

Introduction to Business Model Innovation Cases

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Abstract This theme presents four cases of service innovation through variations of the organisational business model to deliver new ways to create and manage value. In all cases, the organisations responded to changes in their external environment by adapting or extending their business model. The four cases are:

- Service innovation in the Chinese aviation industry: the case of Chinese low cost carriers, Liang
- Survive by “Servicisation”: A multiple-case study of Taiwanese video games industry, Lee
- Innovation in China’s mobile multimedia broadcasting service, Ren and Zhao
- Optimisation of the clients’ warehouse logistics—A KIBS-type service in the manufacturing context, Toivonen and Valminen

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The cases addressed service innovation through the development of services that targeted new areas of activity for the organisations in an expanded market place. The stimulus for change originated in different ways, such as the deregulation of the aviation market (Liang), new technologies used in the gaming industry (Lee), hosting the Olympic Games (Ren and Zhao) and increased competition in the forklift manufacturing sector (Toivonen and Valminen).

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With regards to business model innovation, three main issues of interest can be identified: how organisations redesign their structures internally, how the people involved are affected, and how their relationships with outside entities evolve. As this relates to a change scenario, there is always a stimulus that initiates the process; normally this stimulus comes from market forces such as increased competition, deregulation, major events and changes in technologies. For changes to happen, organisations need to develop and deliver new value in different forms. Economic (i.e., revenue generation) is the primary form of value, but there are other forms of generation such as social and environmental. Finally, changes to business models entail implications for business processes, technology infrastructure and human resources within the organisation and also, very importantly, new ways to measure the outcomes of the business model redesign efforts.

Although the selection of the cases was based on the way the organisations approached business model innovation, the cases themselves are related to the other themes in this book in more ways than one. Business model innovation is initiated by changes which can affect the ways that organisations relate to their environment (theme 2); the innovation process can be seen as a continuous process which could have implications on the way organisations manage their innovation processes (theme 3); business processes are very often the focus of the business model (theme 4); and finally, innovation can relate to changes in the technological landscape (theme 5).

The three common issues identified above were addressed by all four cases in different ways, depending on the specifics of the actual case. This section provides an overview of each issue even if this was not discussed directly by the authors, and draws some conclusions that could be used to add to the overall content of this book.

Irrespective of the stimulus that drives business model innovation, organisations still need to identify opportunities for new or improved services and decide the approach they will follow to deliver them. In the case of the deregulation of markets, as with the Chinese aviation industry, the approach was to adopt a low-cost carrier business model and focus on unique ways to identify and deliver value. In the examples discussed in the case, value was perceived as the ability to offer low ticket prices and special offers, enhanced frequency of flights and personalised customer service.

In the case of the Taiwan video games industry, technological innovation was the reason behind the change; it included new hardware technologies for 3D graphics and increased access to the Internet and online games. The response of the organisation was to focus on and expand the core capabilities (such as project management) and improve human resources through training and new recruits. At the same time, new forms of business process were explored, such as outsourcing to enhance even further the core capabilities.

In the case about Chinese mobile multimedia broadcasting there was a clear stimulus based on the hosting of the 2008 Olympic Games. This major event, together with follow-on deregulation and standardisation activities and also increased availability of key technologies (3G/4G), essentially created a new market into which companies moved. The possible business models were in essence dictated by what was available

to exploit and the fact that there was a good revenue generation opportunity through the Olympic Games to kick-start the new market.

The case about the forklift manufacturer related to warehouse logistics and represents a “servicisation” of manufacturing. The stimulus in this case was the changing industrial landscape; in response, the company decided to focus on the redeployment of their information resources in a new service area (warehouse logistics). What is particularly interesting in this case is the way in which the organisation developed new co-production processes for service optimisation that included the development of skills and capabilities of their human resources and, more importantly, the skills and capabilities of their customers.

Overall, the cases in this theme present instances of business model innovation in various organisations and sectors that had clear measurable outcomes in terms of market share and revenue generation. They are all interesting cases that could help inform research into the way that an organisation identifies key change drivers and possible ways to explore opportunities; and also, how individuals can be involved in this process.

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