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Avoiding to get stuck in a successful business model
Dynamic business model adaptation from a path
dependence perspective

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Abstract

The phenomenon of business models is receiving increasing attention in entrepreneurship research. One central challenge in the literature on business models is the question how business models can remain flexible in a changing business context. While there is agreement among scholars that business models need to be adapted, experience shows that successful business models often become inert as firms mature. In this paper we draw upon path dependence literature to discuss how firms can avoid getting stuck in their business model. We identify the options of (1) either unlocking locked-in business models or (2) avoiding the occurrence of a lock-in. We elaborate on business model development along the cases of three Swedish textile companies. The pursuit of unplanned opportunities narrows down the scope of available options and leads to the emergence of a path. On the other hand, business models also include strategic options that widen the past or at least help avoiding a complete lock-in.

It is only recently that research on business models has become a topic in major journals (Chesbrough 2010; George & Bock 2011; Pauwels & Weiss 2008; Teece, 2009; Zott & Amit 2007, 2008). For several reasons, the business model topic is particularly interesting to entrepreneurship research. Newly started companies need a business model in order to achieve success in the market. When it comes to entrepreneurial processes, shaping a business model is closely linked to opportunity creation (George & Bock 2011). The business model concept has become particularly popular in the IT field (Al-Debei & Avison 2010). When new technologies emerge, these may create value for customers/users without necessarily generating economic value for companies supplying them. During the IT-boom of the late 1990s, many companies failed in creating stable, revenue-generating business models. While this problem threatened the survival of many new ventures, contributing to the burst of the IT bubble, also established companies needed new business models as a result of technological change. For instance, newspaper publishers saw revenue from their traditional subscription/advertisement based business model declining. The content they started providing online became popular among readers however it was difficult to find a business model generating revenue from online editions.

Environmental changes highlight the need for firms to continuously adapt existing business models or even create new business models that generate revenues under changing environmental conditions. We know from previous research that new entrants are usually more adaptive than incumbents that get stuck in existing resource configurations (Teece, Pisano & Shuen 1997). While start-up entrepreneurial firms can be expected to have an advantage over incumbents in creating innovative business models or adapting their business models in a flexible manner, they also face the challenge of avoiding to get stuck in their initial success recipes. Individual entrepreneurs play a key role in shaping a new firm with its resource configuration, values, and business model (Kimberly & Bouchikhi, 1995; Schein, 1983), but at the same time their imprints may also result in dangerous inertia in the long run (Stinchcombe, 1965; Boeker, 1989). As research on path dependence (e.g. Arthur,

1989; David, 1985) shows, setups in business and technology that create success and generate increasing returns during one-period may lock in along the way and become highly difficult or even impossible to change. Applied to a business model setting, path dependence would imply that companies lose their ability to change and adapt their business model to a changing context. This might not least be the case where the original business model has been highly successful and its reproduction leads to a lock-in on a previous success recipe that cannot be altered if it becomes dysfunctional due to environmental changes (Sydow; Schreyögg & Koch, 2009). Hence, Johnson et al. (1996) propose that new business models are most likely to emerge with new organizations. The present paper aims at exploring how paths emerge in the business model creation process of firms. This includes investigating how companies can escape getting stuck in their business models. As a theoretical lens we are going to use the literature on path dependence that allows analyzing why firms get locked-in on specific patterns, but also how such lock-ins can be avoided.

The remaining sections of this paper are structured as follows: We start by providing a literature review, focusing on research on business models as well as the perspective of path dependence. Empirically our paper is going to build on three Swedish textile firms, Oxeon, 8848 Altidue, and Oxeon, representing different parts of the textile industry. Our research is part of a project that will eventually include additional firms. As we still are in the process of data collection, the discussion part of this paper is going to alter between the case illustrations and a conceptual reasoning on business models and path dependence. Our paper is going to be concluded with a summary of our results so far, directions for future research and the managerial implications of our work. ‘

Theoretical framework

The theoretical framework builds on three main parts. We start by reviewing the literature on business models, covering some of the diverse understandings of the concept and concluding with our own understanding of business models in the context of this research. We then turn to previous research on the dynamic adaptation of business models before addressing path dependence as a theoretical lens to understand possibilities and limitations for business model change.

Business models

Being a buzzword during the time of the dot com bubble (Magretta 2002), the ‘business model’ concept has become widely used among practitioners and in practitioner-oriented outlets. Particularly, the concept has become popular in the ICT field (Al-Debei & Avison 2010, Hedman & Kalling 2003), not least as web based business models were (mis-)used to promise tremendous economic success during the IT-boom of the late 1990s (Magretta 2002). The normatively oriented literature on the topic essentially suggests that the choice (and potentially the redesign) of the business model is a key to business success (Casadesus-Masanell & Ricart 2011; Johnson et al. 2008; Magretta 2002). Not least the ‘business model canvas’ tool launched by Osterwalder and associates (Osterwalder & Pigneur 2010) has become highly popular among practitioners as well as in entrepreneurship classes in academia. Despite the alleged importance of the business model, there is a lack of consensus as to what business models actually refer to (Morris et al. 2005, Al-Debei & Avison 2010), leading to a fragmented body of knowledge

(George & Bock 2011). It is not least unclear, how the business model relates to other concepts, such as mission, vision, or strategy). Stemming from practice, the business model concept is used independently from theory, leading to continued conceptual obscurity (Hedman & Kalling 2003).

In search for a definition and a distinct domain of the business model concept

There have been attempts to bring more clarity and coherence to the use of the business model concept. Al-Debei & Avison (2010) have performed a content analysis of various publications addressing business models, including 22 different definitions. They come up with four different business model facets, namely the value dimensions (i.e. how value is created for different stakeholders, including customers as well as owners), the modeling principles (i.e. how the business model is constructed and what issues it addresses), the reach (i.e. the relation to nearby concepts such as strategy and business processes), and the functions of the business model (i.e. how it can be practically used in organizations). While Al-Debei & Avison make an important effort in reviewing and adding structure to the literature on business models, their work is limited by the fact that they primarily focus on the IT industry. They also seem to adhere to the pre-millennium new economy discourse in the sense that they see the “world of digital business” as fundamentally different from the “world of traditional business”. Against the background of the dot com bubble’s burst, this makes us ask to what extent their findings make sense in industries other than the IT sector and to what extent business models in digitalized industries are actually fundamentally different from the traditional ones. The business model concept would be far more interesting and meaningful if it could be applied on a general level, regardless of industrial and technological contexts.

George & Bock’s (2011) recent article is not limited to a particular industrial context although IT and other technology-based firms are strongly represented in their study. They apply dual perspectives, reviewing both the existing business model literature and making an attempt to investigate how practitioners actually use the concept. Their literature review identifies six major themes, focusing on product and service design, the deployment of resources, narrative accounts of business models, innovation frameworks, transaction structures, and the enactment of opportunities. The findings relating to practitioners’ business model conceptions are no less diverse, yet they identify an emphasis on the pursuit of opportunities. A general problem of this diversity is that ‘business model’ can refer to more or less anything relating to the firm and its business. For instance Hedman & Kalling’s (2003) proposed framework includes aspects such as customers, competitors, organization, offerings, resources, inputs, and processes. The same is true for Osterwalder’s popular ‘business model canvas’ (Osterwalder & Pigneur 2010) that has gained a lot of influence, especially among practitioners and in entrepreneurship education. It includes key activities, key partners, key resources, cost structure, customer relationships, customer segments, value propositions channels and revenue streams. The business model concept, as it is currently used both by scholars and in practitioner-oriented literature, thus seems to be very wide and almost all-encompassing. As a result, George & Bock (2011), warn that it may be difficult to distinguish business models from other management concepts such as strategy. Their solution is to propose a business model definition related to the enactment of opportunities. More specifically, they define business models as “the design of organizational structures to enact a commercial opportunity” (George & Bock 2011, p. 99). In their definition of “organizational structures”, they go beyond the traditional meaning of the concept used in organization theory and address three specific

structural dimensions, namely resource structure (i.e. the resources, capabilities and activities of the firm), transactive structure (i.e. the firm's relationship to internal as well as external stakeholders), and value structure (i.e. how the firm creates and captures value). Although George and Bock affirm, that value is a key issue in much literature on business models, their elaborations on value structure unfortunately remains very brief. For instance, it is not fully clear what kind of value they are talking of. They explicitly mention the value that is created for the customers. Although value creation for customers is an obvious prerequisite for sustainably successful business, it is not self-evident that value creation for customers alone leads to value creation in terms of revenues for the firm and its owners. The failure of firms providing innovative web based services to customers strikingly illustrates that value creation for customers needs to be accompanied by functioning revenue generating mechanisms in order to lead to commercial success.

Overall, the distinctive domain of the business model concept seems to be difficult to define. Many aspects addressed in the business model literature relate to phenomena that are also addressed by other, more established concepts. For instance, the resource structure of firms (George & Bock 2011) has been extensively addressed by approaches in the strategy literature that take the internal conditions of the firm as a point of departure, e.g. the resource-based view of the firm (Barney 1991) or the dynamic capabilities view (Teece et al 1997). The pursuit of opportunities is one of the key topics in entrepreneurship research (Shane & Venkataraman 2000). Likewise, the idea of a business model being a blueprint, covering the key components of the business in an abstract manner (Al-Debei & Avison 2010; Haaker, Faber & Bouwman 2006), is very similar to common understandings of strategy. It emphasizes the commercial side of opportunity enactment and underlines the need of finding an approach of turning ideas into revenue generating businesses. Magretta (2002) claims that a business model should basically answer three questions. The first two are Peter Drucker's classical "Who is the customer?" and "What does the customer value?" Magretta adds a question relating to revenue generation, namely "How do we make money in this business?" She thus combines the customer related opportunity that the firm pursues with the approach to revenue generations that is applied. Hence, value creation both from the customer's perspective and from that of the company and its owners are considered. While revenue generation makes only sense in connection to a concrete business opportunity, it is the facet that can provide the business model concept with a distinct domain in addition and in relation to established concepts such as strategy or entrepreneurship.

Drawing upon Magretta (2002), George & Bock (2011) as well as Morris et al. (2005) we therefore define business models as *a logic of profit generation relating to the enactment of a business opportunity.*

The dynamic adaptation of business models

It is undisputed that most businesses today face a changing environment and that therefore business models need to be continuously adapted or even replaced by new business models in order to sustain the success of the firm in the long run (Brunninge & Achtenhagen 2011, Doz & Kosonen 2009; Johnson, Christensen & Kagerman 1996). Still, we have rather little knowledge relating to the question how such dynamic adaptation of business models is created in practice.

Johnson et al. (1996) draw upon some interesting cases of successful business models. They identify different types of situations where business model change is needed. Some of those are primarily reactive, meaning that the firm needs to change its business model as the existing business starts being copied and is not successful any longer or that the basis for competition changes due to newcomers in the industry that introduce innovative business models. Likewise, technology change may force companies to change their business model although successful business model change relating to a new technology is also a great opportunity to get ahead of one's competitors. Other reasons for business model change are more purely opportunity driven, such as the identification of a new customer group or of a need that is not yet met by any actors in the industry. Although Johnson et al. (1996) position their work around the reinvention of business models they are rather pessimistic regarding the potential of established firms to substantially change their business models. The empirical case they come up with, refers to a firm that had to establish an independent unit for pursuing the new business model as the rest of the firm was stuck in its established way of thinking (cf. Gagliardi, 1986; Johnson, 1987). Eventually, Johnson et al. (1996) thus propose that new business models are most likely to emerge with new organizations, even if those organizations might be established within the context of an incumbent. They further claim that even in new organizations, patience is needed as the initial business model is usually revised several times until the eventual success formula is found.

George and Bock (2011) look at business model change as going along with major industry developments, such as technological innovations. However, a crucial question here is whether the business model is changed on the industry level, i.e. by new firms entering the industry and introducing the new business model or if business model change does happen on the firm level. The authors see the greatest potential for firm-level changes in young firms and affirm that business model change may require new structural solutions and new resource configurations.

Achtenhagen and Brunninge (2011) start out by presenting a number of cases illustrating the variety of business model changes, where some are much driven by the pursuit of market opportunities, while others focus on rearranging internal processes. The authors identify a number of common denominators among the firms, most of them being incumbents, that succeeded in changing their business models. They often had entrepreneurial leaders with a long-term approach to business. Long-term orientation supported the tendency to adapt and change business models as the firms were looking beyond short-term success that was of course easiest to achieve with the established business model. Interestingly, most of the firms also had a strong corporate culture. This may seem counter-intuitive as Johnson et al. (1996) see strong cultures as one main obstacles against business model change. However, as long as a culture is centered on aspects other than the established business model, it may provide the firm with a sense of stability that helps coping with the changes a new business model will imply (cf. Hatum 2002).

Partly drawing upon the same data as Achtenhagen and Brunninge (2010), Achtenhagen, Naldi & Melin (forthcoming), take a strategizing perspective and focus on managerial activities on the micro level (cf. Johnson, Melin & Whittington 2003) to understand how business models can contribute to sustained value creation. They identify three critical capabilities being (1) creating, identifying and experimenting with new business opportunities; (2) using resources in a balanced way; and (3) achieving active and clear leadership, a strong corporate culture and employee commitment. These different capabilities are then supposed to be combined into a virtuous circle

where they reinforce each other over time and ensure a continuous adaptation of the business model. Of course, like strong cultures, virtuous circles are not per se unproblematic as they may have a tendency of continuously reinforcing themselves and thus potentially leading to inertia. A circle that is virtuous at one point in time will not necessarily remain so if the business context changes. We therefore believe that it is important to underline that Achtenhagen et al.'s (forthcoming) virtuous circle argument refers to managerial processes and capabilities on a general level rather than to content related aspects of business models.

Path dependence

Self-reinforcing processes play a key role in the literature on path-dependence. Since the mid-1980s, a growing body of literature on path dependence has elaborated on the phenomenon of lock-ins during development trajectories (Arthur, 1987; David, 1985). Path-dependent developments are impossible or at least very hard to reverse and may result in inefficiency when necessary changes are prevented. Recently, Garud & Karnøe (2001) have launched the alternative concept of path creation. While recognizing the existence of path dependent developments, they emphasize the ability of entrepreneurs to make mindful deviations from established paths to accomplish change. The concept of path dependence (Arthur 1989; David 1985) departs from the assumption that increasing returns, i.e. a positive feedback process that eventually results in a lock-in where changes of the selected solution become hard, if not impossible, to bring about. In a conceptual discussion of the concept, Sydow, Schreyögg & Koch (2009), divide the process leading to path-dependence in three phases: Initially, the situation is characterized by a broad scope of action. Small events may however offset self-reinforcing processes, meaning that a choice, sometimes random and sometimes more intentional, leads to increasing returns. At this point, the so-called critical juncture, the second phase starts and the scope of action is successively narrowed down. Eventually the dominant pattern becomes so narrow that it gets fixed or locked-in. Here, the third phase starts and the development has become path-dependent and more or less deterministic.

Traditionally, path dependent processes have been described in relation to technology development, but on an organizational level also lock-ins relating to e.g. cognition may occur (Brunninge & Melin 2009; Sydow et al. 2009). Johnson et al (1996) for instance describe the case of a firm where the corporate culture is so centered around the existing business model that business model adaptation or change become impossible. Once a chosen business model has become an integral part of the organization's identity, any change in business model would put the organization's institutional integrity at stake (Brunninge 2009; Selznick 1957). The issue can become particularly sensitive, if the business model is closely linked to imprints of the organization's founder or the legacy of a dominant entrepreneur that later generations of leaders want to preserve (Boeker 1989; Habbershon & Pistrui (2002). Of course the lock-in of business models can also relate to technologies or a combination of technology and cognitive constraints. For traditional manufacturers of photographic film, like Kodak or Agfa for instance, the business model was both technologically and cognitively linked to the business opportunity of selling photographic film rather than a wider range of storage media. In order to escape from a lock-in, firms may both have to fundamentally rethink their way of doing business and acquire technologies and competences. While technological lock-ins in principle might be unlocked as long as there is a functioning and affordable market for technologies, cognitive lock-ins are harder to cope with. Recent work on unlocking paths

(Brunninge & Melin 2010; Ericson & Lundin 2013) focuses on the need to challenge and renegotiate existing belief systems. Practically this can imply that the shared conception of the company's history is reinterpreted (Brunninge & Melin 2010) or a competing 'ghost' myth is launched to challenge the prevailing myth of the organization.

Lock-ins on a business model would not be a problem, if firms could easily unlock them and switch to a new business model once the old one has started turning obsolete. However, we know from various examples, e.g. traditional print newspaper companies, producers of photographic film and analogue cameras, as well as traditional book stores have had a hard time adapting their business models to a changing context. Locked-in business models hence need to be avoided if business model change is to occur on the firm level. There are two basic possibilities for achieving this. Either an existing lock-in needs to be unlocked. This may be a necessity for many incumbents that want to renew their business model. An even better option however, would be to avoid that a lock-in on a specific business model occurs in the first place. While start-up and young firms have an advantage in the fact that they are usually not yet locked in on specific resource configurations or cognitive structures creating inertia, they will eventually mature. How can they avoid being caught in a locked-in business model? Eventually any firm will have to make choices and set priorities during its growth meaning that options for choice are at least to some extent limited. How can a firm nevertheless retain a high degree of flexibility and avoid being dependent on one specific path? What does the emergence of paths in business models look like and at what points do managers need to be attentive in order to avoid a lock-in? Along the way, also cognitive structures in a firm will stabilize and become institutionalized and inert. But how can a firm assure that its culture and identity are not inseparably linked to a specific business model? The following three cases will offer us some insights into potential answers to these questions.

Method

As indicated initially, our emphasis in this paper lies on the change of business models. Despite some contributions on this issue (Brunninge & Achtenhagen 2011, Doz & Kosonen 2009; Johnson, Christensen & Kagerman 1996), surprisingly little has yet been done to understand what makes business models changeable and how business model change can be accomplished. In order to help filling this gap we have conducted a longitudinal single case study of an entrepreneurial firm. Case studies are particularly suited for research on change processes, as they capture longitudinal developments in context (Pettigrew 1990, 1997). As they allow for empirically-based exploration, they are particularly suited for relatively novel research topics (Eisenhardt 1989) such as business models.

Our three case companies, Oxeon, 8848 Altitude, and Blåkläder are all textile companies. The textile industry has a long history and undergone many changes over time. In highly industrialized economies like Sweden, much of textile manufacturing has for long left for low cost countries. However, the region around Borås in Sweden, 65 km West of Gothenburg that was one of the historical centers of the Swedish textile industry is still today characterized by many textile companies. These companies have diverse activities. 8848 Altitude is a rather young outdoor clothing brand and the company focuses on design and marketing, while outsourcing its production. Blåkläder has specialized on workwear and apart from designing its garments it also owns its production facilities in Vietnam and Sri Lanka. Oxeon finally produces high tech woven

carbon fibre reinforcements: The company has its own manufacturing in Sweden but also licenses its technology to customers.

Data for the case studies is based on interviews with executives and owners, as well as company documents and reports. In the Oxeon case, two members of the entrepreneurial team were students to one of the authors of this paper, who has been able to follow the development of Oxeon since the time before the company's formal start-up. From Oxeon also the company's own written documentation of their business models was available. Based on the data from the three companies we constructed case stories that cover the firms' business development over time, with an emphasis on the last ten years.

Oxeon

Oxeon was founded in 2002 as a research spinoff at Chalmers University of Technology in Gothenburg. In the beginning, a materials engineering researcher and a couple of entrepreneurship students constituted the entrepreneurial team and tried to find a commercial application for a patent in weaving flat threads or tapes. Initially, there were several options for the tape material to be used and while reviewing different application options, the choice was subsequently narrowed down first to composites and then more specifically to carbon fiber composite manufacturing.

Among the initial problems were the issue of non-existing weaving machine that was suitable for the task, so the team had to construct the machine by themselves. When applying the flat carbon fibers, they realized that high quality flat carbon fibers did not exist, so they extended the business model to produce the fibre tape, too. Hence, in the first year of their business they went from concept to producing machines, on to producing the tape, using their own manufactured carbon fibers. Attending their first fair in 2003, Oxeon experienced very high interest. The focus now was somewhat diluted, but that changed when BMW started getting excited about Oxeon's technology. The company received their first order to produce prototype chassis for BMW Formula 1 cars. The application took advantage of light weight, extremely strong tape and conveniently moldable material.

After some years at the University Business Incubator, the company moved the company to Borås, located in the middle of the Swedish textile cluster. The entrepreneurial team believed that the textile tradition in Borås would facilitate the recruitment of skilled staff in a growing company. After increasing the production capacity and adding new patent rights into the company the company now had patents within technology, production equipment and material. Demand became higher than the production capacity of the company and in order to pursue continued growth, Oxeon decided to license technology to customers that were interested in using their products:

Additional business opportunities have been pursued and today the company is both producing and licensing production to multinational companies. In 2010 the company was elected Gazelle – i.e. the fastest organically growing company in Sweden over a three year period, and was the runner-up in 2011. Customers today include Formula 1 teams, the ice hockey equipment manufacturer Bauer hockey and various other multinationals. A number of further refinements of the business idea statement have followed.

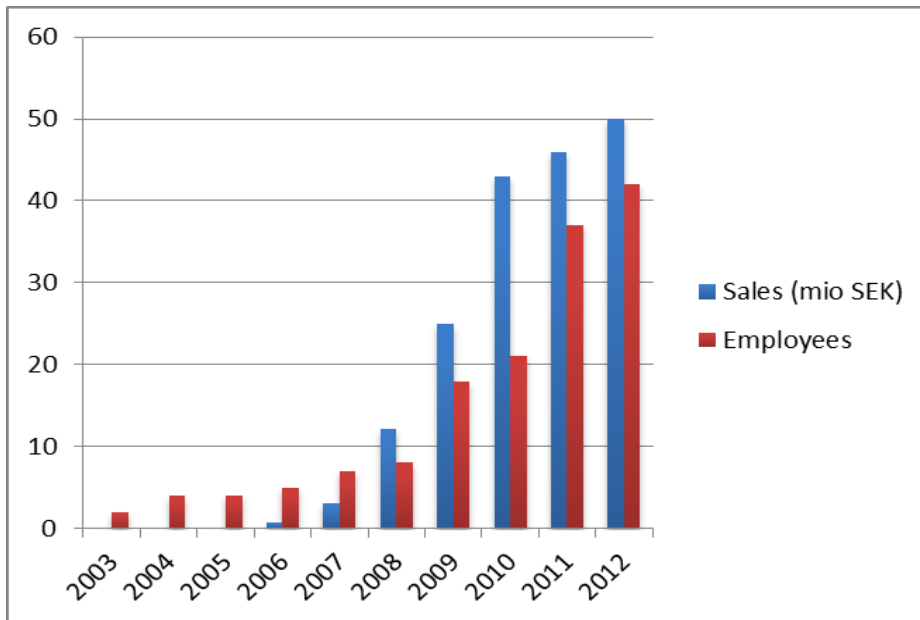


Fig. 1. Sales and workforce development at Oxeon (1 SEK= approx. 9 EUR).

8848 Altitude

The company 8848 Altitude (shortly 8848) was initially formed as a project in 1990 by three students at Swedish School of Textiles in Borås. The brand name refers to a climbing expedition to Mount Everest, and the student project was about designing the expedition's clothing.

Early years, the former students continued the product development using the same kind of high tech and expensive textiles and designing high end clothing for downhill skiing as was used in the Mount Everest expedition. Downhill skiing was a major personal interest of the entrepreneurial team so this choice of market seemed natural to them. At the time, a major share of the sales was in Sweden with some additional sales in Switzerland.

In 1995 the company started orienting towards less expensive materials, and approached Intersport as a major distribution channel. Eventually, Intersport also became the main owner of the company. Unfortunately this ownership led to decreasing sales, as other stores refused to sell Intersport products. After a few years, the founders bought back their shares. A former CEO and CFO at Intersport Sweden joined the board, and a formal board was formed in 1998. With a professional board, financial controls were tightened and a business model with focus on less expensive materials along with design and also including childrens sizes was formulated. This was quite successful and the total turnover increased to 22 million SEK in 2004, after a break even in 2002.

In 2004 the company was invited to an international fair in Munich, and several international contacts were made. International sales started taking off with agents in Germany, Austria etc. The development of the company's internationalization pattern was somewhat random as 8848 sold to anyone that wanted to buy their products.

Sales were fairly good, but in the late 00's, the low German markups along with downturn in the economy and warm early winters, led to decreasing sales and poor net income. Still – sales distribution in 2010 was in 600 stores over 20 different countries. Also over the last years, the competing world brands have become more dominant, and put restrictions on the stores, not to purchase other brands. These threats has as a strategic decision been met with aggressive sales, visiting the stores and helping out with actual styling in the stores. During 2013 this has been a successful strategy change. Now in 2014 the business model has been developed further with closing down international agents and instead starting up in house sales om major markets, to control sales and reduce costs.

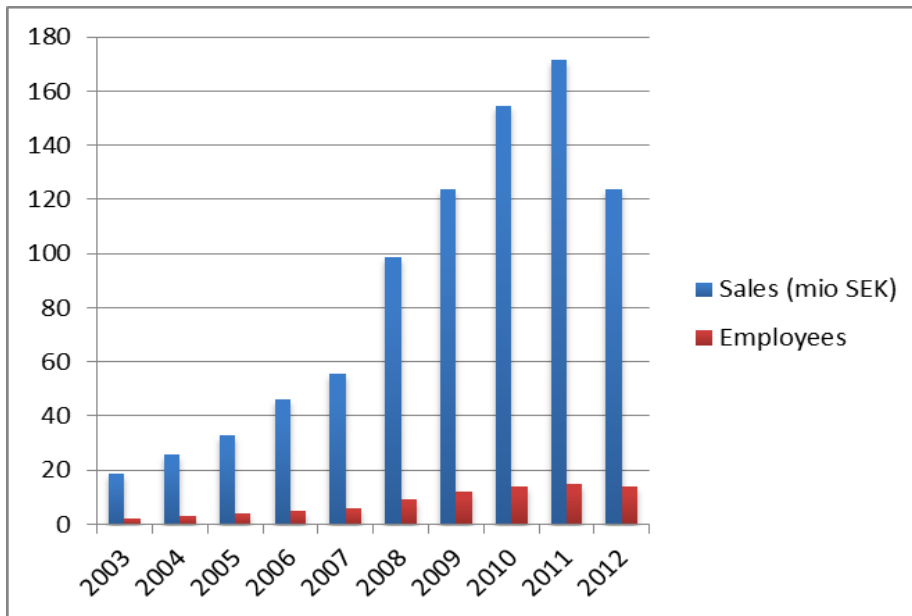


Fig. 2. Sales and workforce development at 8848 Altitude (1 SEK= approx. 9 EUR).

Blåkläder

Blåkläder origins back in 1937 and company focus has changed several times over the years. Starting with workwear, emphasis shifted to military uniforms during the war 2. During the post-war period the company returned to traditional workwear while at the same time diversifying into fashion. 1959, the company that today is called Blåkläder was created as a spin-off to concentrate on workwear. Blåkläder concentrated on the Swedish market for a long time, but towards the end of the 20th century, the company started selling abroad through agents, starting in Finland and Norway, then moving to Germany before expanding to other countries in continental Europe, the UK and North America.

Like in many textile firms, Blåkläder's international activities started by moving production abroad. Similar to other Swedish textile firms, the company moved production to Finland and Portugal in the 1960s, before moving to Vietnam in the early 1990s and adding production facilities in Sri Lanka from 2006 onwards. In contrast to many competitors, Blåkläder still owns its production facilities and has no plans of divesting them. The company sees its backward integration as a competitive advantage as it

shortens lead times, allows for quick changes in production, and facilitates quality control. With more and more customers emphasizing CSR issues, Blåkläder can also ensure that CSR standards are met in garment production. Another difference as compared to competitors is also the fact that Blåkläder has its own warehouse. Instead of selling agents, Blåkläder has set up wholly-owned international sales subsidiaries. While production and warehousing has always been integrated in Blåkläder's operation, the company started integrating downstreams by establishing wholly-owned sales subsidiaries in most of the company's foreign markets. Due to strict working environment rules and strong unions, Sweden has traditionally demanding workwear customers. In contrast to this, the markets in continental Europe are less mature and have higher growth potential as demand for secure, high quality workwear starts taking off in these countries.

New product lines have been added and apart from its traditional strength in the construction sector, Blåkläder is today producing specialized garments for a variety of industries, including the quickly expanding service and warehousing sector. The company has also added a collection for women although the workforce among the company's customers is still very much dominated by males. Nevertheless, the company believes it is essential to offer female users workwear designed for women rather than leaving them with male sizes. Recently, Blåkläder has also started including shoes and gloves in their product range.

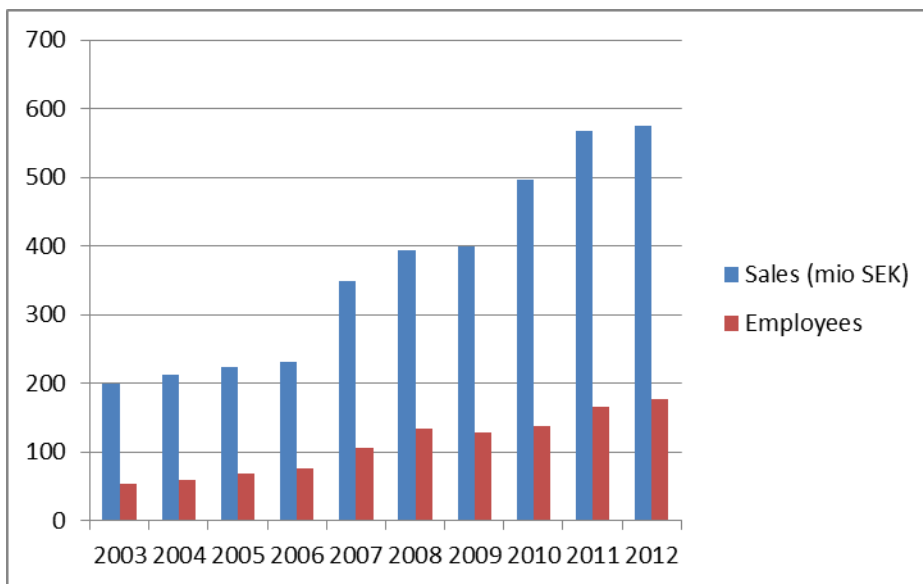


Fig. 3. Sales and workforce development at Blåkläder (1 SEK= approx. 9 EUR).

Discussion

Despite rather big differences in terms of age, all three companies have been developing and adapting their business models over the years. If we look at the Oxeon case, we can see an example of a company that had a rather wide range of options to choose between when the company was founded 10 years ago. The technology that business would rely on was based on weaving tapes. However, neither the material of the tapes nor the application of the material were determined from the beginning. The choice of

material was narrowed down step by step and it was eventually a to some extent random event that decided for the automotive industry being the first application area. The notion of small events (Arthur 1994) is important in the path dependent literature as a reason why options start narrowing down and paths start emerging. Sydow et al. (2009) rightly question if these small events are always small and random. In our cases we find several examples of seemingly small events that led to important choices in the development of the firms' business models. Similar to Oxeon, also 8848 had an opportunity to go to a fair abroad that set the stage for the subsequent development of its internationalization strategy, including the choice of national markets and the choice of entry mode. Our interviewees at the companies partly labelled these events as "chance". While we agree that the specific business opportunities that emerged were unplanned and thus in that sense random. On the other hand, the entrepreneurs made the strategic choice to go to the fairs when the opportunities emerged and were able to exploit the the opportunities by establishing commercial relationships with customers/distributors. Based on this, we argue that the small events or choices leading to a narrowing down of a business model include a random component. Still, there is also a possibility (and probably a need) to manage the "small events" in the sense that the organization puts itself in a situation where relevant events may occur and that it is up to the organization to decide how to react to and exploit the opportunities emerging from small events. To what extent such a process is strategically planned or randomly emerging is eventually an empirical question that differs from case to case.

Choices that companies make, to some extent narrow down the options for future development. Blåkläder was foundation as such was such a choice, the company being a focused workwear spin-off from a more diversified garment manufacturer. With its emphasis on workwear, the prioritizing of functionality over fashionable design, as well as sales channels optimized for specific customers, and a well-developed brand within workwear, Blåkläder is locked-in on workwear in the sense that it would be extremely difficult, if not impossible, to become a diversified garment manufacturer. Yet, choices companies make in their business model development do not only narrow down the scope of options, they also open up options for future development. For example, Blåkläder's strong sales channels, as well as their competence in involving customers in their product development created an option for moving into new product categories such as gloves and shoes, targeting the same customer groups, using the same sales channels and further leveraging the company's brand.

Oxeon is a company that has been working consciously with the development of options in their business model. An important change in Oxeon's business model refers to the part of the value chain that is covered by the company. While the founders saw the company as a producer and potentially marketer of woven composite materials, they soon realized that they needed to produce both raw materials and machines in order to deliver high quality. This has resulted in a number of patents that constitute opportunities for further business. In addition, Oxeon also has changed its marketing approach. While the initial focus was on in house manufacturing the company now licenses its products. The desire to keep strategic options open becomes apparent in several choices. When, in its early years, the firm had to choose to focus on a certain category of materials, composites were chosen as they promised a wide range of future business opportunities. The choices to produce tape and to construct manufacturing equipment were made by necessity in the beginning, yet they opened new business opportunities related to the patents Oxeon was able to get. Although by definition not all open opportunities can be pursued from the beginning, they constitute a pool of opportunities that creates a wide range of options for future business model adaptations.

The development of Oxeon shows interesting strategies for lock-in avoidance. The case adds to Achtenhagen et al.'s (forthcoming) finding that companies with a dynamic business model develop a capability of creating, identifying and experimenting with new business ideas. Particularly for small and medium-sized firms it can be difficult in practice to develop new business ideas all the time while putting the existing ones into practice. The increasingly popular literature on ambidexterity (e.g. Duncan 1976) suggests that firms need to successfully handle the duality of exploration and exploitation and preferably do both at the same time. One might assume that ambidextrous organizations should be able to adapt their business model rather easily as they constantly come up with new things and ideas. Oxeon's approach to new ideas was not just to explore and potentially exploit them. The entrepreneurial team also had the attitude that it was important to keep options for future exploration. In other words, where exploration was not possible at the moment, they were eager to at least keep the possibility for future exploration. Oxeon thus tried to consciously avoid the narrowing down of options that is typical to path-dependent processes.

While keeping options for future business model development open seems to be an attractive strategy, there can of course also be a trade-off between having many options and being sufficiently focused. Options can be resource consuming especially when many of them are actively pursued at the same time. 8848 gladly pursued every opportunity of entering new markets during their early internationalization. Today, the company has focused its marketing resources on a few selected markets. Resources for minor markets have been cut down on the other hand. Still 8848 keeps the option open to actively grow in these markets at a later stage.

Conclusions and implications

Our paper provides insight into the development process of entrepreneurial firm's business models. Our cases reveal that any change in a business model enables and constrains the pursuit of future business opportunities. Choices entrepreneurs are making along the way, result in the business model taking shape and hence strategic paths emerging. While choices to some extent narrow down the range of strategic options a company has, e.g. by focusing on particular customers or a particular type of technology, companies can also work on not closing the options which they cannot currently pursue. A growing focus in the business model should also not only be interpreted as a narrowing down of options. By focusing on certain customers, products or technologies, companies can also further understand and develop their competencies and use those for creating new strategic options, thus widening the path again. It is not surprising that a relatively mature company like Blåkläder has a relatively good understanding of its competencies, including organizing production, organizing worldwide logistics, and pursuing product development in close collaboration with customers. These competencies are to some extent generic and allow for new applications, thus creating new strategic options.

The concept of options used in the path dependence literature can thus help us understand how business develop and to what extent they remain flexible. Applying a management logic that consciously considers future strategic options, like Oxeon, can be seen as a strategy for lock-in avoidance. While choices, such as Oxeon's opting for carbon fiber created opportunities, but at the same time it also implied that potential opportunities associated with other materials were foregone. What is interesting about

Oxeon's choice however, is that the choice of carbon fibre left relatively many application opportunities open as opposed to the alternative options the company had. Likewise, choices to engage in raw material manufacturing, machine production as well as the combination of producing carbon fibre as well as licensing the process to customers avoided the typical narrowing down of options that tends to be typical of path dependent processes. In relatively short time, Oxeon pursued various business opportunities in manufacturing, machine development and raw material manufacturing. Likewise different revenue generating mechanisms, i.e. sales and licensing were applied simultaneously. The entrepreneurs themselves emphasize that that they consciously strive for leaving many options for the future development of their business model open. They just consciously seek to avoid the risk of lock-in to a path dependent development.

While the path dependence literature has recently been pointing at the fact that paths can actually be unlocked Ericson & Lundin (2013), the option of avoiding lock ins in the first place seems far more attractive to entrepreneurs that want to retain the strategic flexibility of being able to adapt and change their business model. Even though firms cannot retain an unlimited range of options for business model change, the conscious choice to pursue paths that allow for many future options creates a lot of possibilities for pursuing new business opportunities and for aligning the business model with environmental changes.

Entrepreneurs who are aware of this, can adapt their business model in a way that always keeps a wide range of business opportunities open. So far the business model literature included few in-depth longitudinal studies exploring the dynamic adaptation of business model and the role of individual entrepreneurs in such processes. With our paper we show how the development of a business model evolves over time and how entrepreneurs can maintain a high flexibility in their business model by keeping options for a wide spectrum of future choices open.

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