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Business modelling - a practice by nascent entrepreneurs?

This article discusses an application of practice theory to business models, explaining business modelling as a practice for successful venture development. Rooted in applications of Bourdieu's and Giddens' practice theory concepts and a process-relational approach, the article deconstructs business model development in new venture creation processes. The study develops theoretical underpinning for daily strategising and reconceptualises "business model" to be able to map what entrepreneurs are doing. Drawing on narrative analysis and case studies with three UK service business start-ups the article explores how daily strategising can be seen as re-modelling doing business. The discussion explores business modelling as the alternative dynamic view to a business model. Implications for theory and research are discussed in light of building more sustainable high performance new organisations in uncertain times.

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Business modelling - a practice by nascent entrepreneurs?

The recent technological developments, and in particular social media use in society, have created additional ways of doing business nascent entrepreneurs have taken advantage of. However, research on business models and the actual business models do not yet offer a sufficiently detailed and applied lens that is matching the dynamic ways of doing business in the 21st century. As a result, there is a need to reconceptualise “business model” to be able to map what entrepreneurs are doing.

While business models are increasingly discussed in popular (Osterwalder and Pigneur, 2010) and academic research (Geissdoerfer et al., 2018; Spencer, 2013; Teece, 2018; Voigt et al., 2016), yet, they are one of the least understood aspects of running a business, for many researchers and start-ups alike. For example, there is no agreement on what components it should contain, and a recent attempt at a summary offers 55 models (Gassmann et al., 2014). Unsurprisingly, there is a plethora of definitions of “business model” with little consensus beyond a value proposition.

Contribution

The article makes theoretical and empirical contributions. Theoretically, the article reconceptualises business models and their realisation through the lens of a process relational approach. As a consequence, “doing business models” emerges as a practice labelled “business modelling”. To fully understand this practice, the socio-material dimension needs to be integrated into “business modelling” on the micro-level. Through the focus on daily mundane strategic activities by entrepreneurs, this article contributes to the strategy as practice and entrepreneurship as practice literature (Gartner et al., 2016; Hill, 2018; Johannisson, 2018). It extends the existing theoretical frameworks and theory on business models. The empirical contribution lies in adding case studies of micro service entrepreneurs.

Research Problem

In the era of digitisation and automation, researchers and business professionals have largely overlooked the socio-materiality of entrepreneurial processes with face-to-face customer conversations. How business start-ups create unique combinations of e-business and other business strategies for business development is under-researched. Accessing the internet has materiality as the phone or laptop has to be accessed somewhere by someone. Paradoxically, for many service entrepreneurs, this face-to-face interaction is still at the forefront of their doing business. The consequence of this situation exposes an opportunity to investigate how nascent entrepreneurs develop and realise a business model and related strategising activities.

Literature review

The review critically discusses the methods used to create the knowledge we have and the resulting limitations of business models. There are plenty of definitions around of what a “business model” is and what it means. The vast amount of definitions and types of business models have limited overlap (Geissdoerfer et al., 2018). Subsequently, the critical review discusses a selection of business models, including the business model canvas variations (Osterwalder and Pigneur, 2010) and the business model cube (Hill, 2015).

Box 1 lists a few recent academic definitions and provides an insight into the history of the term. What these definitions have in common is that a business model is a tool that captures value for the founder(s) and the organization and explains how the business operates. Also, these definitions show how a company makes money, and the way an organization competes and structures relationships, allocates resources and interacts with stakeholders.

There is no agreement on the type and number of components of a business model. Dependent on author, they vary between three and 42 factors (Zott et al., 2011). The nine

'building blocks' by Osterwalder and Pigneur (2010) describe from an outsider perspective what a business does, yet, this conceptualisation does not feature dynamic relationships. A recent development attempts to address this aspect (Cosenz and Noto, 2018) through system dynamics modelling, while building on the canvas model, with limited success. The elements most authors agree on include the customer, the value proposition or offer, the ways of distribution and making money.

In business practice and planning, a business model is a strategic tool that guides strategy development and implementation, simply defined as resource acquisition and distribution, from start-ups to established businesses. The business model is the system of how a company does business, the way it captures, generates and distributes value to meet the perceived market need. It refers to the interactions between the various resources (people, financial resources, materials, technological and intellectual resources), their activities and the dependencies that exist between them (Hill, 2015).

This research is rooted in a hermeneutic interpretative approach. Using practice theory as a theoretical lens this study unpacks how nascent entrepreneurs do business and relate to business models. Building on these debates enables this research to frame the following research question: How do entrepreneurs generate value and structure in their daily strategising activities? The answer adds to deconstructing how researchers can map and theorize about new venture development with a focus on those core activities that build a business in a sustainable way.

Methods

Combining a hermeneutic phenomenological approach (Cunliffe and Coupland, 2012) with narrative inquiry this research draws on three case studies with nascent entrepreneurs. The study identifies a set of entrepreneurial activities as practices leading to business strategising. The analysis develops a number of thematic codes, reflecting a narrative analytical approach. This approach allows conclusions to be drawn from interviewees' narratives (Cunliffe and Scaratti, 2017; Riessman, 2008).

Findings and analysis

Developing a new business offers insights into inherently notable characterisations of strategic new venture organising. This article focuses on one complex set of practices that emerged from the texts and is labelled 'business modelling'. The research finds a sets of activities with focus on continuous processes of doing, evaluating and fine-tuning to become and remain sustainable and make money. This applies to social enterprises in the same way (Barinaga, 2017). The findings discuss three subsets of cross-cutting practices:

(1) Accessing the internet and using social media and emails.

This first set of practice addresses how and when service professionals access the internet, and focuses on the materiality of the online activities and how they are integrated into other strategising activities.

(2) Using business premises and other spatial locations.

This second set of practices explores the ways service professionals create time-space pathways to do their businesses. The analysis focuses on how strategising integrates material environment in different ways at different times and the conditions for variations.

(3) Using business premises and other spatial locations.

The last set of practices discusses social relations management with all stakeholders using a number of communications tools; it differentiates between maintaining relations and forms of selling.

How the article meets the 2019 conference theme: Building and sustaining high performance organisations in uncertain times: challenges and opportunities

Technological developments and in particular social media use in society has created a multitude of ways of doing business not only young people have taken advantage of. However, research on business models and business models offer a perspective that is not matching the dynamic ways of doing business in the 21st century. As a result, there is a need to reconceptualise the concept “business model” to be able to map what entrepreneurs are actually doing. And it is important to do so, to offer implications for new venture founders to learn from mistakes and insights to create sustainable organisations that can survive design the national and global challenges.

How the paper will be developed until the conference:

The findings section will detail a case comparison of the identified sets of practices. The discussion section will suggest a research agenda for mapping and visualising new business models in service businesses in the creative industries. One focus will be the recent developments in combination of online and face-to-face ways of doing business to create sustaining and sustainable organisations in uncertain economic times.

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