshops, where we have further worked with management, because we needed to engage them at some point. The model must be understood [by them]. The steps we want to take, they need to be communicated soon enough to management, and accordingly we break down the information from the [top] management workshops to the middle management. We call these “Kaderkreativzirkel” [creative middle management workshop], of which we do four per year, to engage middle management and develop ideas.”*

*(Head of hospitality and facility management)*

The so-called “Kaderkreativzirkel” were established as regular workshops where division heads got together with department and team heads to jointly discuss the strategy, business model and how to drive implementation. These middle management workshops were held four times per year with the purpose to cascade the information and decisions made during the senior management workshops to the next management levels, discuss the status of current strategic projects and engage middle management into the conversation and development of further ideas. Interview respondents recognised the importance of these workshops to enable middle management and raise their awareness and understanding of, as well as their support towards the new business model. Middle management did furthermore receive training and coaching on how to lead in the

new structures, how to collaborate with other departments and on project management methodologies.

As outlined in chapter 4, to engage, communicate with, and, train associates, the “customer orientation workshops” were introduced. During these workshops, associates learned about the new business model with its focus on patient care and were engaged in developing ideas to further improve the patient experience (see chapter 4 for additional details).

#### **5.4.5 Information and Communication Activities**

Research participants furthermore reported on regular communication activities target at informing internal and external stakeholders.

*“As the first step, management was always informed, they inform their departments; and then we have done employee information sessions, where we presented [the business model] to the whole staff.”*  
(Head of marketing)

Employee information started with the new employee induction day, where the business model is presented and explained by the managing director, using the “circle model” and “umbrella” concept visual. A regular employee newsletter informed about recent achievements from various departments. Regular information sessions and presentations on the new business model were held within departments by the marketing team. Three times per year an all staff meeting was held to provide updates on the business model.

Information activities towards external stakeholders included:

- Hirslanden Academy, 4-5 per year;
- Large referring doctor events, e.g., concert 1 per year;
- Doctor educational events, about 10 per year;
- Referring doctor newsletter, 4 per year;
- Opening events for new centres;
- Welcome advertisements for new doctors and centres;
- Supporting doctors in joint marketing efforts;
- Introduction of the “Doc Line”, a telephone hotline for doctors to receive information and have their questions answered.

Interview respondents reported on how these activities contributed to raising the referring doctors' and private practitioners' understanding of the business model and tightening a closer relationship.

Key elements of all these communication activities were the visual representations created around the business model: the circle model, the profit formula and the umbrella concept with special icons for each umbrella. These standardised elements kept and still keep on being used repeatedly across all communication channels, reinforcing the messages. Interview respondents saw documentation of all these elements including the organisational charts and new processes as a key factor of the deployment.

#### **5.4.6 Project Management**

Interview respondents furthermore highlighted the importance of project management for implementing the new business model and related initiatives. After each meeting and workshop, decisions taken would be integrated in an organisation wide central decision and task list administrated by the project management office (PMO). The PMO supported initiatives with project management know-how and monitoring of progress. Project progress was continuously reported and discussed during regular and dedicated project review meetings.

*"This project management as a tool for corporate development, has now taken strong influence since two years, and is practically enshrined as a precondition for any change process. There were already projects before my time, but how projects are managed that are not monitored regularly and not steered by really professional project managers, they come to nothing, are not implemented. And that is done very rigorously now, we have also connected the projects directly to the steering board, to the executive board. We have a project management meeting every week, where our head of project management presents every single project and we as executive board are the steering committee for all company wide projects."*

*(Head of MES)*

As outlined above, the lack of project management knowledge and experience of staff was seen as an issue inhibiting implementation.



As a response, a standard project management methodology was elaborated and documented in the form of a project management handbook. The handbook defined what was to be managed as a project, how to structure projects, roles and responsibilities, and steering and controlling guidelines, including escalation procedures.

Interview respondents saw project management, including the involvement of staff into these projects, and the communication and reporting on projects in all kinds of regular and dedicated review meetings as a key enabler of the implementation.

#### **5.4.7 Rearranging Human Resources**

A final key deployment activity revolved around staffing and HR changes.

The managing director, former head of corporate development, and the head of the medical system reported on how staffing decisions were essential for the implementation of the new business model.

Interview respondents highlighted two challenges relating to personnel: Finding the right people, willing and capable to take responsibility within the new business model, and the need for a different kind of personality and skill set for the conceptual tasks and the implementation.

*“Now I can imagine that there will be changes again in the executive committee. I mean, a business model change also requires change in personnel. That's so. Those people, who participated so enthusiastically, were strangely enough not the people who implemented it. That's one-third, because there is a, for example, one person comes to mind, who has been incredibly alert throughout the workshops and what he then implemented into his department is equal to zero. He was simply enjoying the development, but was reluctant to manage his people in the needed direction. We had to replace him now, it doesn't work like this. We just put him on the transfer list, either he leaves or he goes to a function where you do not need to implement. So this is now the next step actually, to find the people who are able to consolidate.*

*And not to lose the others, or deliberately lose them.*

*(Managing director)*

Activities to solve these two challenges can be summarised as follows:

- Laying off people who resisted the transition towards the new business model;
- Finding and hiring new people into key positions to drive the implementation;
- Promoting people with the needed understanding of the new business model, mind set and capabilities to be able to lead within it;
- The managing director and the head of the medical system taking interim positions within the organisation.

Table 34 provides representative quotations for the deployment mechanism themes.

**Table 34 - Representative Quotations for “Deployment Mechanisms”**

Theme	Representative Quotations
Establishing a meeting structure	<ul style="list-style-type: none"> <li>• “We have adapted the meeting structure. We have the Steering Board, which is the management, the head of the medical system is in this management circle, and then right after this [meeting] 1.5 hours later, again each week on Tuesday, he has his medical system session ... he leads this large medical system through a meeting structure ... this whole ... cascade has been introduced and this was done consistently.” (Former head of corporate development)</li> </ul>
The medical system	<ul style="list-style-type: none"> <li>• “The implementation of the MES was a particular challenge. A lot of information from the MES Cluster meeting, a lot was discussed during these meetings, decisions were taken, but you noticed quickly that things did not get implemented. Especially interdisciplinary topics. The people were not accustomed to working together. And they were not accustomed to think in projects, to structure projects, to define who does what now. That did simply not happen.” (Head of corporate development)</li> <li>• “But after half a year, one could actually see the added value of these meetings. That everybody sat together and if anything was discussed, then it always became quickly clear, who was impacted, and who needed to cooperate. This simply worked better at these meetings, than during individual discussions. So this exchange was possible. In addition, a common, consistent understanding emerged. People began to think more and more no longer in their functions or departments, but rather “We are the MES” and the goal is to treat the patient well, together treat the patient well. That is also the aim of the MES: each one is somewhere the specialist in his field, but together we are the primary care of</li> </ul>

	<p>patients.” (Head of corporate development)</p> <ul style="list-style-type: none"> <li>• “The first thing we did, was break down hierarchies. So no longer from me to the cluster head, to the division head, to the department head. We just held these cluster meetings where everybody had to participate, across the hierarchy down to the department head. And this led to the ground staff noticing and understanding what I really wanted, which does not mean that they then implemented it.” (Managing director)</li> <li>• “When I introduced myself, I’m the new head of the MES, people did not know what MES management was and when I asked do you know our business model, that was with a few exceptions unknown. Although it had been published, often called, communicated often, it hadn’t reached the hearts, people hadn’t internalised it. That was the situation ... on the management level everything was there and also very well presented and well defined but implementation down to the working level did not work.” (Head of MES)</li> <li>• “We have started in 2010, to debate this medical system, or this hybrid, with my entrance we became an institute, where the doctors became employed, and since then we have been adapting the system, which in the beginning didn’t work that well, this medical system. This was also due to the fact that the job description was not fully developed ... the tasks of the managing director and [the head of MES] were overlapping a lot, responsibilities were not clear, he had more duties than rights. I think with the head of MES we have today, he has also the potential to assert himself.” (Head of anaesthesia and intensive care)</li> </ul>
Adapting structures, processes and roles and responsibilities	<ul style="list-style-type: none"> <li>• “We have not experimented with the business model. That was clear to me, how it should be. But in detail, I have experimented. Does it make more sense to lead the MES as a chief physician system or does it make more sense in a partner system like a law firm. These are two different organisational models, which I experimented with ... there I tried and when I saw that this chief physician model actually fits better in this MES system in these departments, or institutes as we call them now, I also implemented it in anaesthesia, radiology and inner medicine.” (Managing director)</li> <li>• “We then merged various areas together, because the management span was too wide. That means, there were too many individual areas, which had, let’s say surrounded themselves with protective walls. And to break this up, we deliberately combined areas. We established for example a single nursing department, previously there were three ... and we added additional areas to OR care, which cooperate very strongly with the OR. So bottom line, we reduced from 12 divisions to 5 and we filled the management positions with people who understood the business</li> </ul>

	<p>model, and were willing and capable to also implement this business model.” (Head of MES)</p> <ul style="list-style-type: none"> <li>• “We told [the private practitioners], that's our business model, affiliated doctors are in the second ring [of the circle model], they are free, we are organising these umbrellas, we impose certain standards, but the centres are free to evolve. Telling them this, and also letting actions follow the words, not only presenting this picture, but really sending specialists into their freedom, and accepting the short-term loss, created an insane boost in confidence. I believe this is an example that we know here what we want, we believe in this model and we put our money where our mouth is ... When the private practitioner lines his own pockets, he is highly motivated, at the end everybody benefits. [The clinic] maybe makes 200,000 EBITA [less], but he is motivated, he performs better, in the long term it pays off. It reinforces the status of the private practitioners, it motivates the other private practitioners, it's simply system fidelity. We have a system and with the system we are successful and we pass on some 100,000 short-term profit in the service of the system, because the system will be strengthened as a whole and it is transparent.” (Former head of corporate development)</li> <li>• “Then the next step was to establish a superordinate department, which is responsible for planning and control. So the whole process, the workflow process of patient care from the beginning to discharging the patient, we call that entry planning, patient dispatch, medical care and discharge planning, through a patient management [function].” (Head of MES)</li> <li>• “In connection with the introduction of hospitality management on the wards, a mind set change was required from nursing staff, to find common synergies for the future, and decide what are the responsibilities of nursing and what does hospitality management do ... you need a good collaboration between hospitality and facility management, the nursing division head, to define these responsibilities and also to say where can hospitality management support nursing, which activities can we take over, so that nursing can focus on their core business in the future. We introduced hospitality management in 2009. This was a development process. Initially we had hospitality management, but nursing did not adapt ... and we needed to work on this with high-pressure ... taking away tasks from nursing and letting them be done by hospitality staff, so that ... we clearly have the core business hospitality management, the core business nursing, and a collaboration which brings value for the patient.” (Head of hospitality and facility management)</li> <li>• “The chief doctor in our system must be a service provider for the surgeon. In another system, the chief doctor is never a service provider.” (Managing director)</li> </ul>
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	<ul style="list-style-type: none"> <li>• “It did not work optimally at first because the description of who has which rights and which obligations - that was not mature. But it takes these steps, that the processes and structures are reasonably defined and that everybody abides by certain rules ... because there are a lot of people who are here, who are highly qualified people, we have a whole bunch of people who have been chief physicians somewhere.” (Head of anaesthesia and intensive care)</li> </ul>
Department meetings and workshops	<ul style="list-style-type: none"> <li>• “We discussed the [the business model] repeatedly, especially with [middle] management, with the task that they discuss it with their teams and we did smaller workshops within the teams or every team could do this on its own. So every [team lead] has implemented this, we also leave our employees the freedom to break it down in a way that suits them.” (Head of marketing)</li> <li>• “We used to have a report given on Monday morning and that was it, then you didn’t meet people for the rest of the week. Now we have a [daily] report at 4 pm, which can last for 5 minutes or several hours. I believe this is well received. People appreciate it a lot, it’s also a forum, where any actual issues can be brought on the table. Then we have regular institute debates, that’s once a month, where the people who can attend, attend. We partially have harsh debates, the purpose is to involve people, also do present the strategic elements we [senior management] come up with. Then people also come with their topics, that’s a bit under the theme of continuous improvement. And I think this is good, people can give their inputs, they can have influence the direction of things. I think this is surely something people appreciate a lot.” (Head of anaesthesia and intensive care)</li> <li>• “That, I must say, was initially relatively cumbersome, but the more sessions and the more interfaces we discussed, the better it became ... at the beginning we implemented everything in hospitality management and then we asked nicely, now that we have done so much in hospitality management, what can nursing do? That was a turning point, where nursing began to see the high quality support from hospitality services as something very positive. They realised they can work a lot faster. And this way we achieved synergies, and today, after about 4 years, we can say that we have a well functioning construct, but that took 2 years of intensive work, also to do this in a humanly reasonable way, with appreciation and recognition and acceptance coming from both sides.” (Head of hospitality and facility management)</li> </ul>

Engaging middle managers and associates	<ul style="list-style-type: none"> <li>• “Conceptually, we are very strong and we are also very strong in the daily business, in treating patients, but the implementation of this change process, the implementation of the concept that can change the established daily business, this translation work must be done by people who are between top management and employees, so in the middle as a translator, change agents.” (Former head of corporate development)</li> <li>• “The majority, of course, 10-15 other [middle] managers or 20 were coached, taught and they have gratefully accepted this and that is still running.” (Former head of corporate development)</li> <li>• “And as we had established the management structure, we went and attuned the department heads together with the division heads to the new business model, we trained them, there we’re simply still missing training effort, but now after about two and a half years, we are at a point where in four out of five divisions, management and also team leaders have understood the business model and also implement it together with us.” (Head of MES)</li> <li>• “And at the workshops, ... employees must actively participate. Situations in the wards are portrayed, and then together they work on solving them. You play it through, trying to reflect the potential for improvement, giving each other feedback. And people raise issues, like for example, why can patients not order something to eat at 10 pm. And these are then exactly the issues that we take on and decide what to do with them. I’m always in the workshops, about half an hour after the introduction I enter, ... that’s always the moment when the discussion starts to get going. First I listen, then I contribute a bit, I try to convey the spirit and to stimulate the discussion. And then just the last time, somebody said it would be nice if we had any addresses where one could call and order something to eat at night, and we said, that’s a great idea, let’s do it. We then also publish these ideas and this feedback.” (Head of hospitality and facility management)</li> </ul>
Information and communication	<ul style="list-style-type: none"> <li>• “You need to stay tuned everywhere; you cannot tell something to management and not break it down afterwards. You must ensure that it is broken down ... This is a continuous process that has to be lived. We as management of the hospital must make sure that it comes down to [associates]. When you realise that the information does not come down, then it must be defined in the meeting; what has to be communicated. And if he then forgets something, then that is documented in the meeting minutes ... then you see has it been broken down or not. Or you then sit yourself in these meetings.” (Head of hospitality and facility management)</li> <li>• “And currently we support these umbrellas very strongly, we communicate them again and again, we work with these small icons, we use these everywhere. Also on the website. We tried to visualise the structure, the umbrellas and say under this umbrella you have these centres, and these doctors, so that for somebody</li> </ul>

	<p>external it becomes easier, because with 500 doctors, to find out who is the specialist for a certain topic is a bit difficult. I spoke directly to them, and explained it ... and there are always information events where we also highlight it. And our doctors' directory, where all doctors are listed, they always see this structure and learn it this way. So we have not really created a big internal campaign to make it known, it's more a subtle learning." (Head of marketing)</p> <ul style="list-style-type: none"> <li>• "Staff Info that is three times a year, where all employees are invited, where the director presents something, where we really try to involve our employees, get them into the boat and inform them, so that it is understood and lived." (Head of marketing)</li> <li>• "Of course that was a lengthy process ... it required many conversations. You must be able to make the need of the clinic clear, in order to understand what we want, why we want it this way, of course you have to acknowledge the fears of the others and among physicians, that was a tedious subject. There was agitation, some people left, but I think now it has come to rest." (Head of marketing)</li> </ul>
Project management	<ul style="list-style-type: none"> <li>• "Very textbook-like project management with ... milestones, responsibilities, deadlines, prioritising, projects are clear all over the hospital, what is a project, what is an activity, what is a measure, we even have all measures, which are decisions from meeting minutes, with two thousand employees there are a lot of meetings, they are all put on a central list of measures. So we've really got a pretty rigorous project and activity management." (Managing director)</li> <li>• "This clinic had a lot of potential, the clinic has an excellent management ... [the director], who is a visionary who extremely well and strictly structures things, provides direction, but who is not understood by everybody or only a few, that was his problem and I think we both understand each other well. So as to take his vision and his topics and then to implement these on the working level and to use this tool project management really consistently to pursue the development of the company, that was the success model. I think that is a very, very important reason why this clinic can operate as fast in the change process. Without a good project management, we could not have done it." (Head of MES)</li> </ul>
Rearranging human resources	<ul style="list-style-type: none"> <li>• "... to conduct a problem analysis and to realise that it was more the middle management, who was an information bottleneck, or who had persistently blocked the change process over years. And then it was possible quite quickly to either motivate these people and to engage them or partially also through a staffing decision put somebody else on this management position. Those were the foundations, ... establishing a circle around oneself with whom one could jointly structure the departments. You can't do something</li> </ul>

	<p>like this on your own.” (Head of MES)</p> <ul style="list-style-type: none"> <li>• “Much worked already well, but the [new] head of MES has really implemented on the ground what was in our management minds. And that cost again some heads. And now we are where I thought we were two and a half years ago or two years ago. Now we are really there that the business model has been implemented at the base.” (Managing director)</li> <li>• “People were dismissed where it did not fit, or we introduced a new organisation chart.” (Former head of corporate development)</li> <li>• “Interestingly, after one year I had people in top management who were only employees in projects before, especially one person, he was only a project employee before. He was simply capable; he has done a fast track career. Maybe, to formulate a message. I believe in the case of developing a business model, it’s less important which function or professional background people have, it’s much more important what personalities they have, are they open enough, are these people with a certain intellect, are they not gridlocked, and it’s less important whether they are a doctor, or psychotherapist, or nurse. We even have somebody from hospitality management in our management board. One could easily say, he doesn’t have a clue of medicine. He’s one of the few to have survived this. It’s more a question of how your personality is structured and less what your background is. One has to be able to deal with uncertainty. There are lots of uncertainties when it comes to business model development.” (Managing director)</li> <li>• “For example, we had an employee who was in charge of OR, ... who participated extremely well, until she realised that it required a doctor for the medical system. Because you need the expertise of a doctor ... you just have to have studied medicine, ... if you want to lead this system. The moment she realised this, she went into opposition. I had to fire her, actually a top employee, but she wanted to become head of MES. But she was not, she was suited to help shape and develop and sustain this MES, but she was not capable for this leadership position because she was missing a competence, which is simply mandatory to lead this system. And until you get rid of these people, you have to make several iterations, but they are not wanted, they are unintended. Then you start again.” (Managing director)</li> <li>• “The main problem was actually finding the people who wanted to carry this responsibility, for example, the employed generalist doctors.” (Managing director)</li> <li>• “New structures were introduced, but they were not lived then. So we replaced the people, tried new people, and see whether they are better, whether they can assert themselves.” (Head of corporate development)</li> <li>• “So the first step was then to set up the division management so that they first knew the new business model and then were able to</li> </ul>
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	<p>communicate the business model also to their employees, and then also to stand behind it, as well as implement it. And not everybody was capable of doing this, some could just not support it, so that we lost some people on this management level, they left.” (Head of MES)</p> <ul style="list-style-type: none"> <li>• “At this stage we implemented a lot, and also thought a lot about organisational structures and processes, but actually, at the base, at the top it was all very well, but at the base, with employees, the implementation was missing. It was somehow present at the top management level, it was like a parallel world, we discussed these things on the management level, and thought that it worked on the ground, at the patient, but in reality that was only a simulacrum. It worked with management, but on the ground implementation did not work. Anaesthesia still did what they wanted, the internists as well. And this step actually succeeded only with the recruitment of [the new head of MES], who then only started to implement all these ideas at the base.” (Managing director)</li> </ul>
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## 5.5 Discussion and Synthesis of Findings from the Theoretical Sample

The findings from the theoretical sample provide a detailed account of the managerial and organisational activities and practices underlying the identified micro-foundations of business model innovation as a dynamic capability. As the focus of the theoretical sample was primarily on deepening the understanding of these managerial activities and practices, the findings focus naturally on this particular research question. Nevertheless, the findings also provide further details on the complexities and challenges faced, as well as on the role of top management, and the nature of the process.

In line with grounded theory methodology, and the requirements of process research, outlined in chapter 3, the findings will be presented as a main story line fostering internal theoretical integration, and elucidating the relationships between the emerging concepts.

### 5.5.1 Process Orchestration and the Role of Top Management

The findings from the theoretical sample further illustrate the prominent role top management, and especially the managing director, played for initiating and

orchestrating the business model innovation process, and guiding the organisation through it.

Two sets of activities and practices can be distinguished:

- (1) *Providing direction*: The managing director played a vital role in initiating and steering the business model innovation process and the related activities. He was essential in developing the main concepts and ideas of the business model, focused the organisation's attention on the most important questions to answer and guided his colleagues along the way of crafting the new business model, directing knowledge acquisition and integration activities throughout the process. The main activities for doing so involved creating spaces and routines for collective learning, and communication, e.g., the management workshops and the meeting structure. These structures and routines allowed him, and the management team, to provide the necessary guidance and direction throughout the process. Other members of the senior management team were key in guiding the implementation and operation of the new business models within their functions using similar means as the managing director.
- (2) *Involving stakeholders*: While the management team played a vital role, it was also acknowledged how important it was to involve the organisation to implement and ultimately operate the new business model. The managing director involved his senior management colleagues, who contributed actively towards the design, and some, those not opposing the new business model, were actively involved in deployment activities. The senior management team in turn involved their direct reports, middle managers and associates.

The prominent role implied that top management was actively involved in the process and took responsibility for initiating and carrying out activities, instead of merely delegating them to middle management.

The managerial activities and practices for process orchestration described here can be thought of *what* management did, while the details of *how* they enacted these activities, manifest more specifically in the learning and deployment mechanisms discussed below.

### 5.5.2 Learning Mechanisms

As illustrated in chapter 4, learning mechanisms are vital to the identification of opportunities and needs for change, and the formulation of responses to these.

Designing the new business model required primarily gaining a deep understanding about:

- (1) *Customer needs and behaviour.* Hirslanden identified three groups of customers, namely, the patient, the affiliated private practitioners and the referring doctors, and gained knowledge about their needs, customer experience and what drives their satisfaction.
- (2) *The health care industry and highly specialised medicine as business area.* Hirslanden collected knowledge on its industry, factors driving success of highly specialised medicine, alternative business models in the industry, benchmarks from competitors and industry leaders.
- (3) *The organisation itself.* Besides collecting internal performance data, knowledge about Hirslanden's core competencies and its actual situation was collected and jointly articulated during the management workshops.

The acquired knowledge was supplemented by prior experience and knowledge, especially by the managing director.

Activities to acquire this knowledge ranged from using company internal data sources and information systems, to engaging in market research, relying on existing industry and market studies, and jointly discussing and formulating answers to key questions during management workshops and team meetings.

The existing and acquired knowledge was shared and collectively interpreted during management workshops and team discussions. These collective interpretation activities contributed to the establishment of a common understanding about the need for a new business model and the foundational principles of the new business model itself. The interpretation and application of knowledge led to the design of the content, structure and governance of the business model. Whereas the initial workshops revolved around defining the content, i.e., which activities to perform, and the governance, i.e., who performs them, encompassing internal units and external partners, the later workshops dealt with the question of structure, i.e., sequence of activities and mapping

processes. The results of these interpretation and application activities were ultimately codified in the various visual representations of key business model elements.

Besides design relevant knowledge, knowledge pertinent to implementing and operating the new business model was required. Knowledge about the operations and the status of implementation was again acquired and interpreted mainly by means of conducting analyses and collecting internal data, and sharing and interpreting this data during management workshops and project review meetings. During workshop 3 for example, the management team performed a joint SWOT analysis based on experiences made and input given from various workshop participants. In a similar vein, the weekly project status reviews dealt with acquiring and interpreting knowledge about the various projects and the formulation of responses and interventions to implementation and operational issues arising. Workshop 4 dealt exclusively with the topic of how well the business model had been implemented and how well it was being operated on a daily basis.

While design relevant knowledge was primarily acquired through means of cognitive learning, implementation and operation relevant knowledge was based on experiential action. Hirslanden needed to engage in implementation and operational activities to identify the need for further interventions and adaptations to its organisational structure, i.e., the governance of the business model as activity system, but also activity system content, e.g., with the introduction of new activities.

Hence, three sets of activities pertinent to learning can be distinguished:

- (1) *Cognitive knowledge acquisition* activities, i.e., data collection from various sources;
- (2) *Experiential knowledge creation* activities;
- (3) *Knowledge interpretation, application and codification* activities, e.g., collective discussions, meetings and workshops.

### **5.5.3 Challenges and Complexities**

Whereas the technical implementation as such, e.g., establishing a new organisational chart, seems not to have posed many difficulties, issues arose

predominantly at the level of human resources. The organisation faced three types of human challenges – cognitive, emotional and behavioural – encumbering the implementation and operation of the new business model.

- (1) *Cognitive challenges* revolved around understanding the need for a new business model, and becoming aware of and understanding the new business model.
- (2) *Emotional challenges* revolved around accepting the need for, as well as the new business model, including new organisational structures, processes and roles and responsibilities. Emotional challenges, and in particular a lack of commitment and identification with the clinic as a whole, seems to have been identified quite early on, as objectives formulated during the first workshop contained already a focus topic concerning employee identification with the organisation. This lack of commitment kept on being an issue all along the reconfiguration process.
- (3) *Behavioural challenges* revolved around acting in a way fostering the implementation of the new business model, as well as exhibiting day-to-day behaviours in line with the philosophy of the new business model, e.g., generalist doctors acting as service providers to the private practitioners, medical staff collaborating with other departments within the medical system, or nursing staff collaborating with hospitality staff to provide a patient experience in line with the enhanced focus on providing a holistic array of medical and non-medical patient services.

#### **5.5.4 Deployment Mechanisms**

Deployment activities focused on addressing these implementation and operational challenges.

Four sets of activities and practices can be distinguished:

- (1) *Knowledge dissemination*. Information about the new business model was disseminated during various activities, e.g., information sessions, meetings and workshops, creating awareness and understanding about the new business model. To ensure regular knowledge dissemination, a sophisticated meeting structure was established. The knowledge codified in

visual representations facilitated knowledge dissemination and contributed towards creating awareness and understanding.

- (2) *Involvement of organisational members and external stakeholders.* Involving managers and employees in workshops and having them develop ideas fostering implementation, not only contributed to raising awareness and understanding, but also commitment towards the new business model. Involving external stakeholders by keeping them informed and asking for their feedback gave these an opportunity to contribute, at least indirectly, into the development, raising their understanding and commitment.
- (3) *Establishing methodologies and standard procedures.* To foster action towards the implementation of the new business model, project management standards, including procedures for reporting and escalation, were introduced. The establishment of these methodologies was accompanied by training activities.
- (4) *Reconfiguring structures.* To foster action towards operating the new business model, organisational structures, especially within the medical system were continuously adapted. In addition, staffing decisions were taken to remove people not acting according to the new business model and promoting people who did. In a similar vein, the contractual relationships to the generalist and specialist doctors were adapted to be consistent with the new business model.

As such, deployment activities and practices focused on implementing decisions made to reconfigure the existing business model, as well as mind-sets and behaviours of management and employees.

### **5.5.5 The Nature of the Process**

The findings from the theoretical sample provide further details on the managerial and organisational activities and practices underlying the business model innovation process, enhancing our understanding about what activities are necessary and how the micro-foundations are enacted. Process management, learning, and deployment activities are thereby highly interrelated and activities can be interpreted as serving multiple purposes.

Furthermore, as has been illustrated, design and implementation/operational activities are carried out simultaneously. Although the details of the hybrid business model were still unclear and lacking any specific details, Hirslanden decided to implement a new organisational chart, i.e., governance structure, after the first workshop. A new head of MES was installed, although the roles and responsibilities of this position had not been defined. The new organisational chart, representing the idea of focusing on the core business, was put in place in January 2009, whereas what that core business actually was, became only clear during the third workshop in March 2010.

Hence, the new business model had to be operated, while still not being completely designed: A state that a research participant labelled “in statu nascendi”. The new business model would only be further designed during the course of subsequent workshops.

## **6 Discussion and Conclusion**

### **6.1 Synthesis of Findings and Theoretical Contributions**

Motivated by (1) the increasing academic and managerial interest, and (2) the rising importance of business model innovation as a strategic choice to enhance enterprise performance and create value for customers, the focal firm and its ecosystem, coupled with (3) a lack of understanding of processes of business model innovation in incumbent organisations, which (4) is seen as the biggest barrier to business model innovation in established companies, the purpose of this study was to contribute to our understanding of how business model innovation comes about in established firms. The specific academic objectives thereby were:

- Identify and develop an in-depth understanding of how incumbent firms, outside of e-businesses, develop and implement novel business models in practice.
- Unravel the nature of business model development and implementation processes, and explain how such processes are enacted.
- Understand and explain the challenges and complexities processes of business model innovation pose to established organisations.

Looking at this research area through a dynamic capabilities lens, the research questions asked:

- (1) What is the nature of such a process of business model innovation in established companies?
- (2) What is the nature of the micro-foundations, and their managerial and organisational activities and practices, underlying this process?
- (3) What are the challenges and complexities inherent to enacting this process?
- (4) What is the role of top management within this process?

Based on a qualitative research design, and applying grounded theory methodology, data from five case studies were gathered and analysed in a two-stage process.

Having discussed the findings from each sample in detail above (chapters 4.4 and 5.5.), here the main findings from across the two samples are synthesised into a



unifying narrative (Geletkanycz and Tepper 2012) answering the research questions posed, while aiming at internal and external theoretical integration, as outlined in chapter 3. The narrative follows the structure of first outlining the overall process and its characteristics (research question 1), followed by the challenges and complexities encumbering this process (research question 3), before outlining how the micro-foundations and their underlying activities were enacted to cope with these challenges (research question 2), and finally summarising the role of top management within the process (research question 4). In line with grounded theory methodology and theoretical integration, the “analytic story” (Corbin and Strauss 2008, 267) thereby revolves around a main theme, namely that of *crafting business models in statu nascendi*.

Five key findings will be illustrated:

- (1) Crafting a new business model requires operating it, while it is still being delineated and vice versa;
- (2) The process of business model innovation consists of the three phases inception, evolution, and diffusion;
- (3) Two arrays of challenges encumber this process: Design related challenges, and implementation/operation related challenges;
- (4) Learning and deployment mechanisms underlie this process and are enacted to cope with these challenges, while process orchestration mechanisms guide the overall process;
- (5) Top management has a vital role for initiating, orchestrating and participating in these learning and deployment mechanisms, through enacting the process orchestration activities of providing top-down direction and guidance, while involving the organisation.

Considered collectively the findings offer a novel understanding of how business model innovations come about in established firms.

In what follows the details of each of these findings, as well as their theoretical contribution, will be discussed in light of answering the research questions posed.

### **6.1.1 What is the Nature of the Process of Business Model Innovation in Established Companies?**

As to the nature of the process, two findings emerged from the analysis as key characteristics of the overall process:

- (1) Crafting a new business model requires operating it, while it is still being delineated and vice versa;
- (2) Three phases of the business model innovation process can be distinguished.

As has been outlined in chapter 2 (literature review), existing process theories are typically build around stages of understanding, development of business model alternatives, evaluation of these alternatives, and finally implementation. Wirtz (2011) for example suggests the business model design process to follow the phases: Idea generation, feasibility study, prototyping, decision-making, followed by implementation. Amit and Zott (2014) propose the five stages: (1) Observing how stakeholders interact to meet customer needs, (2) synthesising observations into an in-depth understanding of opportunities and challenges, (3) generating potential business model solutions, (4) refining these solutions by consolidating them into alternatives, evaluating and prototyping them, and finally (5) implementing the final design.

Whereas existing literature acknowledges the iterative nature of these stages (e.g., Amit and Zott 2014; Teece 2010), it nevertheless presupposes a “natural sequence” (Amit and Zott 2014, 8) of first gaining understanding, before moving to fully designing various business model options, evaluating these, and finally implementing a fully designed and tested business model.

The findings of this study challenge this natural sequence, proposing that the process of business model innovation in established companies is characterised by engaging simultaneously in delineation and implementation/operation<sup>9</sup> activities.

First implementation and operational steps were taken after an initial idea of the new business model, lacking any details and specifications, had been formulated. The knowledge created through engaging in action, along with additional

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<sup>9</sup> As implementation and operation are highly interrelated and no clear boundaries can be drawn between them, the terms will be used together.

knowledge acquired, informed the next design steps, the implementation and operation of which created new knowledge informing the following round of design activities. In a similar vein, companies in the sample engaged in operational activities well before they had a thorough understanding of customer needs for example. These insights were only gained later in the process, partially through experiential learning, partially through cognitive knowledge acquisition.

The findings from the present study provide a detailed illustration of how the process of business model innovation iterates between identifying opportunities and needs for further business model design, to formulating responses, and implementing a course of action (see Figure 3 in chapter 4.4). New business models were hence not designed first and then tested and implemented, but business model design and operation happened simultaneously. Indeed, while it might seem paradox, designing a new business model required operating it. Only through engaging in operational activities would it become clear whether the business model was functional, i.e., it served the defined purpose and it could be operated, and which parts, that is, activity system content, structure, and governance, needed to be further designed to increase the maturity and functionality level of the new business model.

The findings of this study thus support and strengthen prior findings and propositions that business models require refinements before working successfully (Demil and Lecocq 2010; Teece 2010), and cannot be designed on the drawing board (Sosna et al. 2010), or behind closed doors, but only while engaging in action; A practice one of the research participants referred to as “*crafting*” business models. As such, engaging in operational activities can be considered an antecedent to business model design, next to the various types of knowledge acquired through cognitive learning mechanisms.

While a business model needed to be delineated while operating it, it also needed to be operated while still being formed, that is, “*in statu nascendi*” as another interview respondent put it.

The process of business model innovation can thus be labelled as a process of *crafting business models in statu nascendi*, denoting a practice of concurrently delineating the business model, while it is already being operated, as well as operating the new business model, while it is still being delineated.

The fact that business models are crafted in statu nascendi constitutes a novel understanding of how business model innovations come about in established firms, and this might be a key characteristic of business model innovation, distinguishing it from other forms of innovation.

Whereas the findings from this study strengthen the need for gaining a deep understanding about customers, the industry (e.g., Amit and Zott 2015; Demil and Lecocq 2010; McGrath 2010; Teece 2007), and the company itself (Amit and Zott 2014), and its business model (Demil and Lecocq 2010), they challenge the notion of having to develop multiple, fully detailed, business model alternatives, an activity that would necessarily need to happen on the drawing board, which are then to be evaluated and prototyped, before making a choice and proceeding to implementation (e.g., Amit and Zott 2014; Casadesus-Masanell and Ricart 2007; Chesbrough 2007, 2010; McGrath 2010; Santos et al. 2009; Teece 2007, 2010; Wirtz 2011). Indeed, the organisations in this study all developed a single, rudimentary idea, lacking any details, which was briefly evaluated, not through extensive prototyping, but rather through a simple validation by stakeholders. The successful outcomes of these pilots led organisations to further pursuing their initial business model ideas by operating them.

The present study hence proposes an alternative explanation of the business model innovation process, dissecting it into three phases:

- An *inception* phase, within which a trigger was identified, followed by the development of a first initial idea, and the validation of this idea;
- An *evolution* phase, during which the details of the business model were designed and implemented simultaneously; and
- A *diffusion* phase, during which the new business model was spread throughout the organisation or scaled up in size.

While the organisations in the sample moved through the three phases, the intensity between delineation and implementation/operation shifted from focusing on delineation during the inception phase, to being balanced between delineation and implementation/operation during the evolution phase, and focusing on implementation/operation on a larger scale during the diffusion phase. As has been outlined, during the evolution phase, deployment activities focused

mainly on implementing and operating the new business model, while reconfiguring the existing one, whereas during the diffusion phase, deployment activities focused on reconfiguring existing behaviours to be in line with the new business model.

These three phases were characterised by exhibiting features of being linear on a phases level, that is, organisations in the sample progressed from inception to evolution, once the initial pilot was successful, and from evolution to diffusion, when the new business model had achieved a sufficiently high maturity level, while being iterative on an activities level, especially within the evolution and diffusion phases.

### **6.1.2 What are the Challenges and Complexities Inherent to Enacting this Process?**

The characteristic of having to craft business models in statu nascendi, explains the simultaneous existence of two arrays of challenges across the process of business model innovation, the third key finding of this study.

#### **Design challenges**

A first array of challenges revolved around designing a functional business model, that is, one that serves the defined purpose, as well as being viable. These challenges were primarily of a cognitive nature; designing a new business model required delineating the content, structure, and governance of the activity system. These cognitive challenges also created emotional ones, i.e., uncertainty and insecurity about what the most functional solution was. While the findings did not surface any particular behavioural challenges relating to the design of the new business model, the questions of how to design a new business model, i.e., which activities to engage in and where to find answers to the problems faced, can be interpreted as behavioural challenges.

#### **Implementation/Operation challenges**

The second array of challenges revolved around the implementation of the new business model, and associated challenges were of a cognitive, emotional, as well as behavioural nature. Cognitive challenges revolved around creating awareness and understanding of the need for and the new business model. Creating commitment and support for the new business model were emotional challenges,

mostly expressing themselves as resistance and opposition, while issues centring on engaging in implementation activities, and acting according to the new business model were behavioural challenges. Table 35 provides a summarising overview of the challenges encumbering both business model design and implementation/operation.

**Table 35 - Design and Implementation/Operation Challenges**

<b>Type of Challenge</b>	<b>Design Related Challenges</b>	<b>Implementation/Operation Related Challenges</b>
Cognitive	Designing a functional business model Lack of knowledge	Creating awareness and understanding for new business model
Emotional	Uncertainty and inexperience with the new business model and business model design creates discomfort	Creating commitment and support for new business model
Behavioural	How to design the new business model and where to look for solutions Lack of design experience	Engaging in implementation and operational activities

As has been shown, while moving through the business model innovation process phases, the challenges occurred at a varying intensity, with the design related challenges dominating during the inception and evolution phases, and the implementation challenges becoming more intense during the diffusion phase.

These findings expand the challenges identified by existing literature (as outlined in chapter 1), that is, business model innovation being a particular type of organisational innovation, which needs to be treated in a distinct way (Bock et al. 2010), companies lacking the experience and capabilities regarding how to innovate their business models (Chesbrough 2010; Koen et al. 2010; Markides 2008), and the existing mental models being hard to overcome (Chesbrough 2010; Markides 2000, 2008), and provide a detailed explanation of the challenges organisations face. In particular, the findings contribute a finer distinction of the design and implementation/operation challenges to be considered, as design and implementation/operation activities happen concurrently, and that these

challenges are not only of a mental, i.e., cognitive nature, but also entail emotional and behavioural challenges.

### **6.1.3 What is the Nature of the Micro-Foundations, and their Managerial and Organisational Activities and Practices, Underlying this Process?**

The fourth major finding of the study are the three micro-foundations, process orchestration, learning, and deployment mechanisms, and their underlying activities, managers and organisations engaged in to fulfil the tasks of delineating and implementing/operating the business model while coping with the identified challenges and complexities.

#### **Process orchestration mechanisms**

Process orchestration mechanisms serve the purpose of steering and managing the overall process of business model innovation.

Whereas some organisations in the sample acknowledged the process to have happened rather unconsciously and in a reactive mode, others engaged consciously in the process, managing and steering it actively. The reactive mode was characterised by organisations only engaging in business model design activities as the need to do so emerged, whereas the proactive mode was characterised by a conscious installation of measures ensuring the business model innovation process to successfully unfold. Two propositions as to the context within which these different modes emerge have been made. First, it seems to make a difference whether the new business model replaces the existing one, and, second, that the size of the organisation, and hence the number of impacted people, make a difference.

As outlined in chapter 5, the process orchestration mechanisms can be summarised as providing direction, while involving the organisation. The main activities performed include initiating the process, establishing structures and routines for the three functions of dynamic capabilities, identification of opportunities and needs for change, formulating responses to these and implementing a course of action, to unfold, steering and shaping the discussion and the business model design, while involving the organisation and guiding it through the entire process. These practices highlight the importance of top management

within the process. How these activities were enacted manifested itself more specifically through the learning and deployment mechanisms.

To the best of the author's knowledge, existing theories do not consider process orchestration mechanisms or how to manage and steer the process of business model innovation and related activities. Although Chesbrough (2010) acknowledges the need to consider and address issues of governing business model innovation activities, he offers no insight as to how this is being done. Although the contextual approach (outlined in chapter 2.2) focuses on factors influencing the business model innovation process, and the rational approach (outlined in chapter 2.2), focuses on activities by managers and organisations constituting the process, none of them focuses on how the business model innovation process is being steered and managed.

Whereas the dynamic capability literature acknowledges the need for managing the reconfiguring (Teece 2007), the mechanisms and activities to orchestrate such processes have received no attention to date. The present study hence contributes a first understanding of how to set up and manage the process as such, and introduces the notion of process orchestration to the discussion, proposing that management needs to actively be engaged in the process by providing direction, while at the same time involving the organisation.

### **Learning mechanisms**

To delineate the business model and cope with the design related challenges, organisations engaged in activities, which can collectively be interpreted as learning mechanisms. These learning mechanisms fulfil the functions of identifying opportunities and needs for change, as well as being foundational to the formulating of responses to these opportunities or needs.

Three sets of managerial and organisational activities underlying these learning mechanisms have emerged from the findings.

First, *cognitive knowledge acquisition activities*, i.e., collecting data pertinent to the design of the business model. At least four main types of knowledge can be distinguished:

- (1) Knowledge about the customer, supporting the understanding of customers' needs, their behaviour, the customer experience, and what is



driving customer value and satisfaction. As has been illustrated, the concept of 'customer' can be defined broadly to also include ecosystem stakeholders, e.g., the specialist doctors, or suppliers.

- (2) Knowledge about the industry, including studying various types of business models, competitive forces, what is driving success in the industry, benchmarking, etc.;
- (3) Knowledge about other industries, including again various types of business models that might serve as inspiration; and
- (4) Knowledge about the firm itself, e.g., performance data, core competencies, assets, resources, internal stakeholders' needs, internal processes, etc.

These findings support existing theory as to the type of information and knowledge required to design a new business model (Amit and Zott 2014; Demil and Lecocq 2010; Teece 2007, 2010).

Activities to acquire this knowledge ranged from individual self-study, researching secondary studies and literature, and engaging in market research or hiring outside experts, to collectively discussing and sharing existing knowledge among colleagues in discussions, meetings and workshops. Some of this knowledge was also acquired during previous experiences, supporting prior findings by Sosna et al. (2010).

Second, *experiential knowledge creation activities*. As no prior knowledge existed, particularly in the case of business models that were 'new-to-the-world', knowledge about the functionality of the business model, i.e., does it yield the expected results and can we operate it, needed to be created through engaging in operational actions. Knowledge created through experiential action came in the form of success, challenges and insights, which shaped the design of the business model. Experiential action thereby not only created knowledge of problems, as suggested by Thomke (1998), but also about what worked well, i.e., success, and it generated insights that would be used to further enhance the business model design.

The present study confirms the vital role of learning, both cognitive and experiential, which has been acknowledged by the business model innovation (Sosna et al. 2010), as well as the dynamic capabilities (Eisenhardt and Martin

2000) literatures, and the need to engage in action to mitigate a lack of existing knowledge (Chesbrough 2010) and create insights (Doz and Kosonen 2010).

Experimentation as a means for experiential learning has received considerable attention in the business model literature, asserting that organisations need to experiment with multiple business model options to learn which one works best (e.g. Baden-Fuller and Morgan 2010; Casadesus-Masanell and Ricart 2007; Chapman Wood 2007; Chesbrough 2007, 2010; Magretta 2002; Markides 2008; McGrath 2010; Mitchell and Coles 2004a, 2004b; Svejnova et al. 2010; Teece 2010).

The present study proposes a different view on how organisations applied experimentation. Instead of experimenting with different options, companies tried to make the initial idea functional, that is, craft the business model in a way that it served the intended purpose, and could be operated.

Experimentation did here not occur on the level of which business model works best, but on the level of how to achieve this functionality, testing different solutions to particular challenges faced. In those cases where several models were necessary to achieve functionality, these options emerged with time only through engaging in operational activities with prior business models. It needs to be recognised that the initial ideas and the validation of these were positive for all organisations in the sample. It is possible that organisations engage in developing further ideas in the inception phase, should the first option prove to be unsuccessful, which would be similar to experimenting with various business model options. Yet, the findings from the current study suggest that experimentation with further business model options only occurs if the first or previous options were not successful.

These findings contribute a novel interpretation of how and for what purpose experimentation is being used in the context of business model innovation and thereby calls for a clear distinction between these two types of experimentation to be made. To illustrate the point: Hirslanden made the decision for a hybrid business model and experimented with how to make this business model work, and this only if the first option did not work sufficiently well. It did not experiment with alternative business models, e.g., installing a chief physician business model, or a pure private practitioner model, or being an infrastructure provider only.

ProSiebenSat.1 experimented with how to make the media-for-revenue-share and equity business model work, i.e., trying with different types of customers and products. It did not experiment with different business models, that is, e.g., buying equity positions with cash and then trying to push the value of the business through advertising, or going into content production like other television networks like HBO or Netflix have done, or still another model would have been to become a private TV station not relying on advertising at all.

The present findings also challenge the notion of discovery driven planning processes, which “... demand that business model assumptions are both articulated and tested” (McGrath 2010, 258). As the details of business models are not clearly known at the outset, underlying assumptions cannot be outlined upfront. At best, single assumptions can be tested, as knowledge is acquired or created throughout the process.

Third, *knowledge interpretation, application and codification activities*. Making sense of the knowledge acquired and created happened to a very large extent in collective activities, such as discussions, meetings and workshops among colleagues. Such activities were also central to formulating responses to the opportunities and needs identified.

These findings strengthen prior propositions according to which conversations among top management and stakeholders are a necessary ingredient to business model innovation (McGrath 2010; Sosna et al. 2010).

While these activities were vital to designing a novel business model, they were equally foundational to designing deployment interventions, targeting both structural and behavioural change (Santos et al. 2009). Knowledge about, opportunities and needs for change, the formulation of responses and the implementation of a course of action fostering business model implementation and operational behaviour in line with the new business model also needed to be acquired, interpreted and applied, and this was done to a large extent through the same learning mechanisms and the outlined underlying managerial and organisational activities and practices.

### Deployment mechanisms

Deployment mechanisms summarise managerial and organisational activities fostering the implementation/operation of the new business model, while coping with the implementation/operational challenges. At least four sets of activities and practices can be distinguished, as described in detail in chapter 5: *knowledge dissemination activities* creating awareness and understanding, *activities for involving organisational members and external stakeholders* creating commitment and support, *establishing methodologies and standards* to foster action towards implementation, as well as *reconfiguring organisational structures*, to foster action towards operating the new business model and reconfiguring behaviour in line with the new business model.

The findings confirm the need to reconfigure existing organisational structures (Amit and Zott 2014; Santos et al. 2009; Sosna et al. 2010), and the importance of activities for leading change (Chesbrough 2010), including communication and feedback processes (Bieger and Reinhold 2011; Mitchell and Coles 2004b), and the transfer of knowledge from top management to the organisation (Sosna et al. 2010), especially in circumstances where the new business model is implemented within existing organisational structures or where it replaces an existing business model. Demand for roadmaps outlining how the business model innovations will be implemented (Johnson et al. 2008), can be partially confirmed. While the present findings strengthen the proposition that roadmaps outlining the overall process seem to be difficult (Chapman Wood 2007), the study found evidence of project management and according plans used as a tool to structure the implementation of initiatives pertinent to the deployment of the new business model.

The two micro-foundations learning and deployment were essential to enacting the three functions of dynamic capabilities: identifying an opportunity or need for change, formulating a response, and implementing a course of action. Whereas during the inception and evolution phases, the focus of the three functions lay on delineating the business model, it shifted to identifying and formulating responses to implementation/operational challenges and deployment activities during the diffusion phase.

#### **6.1.4 What is the Role of Top Management Within this Process?**

The existing business model innovation literature provides a contradicting view on the role of top management for the process of business model innovation.

Mitchell and Coles (2004a) argue that while the CEO might be the source of initial business model innovation concepts, he will not play a vital role throughout the process in most companies. Chesbrough (2010) argues that the owner-manager is well positioned to be the leading force behind business model innovation, a proposition that Sosna et al. (2010) confirm in their study of one company, while asserting that CEOs and general managers of business units are not suited to do so, because of their historical baggage and the typical 2 to 3 year rotations of positions, which might be too short a timeframe to develop and implement a new business model. Zott and Amit (2010) claim that designing a business model is a key task of management.

The present study confirms the importance of owner-managers (in the case of Fahrenheit 212 and Trumpf), while providing evidence that C-level management, managing directors, business unit leaders, and members of the executive board are not only actively involved, but that their involvement is considered key to the success of the endeavour.

The findings from the present study thus strengthen the propositions regarding the vital role top management plays in the business model innovation process, from initiating it, to orchestrating it and actively participating in learning and deployment activities. Members of top management were the main actors in all activities related to designing and implementing the new business model. They not only provided top down direction, but also involved the organisation and participated in these involvement activities, while ensuring that the process of crafting the business model unfolded by establishing the necessary structures. While in certain cases the CEO was indeed the initial source of opportunities for business model innovation, managing directors and general managers of the business units and other colleagues from the top management team were the key agents throughout the process.

Because of having to implement/operate a new business model, the details of which are still being developed and formed, and thus are still unclear to a large

extent, there is a high need for management to provide direction, and be actively involved, up to a point of taking interim middle management positions. As the details are unclear, and even management does not know, which path to travel, how should employees know? Yet, as management cannot know all the answers and, especially in larger established organisations, relies on middle managers and employees to implement and operate the new business model, there is an equal need to involve the organisation.

These findings contribute to the current business model innovation literature that top management does indeed play a vital role within the process, and that its active participation is even regarded as a necessary success factor of the process.

The portrayed importance of management is in line with propositions of the dynamic capabilities paradigm, in which entrepreneurial managers play a vital role in identifying opportunities and needs for change, formulating responses and implementing a course of action (Augier and Teece 2009; Helfat et al. 2007; Teece 2007, 2009, 2010), as well as in the design and implementation of novel business models (Amit and Zott 2014; Helfat et al. 2007; Teece 2007).

Besides confirming its importance, the findings enhance our understanding of the managerial activities performed, and describe the managerial behaviour of how they are being performed to address design and implementation challenges. Furthermore the findings illustrate that management not only plays a vital role in performing the three functions of business model innovation as a dynamic capability, that is identifying opportunities and needs, formulating responses and implementing a course of action, but also in orchestrating the overall business model innovation process and its underlying micro-foundations of learning and deployment mechanisms.

### **6.1.5 Conceptual Framework of the Micro-Foundations of Business Model Innovation as a Dynamic Capability**

Figure 20 provides a summarising illustration of the conceptual framework of the micro-foundations of business model innovation as a dynamic capability.

The overarching process orchestration practices and principles guide the overall process, as well as the learning and deployment mechanisms.

The functions of dynamic capabilities are enacted throughout the three phases, focusing with varying intensity on different aspects, that is, the design or the implementation/operation of the new business model.

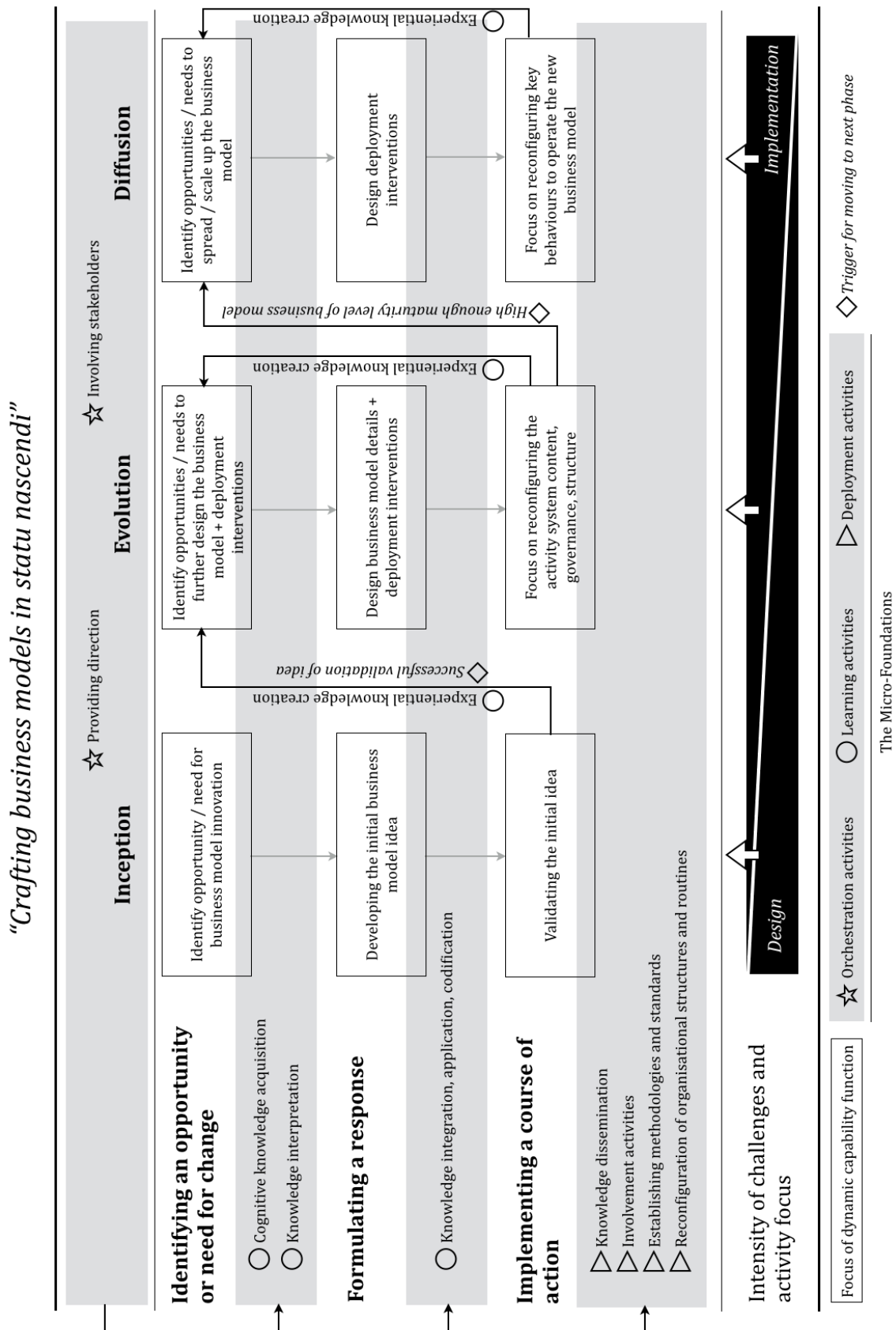
While the learning mechanisms are foundational to the identification and formulation functions, the deployment mechanisms underlie the implementation function. Implementing a course of action leads to experiential learning. Knowledge created through engaging in experiential action provides insights on opportunities and needs to further design the business model or formulate deployment activities.

The trigger for moving from the inception phase to the evolution phase is the successful validation of the initial idea, whereas the organisation moves from the evolution phase to the diffusion phase once the business model has reached a certain maturity level, which is characterised by the business model fulfilling its intended purpose, while also being possible to operate.

The challenges and respective focus of activities range from design to implementation/operation and occur with varying intensity throughout the process.

Activities are shown according to their primary function to keep the framework relatively simple.

**Figure 20 - Conceptual Framework of The Micro-Foundations of Business Model**  
**Innovation as a Dynamic Capability**



Source: Own representation



### **6.1.6 Summary of Theoretical Contributions**

#### **Contributions to the business model literature**

Considering the four perspectives on the business model phenomenon outlined in chapter 2, the present study contributes primarily to the dynamic perspective and more specifically the rational approach, interested in activities and processes through which business model innovations transpire in established organisations.

As has been shown at the outset, the existing business model innovation literature is characterised by a lack of empirical research on how incumbent firms outside of the e-businesses sector, design and implement novel business models, which is seen as one of the greatest barriers for established companies to engage in business model innovation.

The present study contributes towards filling this gap by providing rich empirical evidence on the nature of this process, its phases, challenges and complexities, as well as the managerial and organisational activities and practices enacted to fulfil the tasks of designing and implementing a novel business model while coping with the challenges.

The present study also contributes to the contextual approach of the dynamic perspective, and more specifically to the existing understanding of the role of top management within the business model innovation process. Whereas current research describes characteristics leaders need to exhibit (see chapter 2), the present studies sheds light on their active role and behaviour in initiating, orchestrating, and participating throughout the business model innovation process.

Considered collectively, the findings from this study provide a novel understanding of how business model innovations come about in established organisations.

**Contributions to the dynamic capabilities literature**

Although business model innovation and related concepts like business model design, or business model reconfiguration, have been recognised as dynamic capabilities (e.g., Agarwal and Helfat 2009; Amit and Zott 2014; Andries and Debackere 2006; Augier and Teece 2009; Chesbrough 2010; Harreld et al. 2007; Helfat et al. 2007; Sosna et al. 2010; Subramanian et al. 2011; Teece 2007; Teece 2009, 2010), little empirical effort has been made to investigate them. The present study contributes to filling this gap.

The findings of this study illustrate how this particular dynamic capability manifests, including its constituting process, and underlying micro-foundations and types of managerial and organisational activities and practices.

The present study confirms that cognitive and experiential learning mechanisms, are essential to the functions of identifying an opportunity or need for change and the formulation of a response to this need or opportunity (Teece 2007) and demonstrates how these functions are enacted to alter the business model as a specific type of resource.

Beyond confirming that implementation, configuration and deployment processes are essential to dynamic capabilities (Helfat et al. 2007), the present study also illustrates what the pertinent activities and practices are and how they are enacted.

Furthermore, the proposed conceptual framework of business model innovation as a dynamic capability, decomposing it for analytical purposes into a process, underlying micro-foundations and managerial and organisational activities and practices underlying these micro-foundations, might offer an interesting template for investigating and describing further dynamic capabilities.

## 6.2 Managerial Implications

Besides the theoretical contribution the presented findings have a number of implications for practicing managers. Managers need business model design know-how, implementation know-how, and business model management know-how (Amit and Zott 2014). The present findings provide insights primarily as to the design and implementation.

Summarising these findings of crafting a business model in statu nascendi from a managerial standpoint, the following conclusions can be drawn.

- Design and implementation are highly integrated and happen simultaneously; cognitive and experiential learning, and hence engaging in action, are required not only to design the new business model, but also to identify implementation and operational challenges. This means business model innovation processes cannot be fully planned. Furthermore, the need to engage in action creates particular dynamics and above all two arrays of challenges that need to be addressed;
- Designing a functional business model requires a deep understanding of customers, the industry and the organisation itself, and it requires engaging in action;
- Identifying these challenges, and insights, leads to further design and fine-tuning of details, before a fully functioning business model is delineated from these efforts;
- While it is vital to provide direction by guiding the organisation and establishing learning and deployment processes, activities and structures, it is equally vital to engage the organisation, both during design and implementation activities. Hence, management needs to reflect upon how to design and orchestrate the process of business model innovation, as much as reflecting on the content of the business model itself and how to implement it;
- The design and implementation of a business model is a considerable effort, requiring extensive management attention and time.

A number of specific actions can be deduced from these overall implications.

First, *clear your agenda*. As the findings show, crafting a novel business model is likely to be a multi-year effort requiring a considerable amount of management attention and active involvement by top management. It is not an undertaking that can be easily delegated or outsourced.

Second, *provide direction*. Active involvement will require providing clear direction to the organisation. As the destination of the journey might be unclear, and detours might be unavoidable, providing direction will create at least a certain level of comfort within the organisation. As the details and specifications of the new business model are likely to be unclear for a considerable period of time, providing direction on the process and the next steps to be taken can provide guidance in the absence of content. Providing direction also means focusing the discussion on relevant topics. Relevant topics revolve around design and implementation/operation, e.g., understanding the customer, the market, the industry, and the firm, implementation progress, awareness, understanding, commitment, and behaviour of employees, key stakeholders, etc.

Third, *assemble a team*. While providing top-down direction is essential, involving the organisation is equally important. Assembling a core team of associates with the needed skills and capabilities will be required. As has been outlined, different capabilities, and maybe personalities, are needed throughout the process. While the inception and evolution phases require a more entrepreneurial mind-set to sense opportunities and formulate responses to seizing them, one that is comfortable with uncertainty and ambiguity, the diffusion phase is likely to require more operational and administrative capabilities. Managers should be prepared to reconfigure their teams, and leadership structures, early on if needed.

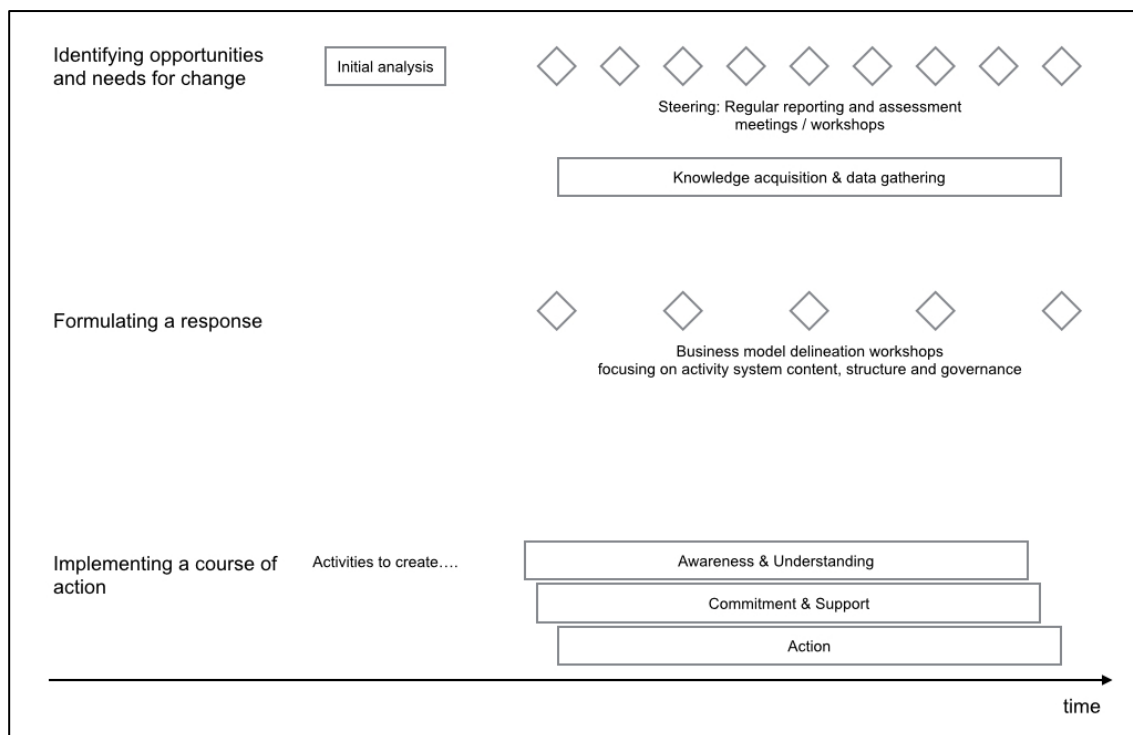
Fourth, *pick your tools*. The four perspectives on the business model phenomenon, the static, dynamic, strategic, and operational perspectives, offered in chapter 2 enable managers and their teams to structure business model related discussions and establish a common understanding and language. Among the vast amount of frameworks to describe a business model, the suggestion was made to focus on a narrow definition of the business model as an activity system, as it offers clear concept boundaries to other strategic decisions, namely, the customer and the offering, as illustrated by the “strategy cube” (Figure 2 in chapter 2.2).

Fifth, *do your homework*. Despite the need to engage in action to be able to delineate a new business model in its full details and specifications, engaging in a thorough understanding of the firm, the customer and the industry at the outset can do no harm. Engaging in cognitive learning can also mean studying existing literature and secondary research available.

Sixth, *orchestrate the process*. Although it is likely to be difficult to outline a detailed roadmap, managers should have a “big picture” in mind of which activities will be required throughout the process. Such a grand overview will provide stability and comfort to themselves, and enable them to provide direction to the organisation. The conceptual framework put forward here (Figure 20 in chapter 6.1.5) provides orientation of the process, where the organisation is in the process and what the required focus of activities is, which challenges are likely to arise, etc.

The Viennese school of systemic consulting (e.g., Heitger and Doujak 2008; Königswieser and Exner 1998) has a practice of developing so-called “architectures”, outlining the overall process and structures of strategic change initiatives, creating spaces for learning, design and action. Regular meetings and workshops for enacting the three functions of identifying opportunities and needs for change, formulating responses and implementing a course of action, as well as steering the overall process should be planned for. These spaces will enable managers to exercise a fair amount of control over the process, while providing stability, to them and the organisation, in an ocean of uncertainty. Figure 21 illustrates what such a high-level architecture might look like.

The findings from the present study can inform the types of questions to be asked, the information to be gathered and the dimensions of the business model as activity system to focus on: Which activities to perform, how to sequence and structure them, and how to organise their performance, including internal organisational structures, as well as relationship to external partners.

**Figure 21 - Business Model Innovation Architecture**

Seventh, *reflect upon yourself*. Most importantly, before getting started, managers should engage in some self-reflection and ask themselves, whether they are willing to take the effort, dedicate the necessary resources and have the entrepreneurial spirit and drive needed to make the business model innovation endeavour a successful one. The practice of *crafting a business model in statu nascendi* is likely to demand energy, dedication, courage and personal determination.

### 6.3 Limitations and Avenues for Future Research

Although great care was taken to adhere to the standards of grounded theory research, the following limitations of this study have to be noted.

First, the sampling strategy was rather opportunistic. The limited availability of cases of business model innovation in established firms does not allow for a meticulous choice of cases to investigate.

Second, the theoretical sample focused on one particular case. Due to the time constraints imposed by university regulations, gathering data from additional sources was difficult. It would have been interesting to “dig deeper” into other cases from the initial sample, or further expand the sample.

Third, interview respondents were primarily from the ranks of senior management, neglecting other internal and external stakeholders. Further data, beyond interview respondents accounts, was sparse for all but one case, encumbering data triangulation. Hence, the findings presented can be said to represent a top management view.

The constraints of the sample nevertheless do not mean that the findings and concepts are not transferable (Gioia et al. 2013).

Particular topics of interest for future research seem to be the following.

- *Identifying opportunities and needs for change.* The identification of opportunities and needs for change seems to have happened relatively easy for the cases in this study. Further research is needed to understand how exactly these are being identified. Gaining a better understanding about how opportunities and needs for change are identified is an important step, as it represents an essential function of dynamic capabilities, and, as the findings of the present study illustrate, it is the first necessary step to initiate the entire process of business model innovation.
- *Formulating responses.* The companies in the sample engaged in cognitive and experiential learning mechanism. The study did reveal little about how knowledge selection, interpretation and application occur in detail. Further research is needed on knowledge selection and decision-making mechanisms and should investigate workshops and meetings in vivo to be able to understand how the knowledge is applied to design and implementation challenges, and how exactly responses are formulated.
- *The process of business model innovation.* Having outlined the overall process, its micro-foundations, and managerial and organisational activities and practices, many questions regarding the process still remain unanswered. Future research should investigate for example the number of learn, develop, action cycles needed within the evolution phase and factors determining this number. Whereas the tipping point from the inception phase to the evolution phase seems clear, it is less clear what maturity level triggered the organisations in the sample to move to the diffusion phase. As has been suggested the tipping point is a combination of the business model fulfilling the identified purpose, and being possible to operate. Future

research should investigate the factors influencing such decisions and what the minimum required maturity level is. The dynamic capabilities concepts of evolutionary and technological fitness (e.g., Helfat et al. 2007) might provide an interesting lens. Future research on the process should also investigate circumstances, where the initial validation steps do not lead to success and find out how organisations react. And last but not least, future studies should investigate whether the proposed process applies to other organisations in similar and different contexts.

- *The role of cognitive capabilities and personality.* As has been shown, top managers were key in initiating and driving the business model innovation process. Their prominence and importance raises the question what influence their cognitive capabilities and personality traits have on the process and its outcome. A better understanding of these factors could potentially inform team compositions.
- *Stakeholder view.* Having focused on top management, the present study neglected further internal and external stakeholder perspectives. Especially the question of what impact having to implement and operate an unclear and unfinished business model has on internal and external stakeholders could be of interest, potentially informing more functional deployment strategies.
- *Further context factors.* The present study focused on activities and processes, neglecting to a large extent environmental factors, e.g., corporate culture, environmental changes, competitive landscape, etc., that might have had an impact on the process. Further research to better understand what these factors are, and what influence they have on the process and its outcomes is needed.
- *Motivation.* One insight from the study is that organisations kept on pursuing their business model innovation efforts despite the challenges they faced. Future research is needed to understand the factors influencing this behaviour and answer the question why they did not give up. What are the variables influencing whether the organisations continue or do not continue the process? Gaining confidence might play a role as suggested in chapter 4.



- *The role of experiential learning mechanisms.* It has been suggested that experiential learning is required in “high-velocity” markets (Eisenhardt and Martin 2000). As the present study found evidence that experiential learning plays a vital role in “low-velocity” markets, e.g., health care, it might be interesting to investigate whether the presence of experiential learning is dependent on market dynamics or rather the type of dynamic capability.
- *Orchestrating the process:* as has been shown, two different modes of how the process was enacted can be distinguished, a conscious and a less conscious mode. As both led to success for the organisations in the sample, it is necessary to understand under which circumstances which mode is required. The present study provided first propositions as to the degree of novelty of the business model innovation and the size of the organisation making a difference. Further research is also needed to better understand how the business model innovation process is being designed and orchestrated under various circumstances. This question is of particular relevance to practicing managers.

## 6.4 Conclusion

This study adopted a dynamic capabilities perspective to explore the activities and processes through which business model innovation arises in established organisations.

Based on a review of the business model, business model innovation and dynamic capabilities literatures, a framework of business model innovation as a dynamic capability, consisting of a process, its micro-foundations and their underlying managerial and organisational activities was proposed.

This framework was investigated using grounded theory methodology, collecting and analysing data from five case studies from the manufacturing, financial services, media, consulting, and healthcare industries.

The findings collectively provide a novel understanding of how business model innovations come about in established firms, challenging, or to the very least offering an alternative to, existing frameworks.

This novel framework not only enhances our theoretical understanding of such processes, but also offers insights for practicing managers.

Markides (2006) has argued that treating different types of innovations as one and the same because of their similarities is a mistake. The broad implication of this study's contributions is that further, grounded, empirical research on how business model innovations come about in established companies is needed. Conceptual work, relying on transposing frameworks from other disciplines, e.g., design thinking (Amit and Zott 2014), discovery-driven planning (McGrath 2010), or strategic agility (Doz and Kosonen 2010), or types of organisational innovation, seems to be of limited value for explaining and understanding how business model innovation transpires in practice.

I hope that this study's findings and insights will motivate academics to engage in more empirical research on how business model innovations come into this world, and make the task of crafting novel business models a little less challenging for established firms.

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# Appendices

## A. Publications Sample

A full list can be downloaded as Excel file here:

<https://www.dropbox.com/s/gosuth86h5h3wnv/Sniukas DBA Literature Review Sources Complete List.xlsx?dl=0>

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AMIT, R., & ZOTT, C.	2001	Value creation in e-business	Strategic Management Journal, 22: 493-520	Academic Journal
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KRÜGER C, SWATMAN P AND BEEK K	2003	Business model formation within the online news market: the core + complement business model framework.	In proceedings of 16th Bled eCommerce Conference – eTransformation, June 9- 11, Bled, Slovenia	Conference Proceedings
POULOUDI ET AL	2003	A societal perspective on E-Business adoption.	Journal of Information, Communication, and Ethics in Society, 1(3), 149-165	Academic Journal
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ANTHONY, JOHNSON, SINFIELD, ALTMAN	2008	The Innovator's Guide to Growth: : Putting Disruptive Innovation to Work	Harvard Business School Press	Book
SKARZYNSKI, GIBSON	2008	Innovation to the Core: A Blueprint for Transforming the Way Your Company Innovates	Harvard Business School Press	Book
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## **B. Interview Topic Guide**

### **The business model innovation**

1. What does the business model innovation / change consist of?
2. How is the new business model different to your former model?
3. How is it different to other models in the industry?

### **The process of developing and implementing the business model innovation**

1. When did you decide to develop / innovate it? When/how did it all start?
2. What triggered the decision to innovate it / develop a new business model?
3. What were key milestones / events / phases in the development and implementation of the new model?
4. What did the process of developing and implementing the new model look like?
5. What were the first steps towards the new business model?
6. What happened next? Activities, actions, ...
7. What were the major steps/phases/key events in developing and implementing the new model?
8. Why did it happen?
9. How did you do it?
10. How did you develop the ideas for the new model? Where did they come from?
11. How did you implement the new model?
12. When was it finished?

### **The resources used, people involved, their role and responsibilities**

1. Which resources did you use within the process? (Human, Technological, Financial, Networks, Internal, External,...)
2. Who did it?
4. Who was responsible for driving the efforts?
5. Who else was part of the team? External / internal.
6. What were the roles & responsibilities of the various people involved?

### **Challenges and complexities**

1. What were the key success factors?
2. What barriers & challenges did you encounter?
3. What worked well / what was easy?
4. If you did it again, what would you do differently? Why?

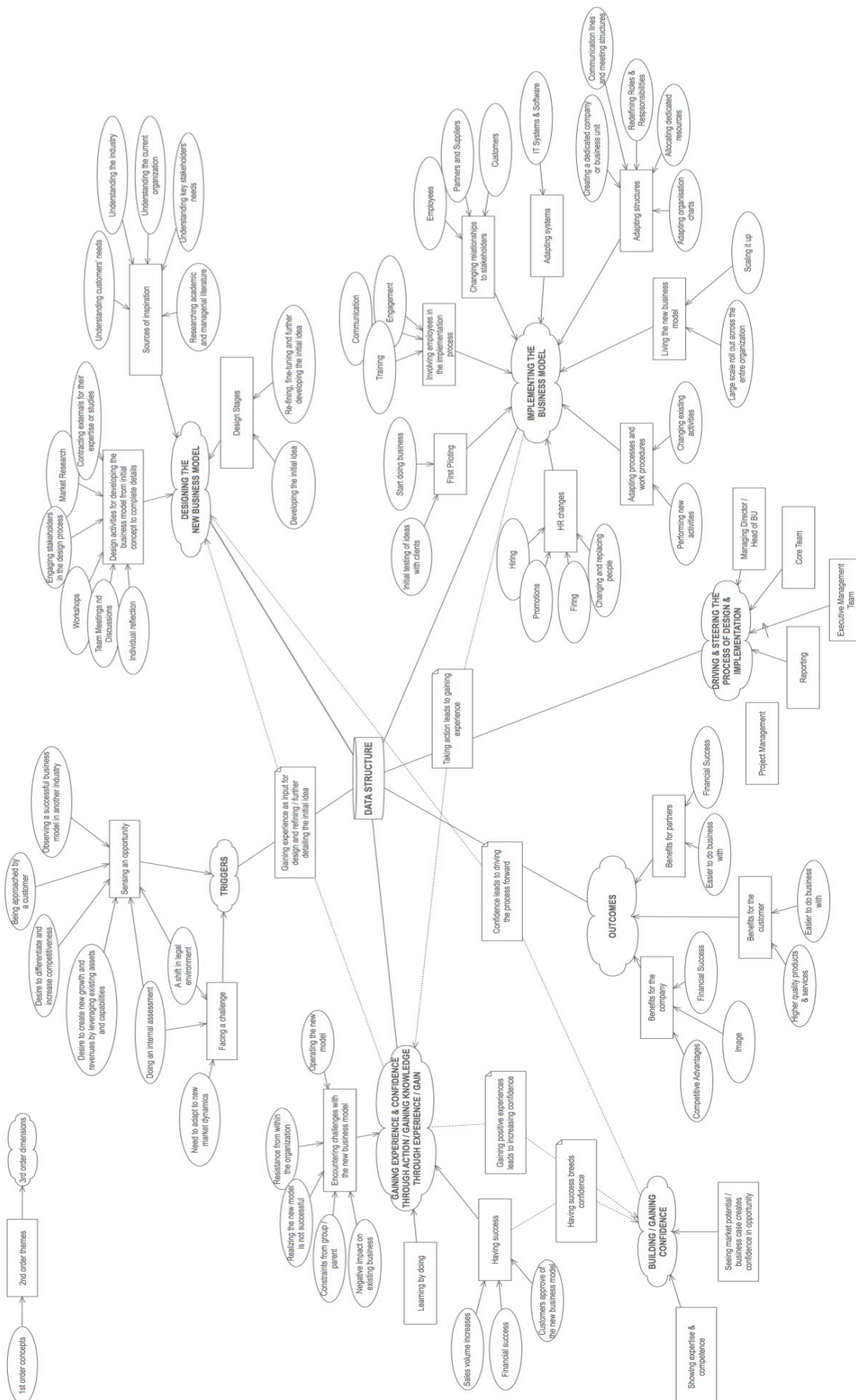


## **C. Illustrative Memos and Data Structures**

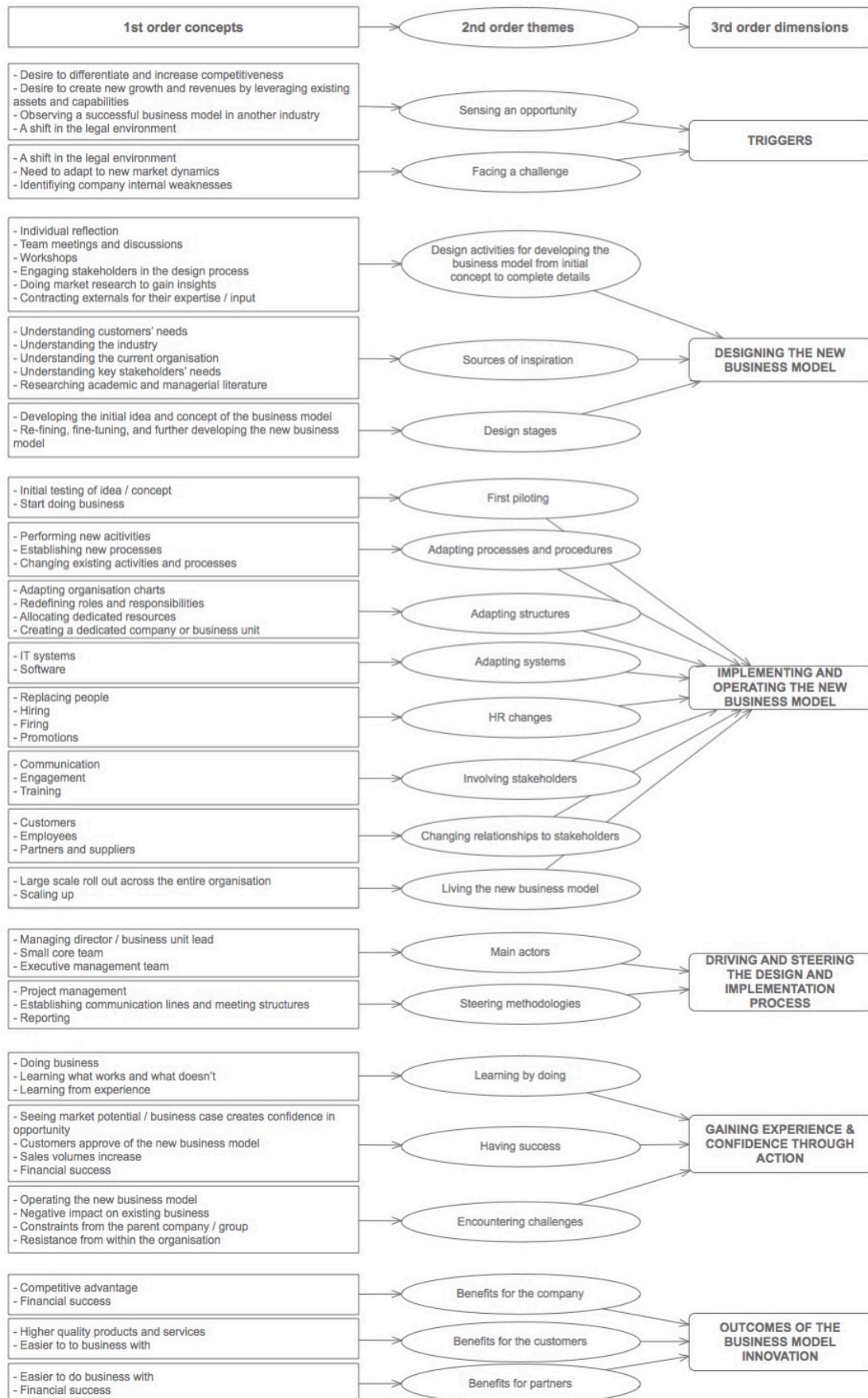
### **Early Process Memo**

There is an opportunity or a challenge and somebody develops an initial idea on how to seize the opportunity or respond to the challenge. As the situation is new, there is no experience and no expertise in how to deal with it. Hence, the solution cannot be fully formulated before being implemented, as no facts or data exist on whether it will be successful or not. As a consequence, organisations act to gain experience and test their idea. This first piloting will lead to success, but also reveal new challenges to be resolved and areas that need to be worked on. Having success builds confidence in both the opportunity and the idea. This confidence is necessary to drive the further design and development of the business model. Initially it is "design", later more "fine-tuning" (constant optimization...see "operating a business model"?). This cycle of discovering challenges and areas to work on, designing and testing the next ideas continues until a stable business model has been designed (all elements) and successfully tested/implemented, including having achieved a critical mass in the market and the company is confident it can be sustainably operated. (THIS POINT IS STILL A BIT UNCLEAR). This is the point where it is either scaled up (F212, Trumpf), brought into a dedicated company or business unit (SevenVentures, Isovolta), or rolled out on a larger scale to the entire organization (Hirslanden), where fine-tuning and optimization continue in a similar iterative fashion (THE LOOP).

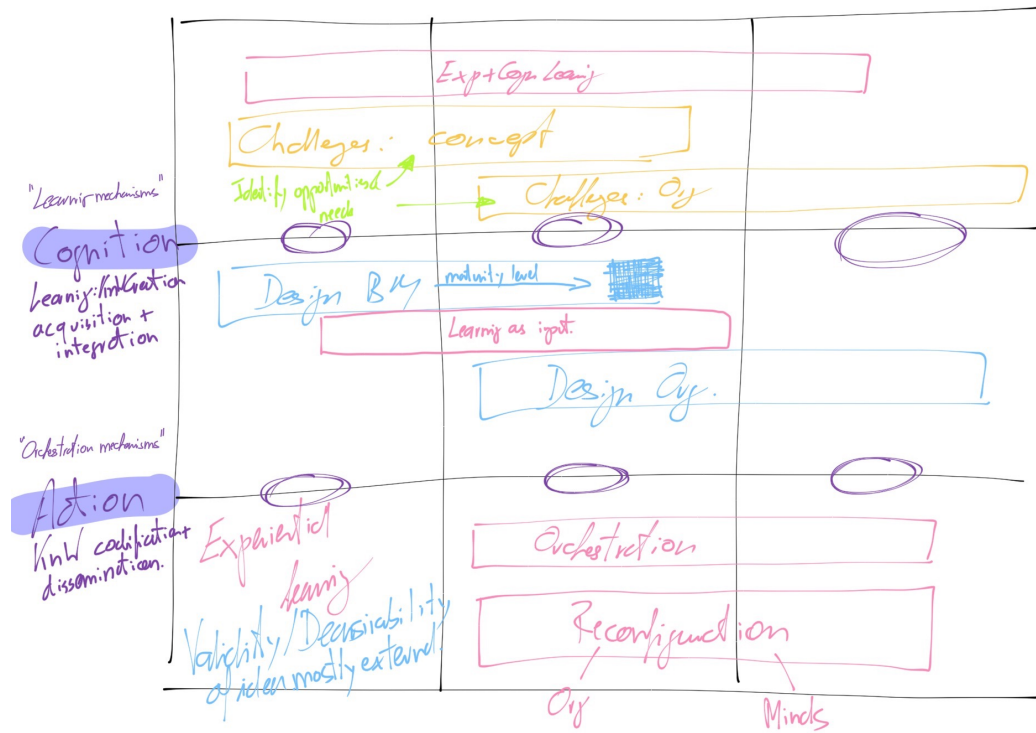
## Early Mind Map of Data Structure



## Preliminary Process Data Structure



## Visual Process Memos





# Visual Memo of Theoretical Sample Findings



## **D. Outcomes of Business Model Innovation**

Although not relevant to the process of business model innovation as such, interviewees reported on the positive outcomes of the new business model itself, which can be summarised as (1) benefits for the company, (2) benefits for the customers, and (3) benefits for the organisation's ecosystem. As the purpose of novel business model is to enhance the value created as outlined in chapter 2, these data provide additional evidence for the value created, and hence for the business model innovations as such.

Benefits for the company can be categorised as being of a strategic nature in the form of competitive advantage, operational, in the form of synergies for example, and of financial nature in the form of higher revenues and higher margins.

Benefits for the customer can be summarised as providing a higher level of value added, and higher quality level of customer services.

Benefits for the ecosystem can also be categorised as being of a strategic, operational and/or financial nature.

The details of the value created in each case are further described below.

### **Hirslanden Business Model Innovation Outcomes**

The new business model allows "...specialised practitioners to work in an interdisciplinary method, which leads to a wealth of knowledge and well above average competence which in turn is to the benefit of the patients, who receive state-of-the-art medical care" (Hirslanden 2013c).

#### **Customer Benefits**

Customers receive world class, innovative medical treatments in a highly service oriented environment. Due to Hirslanden's collaboration with multiple experts in any field of medicine, patients can be sure to receive the best treatment. Furthermore the innovative umbrella approach makes sure patients receive a holistic treatment of their symptoms.

The high number of patient cases and the increasing expertise that both specialists and above all generalist gain, lead to lower mortality rates.

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**Company Benefits**

**Strategic:** The new business model enables Hirslanden to attract the best medical talent in Switzerland, which ensure that it maintains and even further expand its leading position in Switzerland. Its image as an innovative top-notch institution is further reinforced even beyond Switzerland attracting patients from throughout the world. As mentioned above, the high number of cases lead to increased expertise of staff, which in turn lowers the mortality rate, which in most cases is due to lack of routine, which leads to higher patient trust in Hirslanden and a better reputation. Hirslanden's mortality rate is below European benchmarks.

**Operational:** The new business model and organisational structure enable Hirslanden to focus on its core activities. Working with multiple specialists in different areas, and building on its reputation to attract patients ensures a high utilisation rate of all facilities, medical equipment, operation rooms and patient rooms.

**Financial:** The high utilisation rates lead to economies of scale and hence lower cost per patient, the key driver of Hirslanden's business model.

**Ecosystem Benefits**

Two key stakeholders are important to Hirslanden's business model: the specialist physicians, who chose to work at Hirslanden, because they receive excellent service and infrastructure, and the referring doctors, who can trust their patients to be taken good care of. Both elements play an important role in the success and the satisfaction of patients with their doctors.

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## **ProSiebenSat.1 Business Model Innovation Outcomes**

### **Customer Benefits**

SevenVentures' new business model made TV media and advertising available to new customer segments, by reducing several barriers to entry. The new business model reduces the cost and liquidity barriers, as well as the risk of spending money with new return. In the case of media-for-equity, operating cost and cash outflow are even further reduced.

By making TV advertising available to start ups and small and medium enterprises, these companies can exploit a lever beyond their traditional means to accelerate their sales and growth.

Through a careful selection of companies to partner with, SevenVentures matches the products it chooses in the best possible way to its TV target audiences, making a collaboration with the media investor highly interesting. As SevenVentures only profits from the venture if the companies profit, a high level of trust between the two can be achieved and a long-term partnership established. This is reinforced by the long-term commitment SevenVentures has towards its strategic investments.

The focus on very specific segments, like lifestyle for example, also enables SevenVentures to act as a strategic advisor, bringing not only media expertise to its customers, but also industry and marketing expertise.

SevenVentures describes the impact it has as follows:

#### **“Direct effects**

- Increased visits from as early as the beginning of the advertisement broadcasting to approximately 15-30 minutes after the broadcast
- Optimal campaigns achieve conversion rates corresponding to a factor of 1.5 to 2 times the average conversion rates of Google traffic

#### **Indirect effects**

- Follow-up traffic due to the emotional charge (branding) of a product or a brand
- Impulse for repeated use (reactivation of an inactive lead base) and higher rates of repeat customers



- Sustained increase in conversion rates and higher click-through rates due to increasing trust in the brand
- TV media is discussed and produces backlinks, social media content (followers/likes), video content and PR
- TV media shapes the market, and the brand that drives the market (development of own category keywords) will have the best CPC.” (SevenVentures 2014c)

“As a result, the brand development, market position and growth of the online partner are increased quickly, efficiently and sustainably.” (SevenVentures 2014b)

### **Company Benefits**

**Strategic:** The business model gives ProSiebenSat.1 access to untapped customer segments. Being the largest free TV station in German speaking Europe, it was able to leverage its market position to gain access to new growth opportunities beyond its core customer base and beyond its core business. Having been the innovator of the media investment business model puts it ahead of competition, which only recently started to build venture entities.

Through its strategic investment and careful portfolio management, ProSiebenSat.1 was able to establish leading positions beyond its core business in chosen lifestyle and e-commerce segments.

The long-term commitment towards its investments assures a future customer base, once its companies reach a more mature stage of their development.

The growing online presence also makes it more and more attractive for new customers, as it can leverage the multiple platforms for advertising beyond TV media.

**Operational:** The new business model enables ProSiebenSat.1 to make better use of unsold inventory, using it in a way providing higher returns than selling it at low margins.

**Financial:** Besides the aforementioned better use of inventory, additional revenues from new customer segments were created. The equity positions hold the potential for high returns in the case of initial public offerings.

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## **Isovolta Business Model Innovation Outcomes**

### **Customer Benefits**

Meanwhile customers value Isovolta's speed and flexibility when it comes to meeting their needs and developing and manufacturing highly customised products. Not only are their products state-of-the-art, but also their ability to adapt and respond to customers' demands has enabled Isovolta to achieve a leading position in the global high acoustic components market.

### **Company Benefits**

**Strategic:** From strategic perspective, the new product, along with the new business model has enabled Isovolta to enter a completely new market and achieve a leading position.

**Financial:** Financially the new product range generates additional revenues at higher margins compared to its other product lines.

## **Trumpf Financial Services Business Model Innovation Outcomes**

### **Customer Benefits**

Customers receive financing solutions from the same company as the machine and tools. They do not need to engage with a bank or other financial institution. This one point of contact makes financing easier as the customer does not have to engage with a bank, which might not know about his business.

Trumpf's knowledge of the business, market trends, etc. might also make the financing more likely. As they better understand the customers' business, a different kind of judgment about the viability of the purchase is possible.

In times of liquidity problems of customers, Trumpf also proves to be more flexible than a traditional bank, handling payment defaults by more easily deferring payments.

### **Company Benefits**

**Strategic:** Removing the customer's hurdle to apply for financing with a bank, increases the likelihood of a sale for Trumpf, often even on the premises, when the customer decides to buy the machine. Contract signing times have been decreased.

Being the only vendor in the industry using the model of having its own financial services, gives it a competitive advantage.

The knowledge of the customers' business, the ease of having only one contact for both the machine and the financing, along with Trumpf's flexibility in terms of payment difficulties create a strong customer relationship.

As Trumpf is in permanent contact with the customer throughout the life span of the financing contract, it has better knowledge about replacement dates, when a financing contract is coming to its end. In the case of leasing, Trumpf can take machines back and sell them on the second hand market. This not only enables this Trumpf to make additional revenues, but it also gains a certain control over the second hand market.

**Operational:** Having financial services in-house shortens the financing process and offers higher value to the sales force. The sales force is also using financial services before approaching customers, helping to make more informed decisions for prioritising the most interesting customers, as they would be eligible for financing.

**Financial:** Besides the increased sales of machines, Trumpf has a margin on the financial services it provides.

## **Fahrenheit 212 Business Model Innovation Outcomes**

### **Customer Benefits**

Businesses face the challenge of high uncertainty and the risk of failure when venturing into an innovation project. Fahrenheit 212 eliminates some of that uncertainty through its practice of "Money & Magic".

Due to the performance-based compensation, the client incurs less financial risk. The payment scheme along its own stage gate model provides clients with the comfort of knowing that it is not an open-ended process. Also, instead of having to pay a considerable amount as a percentage of sales in three years when the product is successfully commercialised, payments are divided over the total time of the engagement and payouts are smaller.

The alignment of Fahrenheit 212's success with the success of the client has led to a whole new customer relationship, where Fahrenheit 212 becomes and acts much

more like a partner than a mere supplier of ideas. Clients can trust that whatever Fahrenheit 212 proposes is not only in its own interest, but also in the best interest for them.

### **Company Benefits**

**Strategic:** The new business model has given Fahrenheit 212 a distinctive position in the market, and competitive advantage over other innovation consultancies operating more traditional models as outlined above.

It has been recognized as an innovative innovation consultancy, being capable of not only innovating for its clients, but also innovating itself, its business model and the way it operates. The new business model has also led to a considerable amount of media attention, which gave the company visibility in the market and reinforced the image of being innovative.

The new type of customer relationship and the success the model creates for clients enable strong long-term customer relationships and repeat business.

In addition, the business model and the success rates Fahrenheit 212's approach produces, about 87% of ideas proposed are successfully brought to market, has sparked the interest of new customer segments, in particular private equity companies, whose interest of company growth align perfectly with Fahrenheit 212's offer.

**Operational:** The traditional consulting business model faces the challenge of needing to sell its consultants onto projects to avoid overhead cost. Fahrenheit 212's business model reduces some of that risk by not co-locating consultants and by having them work on multiple assignments from the base office. Besides creating efficiency effects, the teams benefit from the intellectual stimulation and inspiration, which working on multiple assignments provides.

**Financial:** The alignment of the performance based compensation to the stage gate process of its clients, has improved cash flow. Also, the success of Fahrenheit 212's products in the market, its innovative and distinct approach have led to a considerable increase in revenues per project and total revenue over the last couple of years.

## E. Original Statements and Translations

*German original*

*English translation*

### Klinik Hirslanden

Das Problem war bei den Interviews war so, dass man das Gefühl gehabt hat, dass ganze Haus ist einfach eine Bank oder das ist zwar ein Medizinhaus aber spricht nur von Geld. Und das war so eine Erkenntnis.	The problem during the interviews was that one had the feeling the whole house is simply a bank, it's a hospital but only talks about money. That was a conclusion. (Managing director)
Also der äußere Druck war schon erheblich. Und man bemerkt wenn ich da nicht irgendwie das System nicht irgendwie kompatibel mache zu diesen regulatorischen Anforderungen dann verlieren wir diese ökonomische Macht...Somit es war schon eigentlich schon betrieben von einem äußeren Druck und dann von meinem sagen wir mal wissenschaftlichem Interesse.	The external pressure was significant. I noticed when we don't somehow make the system compatible with these regulatory requirements we lose our economic power. Hence it was driven by an external pressure and then by mine, let's say 'academic interest'. (Managing director)
Ich wusste aber nicht genau wohin die Reise geht, einfach eine Schärfung des Kerngeschäfts habe ich mitgeteilt. Das war mir ganz klar ... wir müssen uns wieder vermehrt auf das Kerngeschäft die Patienten behandeln konzentrieren. Wir müssen wissen was wir eigentlich am besten können. Das war damals noch nicht klar, das kam dann erst in den Workshops.	But I did not know exactly where we are heading, where the journey would lead us. I only communicated 'sharpening of our core business'. That was quite clear to me ... we have to focus again on our core business, treating the patients. We need to know what we really do best. That was not yet clear, that came only during the workshops. (Managing director)
Die Idee dieses Businessmodells die war Anfang 2009 war die geboren, das ging bum. Die Erfahrung vom [Direktor] der vorherigen Jahre zack da hat er aufs Papier gebracht.	The idea for this business model was born at the beginning of 2009. That went 'bum'. [The director's] experience from previous years put swiftly to paper. (Head of corporate development)
Das Businessmodell so aufs Papier bringen, dass man es auch visuell versteht, das ist ein Prozess von jeweils ein paar Wochen gewesen. Bis wir das skizziert hatten, dann rumgedacht hat und das par mal diskutiert hat und noch mal skizziert hat und dann irgendwann war es auf dem Papier.	Putting the business model on paper so that one understands it also visually, this was a process of a couple of weeks. Until we had outlined it, then reflecting upon it, discussing it a few times and outlining it again and then at some point it was on paper. (Head of corporate development)
Man hat dieses medizinische System umgekrempelt. Das war erst mal das Organigramm, das sah davor komplett anders aus. Man hat das Organigramm der Klinik quasi mit diesem Businessmodell	We restructured the medical system. That was first the organisation chart, which looked completely different before. We adapted the organisation chart of the hospital to the business model, we

harmonisiert, hat das völlig umgestellt und dann hat man auch einen Leiter für das medizinische System gesucht.	reorganised it completely and searched for a manager of the medical system. (Head of corporate development)
... habe ich mir überlegt ... wo muss das hin in den nächsten zehn Jahren und habe mir die verschiedenen Systeme in der Welt angeschaut, Spitalsysteme und versuchte dann mir eine Vision selber im stillen Kämmerlein zu formulieren wo man da hin muss mit diesem Belegarztsystem und habe mich entschieden eine Fusion zu machen zwischen Chefarztsystem und Belegarztsystem.	I thought about ... where does the hospital need to be in the next 10 years. I looked at the various systems in the world, hospital systems, and tried to develop a vision for myself behind closed doors of where to take the private practitioner model and I decided to make a fusion between the chief physician system and the private practitioner system. (Managing director)
Ich kann mich gut erinnern, [the new director] kam mit 1. Oktober 2008 und im Januar 2009 hat er die erste Managementtagung gemacht ... An dieser ersten Managementtagung, das ganze Managementteam war da das erste Mal zusammengerufen, hat er die Ergebnisse seiner Analyse der ersten 100 Tage im Amt vorgestellt. Er hat dann so relativ strukturiert präsentiert wo wir stehen, hat gesagt Leute wir haben hier eine Klinik übernommen, die sehr erfolgreich ist, die erfolgreichste Privatklinik in der Schweiz und ich habe das jetzt analysiert und wir müssen hier kein turn around, sondern ein Realignment hat er das genannt.	I can remember well, [the new director] came on October 1, 2008 and in January 2009 he held the first management meeting ... The entire management team was there for the first time, and he presented the results of his analysis of the first 100 days in office. He presented in a relatively structured way where we stand, told people that we have a hospital, which is very successful, the most successful private hospital in Switzerland and I have now analysed the situations and we do not need a turn around, but we need a realignment, he called it. (Head of corporate development)
Ich glaube nicht, dass man das im stillen Kämmerlein machen kann. Das muss man mit den Leuten entwickeln.	I don't believe you can do this [business model development] behind closed doors. You have to develop it with the people. (Managing director)
Ich glaube es ist irgendwie diese Businessmodellentwicklung, die ist extrem eng verzahnt der theoretische Teil und der praktische Teil davon. Das hat sich kontinuierlich weiterentwickelt, learning by doing, ein iterativer Prozess. Es ist halt ein sehr kreativer Prozess.	I think it's kind of, this business model development, the theoretical part and the practical part are extremely closely interlocked. It has evolved continuously, learning by doing, an iterative process. It's just a very creative process. (Former head of corporate development)
Das was ich mir vorgestellt habe ursprünglich die Vision und das was dann daraus entstanden ist, das hat dann doch einige Unterschiede in der Ausprägung hervorgebracht weil dass dieses im Betrieb	The vision I had originally in mind and the final outcome...that's totally different. The business model was developed while operating it, and, how should I say, it got fine-tuned and sharpened. You can't say

sich entwickelnde Businessmodell das wie soll ich sagen das hat sich so entwickelt und geschärft. Man kann nicht sagen, dass das auf dem Reissbrett entstanden ist. Das ist fast die wichtigste Aussage. Was ich mal vorhatte ging in die Richtung der Neuerfindung des Belegartsystems und Fusion Angestellte und Nicht Angestellte, Chefarzt und Belegarzt, aber also ganz konkret wie es heute ist, war es damals natürlich überhaupt nicht.	that it originated on the drawing board. This is probably the most important conclusion. What I had originally in mind went in the direction of reinventing the private practitioner system, the fusion of employees and non-employees, chief physician and private practitioner, but of course, it was far from being so concrete and specific as it is today. (Managing director)
Jetzt ist man ... damit beschäftigt ... das umzusetzen, und fine tuning zu machen. Es gab zwei kreative Momente ich würde sagen Anfang 2009 mit dem Kreismodell und Mitte 2012 in diesem umbrella Konzept. Vorher und nachher quasi Vorbereitung dieses kreativen Moments und anschließend dann fine tuning und Umsetzung. Während der Umsetzung fine tuning der Idee.	Now we're ... busy ... to implement this, and to fine-tune it. There were two creative moments I would say the beginning of 2009 with the circle model and mid-2012 with this umbrella concept. Before and after quasi preparing this creative moment and then fine-tuning and implementation. During the implementation fine-tuning of the idea. (Former head of corporate development)
Interessant ist bei der Business Modellentwicklung im Betrieb selbst wer sind die Gewinner, wer sind die Verlierer vielleicht auch. Man hat eine Vision, man geht diesen Weg mit den Leuten und die Frage ist eigentlich dann sehr schnell habe ich die richtigen Leute die da gewillt sind mit mir diesen Weg zu gehen und da muss man schon sagen so im ersten Jahr hab ich sozusagen alle verloren bis auf zwei Leute.	It is interesting, during the development of the business model, who are the winners and who are the losers. You have a vision, you go this way with the people and the question is really very quickly, do I have the right people who are willing to go that route with me and I have to say that I lost almost everybody apart from 2 people in the first year. (Managing director)
Der Widerstand kam primär dann eigentlich von den eigenen nächsten Mitarbeitern, die Machtverlust hatten, die plötzlich sahen jetzt haben die Ärzte was zu sagen, da kommt Verantwortung auf mich zu die ich vorher nicht tragen konnte.	The opposition came primarily from the closest collaborators, employees who lost power, who saw all a sudden now the doctors have to say something, I have to bear additional responsibilities, which I didn't have to bear before. (Managing director)
Es gab interne Widerstände gegen die Änderung. Zum Beispiel ein wichtiger Punkt ist die Pflegedienstleitungen, das sind ja mehrere Personen, die waren nicht mehr direkt dem Direktor unterstellt. Das ist in der Schweiz eine heilige Kuh ... In den ganzen öffentlichen Häusern ist es so, es gab in der Vergangenheit immer einen	There was internal resistance to the change. For example, an important point is the patient care services; those are several people who were no longer directly reporting to the director. In Switzerland this is a sacred cow ... In all the public houses, it is so, there was in the past an executive director, a medical director and a

<p>Verwaltungsdirektor, einen ärztlichen Direktor und eine Pflegedienstleitung, Pflegedirektoren. Diese drei Personen haben in der Regel die Spitalleitung gestellt. Die Pflegedienstleitung quasi abzustufen, in der Hierarchie eine Stufe weiter nach unten zu setzen, hat zu riesen Widerständen geführt und die beiden Pflegedienstleitungen, wir haben das ja aufgeteilt gehabt, die spezialisierte Pflege, Intensivstation, OP usw., das andere sind die Betten. Beide Pflegedienstleitungen sind mittlerweile ausgetauscht. Die sind beide gegangen.</p>	<p>nursing management, nursing directors. These three persons constituted the hospital management. Quasi grading the nursing management down, put them one level down in the hierarchy, has led to huge resistance and the two nursing managers, we had this divided into the specialised care, intensive care unit, operating room, etc., the other are the beds. Both nursing managers are now replaced. They both left. (Former head of corporate development)</p>
<p>Das waren Machtkämpfe intern kann man so sagen und es war am Anfang auch nicht zu 100 % klar, wir machen jetzt ein medizinisches System, wir haben diesen Leiter des medizinisches System, der steht jetzt diesem Dreieck die ärztlichen Instituten, und dem pflegerischen Dienst steht der vor, aber was ist in seiner Kompetenz, was darf der denen sagen, was nicht, nach was für Kennzahlen führt der, usw.</p>	<p>Those were internal power struggles so to say and it was in the beginning not 100% clear, we establish a medical system, we have this head of the medical system, who presides over this triangle of the medical institutions, and nursing, but what is in his competence, what can he tell them, what not, based on which KPIs does he lead, etc. (Former head of corporate development)</p>
<p>Die Umsetzung, dieser change Prozess, die Umsetzung von dem Konzept, dass das etablierte Tagesgeschäft verändern kann, diese Übersetzungsarbeit müssen irgendwelche Leute machen, die zwischen Topmanagement und Mitarbeitern stehen, so in der Mitte als Übersetzer, change agents, von denen gibt es viel zu wenige und die, die es könnten, von denen gibt es zu wenig und wir haben zu wenig gemacht, solche Leute ran zuziehen. Ein Topmanager kann das gar nicht. Ich hab roadshows gemacht ... mit den Teams geredet, super das finden die toll, aber einmal kommen mit Präsentationen, ... in den darauf folgenden Wochen und Monaten ist das wieder weg. Das Mittelkader sollte irgendwie zuarbeiten oder aufnehmen, weiterleiten, im mittleren Kader gibt es hier größere Engpässe. Wenig Leute, die irgendwie diese Übersetzungsarbeiten machen in die Abteilung rein ... Wir haben hier ein Problem mit dem mittleren Kader. Skills, Einstellung</p>	<p>The implementation, this change process, the implementation of the concept that can change the established daily business, this translation work needs to be done by people between top management and associates, so in the middle as a translators, change agents, of which there are far too few, who are capable, and we didn't do enough to engage them. A top manager cannot do this. I did roadshows ... talked to the teams, they enjoyed this, but coming once with a presentation ... in the following weeks and months, that's gone. Middle management should somehow collaborate, absorb, disseminate, middle management is a major bottleneck. Few people who somehow make this translation work into the department ... We have a problem with the middle management. Skills, attitudes and afterwards simply amount, number of people. Begins with skills, has a bit to do with attitude. One could be further with the</p>



und nachher auch einfach Menge, Anzahl. Fängt bei skills an, hat ein bisschen was mit Einstellung zu tun. Man könnte heute weiter sein mit der Umsetzung, der Verankerung dieses Modells würde ich in den Köpfen der einzelnen Mitarbeitenden, wenn das mittlere Kader besser mitgezogen hätte oder die Kapazitäten hätte oder was auch immer.	implementation of anchoring of this model in the minds of individual employees when middle management had better pulled or had had the capacity or whatever.  (Former head of corporate development)
Ja, das Hauptproblem war eigentlich die Leute zu finden, die diese Verantwortung, zum Beispiel der Angestellten Generalisten, tragen wollten.	The main problem was actually finding the people who wanted to bear this responsibility, for example the employed generalists. (Managing director)
Diese Person zu finden, die die Fähigkeiten hat, alle diese extrem kompetenten Leute, zum Teil also die meisten Professoren, zu führen und dennoch betriebswirtschaftlich was auf der Platte zu haben, diese Person, da habe ich drei Leute verheißt bis ich sie hatte, bis das jemand konnte. Also ein Business Modell das dann die Leute nicht findet, die dann das auch umsetzen können ist natürlich auch kein effizientes Modell und ich hab eine Zeit lang ernsthaft gezweifelt ob ich überhaupt jemanden finde, der das kann. Also diese CEO Funktion in der Medizin übernehmen kann. Ja das ging so über zwei Jahre bis ich dann jetzt jemand hatte.	To find that person who has the skills to lead all of these extremely competent people, mostly professors, and who has a sound business and economic understanding, that person, I burned three people until I had someone who could do this. So a business model that doesn't find the people who can then also implement it is of course not an efficient model and for some time I seriously doubted that I can find someone who is capable of doing this. Taking this CEO function in the medical area. It took me about two years, before I had somebody. (Managing director)
Und eine weitere [Schwierigkeit] war als man das Modell hatte, hat man plötzlich gemerkt, dass man alle Prozesse anpassen muss.	Another [difficulty] was, once you have the model, you realise suddenly that you have to adapt all the processes. (Managing director)
Da waren schon Ärzte mit dabei. Die Workshops waren so in halbjährlichen Rhythmen, aber dazwischen hat es natürlich viele Gespräche gegeben, man spricht ja auch in Geschäftsleitungssitzungen dann über solche Sachen. Ich glaube das sind einfach diese zehn Workshops sind so die Pfeiler, die Meilensteine, gewesen.	Doctors participated [in the workshops]. The workshops were so in a semi-annual rhythm, but in between there were of course many discussions, you also speak in management meetings about such things. I think these ten workshops were the pillars, the milestones. (Managing director)
Jedes Spital braucht Patienten, und die Patienten bringen in der Regel die Hausärzte und die Spezialisten. Wenn man versteht, wie die ticken, dann kann man das System ausrichten. Also haben wir gesagt, also im dritten Workshop das haben wir zusammen	Each hospital needs patients, and the primary care physicians and the specialists usually bring the patients. If you understand how they think, then you can align the system. So we said, that was the third workshop, we developed that

<p>entwickelt der Zuweiser ist der entscheidende Treiber für das Spital, also der Hausarzt zumindest drei viertel kommen über den Hausarzt oder die Rettungsdienste und dann haben wir gesagt aber die Pflege ist dann der Treiber für die Wiederempfehlungsrate. Wenn man mal da gewesen ist, ist der Arzt eigentlich irrelevant komischerweise. Wir haben das Gefühl das ist nur wegen uns, aber die Pflege ist viel wichtiger für den Patienten. Das sind so Entscheidungen, die lesen Sie nirgends in der Literatur.</p>	<p>together [during the workshop] the referring physician is the key driver for the hospital, the family doctor, at least three-quarters of patients come through the family doctor or the emergency services, and then we said, but the patient care is then the driver of the referral rate. Once [the patient] is here, the doctor is actually irrelevant strangely enough. We think it's just because of us, but patient care is much more important for the patient. Those are decisions that you read nowhere in the literature. (Managing director)</p>
<p>... haben wir eben viele so Studien gemacht. Da haben wir uns gefragt, was braucht es für hochspezialisierte Medizin ... was ist eigentlich wichtig, das System, das Spital oder der Chirurg? Und da habe ich viel Literaturrecherche gemacht und herausgefunden über eine Schweizweite Studie mit über 3,5 Millionen Patienten ... dass der Chirurg, wenn er es mal kann, dann kann er es fast überall.</p> <p>Das Problem der Todesfälle in der Spitzenmedizin ist, das System, das nicht stabile System, also zu wenig Fälle in einem Spital bedeutet schlechtere Qualität. Nicht wegen dem Chirurgen sondern weil die Übung fehlt, Übung macht den Meister so einfach ist das.</p>	<p>We did many studies. We were wondering for example, what is needed for highly specialized medicine ... what is really important, the system, the hospital or the surgeon? I did a lot of literature research and found out about a Switzerland-wide study involving over 3.5 million patients ... that the surgeon if he can do it, then he can do it almost anywhere. The problem of deaths in the high-end medicine is the system that is not stable system, so too few cases in a hospital means poorer quality. Not because of the surgeon but because the exercise is lacking, practice makes perfect, it's as simple as that. (Managing director)</p>
<p>Es gibt eine übergeordnete Stelle, die zuständig ist für das ganze Projektmanagement, die effektiv auch die Rückfragen macht. Wo steht ihr aktuell? Was ist aktuell gelaufen die letzten drei Monate? Wo sind Schwierigkeiten? Wo verfehlen sie das Ziel? Was kann man dagegen unternehmen? Die holen das ein und da haben wir wöchentlich Projektsitzungen, wo wir mit diversen Projekten die Meilensteine diskutieren, oder die Verzögerungen, einfach... damit die Themen aufgeworfen werden um zu schauen, wo wir die Ressourcen reintun können.</p>	<p>There is an overarching body that is responsible for the entire project management, which also continuously asks for progress. Where do you stand today? What was done the last three months? Where are difficulties? Where they fail to hit the objective? What can you do about it? They collect this feedback and during our weekly project meetings, we discuss the various projects milestones, or delays, just ... so that the issues are raised in order to see where we can put our resources. (Head of hospitality and facility management)</p>
<p>Nach jeder Managementtagung gab es eine Maßnahmenliste, to dos was man alles</p>	<p>After each management meeting, there was a list of measures, to dos, everything we</p>

<p>beschlossen hat, und das kam in die Maßnahmenliste rein und dann wurde das im Verlauf der nächsten paar Wochen, Monate usw. wurde das abgearbeitet diese Punkte, die zu tun waren.</p>	<p>had decided, and these came into an action list, then, over the next few weeks, months, etc. these points were processed and implemented. (Former head of corporate development)</p>
<p>Wir im Management in der Klinik müssen es sicherstellen, dass es bis runter kommt.</p> <p>Wenn Sie merken, dass die Information nicht runter kommen, dann muss das in der Sitzung definiert werden was geht von Euch heute runter und wenn er dann was vergessen hat, dann wird es aufgeschrieben, das wird protokolliert. Dann sieht man am Protokoll haben sie es runtergebrochen oder nicht.</p>	<p>We [management] the clinic must ensure that it [information] gets communicated and cascaded. When you realize that the information is not cascaded, then it must be defined in the meeting, what will be communicated today, and if they forget, it gets documented in the meeting minutes. And then you see in the meetings whether it was communicated or not. (Head of hospitality and facility management)</p>
<p>Man hat die Sitzungsstruktur angepasst. Wir haben das Steering Board, das ist die Geschäftsleitung, da ist der Leiter des medizinischen Systems drin und dann hat der ... anschließend 1,5 h später auch noch mal jede Woche Dienstag hatte der seine medizinische Systemsitzung. ... der führt dieses große medizinische System über eine Sitzungsstruktur ... die ganze ... Kaskade ist eingeführt worden und das hat man konsequent gemacht.</p>	<p>We have adapted the meeting structure. We have the Steering Board, which is the management, the head of the medical system is in this management circle, and then right after this [meeting] 1.5 hours later, again each week on Tuesday, he has the his medical system session ... he leads this large medical system through a meeting structure ... this whole ... cascade has been introduced and this was done consistently. (Former head of corporate development)</p>
<p>Die Mitarbeitertrainings haben wir angefangen letzten Herbst (Herbst 2012). Also wir haben die verschiedenen Workshops letzten Sommer angefangen mit den Botschaftern, die das runterbrechen sollen in der Klinik. Dann die Trainer haben wir im Herbst reingeholt und dann haben wir mit den ausgebildeten Trainer die Workshops herausgearbeitet und bei uns in der Klinik haben wir den ersten Workshop im Januar losgelegt.</p>	<p>We started the employee training last fall (autumn 2012). We started workshops last summer with the ambassadors, who should cascade this into the clinic. Then the trainers came in autumn, and we developed the trainings with them. Then in January we started with our first training at the hospital. (Head of hospitality and facility management)</p>
<p>Kundenorientierungs-Workshop ins Leben gerufen das letzte Jahr, den machen wir jeden Monat einmal, wo wir aus dem Haus gemischt Hotellerie, Pflege, alles was an der Front arbeitet, die holen wir da rein und schulen sie in der Kundenorientierung und</p>	<p>[The] customer orientation workshop was launched last year. We hold this workshop once a month and mix employees from the whole organisation, hospitality, patient care, all those working on the front lines, and we train them in customer orientation.</p>

<p>da müssen sie aktiv mitarbeiten, was läuft gut auf den Stationen, was könnte man besser machen, wie kann man es machen.</p> <p>Da haben wir 2 Trainer, die sind auch ausgebildet worden als Trainer und die bekommen dann die 25, Kandidaten, wo wir effektiv das Kundenorientierungsmodell mit denen dann wirklich ausarbeiten und schulen, damit das jeder auch versteht. Und das sind im Hause haben wir heute etwa 6 Trainer oder 8, die diesbezüglich ausgebildet werden ... und die Rückmeldungen aus den Teams sind gewesen: Jetzt haben wir das erste Mal etwas, wo wir aktiv teilnehmen können, zweitens verstehen sie es auch und sie machen eigentlich die Vorschläge nicht nur aus der Pflege heraus, sondern mit allen beteiligten Schnittstellen zusammen. Der Workshop wird heute eigentlich als eine der besten Schulungen, die wir machen klassifiziert und wenn man selber da rein geht und das beobachtet, was da abgeht, das ist ein gelungenes Feld, was in dieser Form noch nie so runtergebrochen werden konnte. Weil es die eigenen Leute sind, die schulen, das ist ganz etwas anderes, wenn man das aus der eigenen Reihe schult und ausarbeitet. Und aus dem Workshop kommen dann immer Verbesserungspotentiale rein, die gehen dann ins Steering Board wieder, die werden dann diskutiert und da wird entschieden was wird weitergezogen und was fällt und das wird dann in den nächsten Workshops schon wieder präsentiert. Was haben wir aus dem letzten Workshop mitgenommen, was haben wir umgesetzt, damit die Leute auch die Motivation haben und sehen hey das bringt etwas, da können wir dazu beitragen.</p>	<p>They have to actively participate, what works well in their departments, what could be better, how can we achieve this. We have two trainers, they were trained as trainers, they get 25 participants, and they elaborate and train the customer orientation model, so that everybody really understands it. We have another six to eight trainers who are being trained as such at the moment. The feedback from these teams were: Now for the first time we have something where we can participate actively, Second, they understand it and they actually make the proposals not only from patient care, but with all involved interfaces together. The workshop is now actually classified as one of the best trainings that we do, and if you go in there and see what's going on, it is a successful field, it has never been cascaded in this form before. Because these are our own people, who conduct these trainings, which is something quite different if the trainers are from your own organisation. And from the workshop we always receive ideas for improvements. These ideas then go to the Steering Board again, who discusses them and decides what to implement and what not. These things are then presented at the next workshop. What did we retain from the last workshop, what has been implemented, so that people have the motivation and see this is valuable, we can make a contribution. (Head of hospitality and facility management)</p>
<p>Und wir haben heute die Unterlagen elektronisch, wir haben die Prozesse, man kann das überall abrufen, man kann es zeigen. Und das in einer Geschwindigkeit, heute ruft mich einer an, der hat das in einer halben Stunde. Weil es einfach gemacht ist</p>	<p>And today we have the documents electronically, we have the processes, you can retrieve everything, you can show it. And that in a speed, if somebody calls me today, he can have it in half an hour. Because it has simply been done</p>

<p>und nicht nur erzählt wird und wir sind gezwungen das schriftlich abzufassen, weil Sie brauchen ein elektronisches Tool, da können wir darauf zurückgreifen und das sieht man vor sich, da vergisst man nichts.</p>	<p>[documented], and not just told, we were forced to put it in writing, because we need an electronic tool, which we can rely on, you have the information in front of you, you don't forget anything. (Head of hospitality and facility management)</p>
<p>Dann haben wir natürlich noch Kader-Workshops, wo wir das weiter aufgearbeitet haben mit dem Kader weil irgendwann müssen wir das Kader auch ins Boot holen. Das Modell muss ja verstanden werden. Die Schritte, die wir sukzessive versuchen einzuleiten, da muss man frühzeitig das Kader abholen und dementsprechend lassen wir natürlich die Informationen aus den Bereichsleiterworkshops, die brechen wir nachher herunter ins Kader, das nennen wir Kaderkreativzirkel, von denen haben wir vier im Jahr. Und da werden solche Themen aufgegriffen, um das Kader ins Boot zu holen, entsprechende Ideen auszuarbeiten.</p>	<p>And then we have the [middle] management workshops, where we have further worked with the middle management because at some point you have bring them on board. The model must be understood. The steps we try to implement, you have to engage middle management, and as such we cascade the information from the top management workshops to the middle management, we called these "Kaderkreativzirkel", of which we do four per year. And there we discuss these topics, to get middle management on board, and develop ideas. (Head of hospitality and facility management)</p>
<p>Jetzt muss man aufpassen, dass man nicht zu viel auf einmal macht. Das ist glaub ich auch der Zeitpunkt wo man jetzt, das war vor einem halben Jahr noch nicht, wo man eigentlich nicht mehr Neues reinbringen soll, sondern jetzt muss man priorisieren und versuchen das Ganze zu konsolidieren, nicht noch mehr schleifen und so, nicht wesentliches verändern an diesem Modell, sondern versuchen die Leute darin jetzt wieder zu verankern.</p>	<p>Now we have to be careful not to do too much. I think this is the time, which was not the case six months ago, where we shouldn't bring in anything new, now we have to prioritise and try to consolidate, not fine-tune any longer, not change the model any further, but try to anchor the people within the new model. (Managing director)</p>
<p>Ich glaube Bereichsleiterstufen, haben ein sehr gutes Verständnis vom Businessmodell auf der Abteilungsleiterstufe wechselt das, ist das verschieden je nach Bereich.</p> <p>Im medizinischen System selber ist das so ein bisschen durchzogen je nach dem wie Aktiv der Bereichsleiter ist, seine Abteilungsleiter mitreinzunehmen, sind manche sehr gut informiert und bei manchen gibt's noch Nachholbedarf und auf der Stufe Mitarbeiter da muss man ehrlich sein, das wird noch mal 2-3 Jahre dauern. Bis alle Mitarbeiter das wirklich richtig</p>	<p>I think division managers have a very good understanding of the business model. On the department head level it varies depending on the division.</p> <p>In the medical system itself it is a bit mixed depending on how active the division manager is in engaging his department heads, some are very well informed and with some there's still room for improvement and at the level of employees, we have to be honest, it will take another two to three year. Until all employees have really properly understood it [the new business model].</p>

begriffen haben.	(Former head of corporate development)
Das ist jeder aus jeder Abteilung, die eigentlich an der Front sind, die werden zuerst geschult. Und es sind 1300 Mitarbeiter aktuell, die man schulen muss. Da musste man sich wirklich auf die Front konzentrieren, die den direkten Patientenkontakt haben ... weil die müssen ja die Kundenorientierung verstehen und leben. Dieser Gedanke, den bricht man jetzt effektiv auf das ganze Haus runter medizinisches Personal wie pflegerisches Personal.	That's everyone from every department who is actually on the front lines, these people are trained first. And there are 1,300 employees currently, who we need to train. Because one really has to focus on the front lines, those in direct contact with patients ... because they must understand and live the customer orientation. This idea has to be broken down to the whole organisation, to medical staff as well as nursing staff. (Head of hospitality and facility management)
die Mehrheit natürlich 10-15 andere Kaderleute oder 20 die hat man gecoacht, geteacht und die haben das dankbar angenommen bzw. das ist immer noch am Laufen.	We have coached middle management. They were grateful for that. This is still ongoing. (Former head of corporate development)
Es gibt ja so einen Mitarbeiterereinführungstag ein mal pro Monat. Da treten so durchschnittlich 40 Leute oder so die Stelle jeden Monat neu an in der Hirslanden Klinik und dann ungeachtet ihres Arbeitsortes, ob das jetzt die Putzmannschaft ist oder Pflege, was auch immer oder Ärzte, werden die alle zusammengenommen zu einem Einführungstag und da hat der Direktor eine Stunde am Anfang irgendwann und da erklärt er ihnen im Detail das Businessmodell selber mit allem, was dazugehört. Die hören das am Anfang, aber wenn man am ersten Tag das einmal hört und es aber nicht in den Abteilungen in den Teams weiter thematisiert wird, dann geht das wieder vergessen und ich glaube da gibt es definitiv noch die nächsten 2-3 Jahre Arbeit zu tun, das weiter runter zu tragen.	There is a new employee on boarding day once a month. On average about 40 people start working each month at Klinik Hirslanden and, regardless of their place of work, if that is now the cleaning crew or maintenance, or doctors, whoever, they are all brought together at an introductory day and the director has one hour at the beginning where he explains the business model itself with everything that goes with it in detail. They hear that at the beginning, but if you only hear this once, and it is not further discussed in the departments and in the teams, then it is forgotten again, and I think it will take another two to three years of work, to further cascade [the message]. (Former head of corporate development)
Der Prozess wurde primär von mir gesteuert und hat dann eine Eigendynamik bekommen im Team. Das muss man schon sagen und alleine kriegt man so etwas nicht hin. Zwischendurch hatte ich Durchhänger und da waren andere, die das dann betrieben haben.	The process was primarily steered by me and then developed a dynamic on its own within the team. That must be said and alone you're not going to do something like this. In between I had personal lows and there were others who pursued it then. (Managing director)

Ich habe natürlich mir das selbst schon zugemutet und hab dann eine zeitlang das dann selber geführt. Das hatte Vorteile, dass die Leute auch wussten wo ich hin will auch an der Basis.	Of course, I already expected of myself to be able to [lead the medical system] and did lead it for a certain time. This had the advantage that people knew where I wanted to go. (Managing director)
Ich hab ja dann häufig mitgearbeitet, ich hab Präsentationen gemacht für diese Managementtagungen und zum Teil hat er das gemacht oder wir haben das zusammen gemacht und eng zusammengearbeitet. Aber er ist schon definitiv die treibende Kraft immer gewesen ohne ihn wäre das nicht zustande gekommen.	I often collaborated, I prepared presentations for these management meetings and in some cases he [managing director] did do that or we did it together and cooperated closely. But he's definitely always been the driving force, without him it would not have been possible."  (Former head of corporate development)
Aus meiner Sicht heraus hatte der [Geschäftsführer] da den Lead gehabt.	From my perspective the [managing director] had the lead. (Head of hospitality and facility management)
Mein Team hat das ganze getragen letztlich und weiterentwickelt, also die Vision war von mir, die Umsetzung war natürlich dann nicht von mir, das ist eine Teamarbeit.	My team has further developed it, the vision was mine, the implementation was of course not from me, that was team work. (Managing director)
Toughes Projektmanagement, wie es im Buch steht. Meilensteine, Verantwortlichkeiten, Termine, Priorisierung, Projekte sind über die ganze Klinik klar, was ein Projekt ist, was eine Aktivität ist, was eine Maßnahme ist, wir haben sogar alle Maßnahmen, das sind Beschlüsse aus Sitzungsprotokollen bei diesen zweitausend Mitarbeitern, die wir haben, da gibt es sehr viele Sitzungen, die gehen in eine zentrale Maßnahmenliste ein. Also wir haben da ein wirklich ziemlich rigoroses Projektaktivität- und Maßnahmenmanagement.	Though textbook project management. Milestones, responsibilities, deadlines, prioritizing, projects are clear throughout the clinic, what is a project, what is an activity, what is a measure, we have even all measures which are decisions of meetings minutes, with 2000 employees we have a lot of meetings, of these two thousand employees, all these go onto a central list of measures. So we've got a really pretty rigorous project activity and measure management. (Managing director)
Der [Geschäftsführer] selber, meine Wenigkeit, der Leiter des medizinischen Systems, dann auch noch die Marketingverantwortliche, die so ein bisschen Außenperspektive reinbringt, auch die Assistentin vom Geschäftsführer, und die Qualitätsmanagerin war auch immer dabei.	The [managing director] himself, myself, the head of the medical system, then the head of marketing, who brings in a little of an outside perspective, the assistant manager of the managing director, and the quality manager was also always part [of the core team]. (Former head of corporate development)
In diesem Workshop hab ich auch ganz strikt, fast schon militärisch, habe ich diese Informationskette durchstrukturiert. Ich	In this workshop I also have very strictly, almost military, structured the information chain. I have enforced that the meetings

<p>habe durchgesetzt, dass die Meetings eine Logik haben, dass es top down als auch bottom up Wege gibt, die konsequent diszipliniert eingehalten und gelebt werden müssen. Das hat viel bewirkt, weil ich dann eigentlich auch in der Basis Durchsetzungskraft bekommen habe und die Basis sich auch verstanden gefühlt hat von der Direktion.</p>	<p>have a logic, that there are top-down and bottom-up ways that need to be observed and lived consistently and in a disciplined way. This has brought about a lot, because then I really got assertiveness into the base and the base has also felt understood by management. (Managing director)</p>
<p>Mein Team hat das ganze getragen und weiterentwickelt, also die Vision war von mir, die Umsetzung war natürlich dann nicht von mir, das ist eine Teamarbeit.</p>	<p>My team has supported and further developed everything, the vision was mine, the implementation was of course not from me, that was a team effort. (Managing director)</p>
<p>Sie müssen überall dran bleiben, Sie können nicht vorne was erzählen beim Kader und das nachher nicht herunterbrechen. Sie müssen sicherstellen, dass es runtergebrochen wird ... Das ist ein kontinuierlicher Prozess, der muss gelebt werden. Wir im Management in der Klinik müssen sicherstellen, dass es bis runter kommt. Wenn Sie merken, dass die Information nicht runter kommen, dann muss das in der Sitzung definiert werden was geht von Euch heute runter. Und wenn er dann was vergessen hat, dann wird das protokolliert ... dann sieht man am Protokoll haben sie es runtergebrochen oder nicht. Oder du sitzt dann auch selber in den Sitzungen um das abzuholen.</p>	<p>You need to stay tuned everywhere; you cannot tell something in the management and not break it down afterwards. You must ensure that it is broken down ... This is a continuous process that has to be lived. We as management of the hospital must make sure that it comes down to [associates]. When you realize that the information does not come down, then it must be defined in the meeting; what has to be communicated. And if he then forgets something, then that is documented in the meeting minutes ... then you see has it been broken down or not. Or you then sit yourself in these meetings. (Head of hospitality and facility management)</p>
<p>Im ersten Schritt wird immer das Kader informiert, die das dann ins Team tragen und dann haben wir Mitarbeiterinfo gemacht, wo wir wirklich den Mitarbeitern in der Klinik das auch noch vorgestellt haben.</p>	<p>In the first step, management is always informed, they inform their; and then we have done employee information sessions, where we really presented [the business model] to the staff. (Head of marketing and communication)</p>
<p>Das ist für mich die effektivste Maßnahme gewesen um überhaupt praktisch hier diesen Veränderungsprozess in dieser kurzen Zeit mit dieser Geschwindigkeit und der Einbeziehung von möglichst vielen Mitarbeitern eben auch zu gestalten ... Es gab viele Informationsveranstaltungen, Kadersitzungen also mit den Abteilungsleitern, Bereichsleitersitzungen,</p>	<p>This was for me the most effective measure to shape this change process in such a short time at this speed and with the inclusion of as many employees as possible. There were a lot of information meetings, management meetings so with the department heads, division heads, staff meetings, where we have really tried to involve the people and where we regularly</p>



<p>Mitarbeitersitzungen, wo wir wirklich versucht haben die Leute mitzunehmen und da wurde regelmäßig über alle Neuerungen, ... und auch über die Projekte, die Umsetzung, den Stand und was bedeutet es auch für die einzelnen Mitarbeiter, berichtet und auch die konkreten Erfolge und Misserfolge dargestellt und diskutiert. Projektmanagement, strikte Einbeziehung der Mitarbeiter, die praktisch zum Partner machen, mit ihnen gemeinsam umsetzen und die Vorgaben im Vorfeld über die höchste Ebene, nämlich die Vorstandsseite.</p>	<p>informed about news, ... also reported on the projects, implementation, progress, what does it all mean for the individual employee, and we also described specific achievements and successes and also failures. Project management, strict inclusion of employees, turning them into partners, implementing together with them, and provide the requirements from the highest level, namely the executive board. (Head of medical system)</p>
<p>Also mir war klar dass man ungefähr jedes halbes Jahr zusammensitzen muss und das Businessmodell etwas diskutieren und analysieren muss.</p>	<p>I knew that we had to sit together about every half year to analyse and discuss the business model. (Managing director)</p>
<p>Organigramm war top down also ich habe gesagt, das muss top down kommen, ich ... habe das natürlich ... mit dem oberen Management dann auch so schon vorab abgestimmt, also diese Reduktion der Abteilungen auf fünf Bereiche das ist eine top down Entscheidung gewesen, auch die Reorganisation zum Beispiel der Gesamtpflege an der Klinik, das ist eine top down Vorgabe gewesen ... [das] wurde dann in Workshops mit den Projektmitgliedern aus der Pflege und aus dem Management diskutiert und es wurden dann Einzelmaßnahmen festgelegt mit Zuständigkeiten, Verantwortlichkeiten, Zeitschiene wurden dort verabschiedet und dann in die Umsetzung gegeben ... Und so ist das bei uns praktisch im Grundprinzip fest verankert.</p>	<p>The organisational chart was top down, I said, that needs to come top down, I ... have of course aligned with top management before, so this reduction of the departments on five areas, that was a top down decision, also the reorganisation of the overall [patient] care at the clinic, that was a top down specification ... [which] was then discussed in workshops with the project team members from nursing and from the management and we defined individual measures, competences, responsibilities, timeline were defined and then implemented. And [this approach] is practically enshrined in our basic principles. (Head of medical system)</p>
<p>Das war auch so eine Vision, die ich hatte wirklich. Die war auch von mir. Es gibt so drei, vier Pfeiler, die waren von mir geprägt und die anderen waren vom Team. So haben wir das Business Modell dann auch weiterentwickelt. Vieles kommt da nicht von mir, sondern aus der Basis heraus.</p>	<p>That was such a vision that I had really. That was from me. There are so three, four pillars, which were influenced by me and the others were from the team. This way we have further developed the business model. A lot is not from me but comes from the basis. (Managing director)</p>
<p>Wir haben das schon immer wieder thematisiert, hauptsächlich beim Kader auch wirklich mit der Aufgabe, dass wir das mit</p>	<p>We discussed the [the business model] repeatedly, especially with [middle] management, with the task that they</p>

dem Team thematisieren und es gab dann auch innerhalb von den Teams kleine Workshops oder jedes Team konnte es selber machen, also jede Stationsleitung hat das umgesetzt also da lassen wir unseren Mitarbeitern auch die Freiheit dass sie das so runterbrechen können, wie es für sie stimmt.	discuss it with their teams and we did smaller workshops within the teams or every team could do this on its own. So every [team lead] has implemented this, we also leave our employees the freedom to do break it down in a way that suits them. (Head of marketing and communication)
[Der Geschäftsführer] war die treibende Kraft dahinter. Das ist so ein integrativer Prozess. Wie gesagt, er hat dieses Kreismodell irgendwie [entwickelt]. Ich meine er war 8 Jahre im St. Anna und hat die ganze Hirslanden Gruppe kennen gelernt und er ist einer, der immer liest und rumkuckt und in Zeitschriften reinkuckt und sich Gedanken macht usw. und er ist schon derjenige, der die Gedanken kristallisiert hat, auch auf den Punkt gebracht hat.	[The managing director] was the driving force behind it. This is an inclusive process. As I said, he developed this circle model somehow. I mean he was 8 years in St. Anna and got to know the Hirslanden group and he is someone who always reads and looks around and browses in magazines and reflects, etc., and he was the one who crystallised ideas, and summed them up and brought them to the point. (Former head of corporate development)
So ein Businessmodell kann nicht eine Person alleine sich ausdenken, entwickeln, aber es braucht so den Motor, die Unruhe in dem ganzen drin, die immer pusht und wieder der Gedankenherd ist. Wir haben viele Gespräche geführt. In den Gesprächen kristallisieren sich dann aus irgendwelchen Unruhen Gedanken, aus denen werden Konzepte. Aber er ist schon definitiv die treibende Kraft immer gewesen ohne ihn wäre das nicht zustande gekommen. Aber es lag dann glaube ich stark auch an dem Team, dass dann so auszudeutschen.	A single person alone cannot develop such a business model. But it needs the driving force, the engine, the restlessness, someone who keeps on pushing and is the mastermind. We had many conversations. During these discussions the restlessness led to thoughts, which turn into concepts. But he [managing director] was definitely always the driving force. Without him this would not have been possible. But, I believe, it was than also the team who put these concepts to paper describing them in detail. (Former head of corporate development)
Dieser Businessmodellprozess würde ich behaupten, ist ein kreativer Prozess, getriggert von der Klinikdirektion, aus unternehmerischem Denken heraus etwas schaffen zu wollen, was einen von der Konkurrenz abhebt und konkurrenzfähig erhält in Zukunft, neue Märkte erschließt, uns den Zugang zu Top Ärzten weiterhin ermöglicht, uns hilft Topqualität zu liefern, usw. Also das ist dann die Motivation.	This business model process, I would argue, is a creative process, triggered by the hospital management, by the director, based on entrepreneurial thinking, wanting to create something that sets us apart from the competition and makes us competitive in the future, unlocking new markets, allows us the continued access to top physicians, helps us to deliver top quality, etc. So that's the motivation. (Former head of corporate development)
Es gab ein Core Team, das daran gearbeitet	There was a core team that worked on it

<p>hat. Wir haben uns immer wieder getroffen und dann weiter daran gearbeitet, wieder weiter gefeilt dran. Dann ist man wieder auseinander gegangen mit den Gedanken quasi, hat dann eine Überlegung gemacht, dann ist man wieder zusammen gekommen und es war dann relativ ausgereizt mal für den ersten Entwurf und mit dem ist man dann ins Rennen gegangen.</p>	<p>[the new business model]. We met consistently and continued to work on it, further developing it. Then we parted with the ideas, thought about them, came back together and developed a good first draft, which we then showed around. (Head of marketing)</p>
<p>Wir haben nach jedem Workshop Beschlüsse formuliert und die hat man konsequent dann umgesetzt. Nach dem ersten Workshop hat man das Organigramm verwendet.</p>	<p>We formulated decisions after each workshop and these were then consistently implemented. After the first workshop we used the organisational chart. (Managing director)</p>
<p>Wir haben gesagt, fokussieren aufs Kerngeschäft, was ist das eigentlich, das war so der Treiber dann für die anderen Workshops. Da haben wir in den anderen Workshops sehr systematisch kann man sagen vom Kunden, da haben wir geschaut wer ist der Kunde, wie gelangt er zu uns, ist der Patient überhaupt Kunde, solche Diskussionen haben wir geführt ... was sind die Erwartungen unserer Patienten und wie gelangen sie in die Klinik, das war die Frage des Workshops.</p>	<p>We said focus on core business, what is that was then the driver for the other workshops. In the other workshops we then systematically look at the customer, who is the customer, how does he get to the hospital, is the patient really the customer, these were the discussions we had ... what are the expectations of our patients and how will they get to the hospital, that was the question of the workshop. (Managing director)</p>
<p>Da wurden ganz konkret Themen erarbeitet. Man hat einmal in einer Managementtagung hat man ganz konkret definiert irgendwie die Erfolgsfaktoren vom medizinischen System und irgendwie was noch zu tun ist im medizinischen System ... Letztes Jahr hat man den Patientenprozess angekuckt ... wir haben auch so Themen gemacht wie, einmal hat man das hedgehog Konzept mal durchgemacht, durchexerziert, einfach so auch als teaching um miteinander irgendwie durchzusprechen, und man hat immer sehr ernsthaft und konzentriert und immer sehr fokussiert an so Themen gearbeitet, die hatten auch in der Sequenz zum größten Teil einen Zusammenhang ... man hat praktisch jedes Mal Arbeit am Businessmodell gemacht. Auch wenn man das nicht immer so deklariert hat aber das hat schon in diesen Gesamtkontext gepasst.</p>	<p>We worked on very specific topics. Once in a management workshop we worked on the success factors of the medical system and somehow what remains to be done in the medical system ... Last year we looked at the patient care process ... we also looked at things like this hedgehog concept, simply to talk it through as teaching and discuss it with each other. It was always very serious and focused work on such subjects which for the most part had a logical sequence ... it was working on the business model each time ... even if we did not always declare it as such it fitted in this overall context. (Former head of corporate development)</p>

<p>Also wir haben zwischen den Workshops natürlich viel Wissenschaft betrieben ... wie gelangen unsere Patienten zu uns, das sind Marktanalysen größeren Ausmaßes gewesen, also das hat dann schon auch viel Geld gekostet, das alleine diese Marktanalyse wie das Profile ist von einem Patienten bei uns ... da hab ich so ein Marktanalyseinstitut das sind ungefähr 120.000 die wir investiert haben um überhaupt zu verstehen. Es hat niemand gewusst wie das geht. Ich glaube die meisten Spitäler wissen das nicht wie ihre Patienten für ein Profil haben, warum gehen die zu uns und nicht zu jemand andern, aus diesen Analysen habe ich überhaupt verstanden, was wir gut machen. Darum konnte man auch diese Workshops nicht enger terminieren, weil wir brauchten die Zeit für die Studien. Zum Teil haben wir eigene gemacht, zum Beispiel die Patienten haben wir befragen lassen und die Zuweiser da haben wir eine eigene, das war eine PhD Studentin, die hat uns dann alle Spezialisten befragt. Wir haben dann auch Masterstudentinnen, PhDs und so die haben wir eingespannt für die Fragestellungen die aus den Workshops gekommen sind. Ich glaube einer der wesentlichsten Workshops war dieser Workshop was wollen die Patienten Zuweiser, Spezialisten das war für mich eine Erleuchtung.</p>	<p>We did a lot of science between the workshops ... how do the patient come to our clinic, these were larger market studies, which cost also a lot of money, already this market study on the profile of our patients ... we invested around 120'000.- CHF for a market research firm, in order to understand this. Nobody knew how this worked. I believe most hospitals don't understand the profile of their patients, why patients come to us and not somebody else, I only realised based on these analyses what we are good at. That's also why we could not schedule these workshops closer to each other; we needed time for these studies. Partially we also conducted these studies ourselves. For example we had the patients interviewed or the referring doctors by a PhD student, she interviewed all specialist doctors. We also used master students and PhDs to answer questions that came out of the workshops. I think one of the most important workshops was this workshop on what are the needs of patients, referring doctors and specialists, that was an epiphany for me. (Managing director)</p>
<p>Wir haben viel Literatur gelesen. Um die Leute dahinzubringen, habe ich ihnen viel aus meiner Vergangenheit vorgelegt. Also eben das klassische Chefarztsystem haben wir durchgenommen, das klassische Consultantsystem, also verschiedene Businessmodelle haben wir studiert. Das gehört dazu, sonst kann man die Leute nicht sensibilisieren, was man überhaupt für ein Geschäftsmodell hat. Die Leute wussten ja gar nicht davon, dass sie ein Geschäftsmodell haben. Das war ihnen gar nicht bewusst.</p>	<p>We read a lot of literature. To bring people closer [to the topic], I gave them a lot [of literature] from my past. We studied the chief physician system, the classic consultant system, so we studied various business models. That's part of it, otherwise you cannot sensitise people for which business model we actually had. People did not know that they had a business model. They were not aware of this. (Managing director)</p>
<p>Der Kerntreiber ... war zu wissen, wieso die Leute einen Patienten in einer bestimmten</p>	<p>The core driver ... was to know, why do people want to take care of a patient in a</p>

<p>Klinik versorgen wollen und dann zweite Treiber war Spitzenmedizin, was braucht es für Spitzenmedizin? Das war eine zweite Studie, die wir gemacht haben.</p>	<p>particular clinic and the second driver was cutting-edge medicine, what is needed for excellence in medicine? That was a second study we did. (Managing director)</p>
<p>Also alle Bereichsleiter und dann diese Clusterleiter und der Direktor und dazu hat man aber auch immer noch themenspezifisch Abteilungsleiter mitgenommen .... Also es sind immer neben diesen ungefähr 12 oder 13, 14 Bereichsleiter und Direktor sind dann immer wieder 2-3 Abteilungsleiter mit nach Thema.</p>	<p>So every division manager and then these cluster manager and the director and additionally department manager, depending on the topic ... So there were always besides these about 12 or 13, 14 division managers, and the director, there were always about 2 - 3 department heads, depending on the topic [of the workshop] (Former head of corporate development)</p>
<p>Wir haben viele Studien gemacht. Da haben wir uns gefragt, was braucht es für hochspezialisierte Medizin ... Ich habe mich gefragt, was ist eigentlich wichtig, das System, das Spital oder der Chirurgie im Bereich der hochspezialisierten Medizin? Und da habe ich viel Literaturrecherche gemacht und herausgefunden über eine Schweizweite Studie mit über 3,5 Millionen Patienten, ... dass eben nicht der Arzt, wenn der Arzt es mal kann der Chirurgie, dann kann er es fast überall. Das Problem der Todesfälle in der Spitzenmedizin ist, das System, das nicht stabile System also zu wenig Fälle in einem Spital bedeutet schlechtere Qualität. Nicht wegen dem Chirurgen, sondern weil die Übung fehlt, Übung macht den Meister so einfach ist das. Aber komischerweise nicht der Chirurgie ist das Problem, weil der hat genug Übung in seiner Karriere gehabt. Es ist das System Anästhesie, das Setting, das Spital, Infrastruktur, Generalisten haben die Übung nicht. Und aus diesen Gedanken oder aus dieser Erkenntnis muss man sagen, dass eben das Spital Übung braucht, ist dann eben dann diese Strukturierung Generalisten und Spezialisten entstanden. Und auch die Sicherheit dass ich die Generalisten anstellen muss, weil ... sonst kriegen die nie ein stabiles geübtes Team im Haus. Und die Chirurgen, die sind wie Ingenieure, die machen ihren Eingriff und gehen wieder. Wir organisieren alles</p>	<p>We made a lot of studies. Here we asked ourselves, what it needs for highly specialized medicine ... I asked myself what is really important the system, the hospital or the surgeon in the field of highly specialized medicine? I did a lot of literature research and found out about a Switzerland-wide study involving over 3.5 million patients ... that it is exactly not the surgeon, if he can do it, then he can do it almost anywhere. The problem of deaths in the high-end medicine is, the system, so the system is not stable enough, not enough cases in a hospital means poorer quality. Not because of the surgeon, but because the exercise is lacking, practice makes perfect, it is as simple as that. But oddly enough not the surgeon is the problem, because he has had enough practice in his career. It is the system, anesthesia, the setting, the hospital infrastructure, generalists do not have the practice. And from this idea or this finding must be said that the hospital needs practice, this structure of generalists and specialists emerged. And also the security that I have to employ the generalists, because ... otherwise get the never a stable trained team in the house. And the surgeons, they are like engineers, they do the procedure and then leave again. We organise everything around. Which the patient really strangely no longer perceives. But this is much more important than the</p>

<p>rundherum. Was eigentlich der Patient komischerweise nicht mehr wahrnimmt. Aber das ist viel wichtiger als der Chirurgie.</p>	<p>surgeon. (Managing director)</p>
<p>Die Umsetzung des MES war eine besondere Herausforderung. Viel Information aus der MES Cluster Sitzung, da wurde viel besprochen, Beschlüsse getroffen, aber man hat dann schnell gemerkt, dass die Sachen nicht umgesetzt wurden. Gerade so bei interdisziplinären Themen. Die Leute waren es nicht gewöhnt zusammen zu arbeiten. Und sie waren es nicht gewöhnt in Projekten zu denken, diese zu strukturieren, zu definieren wer macht jetzt was. Das hat einfach nicht stattgefunden.</p>	<p>The implementation of the MES was a particular challenge. A lot of information from the MES Cluster meeting, a lot was discussed during these meetings, decisions were taken, but, you noticed quickly that things did not get implemented. Especially interdisciplinary topics. The people were not accustomed to working together. And they were not accustomed to think in projects, to structure projects, to define who does what now. That did simply not happen. (Head of corporate development)</p>
<p>Aber nach einem halben Jahr so, hat man wirklich den Mehrwert der Sitzungen gesehen. Dass da einfach alle zusammen gesessen sind und wenn etwas besprochen wurde, dann war immer schnell klar, wen das alles betrifft und wer da mitarbeiten muss. Das hat bei den Sitzungen einfach besser geklappt, als wenn man das so in Einzelgesprächen bespricht. Also dieser Austausch war möglich. Zusätzlich ist dann ein gemeinsames, einheitliches Verständnis entstanden. Die Leute haben mehr und mehr angefangen nicht mehr in ihren Funktionen oder Abteilungen zu denken, sondern mehr so "Wir sind das MES" und das Ziel ist es den Patienten gut zu behandeln, zusammen den Patienten gut zu behandeln. Das ist ja auch das Ziel des MES: jeder ist irgendwo der Spezialist auf seinem Gebiet, aber zusammen sind wir die Grundversorgung des Patienten.</p>	<p>But after half a year, one could actually see the added value of these meetings. That everybody sat together and if anything was discussed, then was always quickly clear, who was impacted, and who needed to cooperate. This simply worked better at these meetings, than during individual discussions. So this exchange was possible. In addition, a common, consistent understanding emerged. People began to think more and more no longer in their functions or departments, but rather "We are the MES" and the goal is to treat the patient well, together treat the patient well. That is also the aim of the MES: each one is somewhere the specialist in his field, but together we are the primary care of patients. (Head of corporate development)</p>
<p>Das erste was man gemacht hat sind Hierarchien abbauen. Also nicht ich zum Geschäftsleiter, Geschäftsleiter zu seinem Bereichsleiter zu einem Abteilungsleiter, sondern wir haben das durchbrochen. Wir haben eben diese Cluster Sitzungen gemacht, wo einfach alle kommen mussten hierarchieübergreifend bis zum Abteilungsleiter. Und das hat dazu geführt, dass das Bodenpersonal hier merkte was ich</p>	<p>The first thing we did, was break down hierarchies. So no longer from me to the cluster head, to the division head, to the department head. We just held these cluster meetings where everybody had to participate, across the hierarchy down to the department head. And this led to the ground staff noticing and understanding I really wanted, which does not mean that they then implemented it. (Managing</p>

eigentlich überhaupt will, was nicht heißt dass sie es dann umgesetzt haben.	director)
Als ich mich vorgestellt habe ich bin der neue Leiter MES wussten die Leute überhaupt nicht was eine Leitung MES ist und als ich gefragt habe kennen sie denn unser Geschäftsmodell, das war bis auf wenige Ausnahmen völlig unbekannt. Obwohl es auch publiziert oft auch benannt worden ist, oft auch weiter getragen worden ist, ist das wohl nicht so sagen wir einmal im Herzen angekommen, dass die Leute das verinnerlicht hätten. Das war die Situation ... in der Führung war alles da und auch sehr gut dargestellt und auch vorgegeben aber die Umsetzung nach unten auf die Arbeitsebene die hat nicht funktioniert.	When I introduced myself, I'm the new head of the MES, people did not know what MES management was and when I asked do you know our business model, that was with a few exceptions unknown. Although it had been published, often called, communicated often, it hadn't reached the hearts, people hadn't internalised it. That was the situation ... on the management level everything was there and also very well presented and well defined but implementation down to the working level did not work. (Head of MES)
Da ist vieles schon gelaufen aber der [neue Leiter MES] hat dann wirklich, das was in den Kaderköpfen war, dann auch am Boden noch durchgesetzt. Und das hat wieder einige Köpfe gekostet. Und jetzt sind wir dort, wo ich dachte, seien wir vor zweieinhalb Jahren schon gewesen oder zwei Jahren. Jetzt sind wir wirklich dort, dass das Business Modell unten umgesetzt wurde.	Much worked already well, but the [new] head of MES has really implemented on the ground what was in our management minds. And that cost again some heads. And now we are where I thought we were two and a half years ago or two years ago. Now we are really there that the business model has been implemented at the base. (Managing director)
Also das Business Modell haben wir nicht experimentiert. Das war mir klar, wie es sein muss. Aber im Einzelnen habe ich auch schon experimentiert. Macht es jetzt mehr Sinn in ein Chefarztsystem das MES zu führen oder macht es mehr Sinn in einem Anwaltskonzept mit Partnersystem zu funktionieren. Und das sind ja auch zwei Organisationsmodelle, da habe ich experimentiert ... dort habe ich ausprobiert und dann als ich gesehen habe, dass dieses Chefarztmodell mir eigentlich besser passt in diesen MES Systemen, in diesen Departmenten oder wir sagen jetzt in diesen Instituten habe ich das jetzt auch umgesetzt in der Anästhesie und in der Radiologie und in der inneren Medizin.	We have not experimented with the business model. That was clear to me, how it should be. But in detail, I have experimented. Does it make more sense to lead the MES as a chief physician system or does it make more sense in a partner system like a law firm. These are two different organisational models, which I experimented with ... there I tried and when I saw that this chief physician model actually fits better in this MES systems in these departments, or institutes as we call them now, I also implemented it in anaesthesia, radiology and inner medicine. (Managing director)
Wir haben dann auch verschiedene Bereiche noch einmal zusammen gefasst, weil wir viel	We then merged various areas together, because the management span was too

<p>zu breit aufgestellt waren. Das heißt es gab zu viele Einzelbereiche, die wiederum ihren eigenen Bereich, sagen wir mit einer Schutzmauer umgeben haben. Und um das aufzubrechen haben wir ganz bewusst Bereiche zusammengefasst. Wir haben zum Beispiel eine Pflegeabteilung gemacht, vorher gab es drei ... und die OP Pflege haben wir noch ergänzt um Abteilungen die sehr stark mit dem OP zusammenarbeiten. Also wir haben unterm Strich von 12 Bereichen sind wir auf 5 Bereiche zurückgegangen und haben dort jeweils eine Bereichsleitung implementiert die zum einen Mal unser Geschäftsmodell verstanden hat und auch bereit war und auch die Fähigkeit hatte ... dieses Geschäftsmodell auch umzusetzen.</p>	<p>wide. That means, there were too many individual areas, which had, let's say surrounded themselves with protective walls. And to break this up, we deliberately combined areas. We established for example a single nursing department, previously there were three ... and we added additional areas to OR care, which cooperate very strongly with the OR. So bottom line, we have reduced from 12 divisions to 5 and we filled the management positions with people who understood the business model, and were willing and capable to also implement this business model. (Head of MES)</p>
<p>Wir haben [den Belegärzten] gesagt, das ist unser Businessmodell, Belegärzte sind im zweiten Ring sind frei, wir organisieren uns über diese umbrellas, wir geben gewisse Sachen vor, aber die Zentren sind frei, sich zu entwickeln. Es hat bei den Belegärzten einen wahnsinnigen Vertrauensschub gegeben und vor allem nicht nur die Worte dieses Bild an die Wand zu projizieren, sondern tatsächliche auch diese Spezialisten in die Freiheit zu schicken und auch den kurzfristigen Verzicht hinzunehmen. Ich glaube, dass ist so ein Beispiel, dass man hier weiß, was man will, man glaubt an dieses Modell und lässt den Worten auch Taten folgen ... Wenn der Belegarzt in die eigene Tasche wirtschaftet und ist hochmotiviert, dann rechnet sich das am Ende für jeden. Sind vielleicht 200.000 EBITA [weniger], aber er ist motiviert, er performt besser, langfristig zahlt sich das aus. Es stärkt den Stand der Belegärzte, es motiviert die anderen Belegärzte, es ist einfach eine Systemtreue. Wir haben ein System und mit dem System sind wir erfolgreich und wir verzichten auf ein paar 100.000 kurzfristigen Gewinn im Dienste des Systems, weil das System als Ganzes dadurch gestärkt wird, es wird transparent.</p>	<p>We told [the private practitioners], that's our business model, affiliated doctors are in the second ring [of the circle model], they are free, we are organizing these umbrellas, we impose certain standards, but the centres are free to evolve. Telling them this, and also letting actions follow the words, not only presenting this picture, but really sending specialists into their freedom, and accepting the short term loss, created an insane boost in confidence. I believe that is an example that we know here what we want, we believe in this model and we put our money where our mouth is ... When the private practitioner lines his own pockets, he is highly motivated, at the end everybody benefits. [The clinic] maybe makes 200'000 EBITA [less], but he is motivated, he performs better, in the long term it pays off. It reinforces the status of the private practitioners, it motivates the other private practitioner, it's simply system fidelity. We have a system and with the system we are successful and we pass on some 100'000 short-term profit in the service of the system, because the system will be strengthened as a whole and it is transparent. (Former head of corporate</p>



	development)
Leute wurden entlassen, wo es nicht gepasst oder es gab ein neues Organigramm.	People were dismissed where it did not fit, or we introduced a new organisation chart. (Former head of corporate development)
Dann war der nächste Schritt eine übergeordnete Abteilung zu gründen, die nur für die Planung und Steuerung zuständig war. Also den gesamten Ablauf, die Ablaufprozesskette der Patientenbehandlung von vorne bis zur Entlassung organisiert, wir nennen das praktisch Eintrittsplanung über eine Patientendisposition und dann eine Patientenbetreuungs- und Austrittsplanung über ein Patientenmanagement.	Then the next step was to establish a superordinate department, which is responsible for planning and control. So the whole process, the workflow process of patient care from the beginning to discharging the patient, we call that entry planning, patient dispatch, medical care and discharge planning, through a patient management [function]. (Head of MES)
<p>Im Zusammenhang mit der Einführung der Hotellerie auf den Stationen musste das mit der Pflege natürlich ein Umdenken geben, dass man gemeinsame Synergien findet in der Zukunft und effektiv dann auch sagt, für was ist das Pflegepersonal in Zukunft zuständig und was macht dann die Hotellerie ... da braucht man eine gute Zusammenarbeit zwischen dem Hospitality and Facility Management und dem Bereichsleiter Pflege, um effektiv heraus zu kristallisieren ... was kann die Hotellerie der Pflege abnehmen, oder was kann der Einkauf der Pflege abnehmen, dass sie sich um das Pflegekonstrukt kümmern können, um sich nur noch ihrem Kerngeschäft in der Zukunft zu widmen.</p> <p>Die Hotellerie haben wir eingeführt in 2009. Das war ein Entwicklungsprozess, da hat man die Hotellerie mal gehabt aber die Pflege hat sich nicht angepasst ... Und da musste man effektiv mit Hochdruck dahinter sein ... und dass man der Pflege die Sachen wirklich weggenommen hat und in die Hotellerie einfließen lassen, damit das ... effektiv Kerngeschäft Pflege, Kerngeschäft Hotellerie und eine Zusammenarbeit entschieden, dass das einen effektiven Nutzen bringt auch für den Patienten.</p>	<p>In connection with the introduction of hospitality management on the wards, a mind set change was required from nursing staff, to find common synergies for future, and decide what are the responsibilities of nursing and what does hospitality management do ... you need a good collaboration between hospitality and facility management, the nursing division head, to define these responsibilities and also to say where can hospitality management support nursing, which activities can we take over, so that nursing can focus on their core business in the future. We introduced hospitality management in 2009. This was a development process. Initially we had hospitality management, but nursing did not adapt ... and we needed to work on this with high-pressure ... taking away task from nursing and letting them be done by hospitality management, so that ... we clearly have the core business hospitality management, the core business nursing, and a collaboration which brings value for the patient. (Head of hospitality and facility management)</p>
Wir haben früher hat es einen Rapport	We used to have a report given on Monday

<p>gegeben am Montag morgen und das war es und dann hat man die Leute zum Teil die ganze Woche nicht mehr gesehen. Wir haben jetzt einen Rapport, der immer um vier Uhr stattfindet, der kann fünf Minuten gehen, der kann in die Stunden gehen. Das ist glaube ich etwas, was sehr gut angekommen ist. Die Leute schätzen das, ist auch ein Forum, wo man irgendwelche aktuellen Probleme auf den Tisch legen kann. Dann machen wir eine regelmäßige Institutsaussprache, das ist immer ein Mal im Monat, wo einfach die Leute, die kommen können, die kommen. Und da wird zum Teil relativ heftig diskutiert, also es geht ein bisschen darum die Leute da mitzunehmen und zwar auch ein bisschen die strategischen Elemente, die wir uns überlegen, dass man das dort präsentiert. Die Leute kommen selber mit Themen wo sie finden und das geht so ein bisschen nach dem Motto kontinuierliche Verbesserung. Und ich glaube das ist auch gut, weil die Leute können dort ihre Inputs geben, sie können dort quasi den Gang der Dinge mit beeinflussen in welche Richtung wir schlussendlich dann eben auch gehen. Ich denke das ist sicher etwas das auch geschätzt wird von den Leuten.</p>	<p>morning and that was it, then you didn't meet people for the rest of the week. Now we have a [daily] report at 4 pm, which can last for 5 minutes or several hours. I believe this is well received. People appreciate it a lot, it's also a forum, where any actual issues can be brought on the table. Then we have a regular institute debates, that's once a month, where the people who can attend. We partially have harsh debates, the purpose is to involve people, also do present the strategic elements we [senior management] come up with. Then people also come with their topics, that's a bit under the theme of continuous improvement. And I think this good, as people can give their inputs, they can have influence the direction of things. I think this is surely something people appreciate a lot. (Head of anaesthesia and intensive care)</p>
<p>Das heißt wir haben begonnen in 2010, da haben wir dieses medizinische System debattiert, oder dieses Hybrid, quasi sind wir mit meinem Stellenantritt zu einem Institut geworden, wo die Mitarbeiter Angestellte wurden und seit da bewegt sich das und das ist auch am Anfang nicht optimal geflogen dieses medizinische System. Das hat auch damit zu tun gehabt dass dieses Stellenprofil einfach nicht ausgereift war ... die Aufgaben vom Direktor und von ihm waren noch relativ stark durchmischt, die Zuständigkeiten waren nicht ganz klar, aber er hatte denke ich in erster Linie Pflichten und keine Rechte. Ich denke mit dem Leiter des medizinischen Systems, den wir heute haben, der hat durchaus das Potenzial sich auch</p>	<p>We have started in 2010, to debate this medical system, or this hybrid, with my entrance we became an institute, where the doctors became employed, and since then we have been adapting the system, which in the beginning didn't work that well, this medical system. This was also due to the fact that the job description was not fully developed ... the tasks of the managing director and [the head of MES] were overlapping a lot, responsibilities were not clear, he had more duties than rights. I think with the head of MES we have today, he has also the potential to assert himself. (Head of anaesthesia and intensive care)</p>

durchzusetzen.	
<p>Das Modell, das System Hirslanden ist klar definiert ... um Ihnen das heute zu erklären ist das Modell eigentlich klar, es ist auch klar, wohin wir gehen, es ist auch klar, wie wir das auch finanziell managen usw., es ist auch klar, wie wir das von den Patientenströmen her managen. Also ich weiß nicht ob das heute eine Klinik so hinkriegt auf Direktionsstufe das Modell, wie wir arbeiten, das so aufzutragen, wie das heute bei uns der Fall ist.</p> <p>Also für uns als Manager ist das wirklich, jetzt auch für mich ist es das erste Mal, dass ich ein Handout habe, das man auf verschiedenen Folien hat, das kann ich heute irgendwo präsentieren gehen, als wenn sie gleich gut präsentieren mit dem selben Herzblut wie der [Direktor] selber. Erstens, weil wir überzeugt sind davon und zweitens, weil wir es einfach stark nach unten adressiert haben, die Prozesse dementsprechend angepasst haben.</p>	<p>The model, the Hirslanden system, is clearly defined ... to explain it to you today, it's actually clear, it is also clear where we are going, it is also clear how we manage it financially etc., it is also clear how we manage the flow of patients. I do not know whether today a clinic is capable on management level to work like we do today. For us as managers, that's really, now for me it is the first time that I have a hand-out, that I have it on several slides, I can go somewhere and present it, and as good, with the same passion as our director. First, because we are convinced, and second, because we have communicated it to the employees and we have adapted the processes. (Head of hospitality and facility management)</p>
<p>Das, muss ich sagen, war am Anfang relativ hartzig aber je mehr Sitzungen und je mehr Schnittstellen man diskutiert hat, desto besser ist das geworden ... am Anfang haben wir alles in der Hotellerie umgesetzt und dann fragen wir einfach ganz hübsch und nett, jetzt haben wir sehr viel angepasst in der Hotellerie und wo sind jetzt die Schnittstellenverbesserungen der Pflege, was kann man da noch tun? Und dann hat es effektiv eine Wende gegeben, dass das heute die Pflege eigentlich sehr positiv aufnimmt, dass sie Unterstützung des Personals gekriegt haben auf einem qualitativ hohen Niveau. Das muss man wirklich sagen, was sie realisiert haben, dass sie einfach ein bisschen schneller arbeiten. Und so hat man dann effektiv Synergien gekriegt, dass man heute nach gut vier Jahren kann man sagen, das was man wirklich haben wollte, heute ist es ein gut funktionierendes Konstrukt, was man aber effektiv sagen muss, das hat zwei Jahre intensive Arbeit gebraucht um das</p>	<p>That, I must say, was initially relatively cumbersome, but the more sessions and the more interfaces we discussed, the better it became ... at the beginning we implemented everything in hospitality management and then we asked nicely, now that we have done so much in hospitality management, what can nursing do? That was a turning point, where nursing began to see the high quality support from hospitality services as something very positive. They realised they can work a lot faster. And this way we achieved synergies, and today, after about 4 years, we can say that we have a well functioning construct, but that took 2 years of intensive work, also to do this in a humanly reasonable way, with appreciation and recognition and acceptance coming from both sides. (Head of hospitality and facility management)</p>

auch menschlich vernünftig auf das Tablett zu bringen, dass die Wertschätzung und die Anerkennung beidseitig auch akzeptiert werden kann.	
Die Mehrheit natürlich 10-15 andere Kaderleute oder 20 die hat man gecoacht, geteacht und die haben das dankbar angenommen bzw. das ist immer noch am Laufen.	The majority, of course, 10-15 other managers or 20 were coached, taught and they have gratefully accepted this and that is still running. (Former head of corporate development)
Und als wir dann die Führungsmannschaft aufgestellt haben dann sind wir dran gegangen haben die Abteilungsleitung ... haben wir die entsprechend mit den Bereichsleitern auf das Geschäftsmodell eingestimmt, haben sie auch weiter geschult, da fehlt einfach noch der Schulungsaufwand und jetzt sind wir ungefähr soweit, dass wir sagen können nach zweieinhalb Jahren dass in vier von fünf Bereichen die Mitarbeiterführung und auch praktisch bis auf die Teamleitungsebene herunter die Mitarbeiter das Geschäftsmodell verstanden haben und es auch mit uns gemeinsam umsetzen.	And as we had established the management structure, we went and attuned the department heads together with the division heads to the new business model, we trained them, there we're simply still missing training effort, but now after about two and a half years, we are at a point where four out of five divisions management and also team leaders have understood the business model and also implement it together with us. (Head of MES)
Konzeptionell sind wir sehr stark und wir sind auch sehr stark in dem Tagesgeschäft, im Behandeln von Patienten, aber die Umsetzung, dieser change Prozess, die Umsetzung von dem Konzept, das das etablierte Tagesgeschäft verändern kann, diese Übersetzungsarbeit müssen irgendwelche Leute machen, die zwischen Topmanagement und Mitarbeitern stehen, so in der Mitte als Übersetzer, change agents.	Conceptually, we are very strong and we are also very strong in the daily business, in treating patients, but the implementation of this change process, the implementation of the concept that can change the established daily business, this translation work must be done by people who are between top management and employees, so in the middle as a translator, change agents. (Former head of corporate development)
Ja, da haben wir noch Kader-Workshops, wo wir das weiter aufgearbeitet haben mit dem Kader weil irgenwann müssen wir das Kader auch ins Boot holen. Das Modell muss ja verstanden werden. Die Schritte, die wir sukzessive versuchen einzuleiten, da muss man frühzeitig das Kader abholen und dementsprechend lassen wir natürlich die Informationen aus den Bereichsleiterworkshops, die brechen wir nachher herunter ins Kader. Das nennen wir	And then we have also the [middle] management workshops, where we have further worked with management, because we needed to engage them at some point. The model must be understood [by them]. The steps we want to take, they need to be communicated soon enough to management, and accordingly we break down the information from the [top] management workshops to the middle management. We call these

Kaderkreativzirkel, von denen haben wir vier im Jahr. Und da werden solche Themen aufgegriffen, um das Kader am Boot zu holen und entsprechende Ideen auszuarbeiten.	“Kaderkreativzirkel” [creative middle management workshop], of which we do four per year, to engage middle management and develop ideas. (Head of hospitality and facility management)
Der Chefarzt in unserem System muss ja Dienstleister sein gegenüber den Chirurgen. In einem anderen System ist der Chefarzt nie Dienstleister.	The chief doctor in our system must be a service provider for the surgeon. In another system, the chief doctor is never a service provider. (Managing director)
Das hat am Anfang nicht so optimal funktioniert weil die Beschreibung wer hat welche Rechte und Pflichten – das war nicht ausgereift. Aber es braucht diese Schritte, dass die Prozesse und Strukturen vernünftig definiert sind und dass sich alle ein bisschen an gewisse Regeln halten ... Weil eben es sind viele Leute die hier sind, das sind hochqualifizierte Leute, wir haben natürlich eine ganze Reihe von Leuten die irgendwo Chefärzte gewesen sind.	It did not work optimally at first because the description of who has which rights and which obligations - that was not mature. But it takes these steps, that the processes and structures are reasonably defined and that everybody abides by certain rules ... because there are a lot of people who are here, who are highly qualified people, we have a whole bunch of people who have been chief physicians somewhere. (Head of anaesthesia and intensive care)
Und bei den Workshops, ... da müssen die Mitarbeiter aktiv mitmachen. Situationen werden dann auf den Stationen geschildert und dann tut man gemeinsam in Gruppen das dann ausarbeiten. Man spielt es durch und versucht die Verbesserungspotentiale gegenseitig widerzuspiegeln und da kommen natürlich auch Kritiken, wo man einfach sagt wieso gibt es nachts um zehn nicht noch die Möglichkeit Essen zu bestellenzum Beispiel. Und das sind dann genau die Themen, die nehmen wir dann auf und da wird entschieden, was man damit macht. Ich bin immer an den Workshops eine halbe Stunde nach der Einführung trete ich ein, ... und da kommt so ein bisschen Diskussion in die Fragen rein und da komme ich ein bisschen dazu. Im ersten Moment kann ich ein bisschen zuhören und da kann ich auch irgendwie ein bisschen einsteigen und den Spirit ein bisschen versuchen rüberzubringen und dann auch ein bisschen die Diskussion anzuregen. Und dann eben das letzte Mal hat einer gesagt, es wäre doch noch schön, wenn man irgendwelche	And at the workshops, ... employees must actively participate. Situations in the wards are portrayed, and then together they work on solving them. You play it through, trying to reflect the potential for improvement, giving each other feedback. And people raise issues, like for example, why can patients not order something to eat at 10 pm. And these are then exactly the issues that we take on and decided what to do with them. I'm always in the workshops, about half an hour after the introduction I enter, ... that's always the moment when the discussion starts to get going. First I listen, then I contribute a bit, I try to convey the spirit and to stimulate the discussion. And then just the last time, somebody said it would still be nice if we had any addresses where one could call and order something to eat at night, and we said, that's a great idea, let's do it. We then also publish these ideas and this feedback. (Head of hospitality and facility management)

<p>Adressen hätte, wo man anrufen könnte, wo man nachts auch etwas bestellen kann ... und dann haben wir gesagt, das ist eine super Idee, das machen wir. Das publizieren wir dann auch, wir publizieren das sind die Rückmeldungen.</p>	
<p>Und diese Umbrellas, die sind wir jetzt sehr stark ... am stützen, wir kommunizieren die immer wieder, also wir arbeiten mit diesen kleinen Icons, die setzen wir überall ein. Die haben wir jetzt dann auch auf der Website. Wir haben versucht die Struktur, diese Überbegriffen mit diesen Umbrellas quasi abzubilden und sagen da drunter fallen die und die Zentren und in diesen Zentren sind die und die Ärzte, damit es von außen einfacher wird, weil bei 500 Ärzten rausfinden, ok welcher ist jetzt genau der richtige Spezialist für was weiß ich, das ist ein bisschen schwierig.</p>	<p>And currently we support these umbrellas very strongly, we communicate them again and again, we work with these small icons, we use these everywhere. Also on the website. We tried to visualise the structure, the umbrellas and say under this umbrella you have these centres, and these doctors, so that from external it becomes easier, because with 500 doctors, to find out who is the specialist for a certain topic is a bit difficult. (Head of marketing)</p>
<p>Für die Zentren ist das eigentlich auch eine gute Sache. Sie wissen jetzt quasi wo sie dazu gehören. Also ich habe jetzt zum Beispiel belegärztliche Zentren besucht und hab mit denen auch Gespräche geführt und dann sind wir auch auf dies Umbrella Strategie eingegangen und ... grundsätzlich ist es eigentlich eine gute Sache, dass man da jetzt einmal aufgeräumt hat und da ein bisschen Struktur rein gebracht ... wir kommunizieren ja intern mit unseren Belegärzten, wir haben da verschiedene Tools mit unseren Belegärzten Newsletter und wir versuchen immer wirklich an dieser Struktur festzuhalten, dass das gelernt wird. Und mit denen habe ich dann direkt Gespräche geführt, habe es ihnen erklärt und sonst gibt es immer wieder so Informationsveranstaltungen, wo wir dann auch darauf eingehen. Und in unserem Ärzteverzeichnis, wo sie ja auch alle drinnen sind die Ärzte sehen sie natürlich auch diese Struktur immer wieder und lernen das dadurch auch. Also wir haben jetzt nicht wirklich breit angelegt eine Kampagne gemacht nach innen um das zu bekannt machen, das ist mehr so ein schleichendes</p>	<p>For centres it's actually a good thing. They now know where they belong. I have, for example, visited private practitioner centres and had discussions with and talked about the umbrella strategy, and ... basically it's actually a good thing that we have organised this clearly and created a structure, ... we communicate internally with our private practitioners, we have several tools, a private practitioner newsletter, and we try to hang on to this structure, so that it is learned. I spoke directly to them, and explained it ... and there are always so information events where we also highlight it. And our doctors' directory, where all doctors are listed, they always see this structure and learn it this way. So we have not really created a big internal campaign to make it known, it's more a subtle learning. (Head of marketing)</p>

Lernen.	
Mitarbeiterinfo, das ist wirklich zu einem Termin drei mal im Jahr, wo alle Mitarbeiter eingeladen werden, wo der Direktor etwas vorstellt, wo wir wirklich unsere Mitarbeiter ins Boot zum holen und zu informieren damit das auch verstanden und gelebt wird.	Staff Info that is three times a year, where all employees are invited, where the director presents something, where we really try to involve our employees, get them into the boat and inform them, so that it is understood and lived. (Head of marketing)
Ja, das war natürlich ein langwieriger Prozess. ... da müssen viele Gespräche stattfinden. Man muss das Bedürfnis von der Klinik klar machen können, damit man das versteht was wir wollen, warum wir es so wollen, man muss natürlich auch die Ängste bei den anderen abholen und bei den Ärzten, das war ein langwieriges Fach. Es gab auch Unruhen, es gab natürlich auch Abgänge, aber ich glaube jetzt hat sich das wirklich gut eingespielt.	Of course that was a lengthy process ... it required many conversations. You must be able to make the need of the clinic clear, in order to understand what we want, why we want it this way, of course you have to acknowledge the fears of the others and among physicians, that was a tedious subject. There was agitation, there were of course also leaves, but I think now it has come to rest. (Head of marketing)
Dieses Projektmanagement als Tool zur Unternehmensentwicklung, das hat bei uns jetzt seit zwei Jahren sehr stark Einfluss genommen und ist praktisch als Voraussetzung für jeden Veränderungsprozess festgeschrieben. Es wurden auch schon vor meiner Zeit Projekte gemacht, aber wie Projekte gemacht werden, die halt nicht regelmäßig gemonitort und von wirklich professionellen Projektmanagement gesteuert werden versanden die und werden häufig nicht umgesetzt. Und das wird sehr sehr strikt bei uns gemacht und wir haben das auch direkt an das Steering Board also an den Vorstand bei uns angedockt, also wir haben jede Woche eine Projektmanagementsitzung wo die Leiterin des Projektmanagements uns die einzelnen Projekte vorstellt und wir als Vorstand sind praktisch der Lenkungsausschuss für alle unternehmensrelevanten Projekte.	This project management as a tool for corporate development, has now taken strong influence since two years, and is practically enshrined as a precondition for any change process. There were already projects before my time, but how projects are managed that are not monitored regularly and not steered by really professional project managers, they come to nothing, that are not implemented. And that is done very rigorously with us, we have also connected the projects directly to the steering board, to the executive board. We have a project management meeting every week, where our head of project management presents every single project and we as executive board are the steering committee for all company wide projects. (Head of MES)
Ganz lehrbuchartiges Projektmanagement mit ... Meilensteinen, Verantwortlichkeiten, Terminen, Priorisierung, Projekte sind über die ganze Klinik klar, was ein Projekt ist, was eine Aktivität ist, was eine Maßnahme ist,	Very textbook-like project management with ... milestones, responsibilities, deadlines, prioritising, projects are clear all over the hospital, what is a project, what is an activity, what is a measure, we even

<p>wir haben sogar alle Maßnahmen, das sind Beschlüsse aus Sitzungsprotokollen, bei diesen zweitausend Mitarbeiter, die wir haben da gibt es sehr viele Sitzungen, die gehen in eine zentrale Maßnahmenliste ein. Also wir haben da ein wirklich ziemlich rigores Projektaktivität- und Maßnahmenmanagement.</p>	<p>have all measures which are decisions from meeting minutes, with two thousand employees there are a lot of meetings, they are put on a central list of measures. So we've got a really pretty rigorous project and activity management. (Managing director)</p>
<p>Diese Klinik die hatte sehr viel Potential, die Klinik hat ein exzellentes Management ... [der Direktor], der ein Visionär ist, der extrem gut und strikt strukturiert Dinge vorgibt, der aber nicht oder von wenigen nur verstanden worden ist, das war sein Problem und ich glaube da verstehen wir beide uns auch gut. Also so seine Visionen und seine Themen aufzunehmen und die dann auf die Arbeitsebene umzusetzen und dann eben dieses Tool Projektmanagement wirklich konsequent zu verfolgen für die Unternehmensentwicklung, das war das Erfolgsmodell. Ich halte das für einen ganz ganz entscheidender Grund, warum diese Klinik so schnell im change Prozess funktionieren kann. Ohne ein gutes Projektmanagement hätten wir das nicht geschafft.</p>	<p>This clinic had a lot of potential, the clinic has an excellent management ... [the director], who is a visionary who extremely well and strictly structures things, provides direction, but who is not understood by everybody or only a few, that was his problem and I think we both understand each other well. So as to take his vision and his topics and then to implement these on the working level and to use this tool project management really consistently to pursue the development of the company, that was the success model. I think that is a very, very important reason why this clinic can operate as fast in the change process. Without a good project management, we could not have done it. (Head of MES)</p>
<p>Interessanterweise hab ich auch nach einem Jahr bereits Leute in der Geschäftsleitung gehabt die waren vorher nur Projektmitarbeiter also insbesondere einer der war einfach Projektmitarbeiter. Der war einfach fähig für das, der hat quasi eine Blitzkarriere durchgestartet. Also um vielleicht eine Botschaft zu formulieren. Es ist glaube ich bei einer Geschäftsmodellentwicklung kommt es weniger darauf an auf das was die Leute in der Geschäftsleitung für Funktionen und professionelle Hintergründe haben, vielmehr kommt es mehr darauf an was sind das für Persönlichkeiten, sind die genug offen, sind das Leute die Persönlichkeiten sind, die intellektuell was auf der Platte haben und auch persönlich nicht festgefahren sind, und es kommt weniger darauf an ob das jetzt ein Ingenieur oder ein</p>	<p>Interestingly, after one year I had people in top management who were only employees in projects before, especially one person, he was only a project employee before. He was simply capable; he has done a fast track career. Maybe, to formulate a message. I believe in the case of developing a business model, it's less important which function or professional background people have, it's much more important what personalities they have, are they open enough, are these people with a certain intellect, are they not gridlocked, and it's less important whether they are a doctor, or psychotherapist, or nurse. We even have somebody from hospitality management in our management board. One could easily say, he doesn't have a clue of medicine. He's one of the few to have survived this. It's</p>



<p>Arzt ist oder ein Psychotherapeut oder ein Pfleger oder vielleicht sogar wir haben jemanden aus der Hotellerie also man könnte sagen der hat ja keine Ahnung von Medizin, aber der ist heute in der Geschäftsleitung. Das ist einer der wenigen der das überlebt hat. Ich glaube es ist eher eine Frage wie die Persönlichkeiten strukturiert sind und weniger was die für Hintergründe haben. Man muss mit Unsicherheiten umgehen können. Es gibt viele Unsicherheiten bei der Geschäftsmodellentwicklung.</p>	<p>more a question of how your personality is structured and less what your background is. One has to be able to deal with uncertainty. There are lots of uncertainties when it comes to business model development. (Managing director)</p>
<p>Zum Beispiel haben wir eine Mitarbeiterin gehabt, die den Bereich OP leitete, ... die hat super mitgemacht, bis sie gemerkt hat, dass man ja für den Bereich medizinisches System einen Arzt braucht. Da braucht man die Kompetenzen eines Arztes, ... man muss einfach Medizin studiert haben, ... wenn Sie dieses System leiten wollen. Und als sie das gemerkt hat, hat sie nur noch Opposition gemacht. Die musste ich rausstellen, eigentlich eine Top Mitarbeiterin, aber sie wollte einfach diese Leitung MES. Aber sie war nicht, sie war geschaffen dieses MES mitzugestalten, mitzubilden und mitzutragen, aber sie war nicht für diese Führungsposition geschaffen, weil ihr eine Kompetenz gefehlt hat und die ja einfach zwingend ist, um dieses System zu führen. Ja und bis sie dann diese Leute los haben, machen Sie natürlich auch eine Schleife. Die ist dann nicht gewollt, sondern die ist dann ungewollt, gehen Sie dann wieder retour.</p>	<p>For example, we had an employee who was in charge of OR, ... who participated extremely well, until she realised that it requires a doctor for the medical system. Because you need the expertise of a doctor ... you just have to have studied medicine, ... if you want to lead this system. The moment she realised this, she went into opposition. I had to fire her, actually a top employee, but she wanted to become head of MES. But she was not, she was suited to help shape and develop and sustain this MES, but she was not capable for this leadership position because she was missing a competence, which is simply mandatory to lead this system. And until you get rid of these people, you have to make several iterations, but they are not wanted, they are unintended. Yes and until then these people have going on, you of course also make a loop. Then you start again. (Managing director)</p>
<p>Das Hauptproblem war eigentlich die Leute zu finden, die diese Verantwortung zum Beispiel der Angestellten Generalisten tragen wollten.</p>	<p>The main problem was actually finding the people who wanted to carry this responsibility, for example, the employed generalist doctors. (Managing director)</p>
<p>Jetzt kann ich mir vorstellen dass es in der Geschäftsleitung wieder Änderungen geben wird. Ich will damit sagen, ein Business Modell Wechsel bedingt auch Wechsel im Personal. Das ist so. Die Leute die dann so hellbegeistert mitgemacht haben, das sind eigentlich komischerweise auch nicht die</p>	<p>Now I can imagine that there will be changes again in the executive committee. I mean, a business model change also requires change in personnel. That's so. Those people, who participated so enthusiastically, were strangely enough not the people who implemented it. That's</p>

<p>Leute, die es verankern. Das ist noch ein Drittel, da gibt es einen zum Beispiel der mir in den Sinn kommt, der ist unglaublich alert gewesen im ganzen Workshop und das, was er dann umgesetzt hat in seinem Bereich ist gleich null. Der hat einfach gerne entwickelt aber ungern dann die Leute in diese Richtung gemanagt und der den mussten wir jetzt ersetzen, das geht nicht so. Also den mussten wir einfach auf die Transferliste setzen entweder geht der irgendwo hin oder er kommt bei uns in eine Funktion wo man die Umsetzung nicht braucht. Also das ist jetzt der nächste Schritt ist eigentlich die Leute die fähig sind das zu konsolidieren auch zu bestimmen. Und die anderen nicht zu verlieren oder bewusst zu verlieren.</p>	<p>one-third, because there is a, for example, one person comes to mind, who has been incredibly alert throughout the workshops and what he then implemented into his department is equal to zero. He was simply enjoying the development, but was reluctant to manage his people in the needed direction. We had to replace him now, it doesn't work like this. We just put him on the transfer list, either he leaves or he goes to a function where you do not need to implement. So this is now the next step actually, to find the people who are able to consolidate. And not to lose the others, or deliberately lose them. (Managing director)</p>
<p>Neue Strukturen sind eingeführt worden, aber sie sind dann nicht gelebt worden. Leute auswechseln, neue Leute probieren, ob die es besser können, ob die sich durchsetzen können.</p>	<p>New structures were introduced, but they were not lived then. So we replaced the people, tried new people, and see whether they are better, whether they can assert themselves. (Head of corporate development)</p>
<p>In dieser Phase haben wir vieles umgesetzt, aber also auch auf organisatorischer Strukturebene und in Prozessen angedacht aber eigentlich wurde in der Basis das oben hat das, das hat alles gestimmt und so aber in der Basis fehlte dann am Bodenpersonal fehlte die Umsetzung. Es war dann im Kader irgendwie da, es war quasi wie eine Parallel, also wir haben in den Kaderkreisen so geredet, wir haben gemeint, das funktioniert dann auch am Boden so quasi am Patient, aber in Wirklichkeit war das nur ein Scheinbild. Im Kader da hat es funktioniert, aber unten hat man eigentlich dieses Umsetzen nicht hingekriegt. Die Anästhesie hat immer noch gemacht, was sie wollte, die Internisten auch. Und der Schritt gelang eigentlich erst mit der Rekrutierung [neuer Leiter MES], der dann alle diese Ideen knallhart jetzt eigentlich auf der Basis beginnt umzusetzen.</p>	<p>At this stage we implemented a lot, and also thought a lot about organisational structures and processes, but actually, at the base, at the top it was all very well, but at the base, with employees, the implementation was missing. It was somehow present at the top management level, it was like a parallel, we discussed these things on the management level, and thought that it worked on the ground, at the patient, but in reality that was only a simulacrum. It worked with management, but on the ground implementation did not work. Anaesthesia still did what they wanted, the internists as well. And this step actually succeeded only with the recruitment of [the new head of MES], who then only started to implement all these ideas at the base. (Managing director)</p>

<p>Also der erste Schritt war dann gewesen die Bereichsleitung so aufzustellen, dass sie zum ersten Mal das neue Geschäftsmodell kannten und danach in der Lage waren das Geschäftsmodell auch an ihre Mitarbeiter zu verkünden aber dann auch dahinter zu stehen und das auch umzusetzen und das haben nicht alle gepackt, einige konnten da nicht hinten dran stehen so dass wir in dieser Führungsebene einige Mitarbeiter verloren haben, die dann gegangen sind.</p>	<p>So the first step was then to set up the division management so that they first knew the new business model and then were able to communicate the business model also to their employees, and then also to stand behind it, as well as implement it. And not everybody was capable of doing this, some could just not support it, so that we lost some people on this management level, they left. (Head of MES)</p>
<p>... die Problemanalyse übergeordnet zu machen, voran hängt es und dann zu erkennen, dass es eher die obere Führungsebene war, die einfach so ein Informationsleck oder so eine Beharrlichkeit hatten hier über die Jahre und Veränderungsprozesse blockiert haben. Und da ist es dann auch schnell gelungen eins nach dem anderen entweder die Leute zu motivieren und die also mitzunehmen oder teilweise auch dann durch eine Personalentscheidung jemand anderes in diese Führungsposition zu stecken, das waren praktisch die Grundlagen ... ein Zirkel um sich aufzubauen mit denen zusammen, so etwas kann man nicht alleine machen, mit dem zusammen mal die gesamten Abteilungen im Hause zu strukturieren konnte</p>	<p>... to conduct a problem analysis and to realise that it was more to the upper management, who was an information bottle neck, or who had persistently blocked the change process over years. And then it was possible quite quickly to either motivate these people and to engage them or partially also through a staffing decision put somebody else on this management position. Those were the foundations, ... establishing a circle around oneself with whom one could jointly structure the departments. You can't do something like this on your own. (Head of MES)</p>
<p>Das Kreismodell war meine Idee und zwar kam diese Idee sehr früh und zufällig. Ich wollte einem Arztkollegen erklären was ich unter sicherer Medizin verstehe und habe den Patienten gezeichnet und rund herum einen Kreis mit der Pflege und den ärztlichen Dienstleistern bei denen ich unbedingt als Direktor Weisungsrechte wollte zwecks Durchsetzung eines hohen Sicherheitsstandards und Dienstleistungsqualität für die Spezialisten. Das war quasi zufällig und der Start für das Kreismodell.</p>	<p>The circle model was my idea and this idea came very early and accidentally. I wanted to explain a doctor colleague what I mean by safe medicine and drew the patient and all around a circle with patient care and the medical services that I wanted to have authority to give directives over, so that I could enforce high standards of safety and service quality for the specialists. That was almost by accident and the start of the circuit model. (Managing director)</p>

## Trumpf

Prof. Leibinger kam dann irgendwann 2000 zurück aus dem Aufsichtsrat von BMW, der war zu derzeit im Aufsichtsrat von BMW und hat gesehen, was die Autobanken mit Absatzfinanzierung machen und hat gesagt so was will ich auch haben. Das war im Prinzip so der Anstoß innerhalb von Trumpf, also vom Topmanagement kommend, möchte ich auch haben.	Prof. Leibinger came, sometime in 2000, back from the Supervisory Board of BMW, he was a member of the supervisory board at the time, where he saw what the automotive financial service companies do to foster sales and has 'I want to have this too'. That was, in principle, the impetus within Trumpf, coming from top management, 'I want to have this too'. (Managing director Trumpf Financial Services)
Und Trumpf ist auf dieses Thema Gründung einer eigenen Leasinggesellschaft gekommen, als Herr Leibinger im BMW Aufsichtsrat war. Als unser damaliger CFO, einer meiner Vorgänger, gesagt bekommen hat Du prüfst jetzt die Gründung einer eigenen Leasinggesellschaft.	And Trumpf has come to this topic, establishing its own leasing company, while Mr Leibinger was on the Supervisory Board of BMW. When our former CFO, one of my predecessors, was told 'You have to check the establishment of our own leasing company'. (CFO Trumpf)
Das Modell war ja relativ klar, man stellt eine Maschine hin und kriegt dann über vier Jahre das Geld zurück. Das ist vom Geschäftsmodell das trivialste.	The model was indeed relatively clear, you place a machine and get your money back over the course of four years. The business model is most trivial. (CFO Trumpf)
Aber wir hatten keine Ahnung, erstens habe ich schon gesagt über die Verträge, aber auch wie man solche Verträge verwaltet.	But we had no idea, first of all as I said, about the contracts, but also how to manage such contracts. (CFO Trumpf)
Man muss sich das vorstellen, da kommt der Inhaber und sagt möchte ich auch haben und die darin involvierten Führungskräfte kaufmännische Bereiche, Werkzeugmaschinen, die haben damit nichts am Hut. Die kennen sich darin nicht aus. Also es war geprägt durch Unsicherheit.	You have to imagine, the owner comes and says I want to have this too [Financial services], and the involved managers, the commercial functions, machine tools [producers], they do not know anything about financial services. So it was marked by uncertainty. (Managing director Trumpf Financial Services)
Also es war diese Phase, wo man einfach keine Ahnung hatte, was mache ich eigentlich mit diesem Tool, mit dieser Gesellschaft.	So it was this phase where one just had no idea what am I supposed to do with this tool, with this company. (Managing director Trumpf Financial Services)
Also da kuckt man mal, probiert mal, was ist das überhaupt Leasing, wie fühlt sich das an, was kann ich da tun, wenn ich so etwas selbst aufbaue, was brauche ich für Tools dazu, was brauche ich für Mitarbeiter dazu, welches Know-How brauche ich dazu.	So you start trying, what is leasing, how does it feel like, what can I do with it, if I build this myself, what tools do I need, which employees, which know-how do I need. (Managing director Trumpf Financial Services)

Das wurde bei externen Firmen gemacht.	We outsourced [accounting of the financial service contracts]. (Managing director Trumpf Financial Services)
Aber wir hatten keine Ahnung, wie man solche Verträge verwaltet. Das heißt wir haben am Anfang deshalb die gesamte Verwaltung outgesourct. Wir hatten intern nur zwei Leute, ... später kam dann noch eine Mitarbeiterin dazu als das Volumen ein bisschen größer wurde, aber die war mehr verkäuferisch unterwegs, also die haben dann die Kunden gemacht, ... und die gesamte Verwaltung, Vertragsverwaltung, Zahlungsverkehr, Verbuchen der Leasingraten, die da eingegangen sind usw. bis hin zur Bilanzerstellung am Ende des Jahres, das hat die Outsourcing Firma gemacht. Und so hat das halt klein angefangen und sukzessive gewachsen.	But we had no idea how to manage such contracts. Therefore we outsourced the entire administration at the beginning. We had internally only two people ... later came another staff member as the volume grew, but they were focusing on sales, visiting the customers, ... and the entire administration, contract management, payments, accounting of leasing payments received, etc. up to establishing the annual report at the end of the year, all this was done by the outsourcing partner. And so it just started small and grew successively. (CFO Trumpf)
Und das war ein Prozess, der war sehr langwierig, ging langsam, weil man einfach kein Gefühl dafür hatte. Wir haben die Erfahrung gesammelt, wir wissen jetzt was wir da tun. Wir haben ein Gefühl dafür entwickelt und sind jetzt bereit den nächsten Schritt zu wagen. Das hängt sehr stark damit zusammen mit was für Erfahrungen habe ich gemacht.	It was a tedious, long and slow process, because we didn't have a feeling for it. We have accumulated the experience; we now know what we are doing. We have developed a feeling for it and are now ready to take the next step. It is very strongly related to the experiences one has made. (Managing director Trumpf Financial Services)
Auf einmal hat die Leasinggesellschaft keine Verluste produziert, sondern wir hatten einen Umsatz von 30 Mio. mehr in der Gruppe, wir hatten auf einmal 2,7 Mio. Ertrag anstatt einer Mio. negativ, also das Ganze war auf einmal von schwarz auf weiß gedreht. Und da hat man dann relativ schnell gemerkt, dass so etwas auch Spaß machen kann. Als man kann mit so einem Tool ja diverse andere Sachen auch machen.	Suddenly the leasing company had no more losses, but we had a turnover of 30 million more in the group, we had a profit of 2.7 million, instead of a negative result. So the whole thing was turned from black to white. People realised this could be fun and what possibilities it [financial services] offers. (Managing director Trumpf Financial Services)
Man hat mehrere Komplexe. Ich verkaufe eine Maschine für 100, wenn ich die an den Dritten verkaufe und die wird vom Dritten finanziert, habe ich 100 Umsatzerlöse, zeigt meinen Ertrag usw. Wenn ich eine interne Gesellschaft habe, verkaufe die Maschine zu 100 an einen Kunden, die interne Gesellschaft tritt in die Finanzierung ein,	You have several complexes. I sell a machine for 100, if I sell to the third party and it is financed by a third party, I have 100 sales revenue, I can show my earnings, etc. I have an internal company selling the machine at 100 to a customer, the internal company does the funding, I have manufacturing cost in my P & L, but have

<p>habe ich Herstellungskosten in meiner GuV, habe aber keinen Umsatz, habe keinen Ertrag, der kommt über 5 Jahre ... ich muss die Maschine abschreiben. Also ich hab noch mehr Kosten drinnen, ja also viele Komponenten und das ist natürlich dann da geht so eine Leasinggesellschaft zuerst mal in die roten Zahlen mit dieser Struktur, wenn ich's auf der Bilanz drauf behalte. Die Bilanz wird verlängert, Eigenkapitalpositionen werden verkürzt usw., also der ganze Komplex.</p>	<p>no sales, have no income, which comes over 5 years, ... I have to depreciate the machine. So I have even more cost, so many components and that of course leads to a leasing company showing negative numbers in the beginning with this structure, if I keep on the balance sheet. The balance sheet is extended, equity is shortened etc., so this whole complex. (Managing director Trumpf Financial Services)</p>
<p>Am Anfang war es halt so, dass wir noch einen [Finanzierungs-] Partner ... hatte. Allerdings hat es Probleme mit denen gegeben, weil die hohe Zinsen genommen haben von unseren Kunden aber das Risiko auf uns abgewälzt haben. Es gab da eine Rückkaufvereinbarung und Sicherheiten usw. und irgendwann haben wir dann gesagt es kann nicht sein, dass die den Spaß haben und wir das Risiko, das müssen wir irgendwann einmal umkehren und da die aber etwas hartleidig waren in den Diskussionen haben wir sukzessive angefangen die dann aus der Region rauszudrängen, das war nicht einfach, weil unsere Vertriebsleute in den Regionen natürlich gewöhnt waren mit ihren jeweiligen Leuten in der Region gut zusammenarbeiten. Auf jeden Fall war es am Anfang etwas zäh unsere Finanzierungsthemen da durchzusetzen ... Und am Anfang haben wir die gesamte Refinanzierung aus dem Haus betrieben. Das heißt das Geld kam von Trumpf, was dann halt für die Finanzierung eingesetzt wurde.</p>	<p>At first it was the way that we still had a [financing] partner .... However, there were problems with them, because they took high interests from our customers, but passed the risk to us. There were a repurchase agreement and collateral, etc. and at some point we said, it cannot be that they have all the fun and we the risk, we have to turn this around. And because they were a bit difficult to discuss with, we started to push them out of the regions. That wasn't easy at first, because our sales people were used to working with them in the regions. Anyway, it was a bit tough to introduce our financing topics at the beginning. And in the beginning we did the financing in-house. Meaning the money came from Trumpf, which was then just used for financing. (CFO Trumpf)</p>
<p>Wir konnten uns mit der [externen Finanzierungsgesellschaft] nicht einigen, wie flexibel man diese Thematik im Backoffice handhaben konnte. Wir haben kleine Kunden, diese kleinen Kunden die verdienen mal viel Geld. Manchmal verdienen sie etwas weniger, dann setzen sie einmal mit einer Rate aus. Wir haben am Anfang oftmals auch technische Probleme mit unseren Maschinen, ... und manchmal</p>	<p>We couldn't agree with the [external financing company] how flexible they could handle this issue in the back office. We have small customers, sometimes these small customer earn a lot of money. Sometimes they earn a little less, and then they defer a payment. Often we have at the beginning also technical problems with our machines, ... and sometimes also in the middle, and then the customer says, that's</p>

<p>zwischendrin auch nicht so ganz richtig, und dann sagt der, das ist doch Euer Problem, dann zahle ich halt nicht und dann kommt man halt in Diskussion und das muss man dann rückwärts abbilden.</p>	<p>your problem, I do not pay, and then have these discussions and you have to adapt in the backend. (CFO Trumpf)</p>
<p>Und das war dann der Startschuss, der [ehemaliger CFO] hat das geprüft, der hat dann also die verschiedenen Modelle geprüft, hat mit verschiedenen Leasingfirmen gesprochen, hat verschiedene andere Unternehmen, die bereits in diesem Thema Absatzfinanzierung unterwegs waren, ... besucht und hat ein Modell ausgearbeitet, dass dann letztendlich in der Gründung unserer Financial Services gemündet ist.</p>	<p>And that was the starting point, the [former CFO] examined various models, spoke to several leasing companies, visited several other companies who were already doing sales financing, ... and has elaborated a model that eventually led to the establishment of our Financial Services. (CFO Trumpf)</p>
<p>Man muss wirklich, ... quasi rund um die Uhr, also wirklich mit manchmal nur kurzen Unterbrechungen, dass wir immer dann wenn der Vertrieb die Notwendigkeit, den Bedarf hatte an Beratung, sei es er selbst oder sei es beim Kundengespräch und wir sitzen manchmal dann morgens um 7 Uhr beim Kunden, manchmal abends um 9 Uhr beim Kunden oder um 11 Uhr beim Kunden. Da muss man präsent sein, wenn die merken aha da ist jemand der unterstützt mich bei meinem Verkauf und unterstützt mich dann, wenn ich das auch brauche, wenn ich da bin und es ist jetzt keiner der irgendwo sitzt und um 8 Uhr morgens kommt und um 5 Uhr mittags geht. Sie müssen halt wirklich zeigen, wenn Du uns brauchst sind wir da.</p>	<p>You really have to ... virtually around the clock, so really with sometimes only short interruptions, we were always present when sales had the need, the requirement for advice, either sales itself or at the customer meeting, sometimes we sit at the customer at 7 clock in the morning, sometimes at 9 clock in the evening at the customer or at 11 clock. So you have to be present, when they notice aha there is someone who supports me in my sales and supports me when I need it when I'm here and it's not somebody sitting somewhere from 8 clock in the morning and leaves at 5. You must just really demonstrate, when you need us we are there. (Managing director Trumpf Financial Services)</p>
<p>Ja, wir werden den Weg da gehen, relativ zügig. Wir machen jetzt Cross-Border Geschäfte in den Niederlanden, in Großbritannien, in Dänemark, in Frankreich, Tschechien von Deutschland aus. Wir werden das ausbauen ... wir ein breiteres Spektrum anbieten können, also wir können den Markt besser bedienen.</p>	<p>Yes, we will continue to go this way, relatively quickly. We now make cross-border transactions in the Netherlands, UK, Denmark, France, the Czech Republic from Germany. We will expand this ... we can offer a wider range [of products and services], so we can serve the market better. (Managing director Trumpf Financial Services)</p>
<p>Wir haben dann gesagt dieses Modell, dass wir hier haben ist sehr erfolgreich. Wir sollten das internationalisieren. Wir haben gesagt wir müssen uns irgendein Vehikel</p>	<p>We said, this model that we have here is very successful. We should internationalise it. We said we have to develop a vehicle, how we can internationalise this German</p>

<p>überlegen, wie wir dieses deutsche Modell internationalisieren. Das haben wir gemacht indem wir eine zweite Gesellschaft gegründet haben, eine Leasinggesellschaft in der Schweiz und diese Leasinggesellschaft soll zum einen den Schweizer Markt abdecken, der allerdings überschaubar ist und cross-border machen.</p>	<p>model. We did that by establishing a second company, a leasing company in Switzerland and this leasing company should cover the Swiss market, which is, however, manageable, and make cross-border. (CFO Trumpf)</p>
<p>Das steht und fällt mit der Person, die das Thema getrieben hat. Mit dem Herrn [Geschäftsführer] eindeutig. Der hat wirklich eine super Leistung da gebracht. Der war auch stur genug sich gegen die Vertriebler durchzusetzen. Manchmal muss man das auch sein und der hat es wirklich geschafft da eine Mannschaft aufzubauen, die hoch kompetent ist und diese Themen mit Engagement macht. Der hat auch eine gewisse Glaubwürdigkeit gegen unseren Vertrieb und intern und das ist ganz wichtig. Wenn da irgendeiner ist, der irgendwo, ja wie soll ich sagen, ein bisschen schwammig daherkommt, dann läuft das Ding nicht. Und das hat er wirklich hervorragend geschafft. Wir hatten einen Vorgänger von ihm, von dem mussten wir uns trennen, weil der eben genau dieses Standing sich nicht erwerben konnte. Da gehören immer nur kleine Dinge dazu, die dann plötzlich den Mann in Frage stellen und wenn das fehlt, haben Sie keine Chance.</p>	<p>This rises and falls with the person who has driven the topic. Clearly with the [managing director]. He has really shown a great performance. He was also stubborn enough to stand up to the sales people. Sometimes you have to be stubborn and he has really managed to build a team that is highly competent and does this topic with commitment. Has also has a certain credibility with our sales and internally and that's very important. If you have somebody, who is, how should I say, a bit vague, then it's not working. And he has really done an outstanding job. We had a predecessor, whom we had to let go, because he was not capable of establishing this standing. It only requires small things, which suddenly lead to questioning the man, and if something is missing, you have no chance. (CFO Trumpf)</p>
<p>Das ist glaube ich ein wichtiger Moment, dass man dieses Fachwissen, ... ,Financial Services, dass man das nicht, man kann das ja zurückhalten ..., dass man das wirklich teilt, dass man die Information teilt und das ganze offen macht. Das gibt in so einem Prozess, in dem wir gerade drin sind, den Kollegen, egal auf welcher Ebene das Gefühl, das ist greifbar, das ist offen, das liegt offen. Also das ist nicht irgendwo eine blackbox und wir wissen nicht, was dabei rauskommt. Also wir haben diverse Handbücher, die wir fortschreiben. Ich glaube auch da sind wir relativ weit vorne in der Gruppe, wir haben überlegt wie können wir diese Handbücher und dieses Wissen, das was wir da haben,</p>	<p>It is I think an important moment, to share all this expert knowledge and information, [about] financial services, and to make it openly accessible. One could easily withhold it. Sharing it, gives the colleagues, irrespective of their hierarchical level, the feeling, this is tangible, this is transparent. This is not some kind of black box, and we don't know what the outcome is. So we have various manuals that we continue to develop and update. I also believe that we are a first mover in the group. We thought about how we can make these manuals and this knowledge that what we have, available. At some point there are limits, eventually you can no longer grasp</p>



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aufbereiten. Irgendwann ist man da begrenzt, irgendwann kann man es nicht mehr fassen, man weiß nicht mehr wo finde ich was und wer weiß überhaupt was. Wir werden jetzt, ... ein IT Tool aufsetzen.	everything, you do not know where I can find what and who knows what. We are now setting up an IT tool. (Managing director Trumpf Financial Services)
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**Isovolta**

Die Marge war bedeutend anders als zum bisherigen Geschäft und das war dann wie gesagt der Anlass, dass unser damaliger Geschäftsfeldleiter gesagt hat wenn das so gut funktioniert und wenn ihr das so gut könnt offensichtlich, da muss es doch auch andere Hersteller noch geben, in dem Bereich.	The margin was significantly different [i.e., higher] from the other business and that was the reason that our former business unit manager said if this works so well, and if you do so well, there have to be other manufactures [i.e., potential customers], in this business area. (VP research and development)
Die Erfolge waren eigentlich relativ rasch da und es war von Haus aus klar, dass wenn wir es gut machen, dass es auch ein gutes Geschäft sein kann, also die Karotte war groß genug.	The successes were actually there relatively quickly and it was clear from the beginning that if we do it well, it can be a good business, so was the carrot big enough. (COO Isovolta)
Diese Flexibilität, diese Geschwindigkeit kann man als Business Model Innovation sehen, weil man sich darauf einstellen muss.	This flexibility, this speed, this can be seen as a business model innovation, because you have to adapt to it. (VP research and development)
Also von daher ganz andere Anforderungen, wesentlich kürzere Produktlebenszyklen, Projektgeschäft, kein Standardgeschäft.	So therefore completely different requirements, much shorter product life cycles, project business, not standard business. (VP research and development)
Das ist radikal anders, also man muss extrem schnell auf Kundenwünsche reagieren, die verlangen innerhalb von zwei Tagen von einer Zeichnung einen Prototypen.	This is radically different, you have to react extremely quickly to customer requests, the ask you to develop a prototype based on a drawing within two days. (VP research and development)
Das Geschäft an sich ein anderes ist. Das soll heißen es ist ein eigentlich de facto Projektgeschäft wo wer auch immer welche Anwendung auch immer gerade haben will, dafür gibt es einen Auftrag und es ist nicht so, dass man nur weil man einen Auftrag bekommt in irgendeiner Form einen Rückschluss ziehen kann, dass man den nächsten auch bekommt. Das ist wesentlich anders [zu unseren anderen Geschäften].	The business itself is another. That is to say it is a really de facto project business where anyone who wants to have an application, there is a contract, and just because you get this contract, does not mean you will receive the next one as well. This is significantly different [from our other businesses]. (COO)
Sehr schnelllebiges Geschäft. Kfr. Schnellere Phasen, Aggressiver Markt. Man muss flexibel sein, um mitspielen zu können.	It's a very fast-moving business, shorter, faster phases, aggressive market. You have to be flexible in order to compete. (Head of procurement)
Wir haben nicht gewusst, wie funktioniert das in großem Stil. Also die kleinen Mengen,	We did not know how it works on a large scale. We were able to handle the small

die haben wir schon geschafft.	volumes. (VP research and development)
Wie die zwei Jahre vorüber gegangen sind, haben wir dann angefangen eben an die Firma NXP zu bemustern und die waren damals mit 50-60% vom Weltmarktanteil mit Abstand die größten ... Die haben gesehen wir wollen und wir können, wir haben neue Ideen, wir können neue Ideen umsetzen ... und wir zeigen uns flexibler als der Konkurrent. Das war damals eben schon der erste Anlassfall und ab diesem Zeitpunkt waren wir dann eigentlich erster Ansprechpartner für neue Projekte bei der Firma NXP. Dann hat sich das eigentlich schneller angefangen zu drehen das Rad und eines hat das andere ergeben.	Once the two years had passed, we started to provide samples to the company NXP, with a market share of 50-60% they were by far the largest at that time. They saw that we wanted, we can, we have new ideas, we can implement new ideas ... and we are more flexible than the competitor. That was the first case and from that point onwards we were actually the first contact for new projects at the company NXP. Then the wheel started turning faster and one thing led to another. (VP research and development)
Mit denen sind wir dann in Kontakt getreten und die waren auch sehr interessiert. Es sind drei, vier große, die wir dann identifiziert haben und die wir ganz einfach kontaktiert haben, um Besuch gebeten haben, uns präsentiert haben mit unseren Produkten und eigentlich durchaus gleich auf Aufmerksamkeit gestoßen sind.	We contacted those [potential customers] and they were very interested. There are three or four large [customers], which we identified, and we got in touch with them, ask whether we could present ourselves with our products, and we immediately raised there interest. (VP research and development)
Wir kommen und sagen das bekommt ihr gratis und das bekommt ihr morgen und übermorgen, da war natürlich die Begeisterung groß. Das waren sie nicht gewohnt. Das war unser großer Vorteil, also wirklich diese Flexibilität im Auftreten und im Kundenservice. Mit neuen Ideen und auch versucht mit neuen Ideen Fuß zu fassen und das schnell und das hat uns eigentlich abgehoben vom damaligen Konkurrenten.	We came and said you'll get this for free and you'll get this tomorrow or the day after, the enthusiasm was of course high. They [customers] were not accustomed to this. That was our big advantage, so really this flexibility in appearance and customer service. With new ideas and trying new ideas to take root and rapidly and that has differentiated us from our competitors. (VP research and development)
Da kommt man dann rein, da wird es interessant, dann lernt man dazu. Und dann kann man natürlich weiterentwickeln, wenn man weiß um was es geht. Dann ist der nächste Schritt, werden wir größer, ... fassen wir Fuß in dem Bereich und mit der Erfahrung, mit dem Wissen auf was es ankommt, was die Kernkriterien sind, kann man dann auch sich weiterentwickeln...	You get in, and then it becomes interesting, you learn. And then you can continue to develop of course, if you know what's important. Then the next step, we get bigger, ... we gain a foothold in the area and with the experience, with the knowledge of what is important, what the core criteria are, you can then also evolve...VP research and development)
Dann ging eigentlich der Prozess intern los	Then actually the internal process, these

also diese Adaptierungen, flexiblere Produktion, die genaueren Qualitätskontrollen, flexibler Reagieren in der Entwicklung usw. also dieses Reagieren auf diese Schnelligkeit das hat eine Zeit gedauert	adaptations, started, more flexible production, better quality control, reacting more flexibly in research and development and so on. So responding to this speed, that took some time.  (VP research and development)
Die ersten Versuche gefahren wurden und aus diesen Versuchen ist halt dann in mühevoller Kleinarbeit so etwas wie ein Prototypenmaterial entstanden, das dann immer wieder weiter getestet wurde, immer wieder die Produktion weiter angepasst wurde bis irgendwann einmal das Material so war, dass es für diesen Kunden gepasst hat und er ist dann auf unser Material umgestiegen.	The first tests were run and from these experiments, something like a prototype material developed in painful legwork, which was then tested again and again, again and again, production was further adjusted until someday the material suited the customer's needs and he switched to our material. (COO Isovolta)
Und als wir uns damit laufen gelernt haben und NXP dann wirklich im Griff hatten ... als wir uns da sicherer gefühlt haben, haben wir dann die nächsten Schritte nach Asien gemacht.	And, as we have learned to run with it and had NXP [the first customer] really under control ... as we felt as safe, we made the next steps to Asia. (VP research and development)
Wir haben einfach im Laufe des Projektes gelernt wie das ganze Ding funktioniert und es war wirklich ein ständiges Lernen.	We simply had to learn during the course of the project how this whole thing works and it really was continuous learning. (VP research and development)
Es waren dann glaube ich 300 kg in der Woche, das war schon eine Riesenmenge. Das war schon unvorstellbar, zuerst haben wir von 50 kg die Woche geträumt und dann waren es 200 kg, dann war es knapp eine Tonne pro Woche und das war Wahnsinn.	It was then I think 300 kg in the week, that was a huge amount. That was unthinkable, first we dreamed of 50 kg a week and then it was 200 kg then it was a ton a week and that was madness. (VP research and development)
Mit diesen größeren Mengen, haben wir das dann gelernt und dann wurde das dann intern erst ernst genommen das Geschäft also da steht wirklich was dahinter, die spinnen nicht nur. Als wir uns da sicherer gefühlt haben, haben wir dann die nächsten Schritte nach Asien gemacht.	With these larger amounts we learned how to do it and the business got taken seriously internally, there was serious business to be made, they are not completely bonkers. As we felt safer, we made the next steps to Asia. (VP research and development)
Wie die ersten Regulärlieferungen losgegangen sind, das war eine komplett andere Welt auch an Qualitätsanforderungen. Wenn man bei Elektroisolistoffen einen Messwert machen muss und den dann ins Werkszeugnis einträgt, muss man bei denen	As the first regular deliveries went off, that was a completely different world, also regarding quality requirements. Whereas for electrical insulating materials you need to do a single measurement and enter it into the test certificate, here you have to provide statistics, a distribution curve and

eine Statistik liefern also eine Verteilungskurve und das ist natürlich auch eine neue Anforderung.	that was of course a new request. (VP research and development)
Nicht ohne Widerstände, also diese Umstellung zum Beispiel in der Produktionsplanung von diesem relativ nicht komplett starr, aber von dieser starren Wochenplanung hin zu einem relativ flexiblen Umgang mit Produkten und das machen wir jetzt nicht morgen, sondern ziehen wir heute noch rein. Also das war schon ein Umdenkprozess und ist natürlich aufwändiger und mühsamer, ist ganz klar. Aber es ist notwendig und funktioniert mittlerweile.	Not without resistance, so this change, for example in the production planning from this relatively not completely rigid, but this rigid weekly planning towards a relatively flexible handling of products and we will not do this tomorrow, but we do it still today. This was a change of thinking and mindset, which was of course So that was a process of rethinking and which was of course time consuming and tedious, that's clear. But it was necessary and does work in the mean time. (VP research and development)
In der Produktion sind wir eigentlich am Anfang mit der Regulärproduktion mitgelaufen auf der alten, auf der zur Verfügung stehenden Maschine, mehr schlecht als recht, ist eigentlich verwunderlich nach wie vor, dass das so gut funktioniert hat. Was dann schon schwierig war eben, dass man die Produktionsplanung wie zuerst erwähnt diese flexible Produktionsplanung mit der konservativen, die auf der gleichen Maschine parallel eingebettet, dass man das unter einen Hut bekommen hat. Das war sehr aufwändig. Das hat dann eben auch zu den Diskussionen geführt Wochenplan, 14 Tages-Plan mit der Flexibilität, das hat nicht funktioniert, das hat nicht zusammengepasst. Das war eigentlich der nächste Schritt, dass wir das Verständnis schaffen haben müssen, dass man da sehr flexibel reagieren muss, dass eben diese Idee des starren Wochenplans, dass das für dieses Modell nicht funktioniert.	In production, we actually run with the regular production, on the old, on the available machine, more bad than good, it is actually still surprising that it worked so well. What was difficult was this production planning as mentioned before, to align this flexible production planning with the conservative one, on the same machine. This was very time-consuming. This then also led to the discussion that weekly schedules, 14-day plans with the flexibility, that did not work, that did not fit together. That was actually the next step, that we needed to create an understanding that we need to react very flexibly and that this idea of a rigid weekly plan, that this does not work for this model. (VP research and development)
Es war nicht einfach. Gerade wenn man noch einmal zurück kommt auf den Punkt Arbeitsvorbereitung. Diese flexible Planung, das waren harte Diskussionen, das kann nicht funktionieren und ihr seid wahnsinnig, das ist alles ein Durcheinander. Das war schon mühselig, also keinen Vorwurf an die	It was not easy. Especially if we come back to this point of work preparation. This flexible planning, these were tough discussions, this cannot work, and you're mad, that's all a mess. That was tedious, no reproach to the colleagues. It's really, it's two different worlds and to achieve this

Kollegen. Es ist wirklich, es sind zwei verschiedene Welten und diesen Übergang zu schaffen, dass das nicht von heute auf morgen geht, das war uns bewusst. Das war mühselig, ja.	transition, we were aware that this could not be done from today to tomorrow. That was troublesome, yes. (COO Isovolta)
Das war sehr sehr tiefe gemeinsame Entwicklung mit dem Kunden. Also das ist es eigentlich, wirklich gemeinsame Entwicklung, nämlich nicht mehr nur Produktionsbegleitung, sondern wirklich gemeinsame Entwicklung mit dem Kunden.	That was very very deep joint development with customers. So it was really, a joint development, not only production support, but really joint development with customers. (COO Isovolta)
Wir haben ein anderes System der Produktionsplanung, wo im Kerngeschäft Produktionspläne oft in den nächsten 2-3 Wochen schon fixiert sind, meistens auch nicht überarbeitet werden oder nur gering ist es in dem Bereich so, dass wir da nur für die nächste Woche planen und das wird meistens dann vielleicht noch einmal umgeschmissen. Also da sind wir extrem flexibel geworden in der Produktionsplanung.	We have a different system in production planning, whereas in our core business we have fixed production plans for the next 2-3 weeks, which are usually not changed or only a little, here we only plan for next week, and most of the time this is changed. So we have become extremely flexible in production planning. (VP research and development)
Das war reine Überzeugungsarbeit, das war einfach in dem man sich einmal hingesetzt hat, den Markt erklärt hat und einfach die Notwendigkeit erklärt hat und dass das jetzt keine Schikane ist, sondern dass das einfach wirklich gefordert wird und wenn die Leute das dann wirklich begreifen und dass es ohne dem nicht funktioniert und dass man mit dem wirklich erfolgreich ist, dann ist das ein Selbstläufer praktisch. Aber wenn man eben nur anruft und sagt jetzt müssen wir das Produkt rein fahren und morgen ruft man dann an, nein doch wieder das andere ist wichtiger, schmeißen wir alles wieder um, da wird man kein Verständnis dafür ernten, sondern man muss es wirklich erklären, begründen. Und dann funktioniert es.	That was pure persuasion, that was just sitting down, explaining the market and simply explaining the necessity, that it is not harassment, but that it is really required and that it doesn't work without it [the flexibility] and that we are really successful with it [the new product], and then it was a fast-seller. But if you only call and say, now we have to produce this and tomorrow you call and say something else is more important again, we change everything again, you will not get any understanding, instead you really have to explain it, justify it. And then it works. (VP research and development)
Viel Diskussion ... die Notwendigkeit der richtigen Informationen an der richtigen Stelle wurde schnell deutlich. Weil ... es ist auch der Wert der Rohstoffe ein ganz anderer, da ein paar Minuten nicht Acht zu geben und Material, das eben bis zu einem	A lot of discussion ... the need for the right information at the right place quickly became clear. Because ... also the value of the raw materials is completely different, a few minutes of inattention and not properly processing the material, which is

<p>Faktor 30 teurer ist zu verarbeiten, nämlich jetzt nicht erfolgreich zu verarbeiten, geht mehr ins Geld, ... Also die Leute darauf zu schärfen, dass das jetzt so ein wertiges Produkt ist, dass dann den Wert entsprechend anders zu behandeln ist, und mehr Augenmerk darauf zu legen ist, das war am Anfang schwierig, nämlich am Anfang, bis wir begriffen haben, dass genau diese Wertigkeit den Mitarbeitern genauso erklärt werden muss, weil sonst können sie es nicht verstehen. Also da hat es viel Information bedurft um den Mitarbeitern die Nachvollziehbarkeit, warum da jetzt alle so nervös sind, nachvollziehen zu können.</p>	<p>30 times more expensive, cost a pretty penny. So to raise people's awareness that this is such an expensive material, and that it has to be treated differently and more carefully, that was difficult at the beginning. In the beginning, until we realised that we need to explain this value to employees, because otherwise they cannot understand it. So a lot of informing employees was necessary, for them to be able to understand why now suddenly everybody is so nervous. (COO Isovolt)</p>
<p>Wir haben ein eigene Business Unit, weil das nicht dazu passt. Es ist zu speziell, zu eigen, zu kurzfristig, zu anders als dass es Sinn macht, dass das die gleichen Leute machen.</p>	<p>We have a separate business unit, because it doesn't fit. It's too special, to individual, to short term, to different, for it to make sense to operate it with the same people. (COO)</p>
<p>Da gab es dann auch noch den Punkt, wenn man groß genug wird, das ist so wie die Abnabelung rund um die Pubertät eines Kindes. So frei nach dem Motto, irgendwann wirst Du gehätschelt und gepflegt, dann lernst du gehen, dann kannst du schon gehen und ... du wirst immer größer und immer eigenständiger und irgendwann bist du wirklich eigenständig.</p>	<p>There was then the point when one is big enough, that's like cutting the cord around puberty of a child. So along the lines of, at some point you'll pampered and cared for, then you learn to go, then you can go and ... you get bigger and more independent and eventually you're really independent (COO)</p>
<p>Also, das core team würde ich sagen war eben Verkauf, die Entwicklung in der Person von der damaligen Mitarbeiterin und in meiner Person und der, der sich dann schon auch sehr stark involviert war der Einkauf, also das würde ich als core team bezeichnen. Das war wirklich ein sehr kleines Team.</p>	<p>So, the core team I would say was just sales, the development in the person of the former staff member and in my person and who was then very heavily involved was purchasing, so that I would describe as a core team. It was really a very small team. (VP research and development)</p>

**ProSiebenSat.1**

Der ganz klare Impuls war letztlich eine Geschäftsidee zu etablieren die eben neuen Unternehmen, neuen Geschäftsideen verhilft mit Fernsehwerbung zu wachsen, das war immer sein Auftrag. So und auf der anderen Seite kam so eine Art Optimierung, leveraging, wie können wir free inventory besser kapitalisieren.	The very clear impulse was in the end to develop a business idea, which would new companies, new business ideas to grow using television advertising. That was always the mission. And on the other side came, a kind of optimisation, leveraging, how can we capitalise our free inventory better. (Managing director SevenVentures)
Das waren Vorgaben vom Vorstand und eigentlich die Grundidee war es, schafft mir meine Werbekunden für die Zukunft. Baut mir Unternehmen über drei Jahre erfolgreich auf, so dass die danach ja Media abhängig sind auf der einen Seite und auf der anderen Seite dann auch die Größe haben in punkto Revenues, dass wir sie dann eben entlasten aus unserem Programm und an den klassischen Verkauf weitergeben. Also dass wir uns die Kunden von morgen selber züchten.	These were requirements by the Board and in fact, the basic idea was, create my advertising clients for the future. Build up companies successfully over a period of three years, so that they become depended on media on the one hand, and on the other hand, have the size in terms of revenues, to be able to be handed over to the classic sales. So to raise our customers of tomorrow. (Associate SevenVentures)
Und über diese simple Notwendigkeit zu sagen, wie füllen wir unser inventory mit solchen Modellen, entstand die Logik eines media for revenue share oder media for equity share.	And based on this simple necessity to fill our inventory with such models, the logic of media for revenue share or media for equity share developed. (Managing director SevenVentures)
Man konnte mit Sicherheit nach einem halben Jahr jetzt noch nicht sagen, wo geht die Reise wirklich hin.	Even after half a year one could not say with certainty where we were headed really. (Associate SevenVentures)
Also es ist ja auch zum Glück oft so, dass solche Prozesse und Anstöße immer personengebunden sind und meistens aus dem Management kommen und dort meistens wenn sich irgendeine Art von Leitung ändert oder eine Sichtweise sich ändert, Gegebenheiten sich ändern. In dem Fall haben wir eben im März 2009 einen neuen CEO bekommen, den Thomas Ebeling. Der ... hat im Grunde genommen einen komplett anderen Blick, ... eine komplett andere Sicht auf den Markt und auf uns, auf das Fernsehen und das hat geholfen, gewisse Barrieren, die normalerweise in den Köpfen ... also ... diese Scheuklappen, die wir in unserem Geschäftssilo so entwickelt	It's fortunately often the case that such processes and impulses are always tied to a specific person and mostly come from management and usually when changing a leadership position or a point of view, when circumstances change. In our case, we got a new CEO in March 2009, Thomas Ebeling. He ... had basically a completely different view, ... a completely different view on the market, on us , on the television business and that helped, to open up certain barriers that are normally in the minds, and open up these blinders that we have developed in our business silos. (Managing director SevenVentures)



haben, aufzumachen.	
Wir haben Ende 2009 eine Pressemitteilung raus gegeben mal, wo wir mitgeteilt haben, dass wir das jetzt tun. Und wenn ich mich richtig erinnere, hatte ich innerhalb von 14 Tagen über 150 Businesspläne auf dem Tisch.	At the end of 2009 we gave out a press release, announcing that we offer this [media-for-revenue-share] now. And if I remember correctly, I had within 14 days over 150 business plans on the table. (Associate SevenVentures)
Also ich glaube schon dass es eine Art piloting geben muss. Ich glaube dass es ganz entscheidend ist loszurennen. Ich sage nur, da muss man auch bereit sein, dass es dieses piloting gibt, dieses an einem Thema zu arbeiten und zu sagen ich schärfe das auch gibt.	I believe that there must be some sort of piloting. And you have to be ready to do a piloting and work on the topic and to say I will fine-tune it. (Managing director SevenVentures)
Es ist glaub ich eine ganze Facette von fine-tuning ... es muss eine Art ständige Verbesserung des Systems geben.	I think there is a whole facet of fine-tuning ... there must be some sort of continuous improvement of the system. (Managing director SevenVentures)
Ich glaube das war ein trial and error Prinzip nach dem Motto, wir probieren aus, wir stellen fest es ist besser die Kunden mit einem festen Garantiesatz 10 %, 15 % netto letztlich in dieses Programm zu holen, dabei schon sich anzuschauen ob so eine Klientel aus dem cash flow sich das überhaupt leisten kann, das finanzieren kann, deshalb sind das Unternehmen die alle dann schon ein bisschen weiter waren und sich das auch leisten können und dann ... es gibt baselines an Umsatz, es gibt incrementals, es gibt eben diesen equity share und damit wurde das Modell sophistizierter.	I think that was a trial and error principle, following the motto, we try, we find out it is better to get customers with a fixed guarantee of 10%, 15% into the program, to look already at whether such a clientele can afford this from its cash flow, can finance this, therefore the companies are all a bit further and can afford it, and then ... there are sales baselines, there are incrementals, there are equity shares and this is how the model became more sophisticated. (Managing director SevenVentures)
Das Spannende war ... wenn Sie die Schleusen aufmachen haben Sie kein Problem dass es nicht Nachfrage gibt – ganz im Gegenteil. Es gibt viele Unternehmen die dieses Werbemodell wollten. Die Nachfrage war da.	The exciting thing was ... when you open the floodgates you don't have a problem with demand - quite the contrary. There are many companies who wanted this advertising model. The demand was there. (Managing director SevenVentures)
Wir haben auch einige Firmen zu guten Erfolgen verholfen. Ein Zalando ist heute europäischer Erfolgscase. Und es gibt mehrere targets die auch von sich behaupten können, ok mit dieser Werbung ist es mir gelungen meine Marktposition wesentlich besser ausnutzen zu können und	We have helped some firms to good results. Zalando is a European success case today. And there are several targets that can say, ok with this advertising I succeeded to better exploit and build my market position. (Managing director SevenVentures)

aufbauen zu können.	
Wir haben de facto auch schöne Ergebnisse für die Gruppe erzielt on top, ... wo wir davor alle gesagt haben, oh es läuft am Werbemarkt wieder schlecht müssen wir mal sehen.	We have de facto also achieved nice results for the group, on top, ... where we all said before, oh, the advertising market is really slow again, we have to see. (Managing director SevenVentures)
Die ersten Meilensteine waren grundsätzlich eben das Erreichen eines Umsatzzieles bis zum Jahresende 2009.	The first milestones were basically the attainment of a sales target by the end of 2009. (Associate SevenVentures)
Es hat sich für unseren eigenen Erfolg ausgezahlt und ... ganz plötzlich weil das eben sehr große Deals waren gab es auch entsprechende cash revenues. Das hat so ziemlich genau nach einem halben Jahr zu einer sehr hohen Aufmerksamkeit dieses Bereichs geführt.	It has paid off for our own success and ... all of a sudden just because there very large deals with the corresponding cash revenues. This led to a very high attention on this business after already about half a year. (Associate SevenVentures)
Weil ganz plötzlich eben aus einem wir fangen mal etwas an und schauen ob es überhaupt das Mindestziel erreicht, das haben wir erreicht, ganz plötzlich sind monatlich große Summen reingelaufen. Da haben wir gesehen ok es ist als cash business funktioniert das auf jeden Fall.	Because all of a sudden just from a let's start something and see if it ever reaches the minimum goal, which we achieved, all of a sudden large monthly sums started to pour in. And we saw, OK as a cash business this definitely works. (Associate SevenVentures)
Das war Anfang 2010 nach einem halben Jahr. Man konnte schon ganz klar sehen sogar immer nach dem ersten Monat Neustart eines Themas, dass dieses Unternehmen einen gigantischen Sprung im Bereich visits hat. Wir haben am Anfang sehr viele online Themen getrieben und durch diesen Ansprung der visits gab es natürlich auch einen Ansprung der Umsätze.	That was at the beginning of 2010 after half a year. One could quite clearly see even after the first month of launching a topic, that the company got a huge jump in [web site] visits. We have driven a lot of online topics at the beginning and through this jump of the visits, there was of course an increase of revenues. (Associate SevenVentures)
Großes Thema waren impairment Risiken. Also wenn man sich beteiligt und das Unternehmen läuft irgendwie schlecht, irgendwas passiert, kommen irgendwie nachträgliche Cashzahlungen oder Abschreibungen auf den Konzern zu, das wollte man gar nicht.	A big topic were impairment risks. So if we participate in a company, hold equity, and the company runs badly, something happens, somehow retroactive cash payments or write offs occur for the group, which we did not want at all. (Associate SevenVentures)
Gleichzeitig hat man natürlich dann auch immer schon so ein bisschen das Problem gehabt, ist es auch aufgrund der Listung des Konzerns überhaupt möglich sich irgendwo zu beteiligen, das zu kommunizieren. Ich meine man treibt ja den Wert eines solchen	At the same time there also was of course always a little bit the problem, due to the [stock exchange] listing of the group, is it possible at all to take an equity position and also communicated this. I mean it drives the value of such a company

<p>Unternehmens dann massiv voran, damit natürlich auch den Wert einer ProSieben-Aktie. Also da musste man auf jeden Fall immer ein bisschen aufpassen.</p>	<p>massively ahead, and so of course the value of ProSieben shares. So there we had definitely to be careful all the time. (Associate SevenVentures)</p>
<p>Also simple Punkte. Das Unternehmen, dieses target, hat Zahlungsschwierigkeiten und sagt, ok wir machen ... die terms für die Zahlungen und die strecken wir. Ich hab also eine Art Zahlungsfrist für größere Punkte dich ich auf zum Beispiel 14 Monate ausdehnen kann. Hier würden Sie normalerweise sagen ja fein, ich schreib den Umsatz non-cash, es ist nicht optimal, aber bis dato hab ich aus dem Cashbereich noch keine Schwierigkeiten im Unternehmen wo cash vorhanden ist. Sozusagen ist es jetzt kein Thema, da habe ich gewisse Flexibilität. Hab ich aber gar nicht weil wir gegenüber den Banken solche Art Darlehen die wir ausleihen, begrenzt haben. Wir sind bankenfinanziert und in diesen ganzen Governancethemen, die wir auch aufgelistet haben ist das ganze wie lange wir Zahlungen dulden und dementsprechend also Darlehen geben, begrenzt. Das heißt wenn wir da zu aggressiv und zu viel machen haben wir ein Problem mit einem Governance Breach ... Dieser Punkt, ... das sehen Sie nicht wenn Sie so ein Modell konstituieren.</p>	<p>So simple points. The company, this target, has financial difficulties and says ok we agree on payments terms and extend them. So I've got a kind of payment period for bigger items, which I can extend to, for example, 14 months. Here you would normally say yes fine, I book the sales non-cash, it is not optimal, but to date I have no cash flow problem, cash is available. So it is not an issue, I have some flexibility.</p> <p>But I do not really have this flexibility, because we are limited by our banks regarding how many loans we can issue. We are financed by banks and due to governance issues, we are also listed, we are limited in terms of long as we are allowed to tolerate receivables and thus accordingly loans. This means if we are too aggressive and do too many of these transactions, we have a problem with governance breach ... You don't think of such points we you construct such a model. (Managing director SevenVentures)</p>
<p>Der zweite Punkt ist das Risiko von Abschreibungen auf Firmenwerte, wenn Sie direkte Beteiligungen wählen. Wir haben so zu sagen zwei Herzen im Thema geschlagen, das eine stärker geprägt von den Juristen und auch vom CEO, wir müssen hier die Kontrolle haben, ... wir müssen genau sagen können was die companies machen und was nicht, wir müssen aktiv mitwirken. Auf der anderen Seite der CFO, der gesagt hat wenn wir dann überall mitwirken ... dann haben wir das Problem dass wir es bei uns in die Bücher nehmen müssen, das heißt das ist eine direkte Beteiligung. Bei der direkten Beteiligung haben wir das Problem dass wir die Media, die wir investieren auch absetzen müssen. Das bedeutet zum Firmenwert</p>	<p>The second point is the risk of impairment of goodwill, if you choose direct investments and equity positions. We had two sides on this subject, the one strongly influenced by the lawyers and also the CEO, we have to have control here, ... we need to be able to say exactly what the companies can do and cannot do, we need to play an active role. On the other side the CFO, who said if we participate everywhere ... then we have the problem that we have to show in in our books, which is a direct participation. With the direct participation we have the problem that we also have to account for the media that we are investing. This means, we have the goodwill plus the media, because we invest</p>

kommt dann auch noch die Media dazu, weil sie ja sagen das investieren sie ja ... und sie haben 10 – 15 Millionen wert und wenn die Firma irgendwann pleitegeht, weil sie insolvent ist dann müssen sie diesen Betrag aus den Büchern nehmen.	the media ... and then you have a value of 10 – 15 million and if the company goes bankrupt because it is insolvent then you need take this amount out of your books again. (Managing director SevenVentures)
Das hat dazu geführt dass der CEO gesagt hat, ich habe dieses Geschäft nie so gewollt, dass wir irgendwo Risiken haben – das sollte ein komplett risikofreies Geschäft sein. Also wir wollen nicht das Risiko bei uns zeigen aber natürlich ganz klar mitentscheiden und entscheiden, wann irgendwann ein exit passiert.	This led to the CEO saying, I never wanted to have this business in a way that we have any risks, it should be a completely risk-free business. So we do not want the risk, but of course we wanted to be involved in decision-making and decide an exit happens. (Managing director SevenVentures)
Es war dann sozusagen eigentlich eine kontinuierliche Abstimmung einerseits mit dem klassischen Verkauf auch mit dem Vorstand.	It was actually a continuous coordination with classic sales and also with the executive board. (Associate SevenVentures)
Wir haben auch wirklich alle Themen immer wieder mit ihm diskutiert. Also nicht nur seine Freigabe eingeholt, sondern auch die Performance aufgezeigt und er war da immer sehr granular, sehr tief in diesen Themen drin.	We also always discussed all issues with him [CEO]. So not only obtained his permission, but also reported the performance and he was always very granular, very deeply into the topics. (Associate SevenVentures)
Durch die Einführung eines eigenen operations teams wurden Prozesse mal grundsätzlich aufgeschrieben und diese Prozesse wurden grundsätzlich dann auch oder kontinuierlich optimiert. Gleichzeitig sind dann eben durch die Einführung dieses operations teams immer mehr Prozesse entstanden.	With the introduction of a dedicated operations team processes were recorded and these processes were then continuously optimized. At the same time more and more processes were developed by the operations teams. (Associate SevenVentures)
Vielleicht auch dann noch abschließend, gerade beim [Geschäftsführer] muss man wirklich sagen, hätte der dieses Mandat nicht gekriegt, wäre das alles heute nicht so, wie es heute ist. Weil der damals einfach auch den drive hatte, das Verständnis für dieses Thema, für die Unternehmen, für deal making, von allen Dingen, was eigentlich auch zum Erfolg geführt hat.	Perhaps to conclude, especially for the [managing director], you really have to say, if he hadn't received this mandate, nothing would be as it is today. Because he just had the drive, he had the understanding of the topic, the companies, of deal making, of all things, which eventually led to the success. (Associate SevenVentures)

## F. Original Company Documents

### F.1 Management Workshop 1 and Business Model Process Presentation Excerpts illustrating the “Realignment” and Resulting Objectives.

# Management Dimensionen eines „Realignment“




Der Wechsel in der Direktion im Oktober 2008 und daraus resultierende Veränderungen in Management und Organisation der Klinik kann am besten als Prozess des “Realignment” (Neuausrichtung) verstanden werden.

Aus Erfahrung in anderen Unternehmen hat Realignment oft folgende Dimensionen:

- Kultur als “Performer”
- Fokus auf “Kerngeschäft”
- Disziplin für “Wettbewerbsvorteile”
- Innovation für “Marktführerschaft”
- Breite Sensibilisierung für “Veränderungsmassnahmen”

2

# Schwerpunkte für das Jahr 2009



1. Kultur – Identifikation Mitarbeiter, Stolz, kultureller Schwerpunkt Patientenzufriedenheit
2. Patient experience: Patienteninformation, Pünktlichkeit, verlässliche Angaben etc.
3. Zuweiserpflege
4. Anpassung der Aufbauorganisation zur Schaffung von Umsetzungsgeschwindigkeit und Wirksamkeit in operativer und strategischer Arbeit

8

### Realignment: Definition

Reenergizing a previously successful organization that now faces problems

Convincing employees that changes is necessary

Carefully restructuring the top team and refocusing the organization

The organization has significant pockets of strength.  
People want to continue to see themselves as successful.

- Kultur als "Performer"
- Fokus auf "Kerngeschäft"
- Disziplin für "Wettbewerbsvorteile"
- Innovation für "Marktführerschaft"
- Breite Sensibilisierung für "Veränderungsmassnahmen"


## F.2 Management Workshop 2 Conclusion

### Schlussfolgerung


- Totale Ausrichtung der Befähiger auf Grund-, Leistungs- und Begeisterungsergebnisse
- Business Modelle sind auf Med. Outcome, Wirtschaftlichkeit und "Good Patient Experience" zu trimmen
- Gewinnen werden jene Business Modelle, welche hohe Fallzahlen pro Krankheitsbild, Schweregrad und geographische Penetration bei hoher Zufriedenheit managen können

*"The highest form of achievement is always art, never science". Leo B. Helzel*

### F.3 Management Workshop 3 Vision




## Unsere Vision



- Wir sind die beste Privatklinik in der Ersteinführung von ärztlichen Spitzenleistungen. Wir etablieren medizinische Zentren in Verbindung mit einer hochstehenden Basismedizin.
- Unsere Leidenschaft ist die Erbringung von erstklassigen Dienstleistungen mit Fokus auf unsere Patienten.
- Unsere entscheidende ökonomische Kenngrösse ist EBITDA pro Fall vom Eintritt bis Austritt des Patienten.

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## F.4 Management Workshop 4 SWOT 2010 and Focus Topics 2011/2012

SWOT Klinik Hirslanden 2010		 Klinik Hirslanden	
	Stärken	Schwächen	
I N T E R N	<b>S1</b> Nahezu vollständiges medizinisches Angebot auf hohem qualitativen Niveau unter einem Dach. <b>S2</b> Schneller Zugang zu Spezialisten bei elektiven Fällen. <b>S3</b> Hohe Investitionsbereitschaft. <b>S4</b> Gute Entscheidungsgrundlagen aufgrund aussagekräftigem Controlling. <b>S5</b> Hohe individuelle Bereitschaft unternehmerisches Denken auf allen Ebenen mitzutragen. <b>S6</b> Etablierte Dienstleistungskultur im Gesamtbetrieb. <b>S7</b> Für die meisten hochspezialisierten Eingriffe erfüllt die Klinik Hirslanden die Minimalfallzahl.	<b>W1</b> Ungenügende medizinische Dokumentation durch lückenhaften oder fehlenden Informationsfluss. <b>W2</b> Ungenügende Patientenzufriedenheit im Vergleich zur Privatklinikgruppe Hirslanden. <b>W3</b> Ineffizienter Umgang mit Auslastungsschwankungen durch ungenügende Steuerung der Nachfrage und Planung der Ressourcen. <b>W4</b> Aufgrund gruppenweiter Einführung ist kurzfristig keine KIS-Integration möglich. <b>W5</b> Fehlende Verbindlichkeit von Verhaltensregeln bei Belegärzten. <b>W6</b> Ungenügende durchgängige Fallführerschaft bei komplexen Krankheitsbildern. <b>W7</b> Ungenügendes Zusammenspiel zwischen Service und Medizin (Vergleiche Kreismodell).	
	Chancen	Risiken	
E X T E R N	<b>O1</b> Marke Hirslanden: Gutes Image in der Öffentlichkeit, dadurch attraktiv für neue Fachgebiete. Heterogenes Image bei den Zuweisern. <b>O2</b> Wachstumspotenzial durch Standortattraktivität des Platzes Zürich (Goldküste, P-Versicherte, ausländische Patienten). <b>O3</b> Nutzbares Potenzial der Hirslanden-Gruppe: Economy of Scale, Ärztenetzwerk, Technologie, Einkauf. <b>O4</b> Demographische Entwicklung: Zunehmende Anzahl älterer Menschen mit Nebendiagnosen und komplexen Krankheitsbildern.	<b>T1</b> Sinkender Anteil P1-Patienten durch demographische und wirtschaftliche Entwicklung. <b>T2</b> Stark schwankende Auslastung (saisonale Schwankungen, Markt, Franchise). <b>T3</b> Gesetzliche Veränderungen in der Spitalfinanzierung, kantonale Abhängigkeit bzgl. Leistungsaufträgen; inkl. Praxisbewilligungsstopp. <b>T4</b> Schwierigkeit qualifizierte Fachkräfte zu rekrutieren aufgrund ausgetrocknetem Arbeitsmarkt.	



<p><u>c) Strategische Aspekte</u></p> <p>Die strategischen Aspekte wurden ausführlich diskutiert und angepasst.</p> <p>Dies erreichen wir weil...</p> <ol style="list-style-type: none"> <li>1. ...wir durch die Erfüllung der wirtschaftlichen Vorgaben die unternehmerische Handlungsfähigkeit sichern.</li> <li>2. ...wir als Systemanbieter mit einer integralen Patientenversorgung die Erbringung hochspezialisierter medizinischer Leistungen ermöglichen.</li> <li>3. ...wir durch kundenorientiertes Engagement die Klinik erster Wahl für zusatzversicherte Patientinnen und Patienten sind.</li> <li>4. ...wir als Klinik mit fachärztlichen Zentren und Belegärzten in der Behandlung von definierten Krankheiten partnerschaftlich zusammen arbeiten.</li> <li>5. ...wir mit Zuweisern, Nachbehandlern, Versicherern, Kantonen und Lieferanten partnerschaftlich zusammen arbeiten.</li> <li>6. ...wir uns nachhaltig in Gesellschaft und Politik als verlässlicher und sozial verantwortlicher Partner engagieren.</li> <li>7. ...wir effiziente, wirksame und ergebnisorientierte Prozesse leben.</li> <li>8. ...wir kompetente, zufriedene und motivierte Mitarbeitende haben.</li> <li>9. ...wir die strukturellen und organisatorischen Voraussetzungen für Wachstum und Innovation sichern.</li> </ol> <p><u>d) Schwerpunkte des Geschäftsjahres 2011/2012</u></p> <p>Die Schwerpunkte wurden diskutiert und für das Geschäftsjahr 2011/2012 definiert.</p> <ul style="list-style-type: none"> <li>- Jahresmotto: emotionale Bindung</li> <li>- Identifikation mit der Klinik Hirslanden stärken; Beleg-, Klinikärzte und Mitarbeitende</li> <li>- Entwicklung MES: Vision, Strategie, Cockpit</li> <li>- Nachfragesteuerung und Ressourcenmanagement: Planungssicherheit, Schnittstellen überbrücken und Synergien nutzen</li> <li>- Projekt Enzenbühltrakt: Zentren, Aufbau Ärzte, Nachfrageüberhang</li> </ul> <p><u>e) Definition der Jahresziele 2011/2012</u></p> <p>In einem ersten Schritt wurden die Jahresziele der Gruppe besprochen und den Grad der momentanen Erreichung bestimmt. In einem zweiten Schritt wurden anhand der Jahresziele 2010/2011 die Ziele für das Geschäftsjahr 2011/2012 abgeleitet.</p> <p>In der Diskussion der Ziele hat sich herausgestellt, dass es sehr sinnvoll ist, dass das MES einen eigenen Strategieprozess mit Vision, Zielen, Cockpitreport etc. entwickelt. Dies muss ein übergeordnetes Ziel für alle Beteiligten im MES sein.</p> <p>Ausserdem kommt man zu dem Konsens, dass es wichtig wäre, Forschung und Lehre an der Klinik Hirslanden zu fördern bzw. produktive, erfolgreiche Ärzte, die wissenschaftlich interessiert sind, in diesen Bereichen gewisse Unterstützung zu geben (als Anreiz). Wichtig ist hier, dass ein zentrales Lehr- und Forschungskonzept erstellt wird, um eine allgemein gültige Grundlage zu haben und Entscheide zielorientiert fällen zu können.</p> <p>Es ist D. Liedtke wichtig, dass jeder Bereich überlegt, welche Ziele in seinem Bereich im Zusammenhang mit dem Enzenbühltrakt stehen.</p>	
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## F.5 Workshop 7 Minutes illustrating a Summary of Previous Workshops

### Protokoll BL Tagung 24.-25.5.2012

#### Rückblick auf ehemalige BL-Tagungen

##### 2009

1. Tagung	Realignment	<ul style="list-style-type: none"> <li>Die Klinik ist keine Bank</li> <li>Was ist wirklich unsere Aufgabe?</li> </ul>
2. Tagung	Fokus Patient & Zuweiser	<ul style="list-style-type: none"> <li>Driver für Patienten, Hausärzte und Spezialisten</li> </ul>

##### 2010

1. Tagung	Hedgehog Konzept und Businessmodell (Kreismodell)	<ul style="list-style-type: none"> <li>Klinikperformance = (Patientenzufriedenheit + med. Outcome) / Fallkosten → Optimierung ökonomisches Dreieck</li> <li>Optimierung des Outcome → Indikationsqualität, Sicherheit, Produktivität</li> </ul>
2. Tagung	Abgeleitete Vision und Strategie	<ul style="list-style-type: none"> <li>Von Routine zu Spitzenmedizin</li> <li>Von Kundenorientierung zu Gastfreundschaft</li> <li>Von Kostenorientierung zu Fallkostenorientierung</li> <li>Von Facharztklinik zu Academic Hospital</li> </ul>

##### 2011

1. Tagung	Fokus MES: Welche Treiber braucht es zur Umsetzung unseres Erfolgs- und Businessmodells	<ul style="list-style-type: none"> <li>Schwerpunktstationen mit Fokus Krankheitsbild (z.B. Nerven- und Sinnessystem, Herz usw.): Umgesetzt und Umzug von 2 Abteilungen. Ziel: 70:30 im 2012</li> <li>Etablieren von Feedbacktools: Eingerichtete Accessdatenbank, hat schon Wirkungen gezeigt.</li> <li>Aktualisierung und Standardisierung von Pflegeschemata pro Eingriffsart: Muss reaktandiert werden!</li> <li>Standardisierung OP-Technologie: Wurde bereits begonnen</li> <li>Standardisierung der Strukturen der Pflegeabteilungen: Daran muss weiter gearbeitet werden</li> <li>Teilnahme Radiologen an Boards: Kontinenzmeeting, Gefäße und Wirbelsäule erledigt</li> <li>Notfall- und Ambulante Hospitalisationsmedizin: Wurde z.T. umgesetzt</li> <li>Einführung Nachtarztsystem: Muss noch erledigt werden</li> <li>Etablierung offene Mittagsvisite IPS: Umgesetzt</li> <li>Guest Relations als Case Managerin: Erledigt</li> <li>Schaffung von Patienten- und Zuweisernutzen durch Info: Muss reaktandiert werden</li> <li>Minimaldatensatz: Thema von dieser BL-Tagung (1/12)</li> <li>MES Fortbildungen: Umgesetzt</li> <li>Abgestimmtes Weiterbildungskonzept MES Ärzte: Z.T. umgesetzt, neu Neurochirurgie anerkannt als Weiterbildungsstätte</li> <li>MES Vision und Strategie auf Website: Noch offen</li> </ul>
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2.Tagung	I have a dream: Proaktives und nicht reaktives Steuern des Patienten- und Datenflusses	<ul style="list-style-type: none"> <li>▪ Verstehen des IST-Prozesses mit allen beteiligten Funktionen und dem „physischen und administrativen Patientenfluss“</li> <li>▪ Kaplan und Porter:               <ol style="list-style-type: none"> <li>1. SOLL= Kostenträgerrechnung;</li> <li>2. Kostenbetrachtung alleine reicht nicht, man muss den Wert der ganzen medizinischen Versorgung anschauen</li> <li>3. Kostenmessung ist häufig nicht korrekt und daher ein Problemfeld</li> </ol> </li> <li>▪ To do: SOLL-Prozess definieren, Minmaldatensatz erarbeiten, KPI's festlegen</li> </ul>
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**Input Henry Perschak**  
 Literatur „Your Brain at Work“: Wie können wir dieses Denk-Modell integrieren?  
**S** Status  
**C** Certainty  
**A** Autonomy  
**R** Relatedness  
**F** Fairness  
 → Der Mitarbeiter muss in Zukunft in Fokus kommen, da die obig genannten Punkte bei der Generation Y zu beachten sind.  
 → Jahresschwerpunkt „Mitarbeitende und Kultur“: Die Wertschätzung muss also stark gewichtet werden. DANKE sagen, sollte im Alltag nicht vergessen werden.

**Was ist ein Geschäftsprozess?**  
**Wie könnte unsere neue Prozesslandkarte in Zukunft aussehen?**  
 Input und Erklärungen von S. Wyss, QM

**HAUPTTHEMA BL-TAGUNG 1, 2012:**  
**Minimaler Datensatz im Verlauf des Geschäftsprozesses**

1. Definition „Informationsknotenpunkt“
2. Festlegung der verschiedenen Informationsknotenpunkte im Verlauf des Geschäftsprozesses
3. Evaluation des minimalen Datensets pro Funktion und Knotenpunkt
4. Auflistung der durch die verschiedenen Funktionen erstellten Berichte, Protokolle, Listen etc.

## F.6 Exemplary MES Cluster Meeting Minutes

<b>Beschlussprotokoll</b> <b>MES Cluster</b> <b>Dienstag 26. Juni 2012, 12:30 – 13:30 Uhr</b> <b>Sitzungszimmer Direktion</b> Sitzungsleitung: A. Bazzani, MES Protokoll: Andrea Bazzani 3509		<b>Teilnehmer:</b> Reto Stocker, IFAI Irène Pescatore, IFAI Henry Perschak, IMI Friederike Orellana, NOT Therese Kropf, Pat.mgt <b>Entschuldigt:</b> Daniel Liedtke, DIR	Beate Mühlenbächer, MSD Alexander Mainda, OPD Angelika Brandenstein, PFA Jürg Bani, RAD Silvia Meier, PAT Patricia Bertschi, PER
Traktanden	Informationen / Pendenzen / Beschluss	Zuständigkeit	Termin
1. Protokoll vom 19.06.2012	<p><b>Verlegung von Patienten von der IPS auf Station:</b> Es scheint immer wieder Probleme zu geben, bei Patienten, welche von der IPS verlegt werden, die aber eine Privatwache brauchen. Deshalb hier nochmals der Prozessablauf und die Priorisierung:</p> <pre> graph TD     A[Patient könnte von IPS verlegt werden, bräuhete aber eine Privatwache] --&gt; B[IPS-Kapazität vorhanden OHNE OP-Programm-beeinträchtigung]     A --&gt; C[IPS-Kapazität vorhanden NUR MIT OP-Programm-beeinträchtigung]     B --&gt; D[Patient bleibt auf IPS – keine Verlegung auf Station]     C --&gt; E[Patient verlegen auf Station und PW anbieten (solange nötig)]           </pre> <p>Bitte an PFA, Med. Spez. und IFAI, diesen Ablauf nochmals allen verständlich zu machen.</p>		
2. Traktanden D. Liedtke	<ul style="list-style-type: none"> <li><b>Abrechnung Privatwachen Sanitas und Helsana:</b> Gemäss den gültigen HIPS-Verträgen können Privatwachen bei Patienten, welche bei der Sanitas versichert sind, immer noch abgerechnet werden (Zusatzmodul). Bei der Helsana versicherte Patienten können die Leistungen bis 31.05.12 verrechnet werden, ab dem 01.06.12 nicht mehr. Die Pflege erfasst die Leistungen wie bis anhin. Die Seite der Fakturierung muss deshalb am BP-Meeting geklärt werden. → TRAKTANDIEREN</li> </ul>	A. Bazzani	03.07.12
3. Fixtraktanden	<ul style="list-style-type: none"> <li>Langlieger, Überlieger: Wurden besprochen</li> </ul>	Th. Kropf	
4. Traktanden / Kurzbericht aus den Bereichen	<ul style="list-style-type: none"> <li><b>Überlieger; Eintritt- vs Austritts-DRG:</b> Da Th. Kropf noch keinen Zugriff auf den Austritts-DRG hat, konnte sie diesen Vergleich noch nicht erstellen.</li> <li><b>Auswertung Pflegetage OKP vs VVG:</b> Im ersten Quartal verzeichneten wir bei den Pflegetagen 6% OKP-Patienten, im Monat April 8.5% und im Monat Mai 9.6%.</li> <li><b>Prozess Notfallsektionen:</b> A. Brandenstein stellt den neuen Prozess kurz vor. Die wenigen noch offenen Punkte werden bis Ende Juli geklärt sein. Die betroffenen Personen werden geschult und es wird auch Übungssituationen geben.</li> <li>I. Pescatore bringt noch einen eventuell zu klärenden Punkt ein: Müsste der Gynäkologen seine Patientinnen bei den Anmeldeformalitäten darauf hinweisen, dass in Notfallsituationen der diensthabende Arzt hinzugezogen wird, falls der fallführende Gynäkologen nicht zeitkritisch anwesend sein kann? A. Brandenstein bringt dies in die nächste Sitzung ein.</li> </ul>		
5. Massnahmenliste	Gemäss separater Liste		
6. MES Cockpit	<ul style="list-style-type: none"> <li>Haftpflichtfälle, aussergewöhnliches Ereignis: 0</li> <li>Vigilanzen: 0</li> </ul>		
7. Varia	<ul style="list-style-type: none"> <li><b>Problematisches Systemwartung:</b> Am Donnerstagabend wurde von der IT Batches laufen gelassen. Nach dieser Wartung gab es riesige Probleme mit dem Hospis. Die Schnittstelle zum ZLZ lief nicht mehr sauber bis SO Abend, die Namen im Hospis erschienen nicht mehr etc. Dies führte zu grösseren Problemen bei der Zuordnung der Leistungserfassung. Solche, wenn auch kleinere Probleme, gibt es immer wieder nach Systemwartungen. Was bei solchen Vorfällen funktioniert die Informationskette vom Head Office sehr schlecht. Erst als S. Meier das ganze bemerkt hat, hat sie zuerst das Head Office und dann die betroffenen Personen bei uns kontaktiert. Diese Warnungskette muss angeschaut werden. A. Bazzani bespricht dies mit D. Liedtke.</li> <li><b>Richten von PCA-Pumpen:</b> Die Regelung, wer die PCA-Pumpen richtet, wer die Mischung macht etc. ist nicht für alle beteiligten Funktionen zufriedenstellend. B. Mühlenbächer und I. Pescatore schauen das zusammen an. Erste Informationen Ende August.</li> <li>→ AUFNAHME IN DIE MASSNAHMENLISTE</li> <li><b>Sprechzimmer für Patient Care:</b> Die IFAI bräuhete immer noch ein Sprechzimmer für die Patient Care. Dieses würde an ca 4d/Woche zwischen 13-15.30 Uhr gebraucht. Klare Terminierungen sind jedoch schwierig zu machen. I. Pescatore schaut mit H. Perschak, ob es eine Möglichkeit gibt, das Sprechzimmer der IMI zu brauchen.</li> <li><b>Ambulante Hospitalisationen bei Koros:</b> Die Pflege hat teilweise Mühe, die geleisteten Arbeiten richtig abzurechnen (z. Bsp. existiert die Tarmed Position „Rasur“ nicht). B.</li> </ul>	A.B. und D.L. B.M. und I.P. B.M.	03.07.12 31.08.12 Mitte Juli
	Mühlenbächer klärt mit Romy Nakahara die Positionen und informiert dann Th. Kropf, PFA und A. Bazzani. <ul style="list-style-type: none"> <li><b>Meldetool PFA:</b> Gemäss Rückmeldungen verschiedener Seiten, wird das Meldetool nicht mehr von allen „gefüttert“. Die Pflegenden fragen sich, ob die betroffenen Ärzte auch wirklich gemahnt werden. A. Bazzani klärt mit D. Liedtke, in welcher Form dies jeweils geschieht, damit man die Pflegenden informieren kann.</li> </ul>	A. Bazzani	03.07.12