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## EDITORIAL

Baden-Fuller, C, Demil, B, Lecoq, X & MacMillan,

**Special Issue on Business Models: Long Range Planning 2010, Volume 43, Issue 2-3**

Author submitted version

*Long Range Planning* was founded 43 years ago, as a journal designed to deal with the (then) topical issues of planning and strategy, and it achieved considerable success under the leadership of Bernard Taylor, its founding editor. 10 years ago under only its second editor - Charles Baden-Fuller - *LRP: Long Range Planning* was re-launched with a new spirit emphasising academic excellence while retaining the journal's strong attention to practice. The first issue of the new regime (in February 2000) featured a set of articles on Knowledge Management and Corporate Strategy that made an immediate and significant mark.<sup>1</sup>

Since 2000, *LRP: Long Range Planning* has sought not just to *record*, but increasingly to create *momentum* in relevant communities, by publishing leading edge work by well known and about to be well known authors from all over the world, concerning a wide variety of themes in the general arenas of management thinking and strategy practice. *LRP* has now become one of the leading academic journals in these fields, yet still maintains its audience among and relevance to senior managers (typically with a master's degree in business), as is evidenced by the continued use of the material in executive education and among practitioners such as members of the Strategic Planning Society.

We are proud to mark this 10<sup>th</sup> anniversary of the 2000 re-launch of *LRP* with an important special issue on Business Models, which maintains the journal's stance of seeking to be 'in the thick of the action'. Business Models as a topic is of exceptional importance to managers, and the choice of business model is typically seen as a key component to organisational success. This special issue is designed to show the how and

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<sup>1</sup> According to Google Scholar, (Harzing: Publish or Perish © ), Nonaka, Toyama and Konno "SECI, Ba and Leadership" 33: 5-34 is cited on average 111 times a year, and Teece "Strategies for Managing Knowledge Assets" 33: 35-54 is cited on average 40 times a year.

the why behind making the right choices. It also provides robust empirical and conceptual reasoning and academic logic behind the idea of the Business Model, creating legitimacy for the concept and inviting scholars to make it centre stage in future academic research. We achieve these combined objectives by offering pieces that are intellectually robust and challenging, yet highly relevant to practice. There are long full length research pieces and shorter ‘notes’; there is theory, modelling and practice; and there are cases and examples by the score – from old and new industries, from global and local firms, ranging from Toyota’s production system, through Web 2.0 and new technologies to Chinese manufacturing, from haute cuisine in Spain to mosquito nets in Africa.

How should our Special Issue be read? Is there an optimal order? Every piece is designed to stand alone, and each advances a different slant and interpretation of the Business Model phenomenon; so browsing is encouraged. Academically, the topic of Business Models cannot be easily compartmentalized, because business models have multivalent character: and this is observed clearly in this special issue. We find authors using the concept of the Business Model to capture the characteristics of observed kinds in the world, as well as abstract ideal types. They use Business Models as models in the scientific sense, investigating them as if they were model organisms (as in biology) representing a class of things, or as schemas in academic slides or as representations to be manipulated like economic models. Authors also use Business Models to describe firms as if they were scale models, and even more often use the Business Model as a recipe or pattern to be adopted and followed, adjusted according to need and circumstance, where managers can experiment and innovate to motivate change in their organisations. And what is more, in many papers authors show more than one kind of exploration.

But, inevitably, the duty falls to the Special Issue editors to issue travellers with some kind of road-map to the delights that await them – some menu to the dinner they serve. If you wish to be systematically engaged we suggest that the opening two sections set out the basic agenda for understanding (and researching) business models, and the last two sections on the more managerial and dynamic agenda of business model development and change.

### ***Business Model Foundations: Definitions and Approaches***

We start with Baden-Fuller and Morgan's discussion of the nature of the enquiry by academics and practitioners, considering the philosophical background of the concept of models in science, research and practice. We then move to Teece's unpacking the relationship between strategy and business models taking both a theory and practice view. Casadesus-Masanell and Ricart deepen this investigation, unpacking tactics from business models and strategy; while Amit and Zott contribute from the Activity System perspective to delineate design parameters for business models.

### **How do Business Models Emerge?**

Many of our readers will be keen to know how business models come into being, both theoretically and practically. Here, Demil and Lecocq lead in exploring how the concept – and the reality - embodies dynamic consistency – as a record of what is, and a tool for adaptation and evolution. Then there are contributions on business model design practicalities - from McGrath on the need for experimentation and discovery; from Gambardella and McGahan on new business models that are changing the business architecture of scientific and technological development; and from Wirtz, Schilke and Ullrich on how internet business models are adapting to the challenges of the Web 2.0.

### **Building new Business Models for Emerging Economies and Social Uses**

While business model change is often seem as being inextricably linked with the onset of the Internet, another significant impetus is coming from an apparently diametrically opposite source – wholly new kinds of business models are being developed to meet the demands of emerging economies, their markets and customers. We offer pieces that examine how business innovators are managing this balancing act between economic and social profit: Thompson and MacMillan draw lessons for designing business models in high-uncertainty markets in recording how societal wealth projects are born; Yunus, Moingeon and Lehmann-Ortega study some of the Grameen Bank's many partnerships to examine how social business model design opens up the notion of shareholders to embrace the wider group of stakeholders; and Dahan, Doh, Oetzel and Yaziji look at how

new business model forms are being co-created when for-profits partner NGOs in emerging markets. Finally, Williamson delivers a stark warning about the threat one radical new design - the low-cost business model of the emergent Chinese and Indian markets - poses to the established business model order.

### **Implementing Business Models: Key success factors**

Finally, last but not least is the vital managerial agenda of innovating business models – including ‘new’ creations, substantial changes and progressive adaptations. Avoiding the temptation to create artificial distinctions we offer a range of views as to what these ‘key factors’ are. Thus Chesbrough considers the opportunities and barriers to innovation; Itami and Nishino stress the role of learning as a structural design consideration; and Doz and Kosonen outline a management agenda aimed at achieving the strategic agility to envision and then accelerate renewal. In case terms, Sosna, Trevinyo-Rodriguez, and Velamuri record the use of ‘trial-and- error’ learning to generate successful business model renewal and Svejnova, Planellas and Vives follow the stages in the building of a (remarkable) individual’s business model. And finally two articles address issues facing more complex organisations: Sabatier, Mangematin and Rousselle return to the opening paper’s recipe analogy to consider how small European biotech firms create and run portfolios of interlocking business models to serve divergent imperatives; and Smith, Binns and Tushman look at how managers react to the paradox of chasing both exploration and exploitation simultaneously exploring and exploiting business models within a portfolio of business tasks.

How has this great project of assembling 19 pieces in a single special issue been achieved? First, credit must go to Benoît Demil and Xavier Lecoq who spawned the idea (in many interactions in the late Spring of 2007) and have pursued it with energy, determination and persuasion since then. They rightly noted that the Business Model was an underappreciated topic in academic circles that deserved a level of attention much more in line with its widespread use in business. Later that year, Ian (Mac) MacMillan agreed to lend his weight to the team, since when the four of us have discussed many ideas, many times; have invited senior and junior scholars to engage in the topic; have

organised a workshop for over 50 people (in December 2008); read more than 80 submissions, and finally engaged with over 40 authors to produce the final menu for this issue. We share the credit among ourselves, our many reviewers, and also with Jon Morgan, who, with great character and skill, has edited all the articles, brought joy to leaden text, provided a keen eye to tease out the worthwhile idea and cleaned out many sloppy statements missed in the review process. Finally, we acknowledge the generosity of the EPSRC who helped fund the costs of the project and one of the pieces (grant EP/E037208/1).

Charles Baden-Fuller (editor-in-chief of *LRP* and co-editor of this special issue), Benoit Demil, Xavier Lecoq, and Ian (Mac) MacMillan (co-editors of this special issue)  
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LINE UP:

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- **Business Models, Business Strategy and Innovation**  
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- **From Strategy to Business Models and on to Tactics**  
Ramon Casadesus-Masanell and Joan Enric Ricart
- **Business Model Design: An Activity System Perspective**  
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## **How do Business Models Emerge?**

- **Business Model Evolution: In Search of Dynamic Consistency**  
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- **Business Models: A Discovery Driven Approach**  
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- **Business-Model Innovation: General Purpose Technologies and their Implications for Industry Architecture**  
Alfonso Gambardella and Anita M. McGahan
- **Strategic Development of Business Models: Implications of the Web 2.0 for**

## **Creating Value on the Internet**

Bernd W. Wirtz, Oliver Schilke and Sebastian Ullrich

## **Building new Business Models for Emerging Economies and Social Uses**

- **Business Models: Creating New Markets and Societal Wealth**  
James D. Thompson and Ian C. MacMillan
- **Building Social Business Models: Lessons from the Grameen experience**  
Muhammad Yunus, Bertrand Moingeon and Laurence Lehmann-Ortega
- **Corporate-NGO Cooperation: Co-Creating New Business Models for Developing Markets**  
Nicolas M. Dahan, Jonathan P. Doh, Jennifer Oetzel and Michael Yaziji
- **Cost Innovation: Preparing for a ‘Value-for-Money’ Revolution**  
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## **Implementing Business Models: Key success factors**

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- **Killing Two Birds with One Stone: Profit for Now and Learning for the Future**  
Hiroyuki Itami and Kazumi Nishino
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Yves L. Doz and Mikko Kosonen
- **Business Models Innovation through Trial-and-Error Learning: The Naturhouse Case**  
Marc Sosna, Rosa Nelly Trevinyo-Rodriguez and S. Ramakrishna Velamuri
- **An Individual Business Model in the Making: a Chef’s Quest for Creative Freedom**  
Silviya Svejnova, Marcel Planellas and Luis Vives
- **From Recipe to Dinner: Business Model Portfolios in the European Biopharmaceutical Industry**  
Valérie Sabatier, Vincent Mangematin and Tristan Rousselle
- **Complex Business Models: Managing Strategic Paradoxes Simultaneously**  
Wendy K. Smith, Andy Binns and Michael L. Tushman