

Business Model Innovations in Europe and Beyond

Expert workshop

Friday, 20 October 2013, 9.30 – 16.15 hrs

Brussels, Belgium

Summary

Background

There is a need to conceptualize Business Model Innovation (BMI) and identify the components which render themselves to policy interventions. This workshop was intended to formulate conclusions and recommendations for research and innovation policy based on how BMI can be more explicitly addressed.

Attendants

The workshop convened 37 stakeholders from academia, policy and business. Attendance was by invitation only. See a list of attendees in the Annex.

Main results

1. BMI are complex phenomena; indeed, the results should be treated with caution. Despite the concept of BMI being difficult to define, it is particularly relevant in view of Europe's competitiveness. While many European organisations focus their innovation on technology, there is both a potential and a significant need for organisations to additionally focus innovation more on business models.
2. The Innovation Union strategy should focus on BMI; the following five key areas of research and innovation policy measures could be fruitful starting points of discussion:
 - a. *Education and training.* BMI require certain skills which should be taught in higher education. We know little about the content of business administration programmes and the competences of graduates, and a first step would be to measure and compare this across institutions and countries.
 - b. *Information and advice for SMEs.* It would be fruitful to investigate further the business models of academic start-ups and give BMI a more prominent place in entrepreneurship education.

About the business model innovations study

The study is based on a specific contract between the European Commission, DG Research and Innovation, and empirica Gesellschaft für Kommunikations- und Technologieforschung mbH (Bonn, Germany), Dialogic (Utrecht, The Netherlands), and the School of Business of the University of Applied Sciences North-Western Switzerland (Olten, Switzerland).



1 Welcome and introduction

Jean-Claude Burgelman

Jean-Claude Burgelman, Head of Unit C2, European Commission, DG Research and Innovation stressed the importance of BMI in the current work of DG RTD.

Jan-Eric Sundgren

In his introduction Jan-Eric Sundgren, Senior Advisor to the CEO, Volvo Group, Sweden, and ERIAB member made reference to the knowledge triangle of connecting education, research and innovation. Stressing the importance of business models in innovation and the need for new business models, he introduced the European Commission study and outlined how the study will be considered carefully by the Commission.

2 Case study: Handpresso

Presentation: Jerome Schlegel, CEO Handpresso, France

In the case study presentation, Jerome Schlegel described how Handpresso, developed by Nielsen Innovation had started with an innovative product, gaining recognition as the portable espresso machine. After outlining the product development, Jerome mentioned the recent collaborative agreements which have been able to penetrate areas such as the car industry as well as industries associated with the outdoor life, all with a focus on mobility.

Discussion

The discussion touched on partner collaboration as well as the definition of business model innovation while reflecting on the Handpresso case. In particular possible future scenarios for business model innovation were discussed.

3 Research findings I

3.1 Conceptualizing Business Model Innovations and Assessing their Importance in Europe and beyond

Presentation Pieter Perrett, FHNW, Switzerland

The presentation dealt with the approach used in the study, including the definition of business models and reported on the process of mapping business model innovation. The study authors have conceptualized a composite type of innovation and presented a suggestion to make it measurable in quantitative terms, making reference to the OECD Oslo Manual.

Presentation Edward Giesen, IBM, Netherlands

The IBM CEO survey was presented including the corresponding approach to measuring BMI. Findings suggest that besides outperformers more aggressively pursuing business model innovation than underperformers, they are also more disruptive.

3.2 Discussion

Christoph Zott, IESE – Business School, University of Navarra, Spain

This presentation reviewed recent elements of the work carried out by Zott & Amit, which focus on the BMI definition and stressed the disparities. Including, the business model design elements of content (what), structure (how) and governance (who); as well as what it is not. Using the example of the Apple BMI, Chris Zott presented the positive influence of their business model change and effect on their (rising) stock price since 1990.

He stressed the importance of business model innovation.

Plenary discussion

General comments:

- Measurement is important for academics but we need design principles to be able to move forward.
- BMI is also about experimentation to see what works. However, in terms of measurement and design principles, the time for evaluation is becoming shorter and shorter because of the internet.
- We are missing the drivers of BMI in this discussion. The internet as an enabler is a fundamental disruptive factor (e.g. in retail) which drives in all of the three business model elements which we've discussed. The second point is how products reach consumers; there is a lot of innovation going on in this area. In addition, there is a lot of innovation in supply chain cooperation, where open innovation type of interaction between producers, retailers and consumers has grown.
- Perhaps the conversation is too academic here; we may spend a lot of time trying to define BMI, but we know that all of the companies outlined so far have innovative business models. Now we should move the conversation on and look at it from the perspective of corporations. Does Europe face any challenges and what can it do to address these?

4 Research findings II: BM I appearance and success factors

Presentation: Pieter Perrett and André Niedermann, FHNW, Switzerland

In this presentation the initial findings of the study were presented, focusing on the multiple-case comparison. The key barriers and drivers of BMI based on the cases were highlighted. Leadership, political conditions and collaboration were factors which impact BMI.

Discussion: Patrick Stähler, fluidminds, Switzerland

This presentation stressed the role of experimentation and learning. In particular:

- learning about how to use the internet ever more effectively for BMI.
- Differentiating between 'learning' and 'unlearning'

Patrick Stähler stressed that the internet and its use in business model innovation was still in its infancy. For example, consider what could be achieved with connected cars or

trucks. He considered whether an environment could be created, which is conducive to BMI and suggested that this may be a big challenge for the EU.

A number of BMI examples, such as Amazon, were presented which use the internet as an integral part of the business model.

Patrick Stähler provided his definition of the business model; He added that often people see the world through models rather than reality. Indeed, the business model is your interpretation of the dominant logic. Reframing a problem to see it from a different perspective can help; unlearning is important.

Plenary discussion

We need creative leaders but many of our creative leaders do not make it to the top, because they are often risk-takers.

Out-of-the-box thinking is important; templates can assist in going beyond just 'local' thinking.

Some BMI studies have shown that powerful people, rather than the team, have made contributions to BMI.

5 Case study Evernote

Presentation: Cristina Riesen, General Manager Europe, Evernote GmbH, USA/Switzerland

This case study presentation focused on a fairly recent start-up (5 years old) as a sustainable model, highlighting the organic company growth and their innovative digital products. Two inter-firm partnerships were illustrated, firstly the Moleskin collaboration, and secondly the Post-It (3M) collaboration which offers customers value creation by linking the digital to the physical world.

Cristina focused on the integration of the innovative partnerships stressing that they draw on the experience of their joint collaborative model using challenges and experimentation in a positive way and listening to the feedback from their customers.

Discussion

Evernote's business model innovation was discussed in more detail. (SL: Outcomes?)

6 Research findings III: Policies supporting BMI

Presentation: Pieter Perrett, FHNW, Switzerland

This presentation provided an overview of the Research & Innovation policy instruments and critically reflected on the relevance of these for BMI. In particular education was presented as a possible focus which could influence BMI. Many current entrepreneurship programmes focus on bringing technologies to the market, but could these offer more of a focus on BMI?

The study has emphasized the need for experimentation as an integral part of business model innovation; moreover, this presentation asked whether current educational programmes provide the necessary skills development to implement such approaches? The second part then leading into a more interactive discussion focused on education and training.

A critical discussant's view: Bart Clarysse, Imperial College Business School, UK

The presentation considered differences in entrepreneurial strategies between start-ups and mature industries. Making reference to a framework, Bart illustrated some of the many challenges facing policy makers depending on the nature of the entrepreneurial strategy of the organisation and the variation in possible business model corresponding to the strategy.

Illustrating successful cases of BMI, the presentation emphasized that many of the final business models of these success stories, in nascent markets, are usually completely different to the original business model. This business model adaptation is seen differently by Entrepreneurship literature (generally seen as simple) and organisational literature (generally seen as complex).

The speaker summarised by stressing that policy makers should consider the different characteristics of companies and their respective needs for BMI (e.g. biotech / pharmaceuticals where business models are clear compared with nascent markets where experimentation is a key requirement).

Discussion

The discussion picked up on the skills that business managers need to understand how business model innovation works. It included a critical analysis of current business curricula, suggesting that BMI may require new thinking and new skills' development for business students. This may then require policy makers to focus on these bottlenecks for business model innovation.

Several participants provided examples of initiatives, such as IBM's 'extreme blue' interdisciplinary internship programme which challenges interns to develop innovative business model thinking and implement it within the company.

There are some excellent examples of entrepreneurial internships in Europe, but could universities be opened up to integrate companies more? However, depending on the country and region, the interaction between academia and the corporate sector may be inactive. One Swedish example illustrated clear benefits of Swedish students doing their thesis with a company. The Swedish university provided more interaction by reaching out and engaging with companies through a number of company visits. There were significant long-term benefits for students, professors and the companies themselves.

The advantage of the German-speaking dual system of education was mentioned as a positive example of collaboration between academia and the corporate sector.

IBM has also seen with larger companies that the most successful BMI is coming from companies with strong leadership and strong entrepreneurs. Likewise strong leadership is a requirement for agility to adapt business models to be able to orchestrate it and make it happen.

A one-size fits all approach is clearly inappropriate here, so we need to consider entrepreneurial strategies carefully. Even for large companies who change to services, the period of change can take a number of years (e.g. Xerox with the change from hard copying to digital).

The opinion was expressed that national and European funding at the moment is predominantly for technology innovation, which is indeed essential. However, innovation in services should move more into the focus as it often complements the technology; support to innovative business models should also be given.

The four quadrants in the framework were interesting but does the quadrant relating to 'high appropriability / tightly held and important complementary assets' (lower-right hand

corner) still provide examples of BMI? This part of the quadrant represents the company environment but not necessary BMI.

7 Panel discussion: BMI in Europe – the way forward

Participants

- Hans-Joerg Bullinger, Co-Chair EUROPEAN RESEARCH AND INNOVATION AREA BOARD (ERIAB), Germany
- Vladimir Lopez-Bassols, OECD
- Oliver Blank, Head European Affairs, German Electrical and Electronic Manufacturers' Association (ZVEI)
- Antti Eskola, Ministry for Employment and the Economy, Finland

What needs to be better understood?

Comments included:

- We need to provide building blocks for BMI. In addition to build up the tools and modules. In most countries there is a strong connection between technological innovation, BMI and service innovation.
- Listening carefully to our customers is very important, particularly in the electronics / technology fields. The technical integration of the cyber-physical system can provide incentives for BMI, which can then change how we do business around the world.
- BMI has risk attached to it and can lead to failure. It's not about **not** taking the risk, but about taking the risk and managing the process. Uncertainty-, complexity- and risk-management should be integrated in the BMI-process; indeed, process that policy-makers could influence.
- The more that the government is involved in business models, for example in the healthcare sector, the more it should understand business models and ensure that there is enough funding resources as well as possibilities for experimentation. In the case of Finland, there are examples coming from products to services as well as life-cycle care. Examples are electric vehicles which can be complete eco-systems. Experience in Finland suggests the topic is developing more in the direction of user experience.
- It is important to include examples of cases in the study where the value creation is not only financial, preferably from Europe.
- We also need to consider what we are not capturing; currently the OECD is conducting some research by interviewing companies. Perhaps with the measurement we need to consider two different dimensions: BMI as innovation itself and the interaction between BMI and innovation.
- Companies- large and small- do not have the processes for deciding on the right BM.

Annex

Annex 1: List of participants

Nr.	Title	Name	Organisation	Country
1	Ms	Charlotte Andersdotter	Strategic Adviser, Teknikföretagen	SE
2	Dr.	Spyros Arvanitis	Section Leader, KOF-ETH Zurich	CH
3	Dr.	Oliver Blank	Oliver Blank, Head European Affairs, German Electrical and Electronic Manufacturers' Association (ZVEI)	D
4	Prof.	Hans-Jörg Bullinger	Co-Chair of European Research and Innovation Area Board (ERIAB)	D
5	Dr.	Jean-Claude Burgelman	Head of Unit C2, DG Research and Innovation, European Commission, Brussels	BE
6	Prof.	Bart Clarysse	Chair in Entrepreneurship, Imperial College	UK
7	Mr	Philippe de Ridder	Co-founder, Board of Innovation	BE
8	Ms	Christine Elfers	European Office , ZVEI - German Electrical and Electronic Manufacturers' Association (ZVEI)	D
9	Mr	Antti Eskola	Economic Counsellor, Finnish Ministry for the Economy and Employment	SF
10	Dr.	Steffi Friedrichs	Director-General, Nanotechnology Industries Association	BE
11	Mr	Edward Giesen	Global Leader Component Business Modeling, IBM	NL
12	Mr	Phil Giesler	VP R&D, Unilever	UK
13	Ms	Anne Glover	Chief Executive, Amadeus Capital Partners Ltd.	UK
14	Ms	Kirsi Haavisto	Deputy Head of Unit C1, European Commission	BE
15	Dr.	Barbara Haering	Chief Executive, econcept Inc., Zürich (CH), Co-Chair European Research and Innovation Area Board (ERIAB)	CH
16	Mr	Magnus Holmén	Associate Professor, Center for Business Innovation (CBI)	SE
17	Mr	Dennis Kredler	Director General, European Retail Round Table (ERRT)	BE
18	Mr	Stefan Kunz	CEO, Automation Alliance	CH
19	Mr	Stefan Lilischkis	Project Coordinator, empirica	D
20	Mr	Vladimir Lopez-Bassols	Analyst, OECD	F
21	Dr.	Silvia Luber	Policy Officer, European Commission	BE
22	Ms	Nathalie Moll	Secretary-General, EuropaBio	BE

Nr.	Title	Name	Organisation	Country
23	Mr	André Niedermann	Lecturer, University of Applied Sciences Northwestern Switzerland (FHNW)	CH
24	Mr	Tuomas Nousiainen	Policy Officer, European Commission	BE
25	Prof	Pieter Perrett	Professor, University of Applied Sciences Northwestern Switzerland (FHNW)	CH
26	Ms	Eva Perrett	Assistant, University of Applied Sciences Northwestern Switzerland (FHNW)	CH
27	Ms	Cristina Riesen	General Manager, Evernote	CH
28	Prof.	René Rohrbeck	Associate professor, Aarhus University	DK
29	Mr	Jerome Schlegel	CEO, Handpresso	F
30	Dr.	Patrick Staehler	Founder, Fluidminds	CH
31	Mr	Georg Stampfl	Co-founder, business model gallery	AT
32	Dr.	Jan-Eric Sundgren	Senior Adviser to the CEO, Volvo Group, Member European Research and Innovation Area Board (ERIAB)	SE
33	Dr.	Yariv Taran	Assistant Professor, University of Aalborg	DK
34	Ms	Anneleen Van Boxstael	Ghent University	BE
35	Dr.	Rene von Schomberg	Policy Officer, European Commission	BE
36	Dr.	Werner Wobbe	Policy Officer, European Commission	BE
37	Prof.	Christoph Zott	Professor of Entrepreneurship, IESE – Business School, University of Navarra	ES

Annex 2: Programme

Time	Sessions
09.30 – 09.35	<p>Welcome</p> <ul style="list-style-type: none"> Jean-Claude Burgelman, Head of Unit C2, European Commission, DG RTD
09.35 – 09.45	<p>Introduction</p> <ul style="list-style-type: none"> Jan-Eric Sundgren, Senior Advisor to the CEO, Volvo Group, Sweden / ERIAB member
9.45 - 10.15	<p>Case studies</p> <p>Case 1: Handpresso</p> <ul style="list-style-type: none"> Jerome Schlegel, CEO Handpresso, France
10.15 – 11.15	<p>Research findings I</p> <p>Conceptualising Business Model Innovations and Assessing their Importance</p> <ul style="list-style-type: none"> Franz Barjak, FHNW, Switzerland <p>Mapping Business Model Innovations - results from the IBM CEO Survey</p> <ul style="list-style-type: none"> Edward Giesen, IBM, Netherlands <p>A critical discussant's view</p> <ul style="list-style-type: none"> Christoph Zott, IESE – Business School, University of Navarra, Spain
11.15 - 11.30	Coffee and tea break
11.30 – 12.30	<p>Research findings II</p> <p>Why do Business Model Innovations appear and what makes them successful?</p> <ul style="list-style-type: none"> Pieter Perrett and André Niedermann, FHNW, Switzerland <p>A critical discussant's view</p> <ul style="list-style-type: none"> Patrick Stähler, fluidminds, Switzerland
12.30 - 13.00	<p>Case studies</p> <p>Case 2: Evernote</p> <ul style="list-style-type: none"> Cristina Riesen, General Manager Europe, Evernote GmbH, USA/Switzerland <p>Discussion</p>
13.00 – 13.45	Buffet lunch and coffee/tea
13.45 - 14.45	<p>Research findings III</p> <p>Policies supporting Business Model Innovations</p> <ul style="list-style-type: none"> Franz Barjak and Pieter Perrett, FHNW, Switzerland <p>A critical discussant's view</p> <ul style="list-style-type: none"> Bart Clarysse, Deputy Head of Innovation & Entrepreneurship at Imperial College Business School, UK
14.45 - 16.00	<p>Panel discussion</p> <p>Business Model Innovations in Europe – the way forward</p> <ul style="list-style-type: none"> Moderator: Stefan Lilischkis, empirica, Germany Hans-Joerg Bullinger, Co-Chair, European Research and Innovation Area Board (ERIAB), Germany Vladimir Lopez-Bassols, OECD Oliver Blank, Head European Affairs, German Electrical and Electronic Manufacturers' Association (ZVEI) Antti Eskola, Ministry for Employment and the Economy, Finland <p>General discussion</p>
16.00 - 16.15	<p>Conclusions</p> <ul style="list-style-type: none"> Barbara Haering, Chief Executive of econcept Inc., Zürich (CH) / Co-Chair of ERIAB