

# BUSINESS MODEL INNOVATION STRATEGY

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# Preface

We completed the writing and editing of our book during the height of the global COVID-19 pandemic, which triggered a severe and multifaceted global crisis. The crisis included simultaneous, interrelated, and unprecedented shocks relating to public health, global transportation, individual freedom, international collaboration, and the world economy. The global economy suffered from both supply- and demand-side shocks that generated extraordinary economic upheaval and widespread unemployment. The coronavirus pandemic also caused a major shock in global capital markets and extreme volatility in domestic and international financial systems. Uncertainty regarding the future reached the highest level in over a century. Temporary and permanent business closures, along with bankruptcies, resulted in the loss of millions of jobs. Many people lost their lives to the pandemic, especially the old and vulnerable.

A catastrophe of this scale is likely to alter the preferences, habits, and risk attitudes of consumers, in part because of long stay-at-home and social distancing measures; the strategies of managers; and economic, social, and political policies. While this crisis will have profound and broad social and economic implications, and the exact nature of the so-called “new normal” will only be revealed in the coming months and years, what seems very likely at this time is that many companies – large and small, public and private, for-profit and social – will be prompted to reinvent and reimagine themselves to be able to survive and prosper. Executive leaders around the world will have to take a hard look at how to do business in the post COVID-19 era, since the shocks caused by this pandemic will affect every aspect of a company’s business model and the technologies used to enable business operations.

Prior to the coronavirus pandemic, many companies focused on finding the most efficient architecture for their activity systems. That resulted in outsourcing many activities to partners and vendors, often located abroad, which led to the formation of complex global supply chain networks. The shock to these global supply chains that resulted from the abrupt and comprehensive shutdown of economies in Asia, Europe, and the U.S. caused enormous disruptions in a broad range of industries; most notable during the coronavirus crisis were medical equipment and hospital supplies. As a result of the shock to supply chains, coupled with likely changes in the preferences of consumers, numerous challenges arose for established companies. These challenges may, however, reveal new opportunities. The “new normal” that may follow the crisis and the uncertain pace of recovery from the current global recession will incentivize startup entrepreneurs and corporate leaders alike to rethink the design of their business models; to adopt a system-level approach to business model design; and to embrace a preference for resilience over efficiency in the conceptualization and the design of their business models along with enhanced use of digital technologies. These developments will drive substantial structural changes in the architecture of the activity systems of firms. In other words, they will likely spur business model innovations, and thus

heighten the need for entrepreneurial leaders to develop a business model innovation strategy, as outlined in this book.

Our book is targeted at both the academic and professional markets and is intended for a global audience. Faculty and students use it as a textbook in both degree and non-degree programs; entrepreneurial leaders in both new and established businesses (both for-profit and non-profit) use this book as a rigorous, comprehensive, and detailed guide to enable the design and implementation of innovative, scalable, and robust business models for their companies. While the book is deeply anchored in theory and rigorous empirical research, it has a very pragmatic orientation and is filled with examples and illustrations from around the world. We draw on over 20 years of pioneering research that originated in 1999 on the 8th floor of Angus Hall at the University of British Columbia in Vancouver, Canada, where we met in 1995. The book is a true team effort involving thousands of hours of collaboration and brainstorming sessions in person and via electronic communication technologies. Our extensive joint publications on all aspects of business model innovation strategy have been widely cited by scholars and practitioners around the world. At the same time, we draw on the impressive and rapidly growing body of collective scientific research on business models generated by colleagues at notable academic institutions. In our teaching and consulting work, the concepts and in particular the processes that are contained in the book have proven effective at enabling entrepreneurial leaders in both startups and established incumbent firms to conceptualize, design, and implement innovative and value-creating business models for their companies.

The book content is organized into three parts as follows:

*Part I: Foundation and Mindset for Business Model Innovation*

The first part of our book lays out the conceptual foundation of the business model construct. In Chapter 1 we define the business model as a system of interdependent activities and present the framework that we developed through our research, which serves as the common thread throughout the book. In Chapter 2 we lay the theoretical foundations of the business model construct and show that the business model is a new strategic issue that complements traditional corporate and business strategy issues. Chapter 3 highlights the importance of adopting a holistic business model mindset, which is crucial for understanding, developing, and implementing business model innovations. Finally, Chapter 4 formally defines business model innovation and illustrates it through a series of real-world examples.

*Part II: Strategic Design and Evaluation of Business Model Innovation*

Part II of the book presents practical strategies and hands-on tools to help managers and entrepreneurs obtain real, workable skills for business model innovation. Chapter 5 introduces

important concepts from the field of design, a methodology that is highly applicable to the development of novel business models, and Chapter 6 offers a dynamic process method for business model design. Other relevant methods for business model design, including received processes of venture design, are surveyed in Chapter 7, and the related key concepts of value drivers and value propositions are covered in Chapter 8. Chapter 9 offers an essential toolkit for conducting business model analysis and designing new business models.

*Part III: Making Business Model Innovation Happen*

To create lasting capabilities to adopt a business model innovation – and continue innovating through time – it is crucial to be aware of business model implementation challenges and how to successfully address them. This is the focus of Part III of the book. Chapter 10 focuses on the implementation of business model innovation in established firms and the specific challenges such firms are faced with. Chapter 11 discusses the specific barriers that can arise in new ventures and the associated mitigation strategies. Finally, Chapter 12 highlights the important role of the business model in the context of digital transformation and lays out the different steps involved in developing a business model innovation strategy.

Our hope is that the book will become a helpful companion for faculty who wish to teach business model innovation strategy, a vital tool for students who study the subject in degree and non-degree courses, and, very importantly, an essential guide for entrepreneurial managers who seek to develop a winning business model innovation strategy for their firm.

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