Business Models and Value Creation

A CASE STUDY OF THE NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION

Author: Eric Chambers
Manuel Patrocínio

Supervisor: Mattias Jacobsson

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Eric Chambers
Manuel Patrocínio
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To global minds striving to build bridges between leading governments of present and promising nations of the future

Eric Chambers

To those that have been reflecting, thank you for sharing the understanding

Manuel Patrocínio
“The purpose of a business is to create a customer”

Peter Ferdinand Drucker, 1909-2005
ABSTRACT

Since its establishment as an emerging area of research in strategic management over a decade ago, business model research has had little consensus towards adopting a single definition or common language for this rapidly growing management concept. However, strong agreement as to the relevance of value creation within organizations underlies existing business model literature. Moreover, applications of business model frameworks outside the private sector have been limited. Recent literature has identified business model innovation and design as a critical tool in effective implementation of organizational strategy, and empirical research in business models from new and alternative perspectives may reveal linkages between strategic management issues and effectiveness in creating value in public and citizen sector organizations. Nevertheless, existing academic literature has not yet explored applications of traditional business model frameworks within a public sector context, nor has the need for empirical research linking the business model concept with public sector management been addressed.

The main purpose of this thesis is to contribute to the understanding of how business models can be defined, redefined, and applied in city economic development agencies for application as a strategic public management tool. An analysis of how the business model of a prominent city economic development agency has been employed and how value is created within this model will be undertaken. This empirical study also aims to determine conceptual linkages between business model applications in city economic development and to contribute a theoretical foundation towards development of future research.

Given the multi-faceted applications of the business model concept, the authors have conducted exploratory research targeting the application of current business model concepts and frameworks to a city economic development agency representing an influential global center of finance and commerce, the City of New York. The significance of conducting empirical studies on city economic development agencies is due to the influence in which these organizations have on industrial cluster growth, national economic competitiveness, and citywide and regional transformation. In considering this context, The New York City Economic Development Corporation is the primary economic growth engine for the City of New York, and strives to create and deliver value to citizens, businesses, and other stakeholders of New York City.

Findings from this study suggest that economic development professionals have not adequately clarified the term ‘business model’ for promoting common language between strategists, project managers, consultants, and executives to support strategic business model design within city economic development agencies. The authors conclude that equally relevant to framing and applying theoretical foundations grounded in the business model concept, is the identification of value-creating activities within economic development agencies and development of citizen-focused value propositions. This empirical study aims to define, clarify and explore the former, while calling upon a need for future research of the latter.

Keywords: business models; value creation; strategic management; economic development; public administration
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Stockholm, January 2012

Eric Chambers and Manuel Patrocinio
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CHAPTER 1
INTRODUCTION

This initial chapter sets the stage of the business model research agenda. It relates the business model concept to strategy and highlights its relevance to value. The research topic and context are introduced and the research objectives and research question are raised. A process theory approach is introduced as a fundamental element of this study. To conclude, the structure of the thesis is presented.
1.1 BUSINESS MODEL RESEARCH: A RAPIDLY EVOLVING AGENDA

The widely used term “business model” has been frequently applied to information technology and entrepreneurship literature since the tech boom and bust between 1996 and 2001. The term is generally understood as the logic of how an organization operates and creates value for its stakeholders; however, consensus on a clearly accepted definition of the term has eluded academics since the emergence of business model research in strategic management studies at the turn of the 21st century. In recent years, the business model concept has been heavily debated in academic circles, preventing convergence in perspectives and progression in the development of fundamental constructs, ontology, and popular managerial frameworks within this rapidly growing research area. Moreover, the lack of consistency in agreement of commonly shared terminology to clarify the business model concept, as well as widely varying perspectives on conceptualization of business organizations has fuelled interest in establishing guidance for the future business model research agenda (Zott et al., 2011, p. 2). It can also be argued that this loosely defined concept may lead to richness in practical applications as well as future research possibilities. In fixating and delimiting the research agenda to promote a heavily defined and agreed-upon lexicon, future research and novel applications may be missed. However, since its establishment as an area of research within the strategic management field, applications of business model frameworks and support of theoretical development beyond the private sector has been limited (Yunus et al., 2010, p. 309), and existing academic literature has not yet explored applications in the public sector context.

The historical development of business model research and literature has reflected a trend of broadening scope, which has expanded beyond its traditional domain as a unit of analysis to virtual networks or e-business. Recent in depth review of literature has revealed that three key thematic areas for employing the business model concept: application in e-business and information technology, addressing strategic issues, inclusive of value creation, competitive advantage and firm performance, and technology management and product-service innovation. Furthermore, the literature suggests that business model is emerging as a new unit of analysis to form a holistic approach of explaining how firms “do business” (Amit & Zott, 2001, p. 503; Zott et al., 2011, pp. 6-18). Osterwalder et al. (2005, p. 4) add that the current use of business models in strategic management as a construct, which constitutes a firm’s operational and physical form, is “a candidate to replace the industry as a unit of analysis”. The authors also acknowledge that common understanding of business models relies heavily on two popularly held perspectives: value or customer approach and activity or role approach.

This rapidly evolving research community has self-identified shortcomings in its cumulative body of knowledge. In addition to the fragmentation of the literature and inconsistencies in construct boundaries and definitions, many studies fail to clearly distinguish the business model from organizational strategy. It is also unclear if business model change results from reconfiguration of the firm’s organizational structure or from the organizational design and knowledge management. (George & Bock, 2011, pp. 84-85) Lastly, while there is a predominance of literature on defining the business model concept and clarifying, redefining business model elements and frameworks, empirical studies and applications of frameworks to real world instances
are significantly less prevalent, but are acknowledged as a critical emerging area in the business model research agenda (Lambert, 2006, p. 3).

Two diverging research agendas, one focusing on establishing common terminology and taxonomy, and defining of the business model concept through literature review and critique, and a second redefining and promoting greater flexibility within the business model concept, have developed over the past five years. The latter agenda assists the implicit use of business models to a variety of applications outside of the traditional domain. The common approach to applying business models outside of the conventional areas of e-business, entrepreneurial firms, and technology and product innovation, has been observed in more recent literature to expand the business model concept as a strategic management tool converging with the interface of corporate strategy in the private sector and social venture development in the citizen sector. However, the presence of empirical research in each of these sectors is limited, and existing literature has not yet explored the application of the business model concept in the public sector.

This study aims to explore theoretical and empirical positions through the assessment of the business model concept and city economic development. The empirical research conducted specifically aims to contribute towards future business model research by applying existing frameworks to drive alternative perspectives and normative findings, in particular application of traditional business model concepts, frameworks, and reference models to the entirely new organizational context that of a city economic development agency and the public sector. Emphasis in the study is focused on the identification of two key categories of fundamental importance in the literature: the activity system and value creation (Zott et al., 2011, p. 13). Moreover, as case study research and application of frameworks and typologies have been seldom performed, our research addresses this to support the basis for classification of data, represented through refinement of existing typologies, by exploring the relationships between conceptualizations and collected public sector-sourced data. Lastly, our study provides theoretical contributions that explore applications of business model concepts in combination with empirical studies to support theoretical framework development and ground future research of explanatory and predictive value (Pateli & Giaglis, 2004). Given the recent challenges facing the global economic landscape, our study will apply a selection of business model concepts, design tools, frameworks and reference models to a city economic development agency representing an industrialized nation heavily affected by the global economic downturn beginning in 2008. The empirical study of city economic development agencies was deemed relevant due to (1) city and regional economic development impact on industrial clusters and national economic competitiveness (Porter, 2003), and (2) the magnitude in which city and regional economic development agencies influence the direction and execution of strategy in promoting citywide and regional transformation (Hughes, 1998, p. 619). The analysis and application of the business model concept to these transformative organizations is viewed as both pertinent and timely to academics and practitioners, in particular public managers and consultants, searching for new approaches to organizational learning that aids strategic decision-making in the area of economic development policy.
1.2 THE RELATIONSHIP TO STRATEGY

As studies in strategy and business models are closely related, the field of strategic management has not been frequently distinguished between these two classifications. Zott et al. (2011, p. 13) make the following two distinctions. First, the business model concept puts greater emphasis on cooperation, partnership, and joint value creation, where strategy emphasizes competition, competitive advantage, and value capture. Second, the business model concept places relevance on customers and value proposition. Chesbrough & Rosenbloom (2002, p. 535) raise three key differences held in business models as opposed to strategy: value creation and delivery are central to business models; financial value created for the business is de-emphasized; knowledge limitations within a firm are assumed. Shafer et al. (2005, p. 203) reinforce that business models are not strategy, although it facilitates analysis, testing, and validation of strategic choices. We found the alternative view of the business model as an “abstraction of strategy” posed by Seddon et al. (2004, p. 14) to be both useful and comprehensive: “A business model outlines the essential details of a firm’s value proposition for its various stakeholders and the activity system the firm uses to create and deliver value to its customers. If Porter (1996, 2001) is used to define strategy, a business model may be defined as an abstract representation of some aspect of a firm’s strategy. However, unlike strategy, business models do not consider a firm’s competitive positioning.” Moreover, the relationship between strategy and business models extends beyond key differences. Awareness of how each influence the other may prove useful in further clarification and future applications of the business model concept. Richardson (2008, p. 134) projects the business model as an integrated system of firm activities working in concert to the purpose of executing strategy to link strategy formulation with implementation. Casadesus-Masanell & Ricart (2007, p. 1; 2010, p. 204) claim for the need of business model innovation and design as a vehicle for effectively implementing organizational strategy and further describe business models as reflections of a firm’s realized strategy.

1.3 THE RELEVANCE OF VALUE

As it will be discussed further in Chapter 2, definitions of the business model concept and components of business model frameworks are driven by value. Value is commonly conveyed through organizational goals seeking to create and capture value. In addition, value creation and value delivery are more deeply considered through establishment of a valuable offering to a customer, a value proposition.

The business model is an increasingly relevant unit of analysis to assess value creation, and to an extent organizational effectiveness, as it spans boundaries of firms, industries and even sectors. Early empirical research, by Amit & Zott (2001, p. 503), has supported this shift for business model use in exploratory and explanatory studies that redefine assumptions of value creation. Many scholars also attribute that the core purpose or ‘common thread’ of the business model concept is based on, and made relevant by, value creation (Linder & Cantrell, 2000, p. 2; Zott & Amit, 2010, p. 218; Casadesus-Masanell, 2010, p. 197). Another fundamental concern, to both scholars and practitioners, is the focus on value capture. Shafer et al. (2005, p. 206) raise the issue that many executives inadequately capture a portion of the value created within their firms. Value capture is especially pertinent to entrepreneurs of start-ups requiring sufficient generation of revenues to support firm survival, as well as managers of established firms seeking financial sustainability of strategic business
units to promote company expansion. To drive future efforts of value creation, firms must assess their ability to effectively deliver value to customers that will increase and repeat in scale in the future. Thus, value delivery is addressed through the design and conscious configuration of key resources and key processes within a firm (Johnson et al., 2008, p. 55). Encompassing these considerations of value creation, value capture, and value delivery, the value proposition is clearly described as an aggregation of benefits, in the form of products or services, offered by a firm to its customers (Osterwalder & Pigneur, 2010, p. 22).

For the purpose of broadening understanding for the relevance of value in relation to non-profit and governmental organizational bodies, we can extend our outlook to incorporate a variety of perspectives and measurements of value across sector boundaries. Figure 1 below illustrates four perspectives on value across the private, citizen, and public sectors: Economic Value, Social Value, Environmental Value, and Public Value. In comparing these perspectives on value to key underlying factors of performance measurement, Economic Value created by the private sector, addresses narrowly defined and quantifiable aspects of financial profit. In contrast, underlying factors of other perspectives on value are often ambiguous, non-quantifiable, and highly subject to interpretation presented by managers of the value-creating activity. Most importantly, from the perspective of Public Value, greater expectations are placed on the public sector to be inclusive and address citizen and other stakeholder concerns, which overlap value-creating activities shared by the citizen sector.

![Figure 1 - Perspectives of Value across Sectors](image-url)
In essence, value is a central theme to a multitude of interpretations and notions of the business model concept. In comparing public and private sector objectives as they relate to value creation, Moore (1995, p. 28) suggests: “the aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value”. While the following chapters will systematically discuss the business model concept as it relates to the private, citizen, and public sectors, our interpretation of value will be based on Public Value with emphasis on citizens and their representatives as “customers” in the empirical study to follow.

1.4 BACKGROUND: ECONOMIC DEVELOPMENT IN NEW YORK CITY

As it relates to public strategic management, The City of New York is an extraordinary context for studying city economic growth, urban renewal, entrepreneurial innovation, and industrial leadership amongst a collection of global cities. “New York City’s primary economic development agency is the New York City Economic Development Corporation (NYCEDC) which promotes growth through real estate development, business incentives and other activities (Porter et al., 2009, p. 3).” Specifically, the NYCEDC contributes to citywide economic development, by driving growth, creating jobs and improving the quality of life in the City of New York. The organization also uses its strategic expertise to develop, advise, manage and invest in urban and business development to help make the city stronger (Porter et al., 2009, p. 3). From an operational perspective, it establishes policy, facilitates transactions and solves issues related to the continued economic development of New York City as a world-class global economic and cultural center. New York City, under the leadership of Mayor Michael Bloomberg and support of the NYCEDC, has particularly endured during the past decade when faced against two critical unforeseen events: the Terrorist Attacks of September 11, 2001, followed by a period of rebuilding the heavily impacted district of Lower Manhattan, and the Financial Crisis of 2008, followed by a challenging recovery during the subsequent economic recession.

1.5 RESEARCH OBJECTIVES AND QUESTION

The purpose of the study is to contribute to the understanding of how business models have been used in city economic development agencies for application as a strategic public management tool. Specific objectives of the research include:

- To identify key relationships by conducting a business model assessment of strategic and value creating initiatives within city economic development agencies
- To develop an understanding of how business models are defined, redefined, and applied within city economic development agencies
- To contribute to existing literature by providing new perspectives on business models and value creation as they relate to strategic public sector management

To reach these objectives we have applied a process theory approach introduced in Chapter 2 that was paramount for our theoretical review and to structure our empirical analysis. It was used to explain change and development in business model research.
and to further explain our theoretical argumentation through to our analysis from findings and to conclusions.

Given the extensive and multi-faceted applications of the business model concept, as well as the contextual nature of public management and city economic development, we conducted exploratory research directed by the aim to apply existing business model concepts and frameworks to the NYCEDC. The primary research question is based on knowledge of existing business model concepts and aims to incite new interpretations and perspectives of existing frameworks, structures, and ontology in business model research:

How has the business model employed by the New York City Economic Development Corporation created value during the Bloomberg Administration?

1.6 STRUCTURE OF THESIS

The thesis is structured based on an approach to process theory, reflecting the historical development of business model research literature, while combining review of theoretical foundations and empirical description. In Chapter 2, we discuss the theorization towards our approach, primarily grounded in process theory. We provide review of the business model literature focusing on the concept origins, definitions, elements, frameworks, and applications. In Chapter 3, we describe our methodology to conducting this study. In particular, we discuss our rationale for selecting a case study research methodology, as well as our methods of data collection and analysis. In Chapter 4, we describe the context to which we apply our case study design, and the practical use of business models in strategic management within this frame. In Chapters 5 and 6, we describe our data analysis and summary of findings, respectively. We discuss our findings from data collection and analysis to bridge the gap between theory and practice. Moreover, we portray our interpretation and representation of how the business model of the NYCEDC is employed for the purpose of creating value for the City of New York. Finally, in Chapter 7, we draw conclusions, review the contributions of this study, and raise propositions for future research.

Figure 2 - A Process Theory Approach to Business Model Analysis
(Adapted from: Tolis, 2005, p. 26)
Figure 2, illustrates the structure of this thesis based on our process theory approach to analyzing business models. This illustration highlights our focus in contributing to the growing body of business model research literature, and how our approach results in systematic application of business model frameworks and analysis.
CHAPTER 2

LITERATURE REVIEW

The structure of the literature review is a product of a process theory approach to business model analysis. This approach is based on a comprehensive review of the historical development of business model research. This approach is explained in detail and broadly classified into elements of Definition, Redefinition and Application in the private, citizen and public sectors.
2.1 A PROCESS THEORY APPROACH

2.1.1 Process of Theorizing

Theory is defined by Weick (1995, p. 386) as a “system of assumptions, accepted principles, rules of procedure devised to analyze, predict, or otherwise explain the nature or behavior of a specified set of phenomena”. To construct our theory we needed to integrate a definite process to explain our thinking so we were able to achieve a new theory that fulfills our purpose. As such, Weick (1995, p. 389) explains that a process of theorizing is about the activity of abstracting, generalizing, relating, selecting, explaining, synthesizing, and idealizing so we can spin our thinking in to a new form of theory. The author highlights what is important is the context—‘what came before, what comes next?’

Based on the process of theorizing, our thinking followed that of the authors identified in the following section theoretical approaches, whose work was based on a comprehensive review of the literature about the business model concept. In the first part of our research work we undertook an inductive approach to identify the research problem while investigating the topic. The second part we have used a theoretical framework to analyze the case study using a deductive approach. This reasoning resulted from a process theory that we followed throughout our research work in order to attain our purposes and to align with the historical development of the business model concept literature and its understanding. Below we illustrate the framework introduced by Seelos (2010), this modeling process that allows transparent and systematic theorizing of business models, enabling to illustrate the relationship of NYCEDC business model to both theory and empirical data.

![Figure 3 - Conceptualization of Business Models as Generative Models (Adapted: Seelos, 2010, p. 14)](image-url)
The research question guides selection of theoretical elements, empirical elements, in the case of NYCEDC specified types of data of the focal organization acting in its particular context.

2.1.2 Theoretical Approaches to Business Model Concept Literature

The literature review made by Osterwalder et al. (2005) is focused on the most recent years until their work of “clarified business models” in 2005. The authors looked at clarifying the concept of business models from a diversity of understandings and perspectives, from terminology or ontology used to describe the business model. Osterwalder et al. (2005, p. 3) have considered the business model definition from fields such as e-business, IS (Information Systems), computer science, strategy and management as the core fields where this concept was under consideration. A better understanding on these perspectives can be further understood in the subsequent chapters. Throughout their investigation on the business model concept Osterwalder et al. (2005, p. 4) found that "business model" is a very young phenomena emerging in past years, raising its significance until the end of the 1990s. They argue that it coincided with the introduction of the World Wide Web – the Internet in the business world and the steep rise of stock markets for technology driven companies. Osterwalder et al. (2005, p. 4) question if there is any relationship between the topic of business models and the advance of technology. Without any proven facts, they argue that some of this relationship’s origin is the business model concept’s roots in transaction cost economics (TCE) (Osterwalder et al., 2005, p. 5) where some industry sectors formed as e-businesses turn out to be a clear representation of business model innovation, identified by some pioneer companies in the successful music downloading services.

Several different authors writing about business models until date do not pose a constructive stance and it seems they are contributing to a lot more confusion and dispersion of the concept of business models. Therefore, Osterwalder et al. (2005) try to clarify business models considering their origins, the present, and future of their concept. Osterwalder et al. (2005, pp. 5-6) on their effort categorize the business model domain from what different authors write about business models. Their theoretical approach is based on definitions, meta-models, taxonomies of types and instances constituting fundamentally three levels: (1) Overarching Business Model Concept, (2) Taxonomies and (3) Instance Level. These three levels are originated from authors that introduce the business model concept “as an abstract overarching concept that can describe all real world businesses”, authors that describe the concept with a classification scheme in which there are businesses with common characteristics and authors that introduce a “conceptualization of a particular real world business model” (Osterwalder et al., 2005, p. 5). Thus, the authors strongly believe that these 3 levels are distinguished conceptually for a common understanding of business models. Therefore, based in their sensemaking we have adapted “Business Model Concept Hierarchy” (Osterwalder et al., 2005, p. 5) and applied to the Process Theory approach to determine how historical business model literature could be simplified to (1) Define, (2) Redefine and (3) Apply.
After the authors’ description of the theoretical approach of business model concept hierarchy, Osterwalder et al. (2005, pp. 6-7) look at the evolution of the business model concept arguing that although progression of business model concept can be observed in the past years, researches do not yet completely agree on their perspectives. Thus, Osterwalder et al. (2005, pp. 6-7) introduce their stance regarding the evolution of business model literature based on an extensive literature review, aiming to provide further clarifying. Osterwalder et al. (2005, p. 7) describe this evolution process in a five phases. The initial or first phase relates to when different authors suggest definitions and classifications. The second phase starts in another level, when propositions of different elements and components of a business model are provided. And further, discussions in more detail are considered which are developed across the third and fourth phase where components are described in detail and researchers start to model the components conceptually. At the fourth phase, researchers propose business model as meta-models in the form of reference models and ontologies (Osterwalder et al., 2005, p. 7). At the second, third and fourth phase but in specific the fourth phase, Osterwalder et al. (2005, p. 7) point out that business models are evaluated and tested rigorously. As such, we suggest that is where the business model redefinition occurs. The fifth and last phase is where the reference models are applied.

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**Figure 4 - Business Model Concept Hierarchy**
*(Adapted: Osterwalder et al., 2005, p. 5)*
Through the review of the “Evolution of the Business Model Concept” by Osterwalder et al. (2005), we suggest that their classification structure can also be interpreted and applied to our Process Theory approach of Define, Redefine and Apply. Another approach to business model concept literature can be appreciated from Zott et al. (2011) on recent developments and future research of the business model investigation work, also undertaken through a comprehensive literature review. Zott et al. (2011, p. 2) identified that the academia needs to have a more common and widely accepted language so that researchers can constructively develop the concept of business model effectively. Thus, Zott et al. (2011, p. 2) attempted with their study to explore the topic and identify the different origins and analyze also different perspectives. As mentioned previously, the authors also identified a poor or ineffective business models’ collective progress and point that the areas in which the topic has been developing are around the (1) e-business and IT in organizations, (2) strategic issues, looking at value creation, competitive advantage, organizational performance and also in (3) innovation and technology management. Despite inconsistent developments on business model, Zott et al. (2011, p. 2) have presented common themes for a more cohesive study as an alternative classification structure of the Business Model Concept literature and these are:

- Business model emerging as a new unit of analysis
- Holistic perspective on how firms “do business”
- Emphasis on activities and activity systems
- Acknowledgement and importance of value creation

Zott et al. (2011, pp. 5-16) have further distinguished between classifications for comparison of business model literature, whose classifications could be used for our Process of Theory Approach. Thus to further distinguish, specify and adopt precise concepts and also to enhance clarity on the concept of this topic the authors identified the following classifications:

a) Business models for e-businesses, so called **E-Commerce** (e-Business Model Archetype),
b) **Strategy** perspective, looking at value creation and value capture through activities (business model as an activity system) and
c) Business models in **Innovation and Technology Management** (Business Model as Cost/Revenue Architecture for commercialization of technological innovations).

Although the above theoretical approaches to the business model concept literature are very comprehensive and grounded on the development of the concept, we introduce and explain the process theory we have applied for our research work.

### 2.1.3 Process Theory – Definition, Redefinition & Application

We introduce the process of theorization based on Langley’s (1999, pp. 703-704) description of ‘Temporal Bracketing Strategy’ as a way of structuring the description of events decomposed in periods without presuming any progressive developmental logic. This framework offers the opportunity for structuring our process of analysis and sensemaking by the constitution of comparative units of analysis for the exploration and replication of our theoretical ideas. We have applied this strategy by identifying the processual nature of development in business model literature and we have identified three periodic brackets as *Define, Redefine,* and *Apply.*

![Figure 6 - Process Development of Business Model Literature](image)

This decomposition into successive adjacent periods enables the explicit examination of actions in the social phenomena, one period lead to changes in the context that will affect subsequent actions of the other periods. These periods are units of analysis for replicating the emerging theory as cycles of learning and re-evaluation. This sensemaking strategy fits well with a nonlinear dynamic perspective on organizational processes. The above Figure 6 outlines our process theory approach.

After developing our process theory approach and extensive review of the literature we thought enlightening in presenting a meta-review of historical and conceptual development, aggregating our process development and the theoretical approaches we have considered above.
Centered on the above Process Development of Business Model Literature, we provide a literature review-structuring schema that outlines the literature review structure of the remainder of Chapter 2. The process development of business model literature is a clear evidence of our exploratory undertaking about the business model concept. A further understanding is therefore presented by the above meta-review model of Historical and Conceptual Development that resulted from our extensive literature review that included 305 pieces of topical literature reviewed. Therefore, to support our rational we thought in presenting a sample of literature review so we could introduce some of our very high level of theoretical frame of reference. This frame of reference was based on our relevant and most adequate process development of theory that was undertaken resulting in a theoretical sample thought to the best fit to present in our thesis document. The process for literature research is explained in detail under the methodological section: 3.5 Literature Research Process.

**Figure 7 - Business Model Literature – Historical & Conceptual Development**

**Figure 8 - Literature Review Structuring Schema**
The schema identifies the single authors that discuss business models in the public sector, while under the private and citizen sectors the referenced authors are merely illustrative and represent the literature review undertaken from our literature sample.

### 2.2 BUSINESS MODEL DEFINITION

#### 2.2.1 Private Sector

The research and literature in the business models confirms that the business model concept designation started as earlier as the “theory of business” introduced by Drucker (1994). Although, others such as Osterwalder et al. (2005, p. 2) highlight that the business model theory has started even earlier appearing in an academic article in 1957.

Drucker (1994) introduces the “theory of business” and highlights the importance of the elements that define this theory and how and why these must be maintained and changed accordingly to new business realities. In some instances business models are seen as Drucker’s business model theory, assumption that can be built along the definition of business models concept throughout this literature. Drucker (1994, pp. 95-96) details that the theory of the business “relates to the underlying assumptions on which the company has been built and therefore it is associated with the organizational behavior, company’s business scope, their customers, competitors, their values, their behaviors, the technology, its dynamics and also about the company's strengths and weaknesses.” The author applies this theory to different organizations, from universities to banks, manufactures, etc., explaining that it is the basis for their success and business challenges. Drucker (1994, pp. 96, 99-100) states that each organization has its own theory, which represents the business environment, the organization’s mission and its core competencies. Based on these assumptions of business theory, Drucker (1994, pp. 100-101) argues that years of work, thinking and experimenting are required to reach a clear consistent and valid theory of the business for the organization success an ongoing challenge for organizational managers.

The literature sample here considered ranges from the early 2000’s to the most recent up to date revision work on the topic of business model concept definition. It includes known researchers and influential authors in the business models world. Some authors have different views on the concept of business models due to the research area they are involved and also due to the different business model concept focus of value, which can be value creation, value delivery, and value capture.

Linder & Cantrell (2000, p. 2) focused on value creation use of the operating business model as the common term of business model, arguing that operating business model is “the organization’s core logic for creating value”. Linder & Cantrell (2000) agree with Drucker (1994, p. 96) that each organization has its own theory and they add that only the business model components that are part of that essential logic make the difference, so one company's operating model may look completely different from another's. Thus business models from companies centered in different business areas may be conceptualized differently.

Amit & Zott (2001, pp. 493-494) are also concerned with value creation in the E-Businesses and explain that multiple sources of value creation are captured by the construct of the business model and therefore it is an important source of innovation
and value creation for the firm and its suppliers, partners and customers enhancing the overall value of an E-Business. Based on their research study and theories of strategy and entrepreneurship, Amit & Zott (2001, p. 511) suggest that the business model “depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”. In contrast to Amit & Zott (2001), with a broader focus in their study Christensen & Johnson (2009) look into the overall business industries and propose that the business model construct is built based on value proposition, resources, processes and the profit formula elements. Christensen & Johnson (2009, pp. 1-2) therefore define business model by four interlocking, interdependent elements that, taken together, create and deliver value.

Value proposition is draw from a product or service that serves customers in order to resolve their problem or need using the organization resources, being these, people, technology, products, suppliers, distribution channels, equipment, facilities, brands and cash. In turn, the organization needs to carry work in response to customer needs and the working processes turned into organizational assumptions become part of the culture of the organization. Then the profit formula defines the organizational returns. Christensen & Johnson (2009, p. 2) explain that the value proposition defines value for the customer and the profit formula defines value for the company and its owners. The resources and processes describe how that value will be delivered to both the customer and the company. This underlying theory by Christensen and Johnson (2009) is supported by the ostensive definition of Osterwalder & Pigneur (2010, p. 14) of business models: “the rationale of how an organization creates, delivers, and captures value”. Their research work includes contributions of 470 business models community members and it is the result of rigorous research undertaken over the last decade (Au-Yong & Ferreira, 2011, p. 5).

In contrast to general business concept definition some other authors look at business models concept with a very narrow and very specific perspective to explain the term business model. The perspectives these authors introduce are from an e-business and scientific view of business models. Again, these author’s perspectives is subjective to their research focus. Ross et al. (2001) describe within the IT business area, organizational change from traditional business models to the e-business model. At this point, the authors compare this change to a migration from the market place to the market space. Ross et al. (2001, p. 2) looking at the business model IT business context define “e-business as any business transaction or service conducted over the Internet”. Here, Ross et al. (2001) assume that organizations integrate e-business processes into their business models, migrating from traditional business environments to more electronic environments such as the World Wide Web - i.e. the internet (Ross et al., 2001, p. 3). From a scientific perspective Baden-Fuller & Morgan (2010, p. 157) compare scale models that are “copies of things” and role models as “models to be copied” to explain how to classify businesses in taxonomy or a typology. They explore what they argue an under researched area by looking at business models as “models of another scientific area with a perspective of business models as model of organisms biology and mathematical models of economics for scientific investigation or enquiry” (Baden-Fuller & Morgan, 2010, p. 162). Within this perspective, they also define business models as “recipes, models for copying which are also open for variation and innovation” (Baden-Fuller & Morgan, 2010, p. 165).
Considering value creation as the focus of our research, other authors including Linder & Cantrell (2000) and Christensen & Johnson (2009), define the concept of business model directly related to the creation of profit for the organization, the monetary value. As such, Hamermesh et al. (2002, p. 1) in the context of entrepreneurship, define business model as a "summation of the core business decisions and trade-offs employed by a company to earn a profit." These business decisions and trade-offs fall into four groups: revenue sources, key expenses, investment size and critical success factors that can be related to what Christensen & Johnson (2009, pp. 1-2) define as the profit formula. While Magretta (2002, p. 4) provides a perspective of a narrative by “telling a good story” also adds that the business model is the “logic or sensemaking of numbers” the same way Linder & Cantrell (2000, p. 2) have suggested, that is the “logic of how the company makes money”. From this perspective and based on the generic value chain, Magretta (2002, p.4) highlights that business model includes all the activities related to the creation and delivering of value such as the designing, purchasing, manufacturing, and activities associated with selling something by finding and reaching customers, managing transactions and distributing the product and/or delivering the service.

Comparing to the above authors’ perspectives, another set of concept definition, rather more strategy oriented, looks into business models from a strategic perspective where the business model makes part of a strategic tool to undertake strategic choices and to define the organizational strategy. In the research Shafer et al. (2005) undertook, they characterize the business models using the definitions they gathered in their research study. They outlined different components revealing four major categories: strategic choices, value creation, value capture and value network (Shafer et al., 2005, p.200). Based on their work, Shafer et al. (2005, p. 202) introduce business models as a “representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network”. Also Morris et al. (2005, pp. 726-727) carried an analysis on business model definitions based on economic, operational, and strategic aspects. They argue that at the basic level the business model is defined only in terms of the firm’s economic model and the major concern is with the logic of profit generation (Linder & Cantrell, (2000); Magretta (2002); Hamermesh et al. (2002); Christensen & Johnson (2009)). However, Morris et al. (2005, pp. 726-727) define business model as a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.” Decision variables include revenue sources, pricing methodologies, cost structures, margins, and expected volumes. Although business model is related to a number of managerial concepts, Morris et al. (2005, pp. 726-727) and Magretta (2002, p. 6) explain that business model is not strategy but incorporates strategic elements that fit together and make the business logic but does not account for the performance factor where strategy is key. Referring to strategy, Applegate (2008, p. 2) defines business model no matter the nature of the business by “how an organization interacts with its environment to define a unique strategy, attract the resources and build the capabilities required to execute the strategy, and create value for all stakeholders.” A more recent concept perspective introduces the theory behind business models attempting to link their conceptualization of what business models are with what they do through their context. Mason & Spring (2011, p. 1032) provide a framework based on three core elements of the concept of business models: technology, marketing and networking architecture and based on this framework
Mason & Spring (2011, pp. 1038-1039) provide a view that business models are “a framing device for influencing and shaping collective and individual action” revealing connections from individual actions to actions in the market level. These actions can form or make part of the organizational strategy development. Mason and Spring (2011, p. 1038) stance of business models can be seen as “bundles of practices performed by individuals, in firms, in business networks and in markets”. Thus, identified as practices, business models can be considered as an ongoing, in development and emerging systems, characterized by structures and dynamics. Mason and Spring (2011, p. 1039) agree that business models are “not just a description of something that rests outside of the business but are a constituent part of it”.

The above perspectives on business models, from different researchers and literature contexts, support the fact that there isn’t yet a common definition of business model. Although we provide different definitions of business model in the private sector, it is commonly argued that business model is something that creates value, which is translated in this context by economic value for the organization.

2.2.2 Citizen – Public Sector

The business model concept definition literature within the citizen sector is not as vast as in the private sector but the concept of social business model has been a topic of discussion in literature for a few years. This literature is concerned with in particular with social value and derives from the business model innovation, corporate social responsibility (CSR) and entrepreneurship business model generation factors. Here we introduce the social business model concept definition from two different perspectives, entrepreneurial and strategic perspectives.

It has been suggested by Seelos & Mair (2005, p. 241) that social entrepreneurship combines the creativity of traditional entrepreneurship with a mission to change society while serving the poor. Seelos & Mair (2005, p. 242) argue that entrepreneurship business model concept in the social context is aimed to “challenge traditional profitability thinking” where social entrepreneurship drives the development and definition of new business models to address “problems or needs by that specific economic or social context”. Seelos & Mair (2005, pp. 243-244) emphasize that social entrepreneurship is then comparable to business entrepreneurship as it finds opportunities to improve, to create and invent new approaches where social conditions are limited and resources are disparate comparing to the traditional business environment. Social entrepreneurship designs these new business models to “create social value relying on skilled individuals at gathering and mobilizing human, financial, and political resources” (Seelos & Mair, 2005, p. 244).

From a strategic perspective Smith et al. (2010) look at the management of strategic paradoxes in social enterprises (among others). Smith et al. (2010, p. 450) point out that paradoxical strategies exist when they involve contradictory or inconsistent products, markets, technology or associated resources that derive from different business context (i.e. private and social), where both strategies are necessary for long-term organizational success. Therefore, the business model these organizations support needs to incorporate the complexity of the functions and structures or even elements that help for these paradoxical strategies to co-exist. Thus, Smith et al. (2010, p. 450) define business model as “the design by which an organization
converts a given set of strategic choices about markets, customers and value propositions into value, and uses a particular organizational architecture of people, competencies, processes, culture and measurement systems, in order to create and capture this value.” Smith et al. (2010, pp. 450-451) also explain that the complex business model of social enterprises is therefore built to accommodate paradoxical issues between social good and financial profit strategies at the same time attending to inconsistencies or contradictions in the business context.

The concept of social business model is defined along the same lines as the traditional business models but with the aim to create social value addressing particular conditions in the social context. The social or citizen business model can either be established on its own or by a new entrepreneurship individual or company or at the same time incorporated in a company in a way that traditional and social business models co-exists so to address different organizational strategies. As a result of the literature search for business model concept definition for the citizen or social sector, it was found that there is a large research support in this area that is broken down in different focus areas such as innovation, CSR and entrepreneurship.

On the other hand, Duggan & Moon (2008) identify the business model concept in the public sector with the focus on the citizens, delivering government services, integrating citizen information and collaboration and partnership, replacing the traditional business models. Duggan & Moon (2008, p. 5) note that business model in the public sector is no different from other sectors, that the business model defines functions, roles, responsibilities, structure and relationships to entities. As such they conclude that the business model describes how the public organization creates value for its customers (i.e. citizens) and deliver its public service mandate.

2.3 BUSINESS MODEL REDEFINITION

2.3.1 Private Sector

The need to clarify the business model concept and interpret firms of various forms in the lifecycle and within the spectrum of industries is requisite to developing knowledge and understanding of phenomena in strategy and operations in the private sector context. Like the firms which they represent, business models in literature follow a process of development, which is impressionable, based on its environment and perceptions of the broad selection of definitions in the literature have shaped redefinitions of business models. The literature has classified business model redefinitions through clarification of taxonomies, debate on elements, and synthesis of reference models and frameworks to be employed in real world application. Building on earlier studies in e-Business and Information Systems and Technology, Osterwalder et al. (2005, p. 5) bridge the gap between origins of the business model concept, analysis of business model components and structures, and developments focused on new perceptions of business model classifications. The authors distinguish between conceptual and instance levels of their business model concept hierarchy to clarify differences between business model concepts, types, and instances of real world firm applications. In doing so, ambiguity that surrounds the discussion of the business model concept is reduced, and systematic classification could then be applied. In classifying conceptual level models as definitions, meta-models, taxonomy of types, and sub-(meta)-models, basis for discussion and research in redefining business models. Inquiry grounded in these conceptual levels may include:
“what is a business model?”; “what elements belong into a business model?”; “which business models resemble each other?”; and “what are the common characteristics?”

Linder & Cantrell (2000, p. 2) also raised the issue of common misunderstanding of business model and explained that perceptions of business models are typically understood as an operating business model, defined as an “organization’s core logic for creating value”, change models, “the core logic of how a firm will change over time to remain profitable in a dynamic environment”, and components of business models, the pieces of an operating model. The components identified by the authors include pricing model, revenue model, channel model, organization form, and value proposition. Shafer et al. (2005, p. 202) also built on earlier business model research foundations to clarify and consolidate business model components into four primary categories: strategic choices, value creation, value capture, and the value network. The authors acknowledged that the major impediment to clarifying and consolidating business model components as the lack of a clear and succinct definition of the term business model and lack of understanding of the fundamental nature of business models based on the aim of the business model as a representation of the reality of a firm creating and capturing value. The authors then proceed to determine resemblances in business model elements between early business model literature in e-Business, Information Systems, Supply Chain Management, and Technology between 1998 and 2003, to uncover patterns of frequency to validate a consolidated perspective on business model components.

Similar, to early literature defining the business model, business model component literature has also served as foundation to concurrent research toward the development of typologies and integrated frameworks, through analysis of frequently observed and identified business model elements and constructs. The Business Model Canvas, created by Osterwalder & Pigneur (2010, pp. 16-17), is an integrated framework that more recently serves as a business model design tool. The Canvas has developed from an in-depth analysis of collections of typologies and business model definition and component literature and is illustrated through the classification of nine key elements, or “Nine Building Blocks” which include: customer segments, value propositions, distribution channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure. At the core of the Business Model Canvas, value proposition is identified as the integral feature linking value creation, value capture and value delivery in this comprehensive typology. Johnson et al. (2008, p. 54) engage a clear framework targeted towards practitioners seeking to reinvent existing business models within firms. Both reference models are grounded on the premise of value proposition and driving purpose of creating, capturing, and delivering value to a customer. Johnson et al. (2008) further simplify the business model framework into three additional key elements that drive the customer value proposition: key resources, key processes, and the profit formula. The authors also decompose the profit formula, the key element in capturing value, into the revenue model, cost structure, margin model, and resource velocity. In contrast to these frameworks based on typologies of collective business model components, Zott & Amit (2010, p. 216) developed an activity system-based framework anchored on their early empirical studies on value-creating capabilities of e-Businesses. In this framework, the authors aim to incorporate system-level design with the activity system of the firm, which spans the organizational boundaries and includes activities with partners, suppliers and customers for consideration in business model design. More importantly a key aim of the authors is to provide business model design a
‘language’, tools and framework for practical use. The authors describe the key parameters of activity system design as design elements and design themes. Design elements are identified as content, structure, and governance, which interact in concert to encompass a network of the activity system, how firms do business. Zott & Amit (2010, p. 220) also incorporate design themes to the suite of activity system business model design tools. NICE design themes aid in describing the value creating drivers of the activity system. Novelty is as the “the adoption of new activities (content), or new ways of linking the activities (structure), or new ways of governing the activities (governance).” Lock-in is stated as the “power to keep third parties attracted as business model participants.” Complementarities are exemplified when “bundling activities within a system provides more value than running activities separately.” Efficiency is observed as “how firms use their activity system design to aim at achieving greater efficiency through reducing transaction costs.” In concert to notions expressed by Zott & Amit (2010) and Linder & Cantrell’s (2000, p. 1) definition of the business model as the “core logic” of the value creating organization, Casadesus-Masanell & Ricart (2010, p. 198) define the business model as a set of “concrete choices and consequences of these choices”. Following that all organizations have varying core logic, choices, and subsequent consequences will yield a wide array of differing business models. In addition to identifying two different sets of business model elements based on choices and consequences. The authors contend that through the use of causal loop diagramming, business model representations or visual aids depicting an organization’s business model can be generated. Moreover, through identifying virtuous cycles, or positive reinforcing relationships within the business model representation, sources of value creation can be identified.

The business model research community continues to actively debate constructs and elements of business model redefinitions now equipped with a substantial number of reference models and popular business model frameworks. These models are waiting to be deployed for use in firms outside the traditional origins of e-Businesses and Information Technology. Grounded by a rich basis of literature clarifying the constructs, elements and frameworks of business models, and while recent research has continued to redefine the business model, recent research has designated future research to provide greater understanding on business models through empirical research and case studies.

2.3.2 Citizen – Public Sector

The business model concept redefinition in literature is not obvious, especially within the social context. It might be straightforward to identify a definition of business models rather than redefinition in which the authors clearly state, “we define business model as (…)” or by using similar wording. Redefining however, has to do with improving or change what has been defined in response to current challenges in the business model context or it can be seen as a re-conceptualizing of the business model and its elements in order to obtain a realignment of the business for it to make sense: business logic. Although it might not be apparent when authors discuss around redefinition, Seelos (2010, p. 1) introduces retroduction in their study that can be seen as a new logic of the business models, based in a modeling process as an investigative tool that enables transparent and systematic and analytical theorizing for redefinition of business models. The author argues that the general ambiguity of business model term hinders the scaling up of these models to contexts such as poverty context –
social context. Therefore, Seelos (2010, p. 2) applies the redefinition process to validate the term model in that specific context and gives a case study example of the business model of Aravind in India, a large scale organization that provides health services to the poor (Seelos, 2010, p. 7), demonstrating the construction of a generative model from a business model. Seelos (2010, p. 15) explains “the generative model enables the integration of new insights to improve the theoretical, analytical and ontological adequacy to redefine the structure of the business model so it relates to the focus of the organization”. In addition, Seelos (2010, p. 23) highlights that these aspects, such as the analytical and ontological aspects integrated in the model, are very important so this can be validated and also integration of new insights can aid in clarifying assumptions and meanings of concepts, making the linkage between theory and reality much stronger accommodating a new context. Seelos (2010) clearly identifies the concept of business model redefinition, which was convenient as an introductory literature. On the other hand, the work of Lüdeke-Freund (2010) is less clear in identifying the business model concept redefinition in the citizen or social sector. Lüdeke-Freund (2010) introduces business model innovation within the sustainability area with a focus in eco-innovation and value creation. Lüdeke-Freund (2010) support their argument based on Zott & Amit (2007, 2010) that look to business models as “an architectural template of corporate activities, resources and capabilities that can be shaped according to specific design themes and thus unfold transformational potential” (Lüdeke-Freund, 2010, p. 7). This transformational potential makes it more clear the way Lüdeke-Freund (2010) introduce business model redefinition in eco-innovation, taking an approach to design, implementation and change of the business models as to create and secure competitive advantage within eco-innovations. Thus, the author argues that the business model redefinition is used to translate sustainable strategies into business activities and to market eco-innovations competitively to create value for private and public benefits (Lüdeke-Freund, 2010, p. 2).

From a strategic perspective, Lüdeke-Freund (2010, p. 17) point out that the competitive advantage of eco-innovation business is created through “superior customer value and contribute to a sustainable development of the company and society where sufficiency, efficiency and consistency can be strategic and normative orientations for innovation”. Based on the author’s framework of business model eco-innovation, as an essential driver of transformational business activities, it makes clearer the translation of the business model concept redefinition. Lüdeke-Freund (2010, p. 23) underlines that the framework combines sustainability strategies, eco-innovation, the business model role and its central ideas about value creation with regard to discrepancy between private and public benefits from business activities. The business model redefinition can be seen as an instrument to address both the private and public sectors.

Osterwalder & Pigneur (2010, p 263) highlight that their business model Canvas, origin of their work in “Business Model Generation” constituted by the nine building blocks, can aid in examining business models in sectors beyond profit, in particular in the public and non-profit sectors. From a redefinition point of view, Osterwalder & Pigneur (2010) argue that their concept of third-party enterprise model can be applicable to the public sector, in a way of change or redefinition with other elements to include descriptors of the private sector organization. Osterwalder & Pigneur (2010, p 264) stress that any organization no matter its nature has a business model as
long as it creates and delivers value and generates revenue. The difference is in the focus; organizations in this public sector are concerned with the public service mandate. Osterwalder & Pigneur (2010, p 264) consider that in this type of third party funded models, the product or service is paid by a third party (i.e. donor or the public sector) to accomplish a mission of public service nature. Osterwalder & Pigneur (2010, p 264) provide the example of the government that pays schools to deliver educational services. This example just explains the difference from traditional business models is that public entities do not expect economic returns. Osterwalder & Pigneur (2010, p. 264) suggest third-party financer, as the customer while the recipient of products and services is the receiver. Osterwalder and Pigneur (2010, p. 264) make a last not highlighting concerns to the misalignment of this type of third party enterprise model. The authors argue that no simple answers to questions about these models exist and consequently, further investigation is required for better understanding about business models concept within this sector.

The literature about redefinition in the citizen or social sector and public sector is not abundant. The reason has to do with researches that do not explicitly describe the business model concept redefinition and also their motivations are concerned in exploring other areas such as the definition and application within these sectors. Although, there is not a vast literature, there is enough ground to support the assumptions around the business model concept redefinition.

2.4 BUSINESS MODEL APPLICATION

2.4.1 Private Sector

Unlike literature aimed at defining business models or clarifying constructs, building upon knowledge of taxonomies or developing frameworks, the application of business model literature through empirical studies is relatively limited in the private sector, but has emerged as a primary focus for the future research agenda. The need to test, discover and explain the performance, effectiveness, and practical use of frameworks devised by both scholars and practitioners, with the advent of business model innovation in recent years, has become a key concern in strategic management.

The literature of in-depth empirical studies, while sparse, seeks fundamental insights in business models delivering results and creating value through the evaluation performance of a collection of firms, or describes applications of business model frameworks through case studies. Malone et al. (2006, p. 16) evaluate the impact of business models on the firm performance of large corporations through use of their framework of self-described business models to classify business models of 10,970 publicly traded firms in the US from 1998 through 2002. Firm financial performance was categorized in by market value, profitability, and operating efficiency. They conclude from analysis of this large data set that some business models outperform others based on financial metrics. In examining the relevance of value capture to technology firms, Chesbrough & Rosenbloom (2002, p. 533) conduct a case study on Xerox Corporation and the business models of its highly innovative spin-off companies, which failed to capture value on their technological discoveries. The authors contend that their perspective on firm business models is based on an operational outlook that describes the functions of the business model direct the components of the business model that mediate economic and technical aspects of the technology firm. These business model components were identified within domains
of market segment, value proposition, value chain, cost and profit, value network, and competitive strategy. Using numerous case examples the authors developed an argument acknowledging the value creating capabilities of the innovation and R&D units of Xerox, but the multiple failures of being able to incorporate a value capturing business model to house the firm’s spin-off companies. Barabba et al. (2002, pp. 20,30) introduce a multi-method approach to developing business models for strategic decision making at General Motors and their OnStar Communications System in 1997. The authors describe their experience modeling for analysis of six key areas of the Telematics industry: customer acquisition, customer choice, alliances, customer service, financial dynamics, and dealer behavior. The positive results that were realized from the authors’ business model analysis of a factory installation decision was based on causal loop diagramming.

2.4.2 Citizen – Public Sector

The research and literature in the business models application is somehow richer as it is the empirical data about the application of business models and it is also material for discussion and benchmarking the business model concept application in the real world. Normally this literature is a descriptive narrative using case studies about organizations that have implemented or are implementing business models in their specific context.

Svejenova et al. (2010) describe a case study about the business developed by the chef and gastronomic innovator Ferran Adrià, whose individual business model creation and modification over time translates a clear application and transformation of it, such as (Svejenova et al., 2010, p. 409) point out as an “organizational device for creating and capturing value and constant renew”. The continuous application of Ferran Adrià’s business model is observed by different additional initiatives in this business that allow for capture of added value parallel to the core business: consulting services to other restaurants, running professional culinary courses, writing books and the eBullicatering business set up (Svejenova et al., 2010, p. 415). From Ferran Adrià’s endeavors, the authors conclude that the application of business model has a meaning and usefulness that goes beyond the pursuit of profits with this Svejenova et al. (2010, p. 424) mean that its application is about individual's personal interests and motivations.

Somehow distinct from the above is the example of an individual business model, the creation of what Omidyar (2011) explicitly describes as a hybrid business model, including the profit oriented business but applicable in the social area. Omidyar (2011) driven by his personal motivations and feelings, an original philanthropist and inspired by the early result of eBay’s social impact, created a hybrid model for his philanthropic Omidyar Network, which was a combination of non-profit and for-profit organization (Omidyar, 2011, p. 41). The author concludes that business models as tools are applicable in different business areas and also highlights that throughout his work as founder and chairman of eBay and a cofounder and chairman of Omidyar Network, it is possible to “make the world better in any sector (…) A true philanthropist will use every tool he can to make an impact. Today business is a key part of the equation and the sectors are learning to work together” (Omidyar, 2011, p. 44).
A different business model application from what Svejenova et al. (2010) and Omidyar (2011) introduced above, characterized by individual assumptions that convey the individual entrepreneurs, is the social business model for developing countries where the poverty context is the concern. This business model aims to attend the local needs or to resolve specific societal problems. Yunus et al. (2010, p. 308) provide a particular example, which is known among researchers and business model innovation literature. They discuss about the Grameen Bank, the microcredit pioneer and 2006 Nobel Peace Prize winner. This model is based in the assumption of Yunus et al. (2010, p. 310) that if social business borrows ideas from a capitalist economy, social business implementation can use business literature concepts. Thus, Yunus et al. (2010, p. 314) argue that they need to incorporate social business models specificities to their concepts looking at favoring social profit-oriented shareholders and clearly specifying the social profit objective. Yunus et al. (2010, pp. 310, 316) suggest that for formulation of these social business models new value propositions, value constellations and profit equations are needed to address the “poor” context, although they still rely on some of the same strategic moves as conventional business models. A similar business model application, widely discussed in the literature, is concerned with the same social context. Thompson & MacMillan (2010a, p. 292) introduce social enterprise aiming at solving societal problems and to demonstrate revenue sustainability, if not in some occasions to generate profits. Thompson & MacMillan (2010a, 2010b) explain their framework introducing a discovery-driven planning approach. They provide a description for the guiding principles and their application for some occasions that the business worked out in the cases they illustrate. One example is the case of business model application from the Wharton Societal Wealth Program (WSWP). These alternatives to the traditional business model concept have a common goal, poverty reduction by pursuing profit creation and societal wealth simultaneously. Thompson & MacMillan (2010a, p. 293) look at this program (WSWP) as a practical application of business models so as to develop projects as ‘weapons’ to ‘attack’ societal problems. Thompson and Macmillan (2010b, pp. 67-73) along their work discuss in more detail four examples of projects from the Wharton program (i.e. The Feeds, Project, Cookie Project, EMR Project and the Peanut Project) and define their application success. Although, Thompson & Macmillan (2010b, p. 73) argue that their framework is effective for entrepreneurs and social enterprises, large, incumbent organizations and start-ups, Nonprofits, NGOs, and foundations, there are others proposing alternatives to put in practice this business models. Dahan et al. (2010) explain in more detail this social entrepreneurship that Thompson & MacMillan (2010a, 2010b) also discuss. Dahan et al. (2010, p. 326) bring into discussion business model application in partnerships between multinational enterprises (MNEs) and non-profit nongovernmental organizations (NGOs). Dahan et al. (2010, p. 328) explain that these type of partnerships facilitates new modes of value creation looking at how to adapt existing, or develop new products and services appropriate for the context of developing countries, going beyond the traditional focus on private sector. In their research study Dahan et al. (2010) describe how this type of business model has been applied in particular activities within the value chain, ranging from firm/NGO activities in market research, product R&D, procurement and production, distribution and marketing. Dahan et al. (2010, p. 335) argue that in these complex partnerships between firms, NGOs, and others, bring different resources and capabilities, and different strengths and areas of expertise that enable the public-private partnerships to
co-imagine and co-create complex systems of value delivery that would otherwise be very difficult generate in such complex contexts.

The above literature reveals the individual, the hybrid and social business models focus that are driven by individuals and organizations in general. In addition, current market trends and society concerns about environmental and sustainability issues have driven organizations to incorporate the CSR (Corporate Social Responsibility) into their business models. As such, Slack (2011) discusses the CSR matter for the developing countries. Slack (2011, p. 1) argues that there is a gap between CSR (Corporate Social Responsibility) commitment and implementation due to the lack of integration of CSR in companies’ business models in developing countries. Slack (2011, p. 3) points out the importance to incorporate new value proposition in the business model if companies want to address this gap and highlights that it is unclear the extent corporate decisions take in account any social and/or environmental factors concluding that must be some tradeoffs between profit margins and commitment to CSR. To explain this in more detail Slack (2011) introduces the case of Marlin, an extractive industry company (i.e. mining) in Guatemala. Marlin as many other large-scale extractive projects in developing countries are a clear example of the real world and how business models driven by CSR are applied and to what extent.

The application of business model in the citizen or social context is noticeable in the literature presented and it ranges from small business which are individually oriented, organizations that aim to resolve societal problems and needs with particular incentives or activities (i.e. microcredit) or projects (i.e. WSWP). It is also common that big corporations from society and market influences that try to incorporate CSR in their business model, therefore addressing the social needs. From this brief review about the business model concept application in the citizen or social sector, it is adequate to believe that business models has been applied in this sector to a big extent throughout different industries and continents around the world.

In regards to the application of business models in the public sector, we have not found any literature or empirical studies to discuss and explain the application concept.

Considering the process theory – define, redefine and apply, we can conclude closing the literature review, that business models haven’t been applied in the public sector, that they have seldom or just in one occasion been discussed under the concept of definition and redefinition, thus empirical research in the application concept needs to be explored.
CHAPTER 3

METHODOLOGY

This chapter aims to cover methodological aspects and research techniques, focusing on selection of an appropriate methodology through comparison of plausible methodological alternatives. It introduces the assumptions and the rationale taken in this research and orients the investigation, not only in methodological choices, but also through epistemological and ontological considerations.
3.1 EPISTEMOLOGICAL CONSIDERATIONS

While Hart’s (1998, p. 51) defines epistemology as “different ways of establishing what can be accepted as real” and Bryman & Bell (2011, p. 15) “what is acceptable knowledge”, Saunders et al. (2009) within this thematic propose for business and management research four epistemological perspectives or philosophies: ‘Positivism’, ‘Realism’, ‘Interpretivism’ and ‘Pragmatism’. These research philosophies are related with the nature and development of knowledge (Saunders et al., 2009, p. 107), which can be taken during research work whilst looking in practice how business models in the public administration are employed.

Bryman & Bell (2011, p. 16) compare interpretivism to positivism by arguing that the latter is concerned with the explanation and understanding of human behavior, which is not related to our research. The interpretivist approach is concerned with the understanding of human action, in our case taken within a public organizational context (i.e. managers strategic decisions, business options, etc.), rather than with the forces that originate the action. So, the interpretivist perspective looks into how and what to grasp from the meaning of social action in order to understand how this social action is undertaken. To address the question how the interpretivism philosophy aids the researchers to explore the social reality we consider that human action is significantly relevant to our study. This means that we look at Bloomberg administration that have taken in consideration business aspects, perhaps decision actions that resulted from a particular or relevant meaning. Thus, Saunders et al. (2009, p. 116) advocate it is necessary to understand humans as social actors, understand the public administration context from their point of view. Other authors argue that interpretivism is concerned with fields as organizational behavior, marketing and human resource management and they summarize that is particularly applied for studying particular settings: particular facts and individuals in a particular time – normally applied in the business and management research. Bryman & Bell (2011, p. 16) also reason that the interpretive understanding comes from causal explanation or from very early philosophies concerned with questions of how individuals make sense of the world around them and how (Bryman & Bell, 2011, p. 18). This is translated in how the individuals that constitute the NYCEDC make sense in using business models in their administration. Given the above explanation our research work adopts an interpretivism perspective that makes our case study strategy appropriate as it is explained further in this document. In addition, once we are interested in understanding the social action within NYCEDC we will be undertaking a small sample, qualitative and in-depth investigation.

3.2 ONTOLOGICAL CONSIDERATIONS

These considerations relate to the assumptions researchers make about the reality and the support of a specific perspective. Hart (1998, p. 51) defines ontology as “different propositions about what reality is”. Saunders et al. (2009, pp. 110-111) discuss ontology from the objectivism perspective, so considering how social entities exist independent of social actors while the other perspective, subjectivism attempts to understand the meanings that individuals attach to the social phenomena. Bryman & Bell (2011, pp. 21-22), although they discuss the same considerations, they name this perspective as constructivism, which stresses that social actors accomplish social phenomena and meanings. Accordingly to Saunders et al. (2009, p. 119), what researchers consider the nature of reality from an interpretive role is characterized as socially constructed and subjective and thus, undertaking an interpretive approach we
want to explore the subjective meanings motivating the actions of the managers of this public organization in order to better understand the phenomena of business model application and value creation.

3.3 RESEARCH APPROACH

![Diagram of Adopted Iterative Research Approach]

Figure 9 - Adopted Iterative Research Approach

Iterative research approach is based on the above cyclic process going from theory to findings and from findings to theory. Iterative approach can be used as a form of research for continuously informing and evolving knowledge.

Bryman & Bell (2011, pp. 21-22) explain deductive theory as “what is known about a particular domain and the theoretical considerations in relation to that domain”. We attempt to relate, rather than deduct hypothesis from the domain of private sector and citizen sector to the sector of public administration. We are not trying to prove any hypothesis as Saunders et al. (2009, pp. 124-125) state that it is subject to a rigorous test, but to understand how we can relate to the theory. Without defined theory (i.e. no common accepted business models definition) is not simple to generate these hypothesis or the theorizing of these hypothesis might not be easy or even possible. For the reason concerning the generation of hypothesis from theory and use of quantitative analysis we do not completely make use of deductive approach. The ‘inductive approach’, which Saunders et al. (2009, p. 126) explain it as a process of building theory, where the result of data analysis will be the formulation of that theory. Inductive approach has a tendency to build up on solid methodology which doesn’t allow for alternative explanations or when theory is inexistent or residual. By applying this approach, we would have definitely to use a smaller sample of analysis that contradicts the idea of a deductive approach in which larger samples are used in providing evidence to prove the hypothesis. This is further introduced in 3.4.3 Case study Design. The following table clarifies the different approaches and also helps in terms of comparison.
Table 1 - Major differences between deductive and inductive approaches to research  
(Source: Saunders et al., 2009, p.127)

<table>
<thead>
<tr>
<th>Deduction implies</th>
<th>Induction implies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scientific principles</td>
<td>Gaining an understanding of the meanings humans attach to events</td>
</tr>
<tr>
<td>Moving from theory to data</td>
<td>A close understanding of the research context</td>
</tr>
<tr>
<td>The need to explain causal relationships between variables</td>
<td>The collection of qualitative data</td>
</tr>
<tr>
<td>The collection of quantitative data</td>
<td>A more flexible structure to permit changes of research emphasis as the research progresses</td>
</tr>
<tr>
<td>The application of controls to ensure validity of data</td>
<td>A realization that the researcher is part of the research process</td>
</tr>
<tr>
<td>The operationalization of concepts to ensure clarity of definition</td>
<td>Less concern with the need to generalize</td>
</tr>
<tr>
<td>A highly structured approach</td>
<td></td>
</tr>
<tr>
<td>Researcher independence of what is being researched</td>
<td></td>
</tr>
<tr>
<td>The necessity to select samples of sufficient size in order to generalize conclusions</td>
<td></td>
</tr>
</tbody>
</table>

The reason why we have not provided a stance between deductive and inductive approach is based in authors such Orton (1997) that draws conclusions that not always in research purely inductive or purely deductive approach is used and many times it results in an iterative process, from one to the other. Patton (1987) also agrees with Orton (1997) that in practice it is possible to combine approaches and that purity of one over the other cannot be found in a single individual researcher. The representation of deductive approach is presented when frameworks from Zott & Amit (2010) and Casadesus-Masanell (2010) were selected based on literature review to be applied to NYCEDC. On the other hand a representation of an inductive approach is when theory or patterns are extracted from findings. Although we consider both approaches throughout the development of our research work the inductive approach is the most convenient considering epistemology and ontology stances as it allows for a better explanation and clarifying of our social phenomena.

3.4 RESEARCH STRATEGY

The topic refers to the use of qualitative and quantitative methods and as Bryman & Bell (2011, p. 26) highlight that they are useful means to classify different methods of business research. The nature of our research enquiry and the purpose of our research is the origin of our choice but our epistemological, ontological and research approach provide some reasoning for the adoption of a qualitative research. This position gets further explained with the case study motivations (see below). However, since our orientation is towards an inductive approach for generation of theory, Bryman & Bell (2011, p. 27) argues that a qualitative strategy is suitable for an interpretivist and constructivist or subjectivist research regarding epistemological and ontological orientations, respectively. Our exploratory study looks into “finding what is happening,
to seek new insights, to ask questions and to assess phenomena in a new light” (Saunders et al., 2009, p. 139) or to actually determine the nature of the phenomenon (Saunders et al., 2009, pp. 139-140). As such, since we are applying a case study, Saunders et al. (2009, p. 141) point out that it reflects our research questions and the extent to which we are limited in resources, time, knowledge, etc. And once all strategies are not mutually exclusive, we are also applying the interviewing under the case study strategy, where one strategy completes the other (Saunders et al., 2009, p. 141). Considering that we have little ground on theory about our topic, Eisenhardt (1989) supports our choice in referring that inductive case study approach is an appropriate choice of methodology for developing theory.

3.4.1 Motivations for Case Study Strategy

Saunders et al. (2009, pp. 145-146) have a perspective of ‘case study’ as an empirical investigation using multiple sources of evidence and add that case study is applicable when the boundaries between the phenomenon are not clearly evident, and so enables researchers to obtain the holistic and meaningful characteristics of events that characterize such organizational and managerial processes contributing to our knowledge about the organizational phenomena (Yin, 2009, p. 4) and of course answering our research questions. Saunders et al. (2009, p. 146) point out that case study strategy answers the question ‘why’ as well as the ‘what’ and ‘how’ questions and therefore it is more related to explanatory and exploratory research. We can see from Table 2 how Yin (2009, p. 8) introduces three conditions for the use of different strategies. See following table.

### Table 2 - Relevant situations for different Research Methods
(Source: COSMOS Corporation cited in Robert Yin, 2009, p.8)

<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>Form of Research Question</th>
<th>Requires Control of Behavioral Events</th>
<th>Focuses on Contemporary Events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>How, why?</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival Analysis</td>
<td>Who, what, where, how many, how much?</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>How, why?</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

From the above table we can observe the case study strategy is concerned with the questions “how” and “why”, a focus on contemporary events and control of behavior is not required. These are exactly the settings we need. The history strategy deals more with a death past where the relevant persons are not alive to be investigated (Yin, 2009, p. 11). And hence the case study deals with interviews of individuals involved in the events, we certainly cannot consider history strategy. Regarding the experiment strategy, Yin (2009, p. 12) considers that researcher would have to have a controllable environment in order to isolate one or two variables of investigation and this is not under our scope. Also, Archival analysis is not the most appropriate as we have constraints of time, resources and potential issues to address all types of records. However, Yin (2009, p. 13) argues that multiple strategies can be employed once they are not mutually exclusive. We have applied the case of interviewing with a case study
or a case study within interviewing. Saunders et al. (2009, p. 146) explains this is used as a way of ‘triangulation’ with the meaning of using different methods for data collection so the investigations is more complete.

### 3.4.2 Case Study Concerns

The case study strategy is a long time consuming process that results in substantial information and Yin (2009, pp. 14-15) argues that the lack of systematic procedures and relying upon equivocal evidence or biased views from social actors and researchers, influence the findings and conclusions of the research. We understand that our subjectivity as researches is originated in the literature review we have undertaken for this research study. As a result of that review, we are subjective to the thematic of business models from sectors where academic literature is well grounded. Taken in consideration the shortage of academic literature of this topic in the public sector we claim little bias towards the case study research. In consideration to the social actors we thought that their insights are relevant to our study and again this subjective view is beneficial for our case study research. In addition, we argue that this strategy has little basis for scientific generalization when considering a single case study. That is why Saunders et al. (2009, p. 146) highlight that the reason for multiple case studies against single case study is based on the need to establish whether the findings can occur in other cases and therefore it is needed to generalize from these findings. At this point the purpose of our case study research is to develop a deep understanding of its complexity and to give some insights and not to generalize. Again, Saunders et al. (2009, p. 147) argue that multiple case studies would be the appropriate choice rather than a single case study that needs to be strongly justified. Regarding the unit of analysis, a case study is more comprehensive if it entails more than one unit of analysis rather than a holistic approach to the organization (Saunders et al. 2009, p. 147). Although, we have considered an embedded case study, it wouldn’t have been feasible within the time constraints in which our research was undertaken and for that reason we solely included within scope two departments that form the holistic single unit of analysis. In addition, the extrapolation of information from the unit of analysis to the case study organization will be merely representative. The rationale for this design is explained below under case study design.

### 3.4.3 Case Study Design

Bryman & Bell (2011, pp. 59-60) distinguish a bounded system, an entity with a purpose and functioning parts as a case for study of a single organization, a single location (i.e. factory, production site, etc.), a person or a single event. Thus, considering our purpose we explain our position from the perspective of Bryman & Bell (2011, p. 60) as an intrinsic case type that is undertaken to gain insight into the particularities of the NYCEDC rather than gain insight to other cases or formulate generalizations. In the case study design we consider Yin (2009) approach, which is more structural than the explanatory approach of Bryman & Bell (2011), enabling us to better contextualize our single-case design. Yin (2009, p. 46) discusses four types of designs in total that analyze contextual conditions in relation to the “case” and introduce two variants, single-case and multiple-case to reflect different design situations. Yin (2009, pp. 47-49) explains that are five possible rationales for a single case study and two were applied to our study, the representative or a typical case and also the unique case rational. Accordingly to Yin (2009, p. 48) and Bryman & Bell (2011, p. 62) the objective of a typical case is to capture the circumstances and conditions of a day to day of the
organization, in our case the NYCEDC. Has mentioned before, the business models application concept in the academic literature is inexistent which proved to be a unique case that is worth documenting and analyzing (Yin, 2009, p. 47). Our choice for a holistic single unit of analysis for representative purposes entails the Center for Economic Transformation, formerly known as the Strategy and Policy division. See following Figure 10.

![Figure 10 - Case Study Design](image)

(Source: Adapted from Yin, 2009, p. 46)

We have explained our methodological position from our interpretive position to explore the subjective knowledge of this public organization. In order to better understand this phenomenon of business model application and value creation, we have undertaken an iterative and qualitative research applying a case study to better focus on that specific context, the Bloomberg Administration.
3.5 LITERATURE RESEARCH PROCESS

The research process represents or introduces the methodical and analytical process, so it is possible to understand how we undertook our literature research process. The documenting of our research process started with a preliminary literature search. In order to make clear and define how to carry out this literature search we have centered our initial thoughts in the following:

- Definition of the structure of knowledge on the topic, placing the topic chronologically or in a historic perspective.
- Identification of what are the key studies and who the theorists are and follow other key sources and authors.
- What assumptions have been made for studies about the topic, based on establishing the studies context
- Realization of what has been done and identify and define space for investigation/research area.

Considering the above we have started screening of literature that would make the background information and form a more constructive thinking. By narrowing ideas and constant review, we end up looking in detail so we started mapping the topic. Thus, during our search of literature and based on the above ideas, we have defined two main streams of literature. ‘Methodological Literature’ focusing on research process, methodologies, design, and literature review. This literature was key in assisting our development of the research design, data collection methods, data analysis and the thesis writing process such as the use of references, citation practices and knowledge of copyright, construction of cohesive arguments and to make logical, clear and coherent expressions. The methodological literature was thereafter structured into the following two topics:
- Thesis Process: included literature review, thesis process, and academic composition;
- Research Methodology: included case study research and other business research methods;

The other stream of literature, ‘Topic Literature’ was crucial for our theory development process, knowledge and understandings of the research area, related disciplines and context, and to subsequently enable to generalize analytical thinking for the case study, so to generate from the findings comprehensive conclusions. The ‘Topic Literature’ included 305 pieces where 266 were respective to Business Model Literature and 39 pieces where related to Economic Development/Strategic Public Management Literature. Therefore, we have outlined these in the following three topics or thematic:

- Business Models (theoretical foundation) – it included core topics (key definitions, concepts and ontology), popular frameworks, academic perspectives, management consultant perspectives, and special topics;
- Strategic Public Management (practical foundation) – included public value, strategic and project management, and transformation (i.e. strategic change);
- Urban Economic Development (context) – included New York City case studies, Michael Porter theories on competitive advantage-economic development relationships, and historical context of New York City economic development;

As a result of the above stages, we were able to map the topic so we could then focus on the above work streams. The next stage was then concerned with a more detailed search of sources and construct initial bibliographies. So, for the above literature streams we have searched, mainly through electronic media and hardcopy, for the following:

- Books and textbooks, anthologies (edited publications), PMB’s (popular management books);
- Articles from refereed academic journals (peer reviewed journals, applied research journals), non-refereed academic journals (i.e. management publications), newspapers and magazines;
- Reports and Studies produced by government agencies, think tanks, non-profit organizations, consultancies;
- Conference proceedings, published proceedings, non-published papers, working papers, and conference-seminar presentations;
- Dissertations and Theses produced as required by Master and PhD programs;
- Teaching Materials from business schools lecture slides, presentations, teaching notes and case studies;
- Official and Legal Publications reports on professional standards, legislative standards, and publicly available statistics;

We have audited and crosschecked the references/bibliography sections of all Business Model “Core Topics” literature to assure completeness of literature review database to include key academic articles, theses and dissertations. Throughout our thesis work, we also endeavored a follow-up search of relevant “grey material” (i.e. publicly available research reports produced by government agencies and economic development agencies, think tanks and non-profits organizations).
Along the above steps in our research process we established a virtual database at the online service www.Dropbox.com to share and store all thesis related documentation for easy access and to facilitate teamwork. At this point, the business model literature universe was amassed through the collection of primarily articles and grey material mentioned above. Mendeley desktop application was then applicable as it was useful for reviewing, make annotations and share understanding. Throughout the literature review an ongoing classification of the materials was undertaken. Thereafter, an excel file to record the database’s literature review component was created and all literature until this point was reclassified to reflect an approach to theoretical development and support of the researchers’ argumentation. Abstracts and full articles of each piece of literature in the database were reviewed to identify classification qualities for the following:

- Process Theory Category – Definition, Redefinition and Application;
- Sector Category – Private, Public and Citizen Sector;

And secondary classifications included the following:

- Value Focus: Value Creation, Value Delivery and Value Capture;
- Relevance to Literature: Business model concept, Framework, Innovation and Ontology;
- Functional area: E-business, Entrepreneurship and Strategic Management;
- Research agenda focus: descriptive phenomena, prescriptive as research guidance;
- Literature Descriptors (Authors, Title and Year);
- Literature type: Academic (i.e. theory based) research, Practitioner (i.e. industry studies) and Empirical (i.e. case study) research;

3.5.1 Source and Selection of Literature related to Business Models

Methods used in sourcing and selecting articles included Heriot-Watt University Business Model Course, attended by the authors, module’s recommended and suggested reading lists, references identified in frequently referenced business model literature and recommendations from scholars. An emphasis on review of frequently referenced business model literature framed the search. In regards to the literature search strategy, leads of influential and relevant literature were reviewed based on review from recommended and suggested reading lists provided in the syllabus by Colin Turner, the lecturer of the Business Models Course module. As these reading lists were broad in scope, the authors determined that a process-oriented approach focusing on literature exploring the business model concept would be best fit to initiate article sourcing and selection (indicated previously as the Theoretical Development Schema).

The criteria for selection process included (1) if an observed article was considered to be focused on the conceptual nature of business models, and (2) if the literature addressed the business model concept through definition, redefinition, or application. Upon review of articles deemed to be conceptually driven within the course module reading lists, references were reviewed to identify frequency of article citations in peer-reviewed and popular management journal publications. The publications that were first identified include: Strategic Management Journal, Long Range Planning, Harvard Business Review, MIT Sloan Management Review, Business Horizons, and the Journal of Management. As a result of this reference review, two lists of conceptually driven
literature and the associated reputable scholars in the business model research area were created. A search was then conducted using Umeå University Library e-Journal Databases, specifically, EbscoHost Business Source Premiere, Science Direct and Emerald Insight. The identified key articles were collected and an additional e-database search of recent literature, published between 2010 and 2011, by identified reputable scholars was also performed. Finally, we considered research literature sources recommended by Adam Bock, an academic scholar in the business model research community. Bock was contacted directly via e-mail correspondence requesting the scholar’s recent publication on the business model concept and empirical research. In addition, four article suggestions provided by Mattias Jacobsson, the Thesis Supervisor of the authors, were considered in the selection.

3.5.2 Importance of the Literature Research Process

The research process was comprehensive enabling us to gather different and detailed information and knowledge from reliable sources, so we were able to understand the worldview of the business models topic and economic development agencies. We gathered important considerations from various recognized sources, researchers and scholars that are known in the research area of business models economic development agencies and carry continuous research work in these fields. We trust in our methodical and analytical description of the research process so any future research work looking to address the same area can build up on this knowledge and develop it further. Thus, the literature research process here described enabled a very high theoretical frame of reference.

3.6 DATA COLLECTION METHODS

A multitude of research methods are suggested in Bryman & Bell (2011, p. 390) so to cater for complexity and contradictions in data. The major data collection methods we would like to have considered were documentation, interviews, observations (e.g. physical artifacts) and audio-visuals we end up collecting. However, we were only able to use documentation and interviews as we could not consider the last two for geographical and time constraints. We understand that a lack of observation limit researchers’ interpretation and input relating to issues in organizational culture and politics established or practiced at the NYCEDC. Has we mentioned before the use of triangulation is argued by Bryman & Bell (2011, p. 146) and Yin (2009, pp. 63, 116-117) to allow for better quality of data and convergence of evidence for a stronger and more convincing research study. Yin (2009, p. 64) adds that mixed methods allows for a broader and complex research questions. Thus, we have applied the interviewing and documentation analysis methods in order to answer our research question. During the data collection we have oriented the process by focusing on the following sub-questions:

- How are Business Models defined?
- What are the relevant frameworks, components and constructs of business models applicable to the NYCEDC?
- What is public value in the context of the NYCEDC?
- Which strategic units/functional departments of the NYCEDC create public value?
- Who are the beneficiaries of the NYCEDC? What do they value?
- What is the business model of the NYCEDC?
3.6.1 Documentation

NYCEDC as a public organization gave us the advantage of having available many sources of information and documentation, namely to the public, ranging from annual reports to public relations material and many others to enable the contextual understanding of the New York City economic development strategy, projects and activities of the NYCEDC. Thus, our documentation was sourced from publicly available documents, internal documents and the NYCEDC, NYC Government and affiliated third party documents. Regarding documentation not in the public domain, Bryman & Bell (2011, p. 550) point out that if accessible give researchers additional valuable background information that might compensate for lack of observations. For that reason, we have actually requested other documentation that we found of particular interest to complement our data. We have therefore requested additional EDC Annual Reviews, Business/Activity System Analyses from them or from third-party research, analysis or presentation materials and also Economic Development Strategy documents, brochures or presentations. We had also in consideration what Bryman & Bell (2011, p. 550) note about public documentation that the credibility issue of whether or not the documentary source is biased, but in other hand it can also add value for that same reason hence our sources were credible sources. Bryman & Bell (2011, p. 550) also add the concern of representativeness of data documentation, which is due to its uniqueness, although we are not concerned, as we not aim to generalize from this study. In addition, we considered the authenticity aspect that Bryman & Bell (2011, p. 550), that these documents are authentic and meaningful in nature. The additional advantages of such documentation is the repeatedly access and the organizational language is already incorporated. In addition, Yin (2009, p. 102) adds that this data is exact (i.e. names, references and details of an event or activities) and therefore is also of broad coverage as we found out.

3.6.2 Interviews

Interviews are one of the most important sources of case study information (Yin, 2009, p. 106) and is where the why and how questions will be answered. Bryman & Bell (2011, p. 202) add that interviewing enables standardization of both asking of questions and the recording of answers. The advantage of interviewing method accordingly to Yin (2009, p. 102) is the fact of being targeted, as it focuses on case study topics and it is insightful with perceived causal inferences and explanations. On the other hand, it can be biased including inaccuracies due to poor information recalled from the interviewee and have issues of reflexivity as the interviewee gives answers accordingly to what the interviewer expects. Again, we did have in consideration each interviewee due to his background and specific role in the organization. What we saw the main negative aspect of interviewing was the loss of personal contact that could have added some cultural assumptions from the interviewees as we were doing telephone interviews. The same can be drawn about the observation method as we were not able to undertake. The semi-structured interview as the method of interviewing was fundamental for our data collection and it was undertaken via telephone, Skype and additional follow up via e-mail. We undertook semi-structured interviews because we were able to generate questions that were in a form of an interview schedule and also to manage to vary the sequence of the questions given the opportunity to ask further questions (i.e. probing questions) in response to what we were observing to be significant responses (Bryman
& Bell, 2007, p. 205). The semi-structured interview questions were developed mainly based on the literature review and our process theory introduced previously. We determined main point for anchors to develop additional questions in an open way while going through the interview so to encourage the interviewees to share as much information as possible. During this type of interview, it enabled to inquire about other areas and to correlate ideas from each interview that were not previously thought, way that prove to be relevant during the interview process.

Throughout the interview process we followed our line of enquiry as per our case study protocol previously developed and we also questioned in an unbiased manner to serve the line of inquiry (Yin, 2009, p. 106). We have also applied in-depth interview so we were able to include interviewees’ insights (Yin, 2009, p. 107) and as we went along we interactively applied focused interview and other structured type of questions. See Appendix 5 the interview guide template.

Saunders et al. (2009, p. 326) point reliability, bias, validity and generalizability as data quality issues in interviewing in particular for semi-structured and in-depth interviews. They also argue about the lack of standardization that leads to concerns about reliability idea, which diverges, from Bryman & Bell (2011, p. 202). Saunders et al. (2009, p. 326) see bias from the intrusive process of interviewing specially from the above-mentioned types of interviewing. The authors refer to validity from the point of view of the extent to which we the researchers, gain access to participants’ knowledge and experience. In term of generalizations, we will not be able to make any statistical generalizations from the number of people we interviewed as we are not interested in such, which is often a situation of adopting a case study strategy (Saunders et al., 2009, p. 327). This is further developed below in the section 3.6.3 Sampling approach. As it was discussed in our research approach, we are not attempting to prove any theory but trying to get knowledge in the essence of this research study. Our methodological choices reflected our ontological position and understanding of knowledge production and that is also why we argue for a qualitative study. Therefore, we recognized the interviewing participants as active producers of knowledge. Saunders et al. (2009, pp. 327-328) argue, while concerned with overcoming data quality issues, that from a non-standardized method there is no intention for repeatability since the findings will only reflect the reality by the time they were collected. The flexibility of this method is used to explore the complexity of such topic and thus the use of standardized interviews that gain more strength to achieve our purposes.

We thought important to have documented our research design including choices and methods we have applied, so it can be referred and used by other researchers. While making them able to understand the process and our findings, it will enable them to reanalyze the data we collected if they are interested in conducting the same or similar research.

3.6.3 Theoretical Sampling Approach

Accordingly to Saunders et al. (2009, p. 213) the is the probability sampling approach which is based on statistically estimates for characteristics related to the research topic and it is often associated with surveys and experimental research strategies. As we undertook a case study strategy, we have taken the non-probability approach to achieve our purposes in order to get evidences of a theoretical construct rather than seeking a probabilistic significance. Saunders et al. (2009, p. 233) add that this approach is based
on subjective judgment which is not a matter of concerned, we are just trying to get knowledge that enable us to best answer our research questions and meet our objectives (Saunders et al. (2009, p. 237). So, based on the above a non-probabilistic approach for an exploratory case study is the most practical. We conclude that from Bryman & Bell (2011, p. 170) and Saunders et al. (2009, p. 213) that argue that the non-probability sampling is mostly used due to the impractical design of a sampling frame although we have tried to target the key individuals that most likely could provide us with the evidences for our theoretical construct to make sense of our study. As such, we took in consideration for our sampling approach the background and role of the interviewees that we gathered during our research and also during discussions concerning collection procedures with the Chief-of-Staff of the Center for Economic Transformation (CET) and Strategic Planning Department (SPLAN). Although we were subjective to our selection and recommendations from the Chief-of-Staff, the interviews have proven that the interviewees were the most suitable key staff required for our interviewing process.

Table 3 - Interviewees’ Role Description

<table>
<thead>
<tr>
<th>Interview Respondent</th>
<th>Role Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Co-Head, Managing Director: CET Division - SPLAN</td>
</tr>
<tr>
<td>2</td>
<td>Project Manager: SPLAN</td>
</tr>
<tr>
<td>3</td>
<td>Co-Head, Managing Director: CET Division - Business Development</td>
</tr>
<tr>
<td>4</td>
<td>Head, Director: Industry Transformation Team (ITT), Bioscience Industry</td>
</tr>
<tr>
<td>5</td>
<td>Chief-of-Staff, Vice President: CET Division - SPLAN</td>
</tr>
<tr>
<td>6</td>
<td>Head, Senior Director: ITT, Business Development</td>
</tr>
</tbody>
</table>

The idea was to get their insight from a top-down approach since these interviewees were closely involved with the “organizational business model” and they are also senior management engaging with other organizational leadership and board members as well in certain occasions with city hall. All the six interviews were limited to 30 minutes in time and required clarification or exchange of information was endeavored via email.

3.7 RESEARCH CREDIBILITY

Bryman & Bell (2011, p. 40) outline that reliability, replication and validity are the criteria to assess the quality of business and management research. Reliability by Saunders et al. (2009, p. 156) refers to the collection techniques and analysis procedures that origin coherence in the findings so as Bryman & Bell (2011, p. 41) summarize, when the results of the study are repeatable. Replication refers to the possibility to repeat the same study and obtain the same findings. Validity is concerned with the integrity of the theory developed (Bryman & Bell, 2007, p. 42). Considering that our research strategy is a case study we have used Yin (2009, p. 41-41) to describe our approach where he introduces the evaluation criteria as follows:
Table 4 - Case Study Tactics for Four Design Tests
(Adapted from: Yin (2009, p. 41))

<table>
<thead>
<tr>
<th>Evaluation Criteria</th>
<th>Approach Used</th>
<th>Stage of Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>Validity</td>
<td>Multiple sources of evidence; Data collection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Chain of evidence (Interview and Docs); Data collection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Document for review: case study report; Composition</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single-case study theory; Research Design</td>
<td></td>
</tr>
<tr>
<td>Reliability</td>
<td>Case study protocol; Data collection</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Case study database; Data collection</td>
<td></td>
</tr>
</tbody>
</table>

3.7.1 Validity

For construction validity Yin (2009, p. 42) stresses that specific concepts are required to relate to the original objectives of the study (i.e. Process Theory Approach: Definition, Redefinition and Application). We have drawn our concepts both from documentation and interviews that we realized and identified during the data collection and analysis. Yin (2009, p. 42) also states that it is required to identify operational measures that match these concepts. For such, we have found during our literature review some appropriate and convenient studies that made similar match from which we followed as guidelines. To help in the construction validity we tried from the documentation to match data from the interviews (i.e. “Convergent lines of enquiry”) so we get convergent ideas. This was tracked by appropriate documenting of data, recording and transcribing (i.e. “Establish chain of evidence”), so we could seek for evidences. Also, a case study template report was prepared so we can confirm with the interviewees their viewpoints and the information we have gathered is valid. For external validity, our purpose was not to generalize from the findings but to categorize with our theoretical approach such as Yin (2009, p. 43) highlights that the investigator attempts to generalize a particular set of results to some broader theory. To reinforce the idea, our task was solely to explain our research phenomena.

3.7.2 Reliability

We have documented a step-by-step description of the process, data collection procedures and data collection analysis. All data is documented in our thesis folder and sub-folders where all research documentation is organized. Within the folder of ‘Data Collection & Analysis’ in our Dropbox database is where the ‘case study protocol’ and ‘case study database’ can be found. Although we undertook a qualitative analysis without primary concern of reliability, the way we have documented and organized our thesis research work was very methodical so any other researcher can fully follow our research work.

3.8 METHOD OF ANALYSIS

3.8.1 Template Analysis

As we adopted an iterative research approach during our research study, we found appropriate to apply the Template Analysis described by Saunders et al. (2009, p. 505) as a method to analyze qualitative data combining deductive and inductive approaches.
This method is based in a list of codes or categories that represent the different elements of data we collected. Saunders et al. (2009, pp. 505-506) argue that this is a more flexible method that can be adaptable for the needs of our research. Similar approach is from Bryman & Bell (2011, p. 560) that looks at qualitative content analysis consisting of searching for underlying themes in the data being analyzed. The authors note that an example of extracted themes can usually be in the form of quotations. The data analysis was based on comparable themes (coding) used from our adopted process theory approach, along the same classification and boundaries used in the interview data collection procedures (i.e. interview template analysis and interview guide). This was also used as guidance for orienting the selection, interpretation in our document analysis.

3.8.2 Three Stages of Analysis

The template analysis was tied to our process theory approach of Definition, Redefinition and Application. A first template analysis was built including the three process theory concepts and these were further broken down into codes or categories also addressing characteristics and specificities of frameworks we have used for business model construction schemas that would help conceptualizing the business model of NYCEDC.

The first stage of analysis was concerned with reviewing data collected so elements of data can be matched with codes or categories as Saunders et al. (2009, p. 506) explain, the template analysis is basically used to attach units of data (i.e. parts of text from the transcriptions or from documentation) to the codes or categories we previously created. During this first stage whilst populating the template, new units of data that became relevant were given a new code or category to match with. Saunders et al. (2009, p. 508) point out that this is a continuous evaluating process as the template is revised along the process to cater for additional themes or another elements we haven’t identified. After populating the template with units of data we have finished the first stage and obtained the findings from the data we have collected. The second stage consisted in establishing linkages between the findings and theory. So these linkages help to identify existing relationships between empirical data and codes or categories that constitute different concepts in the process theory approach and also codes or categories that form the theoretical frameworks that we have considered in our analysis. The last stage of analysis is about drawing conclusions based on the relationship between the findings and the theory. These conclusions look at what those relationships suggest for the different codes and elements and how these relationships influence the understanding of the core themes.

3.9 PRECONCEPTIONS

The idea for this project was formed during the Business Models Course taken at Heriot Watt University within the Masters in Strategic Project Management course which both author are attending while working on this research. Through the study of the course material and suggested reading selections made by the lecturer provided holistic view of the business model topic. In November of 2010, one of the researchers began conceiving the idea of re-applying and expanding the business model concept to the public sector as it was determined that there was comparatively little research or application of business models outside the private sector and presumably no research undertaken on business model applications in the public sector. In addition to the
original reading list provided by the lecturer, the researcher began accumulating and collecting articles in business model literature to gain better understanding of the subject matter and initiated contact with a former employer, the New York City Economic Development Corporation (NYCEDC), to raise interest in conducting a collaborative thesis research project exploring the impact of the business model concept to the economic development agency’s strategic and policy-making decisions for the City of New York. Although the education and professional experience of the authors differs, both have conveyed a willingness to conduct discovery-driven research in the field of strategic management and business models in order to develop knowledge and understanding in theoretical and practical management issues dedicated to improve and influence organizations.

3.10 ETHICAL CONSIDERATIONS

Saunders et al. (2009, p. 183) refer to research ethics in research, from planning research, while gaining access to organizations, collecting, analyzing and reporting research data. The authors summarize ethics by the “behavior in relation to the rights of those who become the subject of the research work or are affected by it”. For this reason, in our work plan we have included confidentiality agreements outlining ethical considerations and limitations on the distribution of data and findings prior to initiation of data collection procedures. As such, in our proposal for collaborative research with NYCEDC, the organization under study, we provided in more detail the following information:

- Informed consent from all persons who participate in the case study, by alerting them of the nature of the case study and formally soliciting their participation.
- Protection for those who participate in our study from any criticism, or misrepresentation of NYCEDC in our study.
- Special attention for precautions that might be needed to protect, especially vulnerable groups, individuals or information, so that professional communication issues do not arise.
- Findings may also be used in comparative analysis in future research studies.

In addition, our research process had orientations from the “Ethical Guidelines for Thesis Work” from Umea Thesis Writing in Business Administration manual (with Latest Change dating 29-08-2011) and from Umea Ethics Guide: “Academic Ethics Guide for Master’s Program Students”.
CHAPTER 4

CASE STUDY / CONTEXT

This chapter presents the contextual nature of the New York City Economic Development Corporation and city economic development agencies in general. It also relates strategic management in the public sector by describing the concept of public value and concludes by expressing the need for business model application in public administration setting the stage for review of the empirical findings of this study.
4.1 THE NEW YORK CITY ECONOMIC DEVELOPMENT CORPORATION

As previously mentioned, the New York City Economic Development Corporation (NYCEDC) was the former employer of one researcher. His research idea was to re-apply and expand the business model concept to the public sector, which was facilitated by the collaboration of this public organization.

4.1.1 The NYCEDC

New York City Economic Development Corporation was created in 1991 from the merger of two not-for-profit corporations that performed economic development services for the City. The merger was part of a City plan to consolidate the various providers of economic development services, which also involved the consolidation of certain City. Thereafter, it became the City’s primary economic development agency, which promoted growth through real estate development, business incentives and other activities (Porter et al., 2009, p 3). Although it continues to drive growth, creates jobs and improves quality of life in the City, it has the expertise to develop, advise, manage and invest to strengthen businesses and help neighborhoods by creating affordable housing, new parks, shopping areas, community centers, cultural centers, etc. (NYCEDC, 2010a).

NYCEDC develops infrastructure and creates partnerships between the public and private sectors to stimulate the economy with real estate developments that create jobs. It advises the City, not-for-profit and for-profit private sectors within the business, economic and policy areas. NYCEDC’s expert advice to the City includes strategic issues and development of programs. It also manages City properties and assets ensuring that properties, including manufacturing and distribution hubs, transportation and other infrastructure are well maintained and easily accessible. NYCEDC also invests in businesses and not for profit by facilitating financial tools or funding for public and private projects (NYCEDC, 2010a).

NYCEDC is a particular Economic Development Corporation that contributes effectively through its areas of focus: physical, financial and economic areas. This is mainly due to its highly talented and broad range of expertise and commitment of its leadership and staff (Clark et al., 2010, p. 472). Also influencing its performance is the 501(c) 3 status, as it is a non-profit corporation performing economic development services for the city, which is not bounded by the same operational regulations and requirements as other agencies in New York City (Clark et al., 2010, p. 472). That might also be the reason for such a flexible and adaptive agency that minimizes bureaucracy and improves efficiency (Clark et al., 2010, p. 472). See organizational chart of NYCEDC in Appendix 1.
Mission Statement:
The New York City Economic Development Corporation’s mission is to encourage economic growth in each of the five boroughs of New York City by strengthening the City’s competitive position and facilitating investments that build capacity, generate prosperity and catalyze the economic vibrancy of City life as a whole (NYCEDC, 2011b).

Key Activities and Responsibilities:
- Advising ‘City Hall’ on business, economic and policy strategy
- Facilitating commercial and industrial development
- Conducting economic and industrial research & analyses
- Administering loans and financing
- Managing City-owned properties

Figure 12 - NYCEDC Mission Statement
(NYCEDC, 2011b)

Those three areas of focus physical, financial and economic have their own specific key activities and responsibilities, which are normally interrelated together for a common goal, to create public value. This is a common aspect of Economic Development Agencies (EDAs) that provide value-added in general. See Appendix 2 for “OECD on Added Value of EDAs”, which describes how EDAs add value to the public sector in general.

In terms of physical support to New York City, NYCEDC provides a comprehensive real estate services encouraging and facilitating development. The three primary groups of such services are the real estate development, capital programs and asset management. These services include the sale or lease of City-owned property; design and construction of capital projects and property management. It is also responsible for the Waterfront developments resulting in various redevelopment initiatives along the waterfront areas on the East River, in West Harlem, on the Brooklyn waterfront, in the South Bronx and throughout the City. These initiatives relate to removing pollutants from contaminated waterfronts and restore them for communities use, augmenting regional waterfront destinations, new development and public improvements in the entertainment area and also are initiatives that come from new master plan developments. The NYCEDC's PortNYC provides project management and strategic planning for improvements to New York City’s transportation systems in three main areas such as ports, rail freight, and aviation. It includes passenger and freight transportation terminals, marine cargo terminals, rail facilities, cruise terminals, ferry landings, and heliports within the five boroughs of the City of New York. In terms of strategic planning NYCEDC ensures that New York City’s transportation infrastructure can support the expected population and economic growth over the next 20 years (NYCEDC, 2010a). The financial area of NYCEDC has provided help through financing opportunities to hundreds of businesses including small industrial and manufacturing companies and not-for-profit organizations to undertake capital expansions in New York City. These financing opportunities include issuing lower-cost tax-exempt bonds and providing tax benefits to acquire or improve capital assets, such as purchasing real estate, constructing or renovating facilities, and acquiring new equipment. In addition, NYCEDC provides energy
saving programs to help businesses operate more efficiently and productively. NYCEDC assists businesses in identifying other tax reductions, credits, and incentives available for business development and investments throughout the City. When possible, NYCEDC financing staff helps businesses through financing programs or by enabling contact with an agency that can offer further assistance (NYCEDC, 2011a, pp. 3-5).

The Center for Economic Transformation (CET) within NYCEDC looks at the economic area, works with all business sectors, implements policy and program initiatives, helps to address issues of each industry, creates jobs, and promotes entrepreneurship and economic diversification across the five boroughs. CET launched several initiatives designed to support entrepreneurship across all industries while helping legacy industries like media and fashion and also emerging industries like bioscience, green services, and technology to develop (NYCEDC, 2011a; 2011b).

The formation of CET under the leadership of Mayor Michael Bloomberg and support of the NYCEDC may have resulted from an adaptation/change to Bloomberg’s strategy where leadership is paramount when integrated approaches to combined physical, social, economic and environmental factors are managed by different bodies or agencies (Mountford, 2009, pp. 4-5). By looking at publicly documentation stating the City Government strategies, it is possible to observe that they are very much the same for the first and second term of Bloomberg Administration, strategies that govern the NYCEDC. This resilience of Bloomberg administration is a fact to point, in particular due to two critical unforeseen events: the Terrorist Attacks of September 11 in 2001, followed by a period of rebuilding the heavily impacted district of Lower
Manhattan and the *Financial Crisis of 2008*, followed by a very challenging recovery during the subsequent economic recession. The only different that actually was observed within NYCEDC was the change in focus from physical area such as real estates or from a client focus into a more diversification of their services. The result was a shift from concierge services to an industry focus, to help reducing the City’s dependency on the physical and financial service areas.

4.1.2 *City Economic Development Agencies and Competitiveness*

Mountford (2009, p. 12) highlights the existing variations of Development Agencies regarding what they do and what they use as different approaches to foster development outcomes by using a range of tools. Mountford (2009, p. 12) describes these tools as rules and regulations, constitutional and institutional arrangements and by the scale of resources and opportunities based on local or wider markets. Considering these variations of Development Agencies or Corporations, as their name varies, it is possible for them to co-exist at the same locations overlapping or not their purposes depending on their nature. Mountford (2009, p. 12) argues that this can be a source for either advantage or disadvantage depending on their respective activities and roles as well as their readiness and incentives to collaborate together. However, it is their responsibility to use their own approach and tools efficiently if they want to perform well among others. Accordingly to Mountford (2009, p. 12), Development Agencies are normally established as to a response to a crisis, or to promote competitiveness, others are established by local authors such as Governments and donors, others are even wholly private sector sponsored or can be focused on enabling neighboring entities to work together. Despite the origins for establishment of these agencies, it is important to understand the particular purpose or purposes that a Development Agency was established. Thus, according to Mountford (2009, p. 12) it is possible to assess how well it is doing and also to estimate how it might be contributing to the city competitiveness and metropolitan development. This local competitiveness makes an important contribution to national economic performance, which has become more critical with global competition (Clark *et al.*, 2010).

4.2 STRATEGIC MANAGEMENT IN THE PUBLIC SECTOR

4.2.1 *Public Value*

The relevance of value and value creation in conceptualizing business models should not be neglected in exploring business model applications in the public sector, and questions related to how public managers capture, create and deliver value should be raised. More specifically, public sector organizations are given the responsibility as stewards of public value, and public value is the source of value created, captured and delivered by economic development agencies and their related departments and organizational units which drive execution of city economic growth, renewal, and development goals and objectives. Moore (1995, p. 28) further cites: “the aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value.”

4.2.1 *Business Model Application in Public Administration*

The public sector has been a target of research studies quite early in time starting with Drucker’s work about effective public management. Drucker has devoted research
efforts in the appreciation of the inherent difficulties in managing public sector organizations effectively (Gazell, 2000). Drucker (1980, p. 106) argues that this bad performance may relate to foundations and assumptions problems on which the public administration rests. These concerns expressed by Drucker’s (1980) have been explored in literature and other researchers have been venturing to find theories or frameworks that help the management of public sector organizations effectively. The development in literature has been suggesting the use of strategic tools in the private sector for usefulness and to aid in strategic dialogue (Langley (1988), Webster et al. (1989), Dyson (1990), Clark (1997), Ambrosini (1998), Liedtka (1998), Hussey (2002), Orndoff (2002), Worren et al. (2002) and Frost (2003) cited Williams & Lewis, 2008, p. 654). Along with the previous suggestion, authors suggest that some of these tools can also be used in the public sector.

Williams & Lewis (2008) contribute to the above discussion and suggest grounds that the application of private sector tools in public sector activities is required for effective strategic management. Williams & Lewis (2008, p. 654) argue that tools (i.e. stakeholder and value chain analysis) are helpful for the analysis of strategic situations and engagement of strategic dialogue among public sector managers and other stakeholders, where higher level of complexity by multiplicity of stakeholders’ demands and overly bureaucratic organizational environment exist (Williams & Lewis, 2008, p. 655). Andersen & Lawrie (2002) have the same opinion and argue for the use of different tools for strategic control purposes in the public sector. Their argument is based on the assumption that both private and public sectors have been focused on financial rather than strategic control and thus the need for strengthening strategic management to improve public sector governance. What Andersen & Lawrie (2002, p. 5) suggest is that public administration needs to incorporate this strategic management approach to clarify their business environment, communicate a more consistent strategic direction and to make clear the organization’s ability to interpret and respond to frequent changes. From another perspective considering change as a strategic management approach, Sminia & Nistelrooij (2006, p. 99) highlight that has been present in the public sector and takes the form of policies, legislation and technological change, top management replacements or reorganizations within the public agencies. The authors argue these changes are required to retain or redefine the alignment between the organization’s goals, the environment and the organization itself. As Franken et al. (2009, p. 49) conclude, is also about frameworks that help in framing the execution of strategic changes share the same common elements (i.e. culture and communication) and normally present similar benefits attaining to the organizational goals. However, taking on the claim from Andersen & Lawrie (2002, p. 5) that public administration needs to incorporate a strategic management approach to clarify the business environment we consider that is subject matter to introduce the thematic of business models in the public sector.

Seelos’ (2010, p. 1) perspectives are that ‘every company has a business model’ and ‘a good business model remains essential to every successful organization’. Seelos (2010) in his “Theorizing and Strategizing with Models” framework, establishes that development of models helps in explaining what works and does not work in utilizing business models mechanisms that generate organizational outcomes. The author explains the role of models are central to current practice of science (Seelos, 2010, p. 4) and he supports his argument with the research work of other authors agreeing that models are used for scientific knowledge, to overcome limitations in understanding
how the world works and to explicitly represent specific aspects of it to fulfill the scientific enquiry. Whilst models represent theoretical and empirical elements, Seelos (2010, pp. 6-7) based on perspectives of other authors, claims that model validity requires theoretical, ontological and analytical adequacy. From a theoretical perspective, theories must specify the structure, content, and behavior that clarify the model, while the ontological perspective answers how well the selected parts of the model resemble aspects of target phenomena. The analytical adequacy is concerned with the ability of the model to adequately describe, explain, and predict the phenomena. Seelos (2010, p. 23) in line with Williams & Lewis (2008), Andersen & Lawrie (2002) and Franken et al. (2009) mentioned above, adds that the concept of business model as a generative model, enables integration of new insights, creates a transparent language enabling comparative studies across organizations and better informs decision makers from organizations. Seelos (2010, p. 23) considers this process of modeling to be a rewarding platform to clarify assumptions and meanings of concepts and to make theory and reality unambiguous. Seelos (2010, p. 23) points out that for many organizations the model is a tool to communicate their business model to internal and external stakeholders, thus facilitating better internal coordination of activities and external evaluation of an organization's potential.

Thus, business models as a strategic management tool can facilitate and improve public administration efficiencies, although empirical research is needed to support this assumption, Duggan & Moon (2008) defined the business model concept in the public sector context, establishing a foundation for future applications of business models aiming to drive positive transformation in public administration services. While the authors primarily focus on educating public managers and developing solutions for government organizations plagued by value-destroying inefficiencies in government service delivery, their ideas also implicitly contribute to alternatives and forge the way for new perspectives in the traditional business model research agenda and its focus on the private sector. In comparing the business model concept in the public sector with that of the private sector, Duggan & Moon (2008, p. 5) cite: “In the public sector, a business model describes how an organization creates value for its customers, the citizens of the country, and fulfills its mandate. The business model defines functions, roles, responsibilities, structure and relationships to other entities and partners.”

However, in establishing this critical linkage, the authors also state that the traditional programmatic model of government-provided service to citizens is delivered through an inefficient and ineffective structure of numerous departments, each with its own set of programs and service delivery processes, which are aligned to its mandates and not to creating value for citizens Duggan & Moon (2008, p. 5). To address this concern, they propose ‘The One-Stop Citizen-Centered Business Model’ framework, which aims to shift focus from program-centered service delivery towards and to establish the citizen at the center of service delivery solutions. This framework is underpinned by four conceptual prescriptions: Focus on the Citizen; Deliver One-Stop Government Service; Integrate Citizen Information; and Collaborate and Partner. They further contend that these underlying concepts are key drivers for providing actionable steps and solutions for public sector organizations seeking to improve government services worldwide (Duggan & Moon, 2008, pp. 6-21).
‘Focus on the Citizen’: This first prescriptive concept connects citizens to service needs and gradually integrates existing services to minimize redundant activities and fill service gaps. In offering “service bundles”, designed to provide complete citizen-focused service solutions, desired and necessary outcomes are more frequently realized.

‘Deliver One-Stop Government Service’: The second prescriptive concept reduces or eliminates complexity for citizens by connecting them to a single point of contact and improving the ease and speed of access to information, providing readily available choices to the citizen, and executing service organization delivery faster at the point of contact.

‘Integrate Citizen Information’: The third prescriptive concept integrates citizen information the one-stop citizen-centered organization by enhancing privacy protection, accuracy and transparency of citizen information, improving the collection and use of information, and providing this service at the point of contact.

‘Collaborate and Partner’: The fourth prescriptive concept plays a critical role in the proposed model as it leverages the collaborative potential across government by calling for a focused effort in developing intergovernmental partnerships as well as private and citizen sector collaboration. Furthermore, this concept suggests that a dedicated effort also be made by public sector organizations to invest in relationship management.

To effectively implement this public sector-focused business model framework, Duggan & Moon (2008, p. 22) provide the following three service strategy recommendations:

- Meet the needs of client segments, and build service offerings and supporting partnerships that deliver on these strategies
- Manage channels that deliver multiple programs and service offerings and offer cross-channel integration
- Monitor, report and deliver feedback on service delivery performance to policy and programs.

Concluding from the ideas of Duggan & Moon (2008), we suggest that the business model be used as a tool for theoretical development and research enquiry, as well as a strategic management tool in practice. Thus the business model concept should be further developed and applied within the public sector context to assist in the development of theory, frameworks and reference models that will aid in the effective management of a multitude of public sector organizations.

The following chapter will present our data analysis process applied to the empirical data gathered, represented by this chapter’s description of the case study and context, as well as theoretical foundations found in business model literature described previously in Chapter 2.
CHAPTER 5

DATA ANALYSIS

This chapter links data, analysis and theory using an iterative approach. The analysis is applied to empirical data found in Chapter 6. The second part of the chapter presents the representation of the NYCEDC business model and identifies potential sources of value creation.
5.1 AN ITERATIVE APPROACH: LINKING DATA, ANALYSIS, AND THEORY

5.1.1 Analysis of Empirical Data

As previously mentioned in Chapter 3, the approach driving our analysis of empirical data is derived from template analysis and is supported by a selection of thematic categories drawn from our review of the literature in Chapter 2 and based on our consolidated Interview Guide. Categories were discussed further and refined through an iterative process that drove data collection procedures prior to, and during, data collection. Detailed review of these selected business model themes can be found in Appendix 3, and thematic relationships founded on our process theory approach can be observed in the Interview Guide in Appendix 5.

Through initial inquiry and subsequent interviews, respondents confirmed that documentation explicitly describing the organization’s business model was not available. Thus, perceptions and individual descriptions of the NYCEDC business model were collected solely through discussions with interview respondents. Thematically this data corresponded to business model definition, description of the NYCEDC business model, and business model components. Similarly, as it relates to value creation, financial information highlighting revenues and expenses earned and charged by the NYCEDC on behalf of City Hall, which was determined to be economic value created for the City, was not discussed with interview respondents, and was thus collected directly from financial reports.

Furthermore, analysis of empirical data was performed with consideration of triangulating data between interview responses, publicly available documents, and internal documents to ensure credibility. These three key primary sources of data were evaluated for consistency, and recorded for future review. We also note that many outcomes, or consequences, mentioned by interview respondents are classified as accomplishments, which indicate a selection bias by the respondents that may overrepresent positive consequences and successes. Given that the focus of our analysis of value creation was not aiming to identify organizational activities that destroy value, our study was not adversely affected. However, we note that future research or a prescriptive assessment to the NYCEDC may require a thorough analysis of both positive and negative consequences of the constructed business model.

5.1.2 Analysis of Theory to Empirical Data

To determine a rationale for comparing theory to empirical data, we reviewed the key findings from our template analysis in tandem with theoretical foundations and concepts discussed in the literature review provided in Chapter 2. As discussed in the previous section, the first step of our data analysis process identified key findings and compared these against template themes such as the business model concept, strategy, value creation, organizational activities, policy/operating decisions, and performance to reveal patterns in the empirical data. The second step of our process, integrated key findings from empirical data (i.e. interviews and documentation) to determine pertinent relationships between business model theory and empirical data. This step focused on the identification of key frameworks/reference models and other conceptual linkages discovered in business model literature, and resulted in the
development of a set of preliminary conclusions. Figure 14 depicts this two-step process and summarizes the structure of our template analysis approach.

**Figure 14 – Data Analysis Process**

Using guidance from our process theory approach, we examined business model literature by considering literature in the public sector followed by considerations of private sector, and citizen sector, respectively. We then repeated this systematic process at each level of our categorical process theory hierarchy: definition, redefinition, and application. As a notion to our iterative approach, the principal frameworks and reference models chosen for application to the empirical data were decided following thorough literature review prior to and during data collection procedures. A collection of 20 key frameworks/reference models were reviewed in-depth and classified into five areas of concentration based on similar categorical classifications used in our literature research process: Strategy & Design (5), Innovation & Technology (8), Entrepreneurship (2), E-business (1), and Integrated-Meta Model (4).

Finally, frameworks/reference models were selected based on the following core criteria:

- **Relevance** – appropriate for business model conceptual foundation and case study
- **Applicability** – applicable to public sector organizations and not limited to use in private sector (‘traditional’ business model)
- **Credibility** – peer-reviewed articles published or research grounded in strategic management/business model literature or industrial/applied research studies
- **Flexibility** – opportunities to apply minor variations and alternatives exist
Among our original subset, the following five key frameworks/reference models fulfilled the above criteria and were selected – (1) to aid in the design and construction of the NYCEDC Business Model, and (2) to identify sources of value creation:

- ‘The Business Model Canvas’ (Osterwalder & Pigneur, 2010)
- ‘Activity System Perspective of Business Model Design’ (Zott & Amit, 2010)
- ‘NICE Framework’ (Amit & Zott, 2001)
- ‘From Strategy to Business Models’ (Casadesus-Masanell & Ricart, 2010)
- ‘One-Stop Citizen-Centered Business Model’ (Duggan & Moon, 2008)

Following review and comparison of these selected key frameworks/reference models we have implied the adoption of an implicitly unifying definition for the term business model, which drives the analysis to follow: “The logic of the firm, the way it operates and how it creates value for its stakeholders” (Baden-Fuller et al., 2008, p. 1; Casadesus-Masanell & Ricart, 2010, p. 197).

The remaining sections of this chapter explore in detail the application of these frameworks/reference models.

**5.2 EMPLOYING THE NYCEDC BUSINESS MODEL**

**5.2.1 Use of Aggregation & Decomposition**

Given the potential complexity of the activity system and business model of the NYCEDC, simplification of the wide array of organizational information is necessary to develop a comprehensive representation of the organization’s business model. This is achieved through the use of aggregation and decomposition of detailed empirical data to be used as inputs in business model analysis. Casadesus-Masanell & Ricart (2010, p. 200) define aggregation as “zooming out and looking at the (real) business model from a distance”. This is achieved by consolidating detailed choices, consequences, and activity elements into larger constructs. In contrast, decomposition zooms into the detail of different groups of activities, choices, and consequences of an organization that have limited interaction and can be separately analyzed.

To assist in optimizing our analysis, both concepts of aggregation and decomposition were applied; however, to reduce complexity in our representation of the organization’s business model, primary activity or key choice-based inputs used in our analytical procedures to follow were made at the intermediate and high levels of aggregation. To clarify our understanding of the ‘organizational logic’ of the NYCEDC and to effectively utilize activity system-based business model design aids, we determined aggregation at an ‘intermediate level’ for most cases of our analysis should be adopted to ensure a sufficient level of detail of choices and consequences are considered without obscuring the forthcoming business model representation with excessive activity-laden details. We also note that in constructing our business model representation a ‘intermediate’ of aggregation was employed, and for this reason, we did not adopt a ‘low level’ of aggregation in our analysis at the organizational level, during the analysis of policies and governance of assets and policies, in the design or construction of the NYCEDC Business Model. Decomposition from the organizational level to ‘low level’ detailed analysis of choices would yield an impractical and daunting assessment, and would not result in an adequately
comprehensive business model representation for determining sources of value creation. Nevertheless, a ‘low level’ aggregation was applied to NYCEDC activities for the purpose of identifying value-creating activities generated specifically by the CET as it was justified given the narrower focus of activities under our divisional level review.

5.2.2 Linking Business to Strategy

As a starting point of our analysis, we reviewed City Hall economic development strategies established by the Bloomberg Administration and the organizational strategy of the NYCEDC to better understand the underlying drivers that dictate which key activities will be performed by the organization. The importance of this strategy review is aligned with Seddon et al’s (2004, p. 14) notion that the business model is simply defined as an “abstract representation of some aspect of a firm’s strategy”, previously discussed in Chapter 1. This contention is derived from the definition provided by Porter (1996, p. 68) stating: “strategy is the creation of a unique and valuable position, involving a different set of activities”. This perspective on strategy is expanded and argued by Casadesus-Masanell & Ricart (2010, p. 203) citing the following:

“While the resulting (created) activity system is a reflection of the firm’s strategy; strategy proper is not the activity system that is the business model - but the creation of that system. Consistent with this notion, strategy refers, in our development, to the contingent plan as to what business model to use. Strategy is a high-order choice that has profound implications on competitive outcomes. Choosing a particular business model means choosing a particular way to compete, a particular logic of the firm, a particular way to operate and to create value for the firm’s stakeholders.”

We agree with this assertion, which forms the basis to our activity system-designed approach to conceptualizing the NYCEDC Business Model, and through a review of the organizational strategy of the NYCEDC, as well as the overarching Bloomberg Administration Economic Development Strategies, we sought to orient our understanding of the relationship between strategy and the business model as an activity system that reflects strategy. Furthermore, as stated by Casadesus-Masanell & Ricart (2010), strategy implicitly selects the business model in which an organization will employ, thus providing a preview of the particular business model to be conceptualized and represented throughout our data analysis process.
Table 5 - Bloomberg Administration Economic Development Strategies
(City of New York, 2003; 2010)

<table>
<thead>
<tr>
<th>BLOOMBERG ADMINISTRATION ECONOMIC DEVELOPMENT STRATEGIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>1 Make New York City More Livable: Improve quality of life to attract and retain employers and employees</td>
</tr>
<tr>
<td>2 Make New York City More Business-Friendly: Create an environment that gives businesses the tools to be competitive and create jobs</td>
</tr>
<tr>
<td>3 Diversify the New York City Economy: Reduce the City dependence on financial services and on Manhattan</td>
</tr>
</tbody>
</table>

At the highest order of strategy development, the Bloomberg Administration’s Economic Development Strategies, as seen in Table 5, did not significantly change over the three terms in which Mayor Bloomberg has been designated as an elected official and city executive. Marginal differences can be found in presented in the citywide strategic plans, presented as the ‘Bloomberg Economic Development Strategy’ of 2002-2008 and ‘The Five Borough Economic Opportunity Plan’ of 2009-2014, targeted the same long-term economic development challenges of development and renewal of the physical and economic landscapes of New York City. The key difference noted in our analysis was the emphasis and prioritized re-focus on the strategic goal of “Creating jobs for New Yorkers today” (rapid job creation in the short-term), which we contend is a result of the severe economic downturn that faced the city and global economies in 2009, when ‘The Five Borough Economic Opportunity Plan’ was formulated.

To gain understanding from the perspective of the NYCEDC organizational strategy, the NYCEDC Annual Review (2011) was consulted, and the following three strategic goals of the NYCEDC organizational strategy were outlined:

(1) To help New York City’s “legacy industries”, such as fashion, finance, media, arts, and manufacturing, transition from 20th Century business models to 21st Century business models

(2) To attract and build new, growth industries in which we have competitive advantages

(3) To promote entrepreneurship across all sectors… [and] to secure a place for our city in the industries of tomorrow
While, again, there are marginal differences seen in comparing the Bloomberg Administration Economic Development Strategies in Table 5 with the NYCEDC organizational strategy, a clear relationship and influence of strategy formulated at City Hall dictates strategy development at the NYCEDC. This is particularly evident from New York City’s emphasized focus in job creation and long-term, sustainable economic growth. These broader strategic goals, conveyed in ‘The Five Borough Economic Development Plan’, directly influence the strategic goals of NYCEDC focusing on transitioning established industries, building and growing emerging industries, and fostering entrepreneurship and innovation. Moreover, in an effort to effectively target these emphasized strategic goals, the NYCEDC formed the CET in 2010, a division focusing efforts in activities supporting these particular economic development goals. Consequently, the organization’s activity system, which is created and developed based on the revised organizational strategy, is also directed by strategy formulation at City Hall.

While we established that a firm relationship between strategies of City Hall and NYCEDC were observed, we contend that key activities performed by the NYCEDC did not change significantly, considering marginal differences of strategic goals, and thus we held an assumption that the fairly rigid strategies did not have a significant impact on the key activities of operations within the NYCEDC over the three terms of the Bloomberg Administration. Furthermore, it was also implicitly assumed that the strategy of NYCEDC dictates allocation of resources to specific activities aligned with organizational strategy, and to an extent citywide economic development strategy.

In continuing our analysis we sought to clarify our understanding of the key activities and other operational aspects of the NYCEDC and to develop a foundation for designing the NYCEDC Business Model, ‘The Business Model Canvas’ and ‘Activity System Perspective of Business Model Design’ reference models were thus applied.

In initiating our analysis for conceptualizing the NYCEDC Business Model, we reviewed and collected publicly available data of organizational characteristics from the NYCEDC website prior to completing interviewing during data collection procedures. By using this initial set of data, we began classification of key components of the NYCEDC Business Model by applying the ‘Business Model Canvas’ developed by Osterwalder & Pigneur (2010). Figure 15 depicts the key business model components and relationships of the Nine Building Blocks of the Business Model Canvas, previously described in Chapter 2.
Equally important, initial brainstorming of key business model components was also integral to the early development and refinement of our Interview Guide, Thematic Template, and Template Analysis approach. Application of the Business Model Canvas to the NYCEDC can be found in Appendix 4.

To further orient business model design, an ‘Activity System Perspective’ was adopted as proposed by Zott & Amit (2010, p. 222), where the framework is described as follows:

“A business model can be viewed as a template of how a firm conducts business, how it delivers value to stakeholders (e.g., the focal firms, customers, partners, etc.), and how it links factor and product markets. The activity systems perspective addresses all these vital issues, and gives managers and academics a language and a conceptual toolbox to address them and engage in insightful dialogue and creative design.”

Three Design Elements are fundamental to the ‘Activity System Perspective’: Content, Structure, and Governance. Zott & Amit (2010, p. 222) convey these elements in three filtering questions:

- **Content** – What activities should be performed?
- **Structure** – How should they be linked and sequenced?
- **Governance** – Who should perform them, and where?

In applying the ‘Activity System Perspective of Business Model Design’ reference model, primary activities of NYCEDC found in the data were identified and aggregated into three core areas: Economic Transformation, Financial Support, and Physical Transformation. Table 6 highlights the primary activities of NYCEDC. Collectively, this set of primary activities comprises the ‘content’ of the NYCEDC Activity System.
Table 6 - NYCEDC Primary Activity Content Inventory

<table>
<thead>
<tr>
<th>NYCEDC PRIMARY ACTIVITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Transformation</td>
</tr>
<tr>
<td>• Partnerships</td>
</tr>
<tr>
<td>• Business, Economic, Policy and Strategy Advice</td>
</tr>
<tr>
<td>• Program Development / Initiatives / BD priorities</td>
</tr>
<tr>
<td>• Strategy Plan / Maintain and Development of Industry clusters</td>
</tr>
<tr>
<td>• Promotion of the City</td>
</tr>
<tr>
<td>Financial Support</td>
</tr>
<tr>
<td>• Provision of Financing tools / Access Capital / Tax Reduction</td>
</tr>
<tr>
<td>• Funding (Private &amp; Public projects)</td>
</tr>
<tr>
<td>• Development of Financing, Initiatives / Power Supply incentives</td>
</tr>
<tr>
<td>• Capital projects</td>
</tr>
<tr>
<td>• Provision of Financial Analysis</td>
</tr>
<tr>
<td>Physical Transformation</td>
</tr>
<tr>
<td>• Built / Development of Infrastructure</td>
</tr>
<tr>
<td>• Management of properties &amp; assets</td>
</tr>
<tr>
<td>• Support Development Initiatives</td>
</tr>
<tr>
<td>• Properties Sales &amp; Lease</td>
</tr>
<tr>
<td>• Management of Capital Projects</td>
</tr>
<tr>
<td>• Project Management support / guidance</td>
</tr>
<tr>
<td>• Expansion/Relocation Business support</td>
</tr>
</tbody>
</table>

Activity system content was then used as an input in the next step of our analysis, determining the organizational ‘structure’ and ‘governance’, which clearly represent the NYCEDC Activity System. To make sense of the activity system in which the NYCEDC operates, we performed an analysis of the NYCEDC Value Chain. The NYCEDC Value Chain illustrated in Figure 16 is inclusive of design elements, structure and governance, and isolates primary and supporting activities in the value chain. It is noted that for the purpose of simplification of primary activities seen in Table 6, a higher level of aggregation was adopted and identified primary activities were consolidated into ‘Services Delivery’. Furthermore, a depiction of supporting activities was identified through the review of the NYCEDC Organizational Chart seen in Appendix 1.
5.2.3 Identifying Value Creation

Value creation was identified at two distinct levels within the NYCEDC: divisional and organizational. Value creation was identified at the divisional level through a review of the key activities performed by the CET and then determining which key activities were classified as value-creating activities, which was analyzed through application of the ‘NICE Framework’. In using the ‘From Strategy to Business Models’ reference model, value creation was then identified at the organizational level. As part of applying this reference model, construction of a visual representation of the NYCEDC Business Model was performed, and through the identification of value-creating choices and consequences (outcomes), value creation at the organizational level was revealed. Finally, an assessment of value-creating initiatives was conducted using the ‘One-Stop Citizen-Centered Business Model’ framework to identify value creation at the organizational level as compared to the prescriptive concepts and recommendations from a practitioners’ perspective on improving effectiveness of service delivery in the public sector.

Through the use of ‘low level’ of aggregation, we analyzed the empirical data and application of the ‘NICE Framework’ based on four themes grounded in activity system design. This analysis resulted in identification of the core value-creating activities generated by the CET (i.e. divisional level).
The four Design Themes are integral to the ‘NICE Framework’: Novelty, Lock-in, Complementarities, and Efficiency. Guidance in identifying value creation in using the NICE Framework can be seen in Figure 17. In addition, Zott & Amit (2010, p. 222) describe the design themes, the basis of this framework, as follows:

- **Novelty** – adopt innovative content, structure or governance
- **Lock-In** – build in elements to retain business model stakeholders
- **Complementarities** – bundle activities to generate more value
- **Efficiency** – reorganize activities to reduce transaction costs

Table 7 highlights the following results from our analysis of core value-creating activity contributions made at the divisional level by the CET.
To identify value creation at the organizational level the ‘From Strategy to Business Models’ reference model proposed by Casadesus-Masanell & Ricart (2010) was adopted. For this application, a ‘intermediate’ of aggregation was used and key choices on assets, policies, and governance on assets and polices were identified from the empirical data, as seen in Table 8. Key choices are defined as “concrete decisions made by management dictating how the organization must operate” (Casadesus-Masanell & Ricart, 2010, p. 200). Specifically, these include, but are not limited to, procurement contracts, assets employed, the extent of vertical integration, and marketing and sales initiatives. Key choices that are made by management always yield consequences; and, consequences can either create or destroy value within an organization. Consequently, value creation at the organizational level can be sourced from the identification of ‘value loops’ (i.e. feedback loops) in a causal loop diagram of the activity system representing the key choices and consequences of the NYCEDC, a business model representation.
First, key choices and consequences were determined through a collective review of the NYCEDC Business Model Canvas, NYCEDC Value Chain, NYCEDC Primary Activity Content Inventory, and supporting source documents clearly identifying executive management choices on assets, policies, and governance on assets and polices. An extensive list of key choices and consequences, deemed relevant, was then consolidated into a finalized list, seen in Table 8.

### Table 8 – Key Choices and Consequences - NYCEDC Business Model

<table>
<thead>
<tr>
<th>Choice</th>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not-for-profit structure</td>
<td>Flexible procurement methods</td>
</tr>
<tr>
<td>Competitive compensation in public sector</td>
<td>Broad talent base of experts</td>
</tr>
<tr>
<td>Land and capital assets for sale/lease</td>
<td>Stable revenue streams</td>
</tr>
<tr>
<td>Pre-defined services/remit and location</td>
<td>Reduced capital/operating costs</td>
</tr>
<tr>
<td>Financial tools</td>
<td>Additional revenue</td>
</tr>
<tr>
<td>No civil servants</td>
<td>Flexible staffing</td>
</tr>
<tr>
<td>City capital budget/fund access</td>
<td>Large-scale investment</td>
</tr>
<tr>
<td>Programmatic initiatives</td>
<td>Broader impact</td>
</tr>
<tr>
<td>Public-private partnerships</td>
<td>Fully engaged community</td>
</tr>
<tr>
<td>Benchmark studies</td>
<td>Understanding community needs</td>
</tr>
</tbody>
</table>

Using these key choices and consequences, we then constructed a business model representation of the NYCEDC, seen in Figure 18. In this figure underlined elements are choices and non-underlined elements are consequences. Consequences encased in boxes are ‘rigid,’ while unbounded consequences are ‘flexible’. Furthermore, a consequence is determined to be flexible if it is assumed to be highly sensitive to the choices that generate it. For example, ‘flexible procurement methods’ is a consequence of the policy choice ‘not-for-profit structure’. If the policy were to mandate a change in legal form to that of other traditional government agencies under the control of City Hall, then advantages from flexible procurement methods would immediately dissipate due to procurement restrictions imposed on traditional government agencies. This policy change would adversely affect the organization’s ability to create value. In contrast, a rigid consequence does not respond to change rapidly from the choices from which they derive. As an example, ‘large-scale investment’ is a consequence that changes gradually with changes in the choices that generate it. This is due to the obligation of the NYCEDC to commit to large capital projects focused on urban-economic development and renewal over the medium-term. Moreover, City Hall is the principal investor in many of these projects and the capital budgets approved as ‘large-scale investments are established on a basis of three years.
From our analysis of the business model representation, sources of value can be identified. Specifically, choices related to programmatic initiatives and pre-defined services remit and location, and the not-for-profit structure of NYCEDC drive the organization’s contribution towards public value creation. These choices lead to desired consequences such as reduced capital and operating costs, flexible procurement methods, and a fully engaged community. Each of these consequences spurs creation of value to The City of New York.

Self-sustaining virtuous cycles, defined as “feedback loops that strengthen some components of the model at every iteration” and can develop valuable resources and capabilities (Casadesus-Masanell & Ricart, 2010, p. 199), were not identified in the business model representation. Economic value creation was identified from land and capital assets for sale/lease, additional revenue streams, and reduced operating and capital costs. However, while this value is on occasion reinvested into NYCEDC, it is often transferred to the City budget to be managed and disbursed to other government agencies and public services in need of budgetary appropriations. While NYCEDC still indirectly creates public value through the income generated in these activities, the outcome of these budgetary appropriations are not easily measurable, and thus, a more holistic understanding of the NYCEDC’s contribution and organizational impact on New York City from a fiscal perspective, directly and indirectly, is not quantified in such terms.

It is also relevant to note that the not-for-profit structure of the organization presents many advantages, which to an extent also create value. However, two sets of value creating activities, based on organizational level choices reinforce each other and provide positive public value creation. These two value-creating cycles, given that

Figure 18 - NYCEDC Business Model
they continue to receive investment to operate, were identified as highly valuable activities for the economic transformation of New York City, and can be seen in Figure 18. These include the relationships between:

| (1) Programmatic Initiatives • Fully Engaged Community • Public-Private Partnerships |
| (2) Benchmark Studies • Understanding Community Needs • Large Scale Investment |

Finally, in using an ‘intermediate level’ of aggregation we conducted a brief analysis at the organizational level using the ‘One-Stop Citizen-Centered Business Model’ framework to address other potential sources of value-creating initiatives that would result in improved service delivery.

The ‘One-Stop Citizen-Centered Business Model’ framework, visually conveyed in Figure 19, and was previously described in Chapter 4, is briefly summarized by the following four concepts/prescriptions (Duggan & Moon, 2008, pp. 6-7):

- **Focus on the Citizen** – attempts to understand citizen needs to better integrate and bundle services and benefits that provide real outcomes

- **Deliver One-Stop Government Service** – creates efficiency through easily accessible government services that are delivered through an integrated channel strategy

- **Integrate Citizen Information** – requests citizen information and stores for future use while improving citizen information privacy protection, accuracy, and transparency

*Figure 19 - One-Stop Citizen-Centered Business Model  (Source: Duggan & Moon, 2008, p. 6)*
- **Collaborate and Partner** – promotes extensive collaboration with organizations to collectively create value for citizens

Application of each underlying concept of the framework was then evaluated based on key findings in the empirical data used in the previous analyses of this chapter including: NYCEDC Business Model Canvas, NYCEDC Activity Content Inventory, NYCEDC Value Chain, and NYCEDC Business Model. Table 9 summarizes the results from the application of the ‘One-Stop Citizen-Centered Business Model’.

**Table 9 – ONE-STOP CITIZEN-CENTERED BUSINESS MODEL – NYCEDC Value Creating Initiatives**

<table>
<thead>
<tr>
<th>ONE-STOP CITIZEN-CENTERED BUSINESS MODEL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Focus on the Citizen</strong></td>
</tr>
<tr>
<td>- Needs assessments and ideation based on “crowd sourcing” model</td>
</tr>
<tr>
<td>- Dedicated teams and consultants frequently conduct outcome-focused benchmark studies</td>
</tr>
<tr>
<td>- Strategists, specialists and business development professionals develop optimum service bundles</td>
</tr>
<tr>
<td><strong>Deliver One-Stop Government Service</strong></td>
</tr>
<tr>
<td>- Easily accessible services delivered in minimal number of points of contact</td>
</tr>
<tr>
<td>- Integrated channel web-based strategy: website services provide single delivery platform</td>
</tr>
<tr>
<td>- Efficient, standardized, and well-established procurement/delivery process with dedicated staff</td>
</tr>
<tr>
<td><strong>Integrate Citizen Information</strong></td>
</tr>
<tr>
<td>- Easily accessible, secure, and transparent website communication/information retrieval system</td>
</tr>
<tr>
<td>- Current information technology projects aim to improve accuracy/transparency of internal system</td>
</tr>
<tr>
<td>- Dedicated projects focused on citizen information and integration is potential area for improvement</td>
</tr>
<tr>
<td><strong>Collaborate and Partner</strong></td>
</tr>
<tr>
<td>- Core strength of citizen-focused initiatives is ability to effectively collaborate with citizens</td>
</tr>
<tr>
<td>- Interagency partnerships are frequently formed in effort to improve government services</td>
</tr>
<tr>
<td>- Effectively fosters relationship building and investment between citizens through roundtables</td>
</tr>
<tr>
<td>- Skilled professionals with private sector experience drive relationship management/investment</td>
</tr>
</tbody>
</table>

The systematic approach applied to explore the NYCEDC business model is based on our decision to perform template analysis, which reflects a pre-selected structure of themes directly related to our process theory approach and interview guide. Through the selective use of ‘intermediate level’ aggregation in selecting choices and consequences for constructing the business model representation and ‘low level’ aggregation for identifying value-creating activities of the CET, we prepared for analysis of the NYCEDC business model through the use of the ‘Activity System Perspective to Business Model Design’ and ‘Strategy to Business Models’ reference
models. Finally, we drew information from results from all other previous business model analyses and design aids performed earlier in this Chapter, and used an intermediate level aggregation in applying the ‘One-Stop Citizen-Centered Business Model’ framework to assess which value-creating activities generate improved citizen-centered government services delivery.

The following chapter will present details of key findings from the empirical data that underlies our data analysis process that has been shared in the preceding pages.
CHAPTER 6

FINDINGS

Empirical findings, in this chapter, are structured in the form of our process theory – definition, redefinition, and application. Definition is explained based on the business model concept and the NYCEDC Business Model description. Similarly, redefinition is described by perceptions of business model components, in general, and the NYCEDC Business Model components. Finally, findings related to the application of the NYCEDC Business Model frameworks and reference models are explored.
The following sections will present findings from the empirical data based on our Thematic Template, seen in Appendix 3, and derived from our process theory approach. Our Thematic Template also served as the principal basis for our Interview Guide, seen in Appendix 5, and for comparison of the two sources of primary data: interviews and documentation. Key findings were determined following completion of data collection procedures and thorough review of data sourced from interview transcriptions and documentation, both publicly accessible and internal documents. To clearly consolidate and manage data, collected raw data was reviewed and used as an input to populate spreadsheets critical to analytical procedures used in our template analysis approach. Step 1 of our data analysis process in Figure 14, seen in the previous chapter, illustrates both the general structure of data analysis spreadsheets and our approach used to extract key findings from these template analysis procedures. To assist in tracking statements made by interview respondents, refer to Table 3 in Chapter 3, which highlights the leadership positions, roles and sub-units of the six interview respondents, all are members of the CET.

6.1 DEFINITION: NYCEDC BUSINESS MODEL DESCRIPTION

As mentioned in the previous chapter, during initial inquiry and confirmed through interviews, it was discovered that explicit descriptions of the organization’s business model were undocumented and not formally discussed in strategic meetings. Thus, descriptions of the NYCEDC business model were collected solely through interviews. Interview respondents clearly articulated the business model concept as ‘an operating model’, and interestingly applied a private sector perspective in defining the concept. In clarifying the business model concept, respondents also often described the critical business model components and their perception of the concept in general. Foremost, in describing the concept, respondents identified the key importance of two business model components above all others: ‘customer’ and ‘profit’. Each respondent also mentioned the concept of value delivery through descriptions of ‘value proposition’, ‘product-service offering’, and ‘value-to-customer’. Two respondents described their understanding of the business model concept by presenting a series of key questions that aided in furthering their conceptualization of the term. Other respondents articulated the business model concept as a collection of activities oriented by the organizational purpose, mission statement, of NYCEDC. Moreover, one of the respondents abstained from defining the business model. Selected empirical data supporting these findings, along with identified business model components, can be seen in the following text box.

### Results from Interviews

#### Business Model Concept

**Respondent 1:**

“I think more generally a business model is a collective term for the definition of what products or services you are going to offer in which markets at what price point, to make what level of return using which resources.”

| Customer • Customer Segment • Price Point • Level of Return • Resources • Value Proposition |
Respondent 4:
“When I think about a business model, if you think about city government as a business… our business model is that we collect tax, and then we use the tax money to deliver service to our customer and hopefully the customers feel like the value they are getting is greater than the tax money that they are putting in.”

Customer • Revenue • Expense • Value Proposition

Respondent 6:
“I think in terms of a business model, it’s a number of things. You need to understand whom are you serving. You need to understand who are you, how you’re structured to serve those customers, what is your value proposition. What is your proposition in the market, why should we exist, why are we doing things that other people cannot do? … What is the impact, either what comes in, what comes out, what resources can you get from your partners, from the industries and what is the result in the end. We don’t have a profit model, but I do think we have a results model.”

Customer • ‘Value Capture’ (Results) • Organizational Form • Value Proposition

In describing the NYEDC Business Model, nearly all respondents attempted to articulate their conceptualization of the organization’s business model and systematically attempted to apply previously stated definitions of the business model concept to the NYEDC. Interestingly, all respondents shifted focus from ‘customer’ and ‘value proposition’ business model components towards a focus on the Profit Model derived from the NYEDC Real Estate/Asset Portfolio, the principal driver for revenue generation. In describing the NYEDC Business Model as an operating model driven by the ‘profit model’ component, respondents briefly discussed key activities or externally motivated value creation deriving from economic transformation. Most importantly, respondents demonstrated significant variation in perspectives when describing the organization’s business model. As previously mentioned, one respondent abstained from defining the organization’s business model, and another clearly distinguished a difference between the business models of the NYEDC from that of the CET. The variability in responses can be seen in the following text box.

Results from Interviews

NYEDC Business Model

Respondent 1:
“When it comes to EDC, we have a defined geographical area. We have a public purpose remit. Our returns are defined by the portfolio of assets, which are primarily real estate assets. Assets that give us a certain income stream that we then use to finance our activities, and then we … give money back to the City if we earn in addition to what we spent in our operating expenses.”

Respondent 2:
“If our overall mission is to encourage economic growth and economic diversity in the city, and the main ways in which we do that, we’re developing real estate, and we’re developing infrastructure is one big category. We also have the series of financial tools at our disposal, things like funding agreements or tax breaks. We’re managing a portfolio of assets that have revenue tied to them, but also jobs tied to them, and we’re also advising and implementing policy initiatives.”
Respondent 4:
“I think if you kind of bring it down to a more micro level, and you say: What is EDC’s business model? Well, EDC doesn’t actually pay tax dollars, EDC manages city government properties and therefore gets a fee and that becomes our revenue. Our operating model is that we try to use the money that we collect from the city government and ... we have a lot of flexibility in how we use that money. We don’t have to follow city procurement rules. We are not subjected to city council reviews. It gives a lot of flexibility on how we operate.”

Respondent 5:
“When I looked at today’s organization chart I can see the value chain, the projects that we have in the corporation. We have kind of the upstream from our core work, which is the work that the Strategy and Policy division is engaged in, which is to give the new opportunities, but ultimately is always linked to our core assets which is real estate and financing incentives that we provide. That drives our business model.”

In regards to perceptions of public value and how the NYCEDC fosters economic transformation in New York City, all respondents described their understanding of the value and the organization’s contribution to citizens of New York City with great similarity. Five of the six respondents emphatically stated that facilitating economic growth through job creation initiatives to be their primary contribution to the public. Other primary contributions highlighted included facilitating initiatives for industry diversification and stakeholder intermediation. In contrast, one respondent stated that the key focus of the organization’s efforts to contribute to public value creation was measured by two core objectives: (1) meeting or exceeding the expectations of the Mayor and City Hall and (2) expanding the tax base. Selected empirical data highlighting respondents’ perceptions on public value and its relationship to the NYCEDC is provided in the following text box.

**Results from Interviews**

**Public Value**

Respondent 1:
“Grow the number of jobs in the city, and ... grow the tax base which then allow us to fund all the other services that ... residents of the city enjoy.”

Respondent 2:
“Reduce those barriers to the businesses starting and the people moving to New York to ... continue to grow our economy and diversify our economy... that keeps the city more attractive and people are more willing to grow their businesses and start new ones here.”

Respondent 3:
“Creating jobs here and there for certain companies is going to help by introducing ... customers to certain companies which is going help them to create jobs... then the benefit of that... is that we also have a fairly large-scale initiatives publicity, that creates more awareness of what’s happening for the sector within New York City.”
While perspectives on value creation and value-added services varied among respondents, all respondents explained that value was created using an ‘inside-out’ approach; first, by determining how their respective units, and their extra-departmental colleagues, created value through internally produced services and activities, and second, how it translates to value creation for the public as a whole. CET leadership stressed the importance of driving strategic policy recommendations, program evaluation and effective implementation as key sources of value creation for economic transformation in the City. SPLAN professionals also acknowledged the critical and integral nature of the organization’s construction of infrastructure capital projects and management of city-owned real estate assets as key drivers of value creation in terms of revenue generation for the agency and physical transformation for the city. ITT professionals highlighted the importance of communicating with stakeholders and understanding industrial challenges and opportunities as the leading activity of the NYCEDC, which will yield a long-term contribution to public value for the city. Selected empirical data highlighting respondents’ comments on value creation and value-added services can be found in the following text box.

Results from Interviews

Value Creation and Value-Added Services

Respondent 1:

“The first is the physical transformation of the city. So EDC controls a large portfolio of real estate, and we do property dispositions that leverage private investment to improve parts of the City and bring not just jobs and money but actually physical improvements to the city. We also run a number of large capital projects that are directly funded by City Dollars... It is fully funded by city budget money but basically we’re adding value. We have the experts here in large capital projects so we run a lot of those projects. On the CET-side, we are the policy shop for economic development policies for the diversification of the economy... and also ... to do strategic projects that promote some of that economic activity to disperse across the five boroughs rather than concentrating on Manhattan. So those are the areas where we are really value additive. The EDC structure is also value additive. We are not a city agency. We are not civil services employees, and the fact that EDC has a revenue stream from the profits that it manages, gives a lot of a flexibility that city agencies don’t have. So, that is a tremendous value to the City Hall in executing policy. We can execute on policy in a much more rapid and flexible way than city agencies can."

Respondent 2:

“Even, if we’re creating value within EDC, our ultimate aim is to benefit the external community. So, I think this internal/external breakdown is a helpful one and that there are goals the EDC, as an entity, is trying to reach, and then there are also broader economic development goals. But in terms of the higher-level mission of EDC, I would say that higher-level mission is more outward looking.”

Respondent 3:
“I would say that we’re much more focused on enhancing the ecosystem overall. And when you do that, you bring a lot of more visibility and benefits to that particular sector by doing things that the sector could truly benefit from. So it tends to feed upon itself... and create a much better environment for the companies in the sector.”

6.2 REDEFINITION: NYCEDC BUSINESS MODELS COMPONENTS

As it can be seen in the previous section, significant variability in defining the business model concept, the NYCEDC Business Model, public value, and value creation/value-added activities exists. To further explore elements of the NYCEDC Business Model, empirical data was collected to aid in identifying the business model components embedded in the NYCEDC mission, goals and objectives, assets, governance policies, and activity system. The empirical data representing the ‘real world’ business model of the organization was revealed through a combination of sources deriving from statements from interview respondents as well as documentation.

As a central aspect of the NYCEDC Business Model, identification of value propositions claimed by the organization was extracted from the empirical data through review of the NYCEDC mission statement, documentation on mandates and key organizational goals, and interview responses. As a result, nearly all respondents expressed the value proposition of NYCEDC as the equivalent of their understanding of the organizational mission, it’s key goals, and how it adds value to stakeholders based in New York City. With the exception of Respondent 4, it was found that there was a significant amount of ambiguity in establishing a single value proposition at the organizational level. This is due to varying perspectives on the primary ‘customer segment’ that is served by the organization. Customer segments are far-reaching and as inclusive as the stakeholder community impacted by the New York City economy. In addition, slight differences can be found between description of the NYCEDC mission statement and documented organizational goals and key goals stated by respondents. The former broadly expresses aspirations for the long-term vision for economic growth of the city and implies inclusiveness of a broad array of stakeholders. The latter clearly reflects organizational and departmental key activities that focus on executing stated value propositions and illustrates a greater focus on ‘customers’. The following text box conveys these findings.

Results from Interviews

NYCEDC Mission

Respondent 1:
“Grow the number of jobs in the city, and the tax base, which then allow us to fund all the other services that residents of the City enjoy.”

Respondent 2:
“To encourage economic growth and economic diversity in the City.”

Respondent 3:
“We’re trying to make sure that we’re responsive and we’re listening to whatever call of action that they [industry community stakeholders] suggest.”
Respondent 4:

“I think the value proposition that we try to deliver to the companies is to say that this is a great place to live, this is a place that you want as a launching pad for your North American business because you can hire the best people here. Your customer base is in a metro area, this area has the highest level than any economic activity, and this is where your peers are. Whether you consider your peers, peers, or whether you consider your peers competition. So this is where people in business congregate, and that is why New York City is where you need to be.”

Respondent 5:

“EDC its mission is separate from the work the other agencies are focused on... our goal is really to broaden and to diversify the city’s economy, but sometimes I think we lose sight of who we’re really helping.”

Respondent 6:

“I think, in terms of customers, in terms of people that we are serving... I think as a whole EDC has pretty different propositions.”

NYCEDC Key Goals

Respondent 1:

“[Formulate] economic development policies for the diversification of the economy and to do strategic projects that promotes economic activity to disperse across the five boroughs.”

Respondent 2:

“In general as an economic development entity, we’re trying to create well-paying jobs, we’re trying to attract private investment, and leverage partnerships between different sectors. The EDC manages a portfolio of assets that it uses to generate revenue for EDC at the costs of salaries and operating expenses.”

Respondent 3:

“Bringing the critical stakeholders together and reacting to their wants and needs.”

Respondent 4:

“I think we consider that we have two clients overall. We have an internal client which happens to be the City Hall and that goes up two layers. There is our President first. There is the Deputy Mayor. There is the Mayor, but ultimately it is the Mayor’s interest that we have at heart when we do our projects. And then external to the city government I would say we consider our stakeholders to be the communities that we are serving. Whether it’s the entrepreneurship community, the financial services industry, the media-technology companies or the hospital to the universities here in the city. That’s the external audience, or stakeholders, that we consider we need to manage.”

Respondent 5:

“We need to maximize revenues we can generate on the portfolio of properties...to the goal we have and try to create a diversity of jobs in the city.”

Results from Documentation

NYCEDC Mission and Principal Mandate


‘The mission of the NYCEDC is to encourage economic growth in each of the five boroughs of New York City by strengthening the City’s competitive position and facilitating investments that build capacity, generate prosperity and catalyze the economic vibrancy of city life as a whole.’

Principal Mandate (NYCEDC, 2011a, p. 2): - Annual Investment Report
“To encourage investment and attract, retain and create jobs in New York City.”

NYCEDC Key Goals and Critical Objectives

Key Goals (NYCEDC, 2010c): Description of Authority, Major Authority Units and Subsidiaries

“It assists and encourages economic growth in each of the five boroughs of the City and facilitates investments that build capacity, generate prosperity and catalyze the economic vibrancy of City life as a whole. Its activities include, without limitation, property dispositions, capital projects, strategic planning and financial initiatives.”


‘Attract and retain businesses to produce jobs in the City, encourage investments by City-based businesses and corporations, and develop and manage City-owned properties with transportation, commercial and waterfront-dependent uses.’

Key resources and specifically tangible and non-current assets are vital to an organization’s ability to realize its mission, key goals, critical objectives, and ultimately, drive value creation for its stakeholders. Upon review of financial reports provided in the NYCEDC Annual Review (NYCEDC, 2011b, p. 50), two key tangible assets leveraged by the organization were identified: Land held for development and Capital assets (inclusive of infrastructure). It was also noted that a key non-current (intangible) asset was found to be net receivables, Due from City and under City contract. While all members suggested the relevance, or reliance, of the organization’s management and control of the City's portfolio of assets on the annual revenues generated by the NYCEDC, only three respondents definitively stated the organization’s core assets as: “city-owned real estate”, “land”, “capital projects” and “financial tools”.

To assist on the effective and efficient management of strategic/operational activities, assets, and transactions, the NYCEDC is directed by established organizational governance policies. An officially expressed and documented description of governance of strategic/operational activities (policies), assets, and contractual agreements (transactions) were reported in the Orientation to the Board of Directors handbook (NYCEDC, 2010c, pp. 8-14). Key descriptions categorized by the Board of Directors include: Legal Powers, Master Contract Services, Maritime Contract Services, Procurement Methods, Contract Procurement Provisions, and Types of Funds Under Contracts. Due to the nature of the strategic activities of the CET, Choices made by management orienting the means in which work is performed are addressed by the NYCEDC President, Executive Committee, and CET Leadership. CET Leadership interview respondents discussed details of guiding policies including: the organization’s legal structure as a non-profit organization rather than a standard city agency; geographic boundaries, service remits and mandates; a strong focus on serving City Hall and mayoral program requests; evaluation, reporting and performance measurement standards; and project/activity sourcing through industry stakeholder “crowd sourcing” and City Hall mandates. A unique finding that emerged from interviews with business development professionals the recently adopted programmatic approach used to govern ITT activities. This programmatic model aims to develop city industry clusters through innovative and collaborative initiatives with private sector stakeholders. Details of these specific organizational and divisional policies are included in the following text box.
Results from Interviews

NYCEDC-CET Governance

Respondent 1:
“EDC is set up as a “501(c)(3) not-for-profit” but we essentially have one client which is the City of New York. We’re not maximizing shareholder value. We are not making profit. We are not going to expand and start offering our services in other cities. We have a pre-defined geographical area of operations. We have a pre-defined set of services or remit to provide services, and we, basically, have one client that we have to keep happy. It is ultimately the guy at City Hall [the Mayor], who’s the boss. That gives us the world in what our strategy operates. How we access projects or engagements that we do, and think about if they are successful or not.”

Respondent 2:
“In terms of what projects we take on up front, that decision is made by the President’s Office in conjunction with CET Leadership and so there is an initial assessment that is done before the projects are staffed out. In terms of afterwards, the projects that Strategic Planning works on are very different in nature, different in their goals and their also different in their time commitments.”

Respondent 3:
“We have to have a model that is not entirely funded by City or EDC resources... the solution has to be something that we can pilot with a partner and move forward with our money in our ability to bring folks together and shepherd it forward so eventually, whatever is created is self-sustaining without city funding.”

Respondent 4:
“There are a couple of different ways we source projects. I think within Strategic Planning, as well within Research, it’s much more difficult to plan. The projects that we set out, that we either get the mandate from the Deputy Mayor or other agencies, after evaluating the projects and looking at our own resource and the expertise, decide to take them on. The rest come as the year goes on. For ITT, we have an engagement with the community. We host roundtables where we meet with the industry leaders, of both large and small companies. I would say that majority of projects within ITT are actually crowd sourced from industry.”

Results from Documentation

NYCEDC Governance

Governance of Policies, Assets, and Transactions (NYCEDC, 2010e, pp. 8-14): - Meeting Minutes of Governance

Legal Powers – Buying and selling of real and personal property; Management of property; Undertaking construction projects; Engaging in studies; Borrowing and lending money; Giving mortgages; Giving guarantees; Making grants and gifts; Receiving gifts

Master Contract Services – Real property sale/lease; Real property management; Planning; Capital projects (construction); Financial initiatives; Business development; Strategic planning; Marketing; Research; Other services to attract and retain businesses

Maritime Contract Services – Management of City facilities that are categorized as maritime, market, aviation, rail freight, and inter-modal transportation

Procurement Methods – Bids; Requests for Proposals (RFPs) which are public, from list, or among retainers; Construction Manager; Emergency; Other Governmental Contracts; Small Purchases; Sole Source
The activity system of the NYCEDC comprises of activity design elements and activity design themes established by the organization. Design elements include the strategic/operational activities performed by the organization (content), the configuration of the system (structure), and the purpose of activities and initiatives (governance), while design themes focus on specific activities and initiatives that are novel, “sticky” (i.e. driving stakeholder loyalty or lock-in), complimentary, and efficient.

At the organizational level, NYCEDC engages in various strategic and operational activities; however, three core, overarching activities were identified and supported by the organizational structure of the NYCEDC: strategy and policy advising, real estate development and property management, and financing. CET specifically engages in four key strategic/operational activities: maintenance and growth of strategic industry clusters; analysis of issues and trends impacting the city's business environment; creating initiatives to support New York City business priorities and challenges; and supporting current and potential City businesses as they consider expansion or relocation. In discussions with interview respondents, activities were described from three key perspectives, dependent on the respondent’s role/position: SPLAN, ITT, and CET/Leadership. SPLAN professionals described their activities as strategic and operational, but primarily project-based, analytical and focused on structured problem solving. Moreover, projects work crossed teams, divisions and city agencies. ITT professionals described their activities as research-driven and focused on the identification of industrial trends and developments in both established and emerging industry sectors. ITT professionals also highlighted the importance of relationship management with industry stakeholders. CET Leadership described two key focuses that encapsulate the detailed activities of the CET: local organic growth of industries and international outreach and attraction initiatives. Details from selected empirical data can be seen in the following text box.

### Results from Interviews

**CET Activities**

Respondent 1 [SPLAN]:

“One of the easiest ways to describe the Strategic Planning team is that it picks up a lot of the projects and strategic issues that are cross-cutting and across industries and are somehow involved in coordination with multiple actors within city government, multiple city agencies.”

Respondent 2 [SPLAN]:

“Work ranges from initial data gathering to interviews to synthesizing the information and recommendations and often helping to implement those recommendations.”

Respondent 3 [ITT]:

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Contract Procurement Provisions – procurement, insurance, subcontracting provisions, annual reports on job creation/retention, cooperation with City Department of Investigation, Employees' Conflicts of Interests

Types of Funds under Contracts – capital, tax levy, federal, state, land sale/lease proceeds, payments in lieu of taxes (PILOT), repaid UDAG funds
“The whole process was building upon studies. We were doing a thorough analysis of the industry... We brought together leading stakeholders across the sector. We talked to them about the wants and needs of that sector. We received some feedback from them that lead us to do some additional research. We [conduct] additional series of round tables and interviews to learn more about best practices.”

Respondent 4 [CET/Leadership]:

“A big part of our effort is to take care of existing companies in New York City. There is probably an equal amount of resources devoted to making sure that there is organic growth from within the city, and then, to a lesser extent, there are resources dedicated to bring international investments to New York City.”

Respondent 5 [SPLAN]:

“We bring an ability in structured problem solving to look at process re-engineering across the corporation, and also policy initiatives.”

Respondent 6 [ITT]:

“For each of the industry teams, we can tell you what are the trends, what are the developments happening in the industry today, where is the industry heading and then all the programs, initiatives that we are working on, addressing those trends to either strengthen industries that we are already a leader or build an industry that we think are crucial to our economy moving forward. So, this is how the industry teams fit within the CET.”

Results from Documentation

NYCEDC Activities

Description of Activities (NYCEDC, 2009): - Annual Review

'We use our expertise to develop, advise, manage, and invest to strengthen businesses and help neighborhoods thrive... We Develop. We build from the bottom up, starting with a strong infrastructure to support the City’s many neighborhoods. By leveraging partnerships between the public and private sectors, we stimulate the economy with real estate developments that create jobs, build and revive communities, and improve quality of life for all New Yorkers... We Advise. By providing expert business, economic and policy advice to the City, not-for-profit, and for-profit private sectors, we work to ensure that New York City remains a global center of commerce and culture. We advise the City on strategic issues and devise programs that help to attract and retain world-class companies and professionals. In order to diversify and grow the City’s economy, our extensive initiatives are designed to assist the City’s various sectors and to introduce actionable plans to make our vision for the City’s future a reality... We Manage. Our management of City properties and assets generate revenue while creating jobs and new business opportunities. We partner with other City agencies to ensure that our properties, which include manufacturing and distribution hubs, as well as transportation and other infrastructure, are well maintained and easily accessible. We also support initiatives that stimulate growth across industries that utilize City properties and assets... We Invest. We provide financial tools that allow businesses and not-for-profits to grow and create new jobs. We also fund public and private projects that generate jobs and revenue – investments for now and for the future.'

Description of Activities (NYCEDC, 2010a): - Annual Review

'In order to retain or create jobs in the City, NYCEDC engages in a variety of activities, including, but not limited to property sales and leases, capital projects (including infrastructure improvements), planning and strategic planning, financial incentives, dealing with energy matters, and management of City properties. NYCEDC supports many redevelopment projects by conducting planning and feasibility studies to develop strategic plans; performing financial analyses; managing the City’s and NYCEDC’s assets, which includes undertaking capital and infrastructure improvement projects; guiding projects through necessary public approvals; and packaging City programs and incentives. NYCEDC helps companies secure real estate and development opportunities, access capital, and reduce energy costs and taxes... For companies seeking to relocate or expand in New York City, the Corporation promotes the City's various central business districts. When appropriate, NYCEDC sells
or leases City-owned property, often in corporate and industrial parks, revitalizing neighborhoods and creating construction and permanent jobs while leveraging private investment to create economic commerce. NYCEDC also supports projects that strategically revitalize underutilized property for economic development purposes. NYCEDC is responsible for many infrastructure, large-scale construction projects, and other improvements in and around the five boroughs. Examples range from waterfront projects, including piers and ferry landings, to pedestrian and streetscape improvements within urban neighborhoods... To improve the distribution of goods both within and outside the five boroughs, NYCEDC also manages the redevelopment of the City’s rail freight lines, food markets, and maritime and aviation facilities.’

In addition to consolidating a comprehensive understanding of activities performed, the configuration of the system and the purpose of activities/initiatives were extracted from the empirical data. To understand the activity system configuration to determine critical linkages between activities and responsible parties of the activities, a review of key source documents such as the organizational chart and investment reports were useful.

A well-established organizational structure directs which divisions, departments, and units perform operations. The NYCEDC, while not a city agency, is self-managed and contracted by the Mayor of New York City and the Deputy Mayor of Economic Development and Rebuilding. The organizational charts of the NYCEDC have shown multiple internal restructurings and consolidations of departments and divisions under frequently changing leadership between 2005 and 2011. However, the key activities of the organization as a whole have not changed, and there are no significant additions or omissions in work performed by the various departments. Respondents demonstrated consistency in describing the sub-units (parts) within the CET. The CET was described as a three-team division that was formed through the consolidation of SPLAN, Economic Research & Analysis, and a newly formed ITT that evolved from the former Business Development/Client Coverage team. SPLAN is structured based on three workflow categories: strategic projects, operational efficiency, and benchmarking-evaluative studies. SPLAN projects are mandated from the NYCEDC President’s Office or City Hall. ITT includes six industry desks, which have emerged from the initial four desks of Media-Tech, Financial Services, Fashion, and Bioscience. Each desk is specialized in its focus and works frequently with teams that cut horizontally across industry desk focused on Entrepreneurship and International Outreach.

In regards to governance from an activity system perspective, empirical data provided descriptive summaries of NYCEDC and CET designation of activities. The services offered by the NYCEDC, while diverse, are broadly confined to the purpose of developmental transformation of the physical and economic environments in New York City. Documentation identifies five departments aimed at the providing service solutions to these two developmental landscapes. In addition to the CET, service area departments targeting physical transformation through the management of City-owned property assets include Real Estate Transaction Services, Asset Management and the Capital department. A Maritime department also serves the same purpose for waterfront City-owned property assets. Interview respondents succinctly described governance of work performed within the CET, and specifically the type of professional skill set held by professionals. Respondents stated that nearly all staff performing work in CET has had analytical or economics backgrounds. In both, SPLAN and ITT, a preference for former private sector management consultants was
demonstrated. A key difference was the generalist nature of work held by SPLAN professionals as compared to the specialist leanings of ITT professionals. SPLAN professionals also provide advice as internal consultants for NYCEDC and for the Deputy Mayor of Economic Development at City Hall. The Economic Research & Analysis group is composed of economists analyzing urban and labor economic trends. The following text box summarizes activity system configuration details of the CET and NYCEDC.

Results from Interviews

CET Structure

Respondent 1:
“The Strategic Planning team has a fairly broad portfolio of projects, splitting down in three different types. The first category of projects is big strategic policy projects that usually come from the Mayor’s Office. The second category is really focused on business and operational efficiency either across agencies [and] projects that are more internal to EDC, looking at how EDC conducted its business, how its different component parts of EDC function, how the departments work together, and how we can optimize our operational efficiency. The third category is evaluative projects where some program or project has already taken place and we are asked to make an evaluation and do some benchmarking. That could include things like best practices, benchmarking or it could be a more quantitative type of analysis.”

Respondent 2:
“In terms of the Center, there are three parts of it. There’s Strategic Planning. There’s Economic Research and Analysis. Then there are Industry Transformation teams that, of all three groups, do the most work with the sectors themselves in terms of engaging them at a higher level.”

Respondent 4:
“The Center for Economic Transformation is actually made up of three different departments. There is the Strategic Planning group, which is responsible not just for setting the strategy for EDC but for overall city government. There’s Research Analysis, which is a group that looks at labor economics and looks at employment trends in the New York City. They also do a lot of economic impact analysis and then we have the Industry Transformation Teams, which really is the bridge between the New York City government and private sector, and we’ve taken the industry approach within the Industry Transformation Teams. So we cover a number of different industries, we cover Financial Services, Media and Technology, Bioscience, Fashion Design, Clean Technology and Industrial. Then for all of these sectors we have an international focus in terms of bringing investment from overseas to New York City. But also very importantly we have an entrepreneurship focus, which looks at how can the city foster entrepreneurship across each one of these sectors.”

Respondent 5:
“The way I generally explain the work of Strategic Planning is that we have three categories or buckets of work. The first is referring to internal projects around process re-engineering. So we work with other departments within EDC to help them achieve operational efficiencies. The second bucket is around policy initiatives. This is when we work most externally and most with the City Hall, with the Deputy Mayor for Economic Development and his team, looking at opportunities that the City might want to explore. The third bucket is really interagency projects.”

Respondent 6:
“The suite of initiatives I would say is nothing like what Business Development has done before. So when we work, as we reach out to the industry, we have conversations with them and work with consultants to understand what are the trends. From the trends, we understand what is key to New York City to compete in this industry and then from there we come up with the initiative.”

CET Governance
Respondent 2:
“Strategic Planning is one department in a larger division called the Center for Economic Transformation, and the department itself, essentially, functions as internal consultant. We work on projects both completely internal to EDC with other divisions. We also work on projects with other City agencies, and we work very closely with the Deputy Mayor for Economic Development and his team.”

Respondent 4:
“Strategic Planning is like a management consultant shop within the city government. There’s a Research Analysis group. They do most work that economists would do.”

Respondent 5:
“The Strategic Planning department is a small team of about ten individuals. Many come from the private sector in management consulting. We are generalists in nature. We are not experts like some of the industry desks that you talked to. So we are not experts in a particular subject matter.”

Respondent 6:
“In terms of the staff, we have more industry experts who worked, previously work, and I would say in an analytical role, so let’s say a consultant.”

Results from Documentation

NYCEDC Structure
Organizational Chart (Appendix 1)
Visualization of the organizational structure, leadership and responsibilities of NYCEDC officials, divisions and departments in relation to each other and NYCEDC President’s Office.

NYCEDC Governance

‘To fulfill its broad economic development mission, NYCEDC wears many hats – it is a business advocate and partner, a project manager, a policy analyst and a program administrator. The Center for Economic Transformation at NYCEDC develops and implements initiatives to grow traditional and emerging industries in the City, as well as promote entrepreneurship generally across all industries. The Maritime Department advises on transportation and waterfront policy matters, and the Real Estate Transaction Services, Asset Management, and Capital Departments manage the sale of City-owned land, the management of City-owned property, the management of capital construction projects, respectively. The Real Estate Transaction Services and Center for Economic Transformation groups provide discretionary financial assistance and lower cost energy assistance to Investment Projects.’

Lastly, empirical data provided information on sources of potential value-creating activities through design themes. While most evidence was discovered through review of activity design element data, a review of documentation focused on novelty-based initiatives and sources of lock-in aided clarification of the NYCEDC and CET activity system as seen in the following text box. Key novelty-based initiatives and activities that were highlighted include: MediaNYC2020 Program; establishing of an Incubator Network; establishing Artists as Entrepreneurs; launching NYC Performs; BioAccelerate NYC Prize; FashionNYC 2020 Program; New York City’s Next Idea Innovation Competition; launching the NYC Entrepreneurial Fund; expanding JumpStart NYC. The CET led in the creation and development of these novel programmatic initiatives. Through discussions with respondents, novel initiatives shared were based on respondents’ stated expertise and experience on the initiative.
and included programs such as “Game Changers”, NYC2020 Suite of Industry Initiatives, and Suite of Entrepreneurship Initiatives. *Lock-in* is primarily acquired by the NYCEDC in five key ways that reflect the core activities of the organization: principal-agent contractual agreement with City Hall, which has been binding and renewed since the organization’s inception; short-term to medium-term contracts for interagency services; funding agreements with qualified businesses and real estate developers; and leasing agreements to lessees of city-owned land and real estate property. Lock-in is established primarily through contracts with City Hall, the key client/customer of NYCEDC, and the interests of the Mayor and Deputy Mayor of Economic Development and Rebuilding holding the greatest priority. Interagency “customers” are also locked-in, with greater degree of lock-in established between agencies under the oversight of the Deputy Mayor of Economic Development and Rebuilding. NYCEDC funding and incentives offered to support businesses and capital projects also provide a degree of lock-in of industry stakeholders, real estate developers, and capital project partners, based on long-term borrowing agreements. As it relates to the development of the urban landscape, *complementarities* were identified through both internal and external means. Respondents positioned in SPLAN noted cross-team collaboration on initiatives occurred internally through intradepartmental activities with Research & Analysis and ITT. This collaboration extended between departments often with Real Estate Transaction Services, Development and the Capital Project teams. CET Leadership and ITT respondents also noted that partnership externally through Interagency and Public-Private Partnerships with corporations, foundations and universities to strategically bundle resources on programmatic initiatives occurred on nearly all projects. Activities supporting *efficiency* within the CET and the NYCEDC, is a key responsibility in the workflow of SPLAN. These activities are organized as projects and focus on formulating and developing solutions for operational efficiency and business process improvements for various divisions and departments of NYCEDC and other city agencies under the oversight of City Hall. Respondents described this critical role of SPLAN as “internal consultant” to the organization as a vital key activity of the team.

### Results from Documentation

**CET Design Themes**

**Novel Initiatives (NYCEDC, 2010f) – Operations and Accomplishments Fiscal Year 2010):**

Accomplishments (Economic Transformation):
- Launching MediaNYC2020; Establishment of Incubator Network; Expanding Second Market in Lower Manhattan; Supporting Artists and Not-for-Profit Arts and Cultural Organizations; Promoting Arts Clusters in East Harlem and DUMBO; Establishing Artists as Entrepreneurs; Launching NYC Performs; Launching the BioAccelerate NYC Prize; Installing Smart Grid System at the Brooklyn Army Terminal; Launching FashionNYC 2020; Finding New York City’s Next Idea; Piloting Solar Thermal Installations; Sponsoring the Inaugural Emerging Medical Technologies Summit; Capturing Carbon Finance Trade; Launching the NYC Entrepreneurial Fund; Commencing Development at BioBAT; Expanding JumpStart NYC; Expanding Capital Access; Establishing Green Exchange in Lower Manhattan; Promoting Urban Wind Projects; Establishing Solar Zones; Helping Small Biotech Companies Compete for Funding; Completing Phase One of the Alexandria Center for Science and Technology at East River Science Park; Expanding M/WBE Program; Expanding Cruise Service to and from New York City; Supporting Manufacturing and Distribution.

**Lock-In Contracts and Programs (NYCEDC, 2011a, p. 2):** - Annual Investments Report

**Principal-Agent Contractual Relationship with NYCEDC & City Hall:**
NYCEDC is the City's primary agent for economic development. Acting under annual contracts with the City, NYCEDC is a not-for-profit local development corporation that serves as the catalyst for promoting economic development and business growth.

Discretionary Financing Assistance:
NYCIDA is empowered to provide four types of financial assistance to support qualifying private capital investment: Tax-exempt bond financing; Property tax reductions; Exemption from mortgage recording tax; Exemption from sales and use taxes on construction and equipping costs... NYCCRC can make tax-exempt financing available by issuing bonds backed by direct loans to entities that are expanding or improving services in New York City.... Energy Assistance program through NYPUS ... The sale or ground lease of City-owned property for new development or business expansion is another key tool that NYCEDC uses to promote economic development throughout the City.

6.3 APPLICATION: NYCEDC BUSINESS MODEL FRAMEWORKS

The previous section set to explore the ‘real world’ NYCEDC Business Model through examining empirical data to identify business model components bundled into the complex activity system of the NYCEDC organization. The organization’s mission, goals and objectives, assets, governance policies, and design elements and design themes constructing the activity system were uncovered through extensive review of empirical data.

This final section seeks to provide pertinent findings that were used during the data analysis process and application of theoretical frameworks/reference models to the NYCEDC Business Model presented in Chapter 5. This section aims to mine the empirical data to extract findings on the topics of strategy, outcomes (i.e. consequences) and value creation, in both economic and public value terms.

As a basis for clarification and orientation of the NYCEDC Business Model, empirical data was reviewed to clearly identify strategies at three levels: The Bloomberg Administration (i.e. City Hall), NYCEDC (i.e. organizational), and CET (i.e. divisional). Mayor Bloomberg, former Deputy Mayors in Economic Development and Rebuilding, and members of the NYCEDC Staff devised two strategic plans geared towards economic development: The Bloomberg Economic Development Strategy, implemented during the first two terms of the Bloomberg Administration, and The Five Borough Economic Opportunity Plan, implemented during the third term. Each long-term strategic plan is composed of three overarching strategies. A key finding that accelerated the formation and development of the CET in 2010 was the impact of the changing economic environment over the progression of the Bloomberg Administration. During the majority of the first two terms of the Bloomberg Administration, NYCEDC’s organizational strategy directly addressed physical transformation-based strategies outlined in the Bloomberg Economic Development Strategy. The primary focus was to apply a greater allocation of resources to the physical redevelopment and renewal of the City following the Terrorist Attacks of September 11, 2001. Beginning in 2009, the NYCEDC re-focused efforts in its organizational strategy to reflect an emphasis on economic transformation, primarily through job growth and renewal and diversification of the industrial environment. Since its formation in 2010, the CET has developed and adhered to a strategy that reflects this seachange in economic development strategy established in The Five Borough Economic Opportunity Plan and DiverseCity: NYC Economic Diversification Program. Clearly the CET aims to respond to the
challenges that New York City faced during the economic downturn beginning in 2009.

CET Leadership respondents frankly discussed top-down strategy from City Hall to NYCEDC to CET and highlighted key issues. They agreed that there were two key strategic objectives that are shared by City Hall and NYCEDC which include: “to create and retain jobs and to expand the tax base of New York City”. One of these interview respondents further outlined two key cornerstones based on *The Five Borough Economic Opportunity Plan*, which aim to drive the previously mentioned two strategic objectives. “These include making the City more attractive for work and living, and commitment to the diversification of industries.” The other respondent stated that a change in strategy occurred over the past three years, which drove resource allocation from the traditional real estate management and physical transformation side of the NYCEDC towards the CET and economic transformation side. Both respondents slightly differed in opinion when discussing the strategic decision to establish of the ITT, as a key element in long-term job creation and industry sector growth for the CET, as to whether it was a *change in strategy*. One respondent believed that the formation was not as much a change in strategy as it was a *tactical change* or approach towards better fit to economic development goals. This respondent also indicated that it was unlikely that there would be a future change in strategy during the Bloomberg Administration. With only two years remaining in his final term of office, it is understood that the Bloomberg Administration and NYCEDC are to focus on maintaining and completing agreed-upon projects. See the following text box provides details of respondents’ citations on strategy as well as official statements on strategies announced by the Bloomberg Administration and the NYCEDC.

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**Results from Interviews**

**Bloomberg Administration Strategy**

Respondent 1:

“The EDC and the City, when it comes to economic development policy, have really only two kinds of strategic objectives. The first is grow the number of jobs in the city, and the second is grow the tax base.”

Respondent 4:

“I think given where we are in the Administration. I don’t foresee any major shift in strategy. We are at a point in the Administration where we are in a maintenance mode, getting done what we set out to have done, and try to complete a few very large projects that we started but yet to finish.”

**NYCEDC Strategy**

Respondent 1:

“We’re not real estate-focused so even though EDC still does a tremendous amount of work that involves real estate deals. It used to be a thing to that is pretty much that’s all that EDC did, or at least that was where the bulk of the resources went as where the bulk of the focus was for management. That’s definitely not the case now, and if you look at the way EDC allocates its own resources. The other shift that has been very much a part of the Mayor’s policy that we have executed, is we moved away from what I would call a concierge service, to an approach which is about industries rather than companies and what we look in to do is to look is to create the right conditions for the industries to flourish.”

Respondent 4:
"There are two corner systems to his [the Mayor’s] economic development policy. Both of which EDC are very engaged in. I believe that the Mayor has made lifestyle a very important cornerstone for economic development policy. In a sense that people will want to work at the place that they want to live, ultimately, the way to create and retain jobs and expand the tax base here in New York City is by making sure that New York City is a good place to live. And then there is a more direct economic development strategy, which I think is around one of diversification. How do we grow the overall pie but allocate more talent and more resources to other industries and in a sense make ourselves not so reliant on these large sectors? The point is not all about the major industries we have or is not all about the most visible parts of New York City, but rather how do we diversify our risks, and how to diversify our industries."

**CET Strategy**

Respondent 1:

"Differences in strategy that you have seen under Bloomberg, and that has been put in place by CET; more resources in the last two to three years have been flowing into CET than have been flowing into the real estate side."

Respondent 4:

"I would say that a change from our concierge service to a programmatic approach is not a change in strategy rather than a tactical change and approach. It is more about a different way of using resource rather than a change in the way of how we think about economic development. So from that perspective, I think the diversification strategy was always there. It certainly intensified after the financial crisis just because I think we were reminded once again how reliant we were and how unstable or how volatile that model is to be that reliant on one single industry. So, shift away from concierge services I think is more of an analysis that we did that basically said that we don’t actually think we are getting tremendous value from the resources we’re spending."

**Results from Documentation**

**Bloomberg Administration Strategy**

Bloomberg Economic Development Strategy (City of New York, 2003):

1. Make New York City More Livable - Improve quality of life to attract and retain employers and employees
2. Make New York City More Business-Friendly - Create an environment that gives businesses the tools to be competitive and create jobs
3. Diversify the New York City Economy - Reduce the City’s dependence on financial services and on Manhattan

The Five Borough Economic Opportunity Plan (City of New York, 2010):

1. Creating jobs for New Yorkers today
2. Implementing a long-term vision for growing the city’s economy
3. Building affordable, attractive neighborhoods in every borough

**NYCEDC Strategy**


‘Mayor Bloomberg’s Five Borough Economic Opportunity Plan is a three-part strategy designed to usher the City through the current downturn as quickly as possible and inaugurate a new era of prosperity throughout the five boroughs. By generating jobs for New Yorkers today, implementing a long-term vision to generate jobs for tomorrow, and building affordable, attractive neighborhoods in every corner of the City, this Plan will not only ensure that the City’s economy bounces back, but also that New York City is well-positioned to capture growth in the future.’
Building Sustainable Jobs and Industries (NYCEDC, 2011b, p. 7): - Annual Review

‘We believe that the key to our transformation is innovation – innovation by our largest Fortune 500 companies, innovation by our myriad of technology start-ups, and innovation by our mom and pop businesses and sole proprietors. So, how is NYCEDC achieving these goals? Our strategy is three-fold. First, we are working to help New York City’s so-called “legacy industries” (i.e., industries in which we have traditionally excelled), such as fashion, finance, media, arts, and manufacturing, transition from 20th Century business models to 21st Century business models. Second, we are simultaneously working to attract and build new, growth industries in which we have competitive advantages. Third, we are promoting entrepreneurship across all sectors, with the goal of empowering our greatest resource – our incredible workforce – to secure a place for our city in the industries of tomorrow.’

DiverseCity: NYC Economic Diversification Program (NYCEDC, 2010d, p. 2) – DiverseCity Brochure

‘A comprehensive, long-term strategy to build a local economy that provides a wide array of opportunities to New Yorkers with varied skills and backgrounds, while simultaneously lessening dependence on the performance of any one sector. Central to this effort are entrepreneurship-related activities that foster the innovation vital to the City’s future economic growth, policies that attract and retain top talent, and programs that support existing businesses across the five boroughs… Each step of this strategy includes the participation of key stakeholders in the private sector. This collaborative approach will position the City as a vibrant, global leader for the future, while simultaneously generating good jobs for tens of thousands of New Yorkers in all five boroughs. We have focused our efforts on eight industries that we believe have significant growth potential for the City: Bioscience, Fashion, Financial Services, Green, Manufacturing/Distribution, Media/Technology, Non-profit, and Tourism. In addition to its industry-specific initiatives, the Bloomberg Administration is working hard to promote entrepreneurship more generally, understanding that doing so fosters new ideas that will keep the City competitive for decades to come.’

To better understand how the Bloomberg Administration, NYCEDC, and CET evaluate and measure performance outcomes (consequences), and ultimately value creation, empirical data was reviewed. Interestingly, it was found that while many performance outcomes in the form of accomplishment maps and success stories were documented, performance metrics representing value creation were semi-ambiguous. Outcomes in the form of success stories and successful projects were described during interviews with respondents or discovered in NYCEDC brochure documents. Accomplishments and a representation of the cumulative list of completed projects can be found in prior NYCEDC Annual Reviews. In comparison, when reviewing empirical data for the even more important issue of value creation and performance metrics, the data suggested an existing standard of traditional performance metrics that were documented annually in financial and investment reports, as well as agency performance measurement reports.

The findings suggest that value creation was viewed by the Bloomberg Administration, the NYCEDC, and interview respondents in three key perspectives: Internal Economic Value Creation, External Economic Value Creation, and Public Value Creation. In all three cases, attempts to quantify performance metrics were made and often reported. Interview respondents described internal economic value creation as driven by the effectiveness of the revenue generation/cost control capacity of CET. Three additional revenue streams have been explored by the CET to offset funding operating expenses of economic transformation initiatives. These sources of funds include: interagency transfer payments charged by SPLAN; corporate sponsorship funding models that are co-funded by real cash or resources as agreed with ITT; and grant receipts, received by ITT. SPLAN professionals acknowledged
that interagency project requests can be resource draining, and for this reason, a
greater shift towards charging transfer payments has been made to offset the
time/human resource costs incurred by SPLAN. ITT has offset costs through use of
time constitution on resource usage by academia and non-profits. Cost sharing is very
commonplace within Public-Private Partnerships on CET initiatives. According to the
annual budget and financial reports produced by the NYCEDC, revenue streams
(from operations) are composed of three key categories: “Charges for Services/Finance Income”; “Rental & Financing Income” from managing property on behalf of the
City, and “Other Operating Income” from Property Sales, Power Sales, Interest
earned on outstanding loans. “Charges for Services” is fee income earned primarily
by units from the CET. However, “Charges for Services” amount to roughly 10% of
“Rental & Financing Income” on an annual basis. Revenue Streams (Non-operating)
are composed of two key categories: “Municipal Subsidies/Grants” and “Investment
Earnings” on Portfolio of Bond Investments. “Municipal Subsidies/Grants from NYC” comprise of nearly 65% of annual budgeted revenues. Operating Expenses are
composed of three key categories: “Salaries & Wages”, “Professional Services
Contracts” and “Other Operating Expenditures”. “Professional Services Contracts”
are clearly the bulk of expenses annually. City Expenses accounted for by NYCEDC
due from the City of New York are Municipal (Reimbursement) “Grants” and “Due
from the City, under Contracts with the City”. NYCEDC is not a “City Agency” and
thus does not receive annual appropriations from the City of New York and the Office
of Management and Budget (OMB). However, “Municipal Subsidies/Grants from NYC” comprise of approx. 65% of annual budgeted revenues for the NYCEDC, and
range from between $400.0 and $600.0 million in annual NYC Municipal
Government Expenses.

From the perspectives of external economic value creation and public value creation,
all respondents identified public value creation as results, outcomes and benefits
targeted to the citizen stakeholders primarily driven by: job creation and industry
diversification. CET Leadership also indicated that expanding the tax base, and
applying the flexible legal structure of NYCEDC as a non-profit legal entity as key
value-creating drivers. Value creation contributed from NYCEDC to the City is
represented by performance metrics and critical indicators generated for reporting to
City Hall and the Public. These measurements of value creation, as it relates to public
value, are outwardly focused and are reported based on economic statistics, mayoral
expectations and other long-established metrics recommended by City Hall, and
investment return-based metrics required by local laws to evaluate the investment
projects managed by the NYCEDC. Some of these critical indicators serve as proxies
to public value creation. These generally include: Total value of funding agreements
established and held by the NYCEDC; private investment that is spurred from funding
agreements; the city unemployment rate and number of jobs created/loss; occupancy
of NYCEDC managed properties; Total capital expenditures by the NYCEDC; and a
plethora of measurements associated with private investment and the sale/long-term
lease of city-owned property. More broadly the dollar amount in private investment;
Present value of City Benefits-to-Costs; Present Value of Cumulative Net Benefit to
the City (City Benefits minus City Costs) are key investment metrics reported by the
NYCEDC. Some of the critical indicators that the CET monitor include: projected
permanent jobs created or retained in connection with the sale/long-term lease of city-
owned property; New York City unemployment rate; Visitors to New York City per
calendar year; Employment at project locations-to-total private employment in New
York City; dollar-amount in private investment; Present value of City Benefits-to-Costs; Present Value of Cumulative Net Benefit to the City. The following text box highlights results from empirical data presenting traditional performance metrics and their relationship to value creation at NYCEDC and the City of New York.

**Results from Interviews**

**Economic Value (Internal)**

Respondent 1:

“I think they’re more transfer payments than anything else. What I mean by that is that often times we are asked to do things by other city agencies for several reasons. We have on occasions charged back to those other agencies for some of that resource and we continue to do that. In terms of EDC’s overall operating expenses, it’s marginal, it’s not a huge additional amount of money but gives additional revenue streams to cover some of our costs, and more importantly it acts as a slight gateway function on people making requests of us.”

Respondent 4:

“We tried sponsorship models. We’ve tried to get corporations to pay for some of the programs that we run especially in the entrepreneurship side. I think at the very minimum, we still need to pilot and prove the concept with our own money, and then potentially if the program proves to be working and delivers value to the community, you can go to the community for a part of the funding going forward.”

Respondent 6:

"Many of the projects are co-funded either by real cash or just by resources… We have grants too."

**Results from Documentation**

**Economic Value (Internal)**

NYCEDC Revenues & Expenses (NYCEDC, 2011c) – 2012 Budget Report

Revenue Streams (from Operations):

- Charges for Services (Fee Income)
- Rental & Financing Income (Leasing Income from property managed on behalf of NYC; Other Operating Income (Property Sales, Power Sales under New York City Public Utilities Services, Interest earned on outstanding loans).

Operating Expenses:

- Salaries & Wages (Salary/Fringe Expenses + Retirement Benefits)
- Professional Services Contracts (Project Costs/Capital Expenditures, Property Expenses for property managed on behalf on NYC, Utility Expenses under NYCPUS)
- Other Operating Expenditures (Office Rent, General & Administrative Expenses, Payments from NYCEDC to NYC)

**Economic Value (External)**

City Revenues & Expenses (a) (NYCEDC, 2011b, p. 52) – Annual Review

- Expenses accounted by NYCEDC due to the City of New York are "Contract and Other Expenses to The City".
- Future Revenue Streams to the City also include liabilities due to the City, in particular, "Due to the City: Real Estate/Maritime Obligations and Other".
- Revenues accounted by NYCEDC due from the City of New York are Municipal (Reimbursement) "Grants".
- Future Expenses to the City also include receivables due from the City, in particular, "Due from the City, under Contracts with the City".

City Revenues (b) (City of New York, 2010, p. 185) – Mayor’s Management Report
- Projected direct City revenues in local neighborhood development
- Direct City tax revenues generated from retention and recruitment deals through commercial incentives
- Total City tax revenues generated in connection with closed contracts

City Expenses (b) (NYCEDC, 2011c) – 2012 Budget Report
- NYCEDC is not a "City Agency" and thus does not receive annual appropriations from the City of New York and the Office of Management and Budget (OMB).
- "Municipal Subsidies/Grants" is a line item and Source of Funding to the NYCEDC as an Expense to the New York City government.

Public Value

Jobs retained; Average cost per job created, retained and recruited; Jobs recruited; Direct City tax revenues generated from retention and recruitment activities; Projected direct City revenues in local neighborhood development; Jobs retained, created and recruited under grant agreements in Lower Manhattan; Projected job growth; Eligible leases signed under Small Firm Attraction and Retention Grant Program in Lower Manhattan; Commercial building occupancy rate in Lower Manhattan; Lower Manhattan office rent cost; Direct City tax revenues generated from retention and recruitment deals through commercial incentives ($ millions); New York City unemployment rate (%); Visitors to New York City (millions) (calendar year); Commercial occupancy in central business district (%); New York City Industrial Development Agency (IDA) projects-Contracts closed; Projected jobs committed in connection with closed contracts; Total City tax revenues generated in connection with closed contracts ($ millions); Total value of City funding agreements between NYCEDC and non-City entities ($ millions); Third-party investment leveraged as a result of funding agreements ($ millions); New private investment related to sale/long-term lease of City-owned property ($ millions); Projected jobs created or retained in connection with the sale/long-term lease of City-owned property; New York City unemployment rate (%); Visitors to New York City (millions) (calendar year); Occupancy rate of NYCEDC-managed property; Total capital expenditures; New York City Capital Resource Corporation projects - Contracts closed

Key City Economic Development Investment Metrics (NYCEDC, 2011a, p. 1) – Annual Investments Report
- Employment at project locations-to-total private employment in New York City
- $ in private investment
- Value of City Benefits-to-Costs
- Present Value of Cumulative Net Benefit to the City (City Benefits minus City Costs)
CHAPTER 7
CONCLUSION

To conclude the process of define, redefine and apply is firstly discussed in this chapter. Business Models and value creation relationship is argued and Economic Development Agencies and its importance for the Public Sector is discussed. Nevertheless, the chapter finalizes with various contributions from this research and is provides four propositions for future research.
7.1 PROCESS OF DEFINE, REDEFINE AND APPLY

Our process theory approach was based on two comprehensive and updated research investigations that resulted in three consistent common areas where the business model thematic has been congregating: from E-Businesses, Technology & Innovation to the Strategic Management area. We have considered Osterwalder et al. (2005) business model concept hierarchy and its evolution as well as Zott et al., Amit & Massa (2011) alternative classification structure that looks at the business model concept with different perspectives. As such, based on the authors classification structure for the business model hierarchy and evolution of the concept we have simplified it and applied our process theory of Define, Redefine and Apply that aligns with the business model thematic convergence. Definition relates to conceptual foundation, Redefinition with ontology and new perspectives and Application with the clarification of the concept and its actual application.

The process theory was extremely important to apply iteratively throughout our data analysis. It enabled to draw the first layer of classification so that themes and codes related to each concept of the process theory could be drawn and empirical units of data be matched during our analysis. Thus, the template analysis was a threefold purpose to answer for definition, redefinition and application questions where all the other themes or codes placed in other layers of classifications were used for a more detailed interview and documentation analysis that combined would answer those questions.

The above made us possible to visualize how the business model concept classification structure was developed to a point where this “new unit of analysis” intertwined with value creation, can be helpful to define, redefine and apply business models in the strategic management area which is the basis of our research study.

7.2 BUSINESS MODELS AND VALUE CREATION

In Chapter 1, the development of the business model research literature was introduced focusing specifically on the relationship between strategy and business models as well as the relevance of value to the business model concept. It is of our opinion that these two related topics receive well-deserved attention and examination when conducting business model analysis. As practiced in our study, identification and clarification of strategy and value within the organizational context serve as guides in the business model design and analysis process. This procedure was applied based on our adoption of Seddon et al.’s (2004) perspective of the business model as an “abstraction of strategy” to be both fundamental in our sensemaking process of the NYCEDC Business Model. By perceiving a business model as a reflection of organizational strategy and embracing an understanding that the organization’s value proposition for its wide array of stakeholders is conveyed in its activity system, the organization’s core for value creation. Additionally, by establishing a contextual understanding of strategy and value prior to gathering empirical data, identification of value-creating activities in the organization’s business model was perpetuated.

Chapter 2 extended the theoretical foundation in business model literature, which drove our iterative selection and refinement during our data analysis process. In this chapter we also detailed our process theory approach, which inherently allowed us to
view the analysis process in a structured manner by first gathering perceptions of the business model concept as well as conceptualization of the business model components embedded in the NYCEDC activity system, and ultimately leading us to our selection process of five core business model frameworks/reference models to apply to the NYCEDC Business Model.

As an exploratory study, we were able to extract many interesting findings from the empirical data collected. Foremost, findings related to defining and conceptualizing the business model concept proved revealing. Given the not-for-profit legal structure of the NYCEDC as well as the nature of operating activities, allowed for a ‘real world’ business model/activity system with greater flexibility when compared to other city government agencies. Our initial findings related to the definition of the business model concept were surprising. The varied perceptions of the business model concept lead to divergence in agreement with two different perspectives emerging. The business model perceived as (1) an operating model or (2) an activity system.

The three operating model conceptualizations each differed in size and business model component types. These proposed operating models reflected similar perceptions of business model innovation researchers, management consultants, and strategists. However, the common thread amongst each of these models was that the customer was at the center of each of these models. Thus, the implicit perception was that the ‘value proposition’ was the core business model component. The other key business model component in which all conceptualizations held in common was the presence of a ‘value capture’ mechanism, whether it was value captured as a ‘profit model’ or a ‘results model’.

The two activity system conceptualizations of the business model concept showed stronger alignment with our initial approach in conceptualizing the organizational business model under the public sector and economic development agency context. Similar to the operating model perspectives, variations between these activity system inspired models existed; however, these models were both guided by a well structured system and either organization level strategy guiding value creating activity delegation or a higher order mission to achieve value-added services in the form of an embedded value proposition.

When comparing these empirical findings relate to theory, it can be concluded that conceptualizations of the business model concept, while loosely defined, appear to have strong ties through commonly agreed upon business model components from each perspective. These core business model components such as the value proposition, profit model and customer, may serve as fundamental starting points when applying the business model concept and frameworks in non-traditional and alternative contexts, such as in the public and citizen sector. From the operating model perspective these three key elements serving as a business model initiators were identified as: customer, value proposition, and profit model. From the activity system business model perspective, the activity system, structured through a depiction of the value chain or organizational chart, and strategy. The literature supporting the former, operating model, perspective supports the traditional operating business models such as components identified by authors that include pricing models, revenue models, channel models, organization form, and value proposition (Linder & Cantrell, 2000); proposition, resources, processes and profit formula (Christensen & Johnson,
value proposition, customer relationships, customer segment, key resources, key activities, cost structure, revenue streams, distribution channels, key partners, results model (Osterwalder & Pigneur, 2010). The literature supporting the latter, activity system, perspective supports the classic operating model defined by Shafer et al.’s (2005) consolidated four business model component: strategic choices, value creation, value capture, and the value network. However, the activity system perspective shares a broadly defined business model inclusive of value creation as described by Amit & Zott (2001), Zott & Amit (2010), Casadesus-Masanell & Ricart (2010), and Smith, et al. (2010, p. 450), where they define the business model as "the design by which an organization converts a given set of strategic choices about markets, customers and value propositions into value, and uses a particular organizational architecture of people, competencies, processes, culture and measurement systems, in order to create and capture this value”.

While we can conclude that there are nearly as many different business models as there are conceptualizations of business models. However, upon further articulation in the organizational context, a shift in focus towards description of business model components and elements followed. The lack of clarity, focus and the variation in definitions of the NYCEDC business model can be perceived as evidence and observation of inconsistency in language, terminology, and understanding of the concept. Nevertheless, this study adopted a broad based definition of the term embraced by Baden-Fuller et al. (2008, p. 1) and Casadesus-Masanell & Ricart (2010, p. 197) as “the logic of the firm, the way it operates and how it creates value for its stakeholders”. Similarly, over a decade ago, during the impressionable nascent years of business model research, Linder & Cantrell (2000, p. 2) defined the business model as “the organization’s core logic for creating value.” Duggan & Moon (2008, p. 5) extend these insightful definitions by initiating dialogue for alternative perspectives in the business model research agenda and pioneering future empirical studies and applications of the business model concept by defining the business model, in the public sector context, as a description of “how an organization creates value for its customers, the citizens…and fulfils its mandate.”

### 7.3 ECONOMIC DEVELOPMENT AGENCIES AND THE PUBLIC SECTOR

In the public sector, Economic Development Agencies can cooperate with regional bodies and do not need to compete for role or resources, they can facilitate multi-area collaboration and co-ordination on economic development and regeneration as we have the example of restructuring or re-developing of lower Manhattan. Economic Development Agencies due to their flexibility and resilience can be a mean for local governments to place economic development activity in an efficient way (Mountford, 2009, p. 27) and to provide added value (See Appendix 2 added value by Economic development Agencies to the public sector). NYCEDC could be seen in practice, as a management tool to enable government responsiveness. NYCEDC as a management tool can be explained with CET as an instrument for economic transformation because CET has the core task and responsibility to create business-like and business-facing environment so that NYCEDC can deliver economic development effectively. NYCEDC as a whole and especially CET are supported by attracting talent from private sector and academia from a wide range of sectors and backgrounds for expertise. In addition, CET has also the responsibility for attracting private sector partnership and business sector leadership into local economic development with
Public-Private Partnerships (PPP) and financial incentives where ITT plays a key role as a financing function.

7.4 CONTRIBUTIONS

This thesis contributes to the understanding of how business models have been applied in public sector management through city economic development agencies; in particular, focusing on how the NYCEDC employs its business model to better serve the local economy of New York City. We have used this study to explore how the NYCEDC defines, redefines and applies its business model from a perspective not previously researched and through our findings have formed a foundation to compare empirical research of an applied public sector business model to private and citizen sectors.

In addition to academics and researchers in the field of strategic management research, public managers and consultants in economic development will benefit from this study. The business model application and assessment conducted through the study illustrates how similar empirical studies can be valuable sources for revealing linkages between strategic management effectiveness and value creation in the public sector. Furthermore, the study’s focus on city economic development agencies frames the impact within a broader context of industrial clusters for economic competitiveness.

7.5 PROPOSITIONS FOR FUTURE RESEARCH

As mentioned in the preceding section and introductory chapter, a significant contribution of this study was to establish an empirical foundation for lines of future business model research in the public sector. To further drive development for empirical studies of business model applications for strategic public management, we have identified four recommendations targeting future research.

First, the business model perspective applied to economic development agencies could be further expanded, and the present study can be used as a pilot study forming the basis to a multiple-case study research program. This program may include in-depth comparative analysis economic development agencies of leading capital cities worldwide, and findings can be utilized to assess global city economic competitiveness.

Second, findings from this study could be expanded to initiate follow-on studies targeting the assessment of the NYCEDC Business Model in creating, capturing, and delivering public value to the City of New York. This study could be retrospective in nature and focus on the performance measurement based on NYCEDC choices and activities over a time period spanning decades of previous mayoral administrations, in which the NYCEDC business model could be evaluated over time.

Third, focus on the highly relevant issue of business model innovation could be explored by focusing on structural change in the economic landscape of global cities. For example, in the case of the NYCEDC, examination of presence or absence of
business model innovation amidst the current economic downturn and findings from these research endeavors could be used to further understanding of business model innovation as a strategic management tool during periods of economic crisis and recovery.

Finally, to promote inductive research approaches in future empirical studies, a revelatory view on the relationship between business models, management models, and local governance best practices within the context of city economic development and citywide public administration should be explored. Research could build upon recent management model concepts and evidence could be collected and compared between cities with the aim of exploring relationships between business models of economic development agencies and management models of public managers and executives (i.e. mayors and staff of their governing administration).
REFERENCES


NYC%20Economic%20Development%20Initiatives.pdf


The following outlines how Economic Development Agencies (EDAs) add value to the public sector (Clark et al., 2010, p. 87):

- **Focused on implementation**: more responsive at larger scale
- **Aggregate efforts or resources**: partnerships, cooperation or financing programs
- **Business-like approach**: business-to-business model
- **Flexible scales**: operating in different levels, local, regional or worldwide
- **Commercial exposure**: attain the confidence of external investors and other businesses
- **Versatile**: effective toolmakers and tool users
- **Share risks and costs**: operate as joint ventures vehicles, between different sectors or agencies
- **Leverage assets and investment**: help in leveraging these towards city economic goals
- **Image and identity**: they support branding and marketing activity
- **Problem Solving**: Leadership is applied to problem solving for making economic development successful
APPENDIX 3 – THEMATIC TEMPLATE

Themes based on Interview Guide and documentation to structure template analysis

1. DEFINITION

1. “Definition” of the Business Model Concept (Business Model Foundation / Core to Research Purpose)

2. Value, Value Creation and Public Value (Business Model Foundation / Core to Research Purpose)

2. REDEFINITION

1. “Redefinition” of the EDC Business Model (Business Model Foundation / Core to Research Purpose)

2. Mission and Core Organizational/Group Goals (Static Perspective)
   a. Value Proposition (Primary)
   b. Key Goals for Strategic Alignment (Secondary)

3. Business Model Components, Elements and Constructs (Static Perspective)
   a. Activity Elements (Zott & Amit)
      i. Content
   b. Choices (Casadesus-Masanell & Ricart)
      i. Assets
      ii. Policies

4. Configuration/Purpose of Activities-Initiatives (Static Perspective)
   a. Activity Elements (Zott & Amit)
      i. Structure
      ii. Governance
   b. Activity Design (Zott & Amit)
      i. Novelty
      ii. Lock-in
      iii. Complementarities
      iv. Efficiency
   c. Choices (Casadesus-Masanell & Ricart)
      i. Governance

3. APPLICATION

1. Employing (Implementing) the Business Model (Static Perspective)
   a. Strategy (Casadesus-Masanell & Ricart)
      i. City Hall (Bloomberg’s Economic Development Strategies)
      ii. EDC (Organizational / “Corporate” Strategies)
iii. CET (Group / “SBU” Strategies)
  b. Assess Mission, Value Proposition, and Key Goals from Step (1) of Redefinition Analysis Above
  c. Apply Components-Configuration from Steps (2) & (3) of Redefinition Analysis Above
  d. Consequences (Casadesus-Masanell & Ricart)
     i. Flexible
     ii. Rigid

2. Value Creation, Financing and Sustaining the Business Model (Static Perspective)
   a. Value Loop as Internal Value Creation (“Revenues-to-Sustain” to cover EDC operating expenses)
      i. Financial-Economic Value
         1. Revenues
         2. Expenses
      ii. Public-Social Value
   b. Value Loop as External Value Creation (“Profit-to-City” to General City Fund in City Hall)
      i. Financial-Economic Value
         1. Revenues
         2. Expenses
      ii. Public-Social Value
   c. Virtuous and Vicious Cycles (Casadesus-Masanell & Ricart)
APPENDIX 5 – INTERVIEW GUIDE

Interview Description

Date of Interview: XX of XX, 2011
Interviewee: XX
Title (select one):
Director | Vice President | Assistant Vice President | Senior Project Manager | Project Manager
Department/Unit (select one):
Center for Economic Transformation (CET) | Strategic Planning Department (SPLAN)
Interviewers: Eric Chambers and Manuel Patrocínio
Communication Means (select all applicable):
Conference Call (Landline) | Skype | E-mail

Research Questions

Key Research Question & Thesis Aim:
How has the business model employed by the New York City Economic Development Corporation created value during the Bloomberg Administration?

Original Guiding Questions:

- What is public value in the context of the NYCEDC?
- Who are the beneficiaries (“clients and customers”) of the NYCEDC? What do they value?
- How does the NYCEDC and its strategic units / functional departments create public value?
- How are Business Models defined? What are the relevant frameworks, components and constructs of business models applicable to the NYCEDC?
- What is the business model of the NYCEDC?
- What are the limitations of the business model employed by the NYCEDC?
## Interview Questions

### Normative:

#### Value Creation & Public Value

1. How *could* public value be defined in the context of the NYCEDC?

2. Which beneficiaries (“clients and customers”) of the NYCEDC *could* be identified? What *might* they value?

3. How *could* the NYCEDC and its strategic units / functional departments create public value?

#### Business Model Concept & Design (DEFINE / REDEFINE)

**Definitions and the Business Model Concept**

1. *How could* the NYCEDC define business models (general)?

2. *How should* the NYCEDC define their business model (based on which definitions, terminology and reference models)?

**Components, Elements and Constructs of the Business Model**

1. What elements, components and constructs the NYCEDC business model *may* define?

2. *How might* these elements, components, and constructs interact with each other to form the NYCEDC business model?

#### Business Model Application (APPLY)

**Financing and Sustainability of the Business Model**

1. *How could* the NYCEDC define business models (general)?

2. *How should* the NYCEDC define their business model (based on which definitions, terminology and reference models)?

**Implementing and Activity Alignment of the Business Model**

1. *How could* the NYCEDC define business models (general)?

2. *How should* the NYCEDC define their business model (based on which definitions, terminology and reference models)?

**Change Management and Innovating the Business Model**

1. What may be the limitations of the NYCEDC business model?
2. What elements, components and constructs the NYCEDC business model *may* define?

3. How *might* these elements, components, and constructs interact with each other to form the NYCEDC business model?

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### Positive:

#### Value Creation & Public Value

1. What is public value in the context of the NYCEDC? (e.g. “what is public value [to the interviewee]?”)

2. Who are the beneficiaries (“clients and customers”) of the NYCEDC? What do they value?

3. How does the NYCEDC and its strategic units / functional departments create [public] value for the City of New York?

#### Business Model Concept & Design

**Definitions and the Business Model Concept**

1. Does the NYCEDC explicitly or implicitly define business models? (e.g. “how do you [the interviewee] define the concept of business models?”)

2. Does the NYCEDC explicitly or implicitly define *its* organizational business model? If explicitly defined, “how is the NYCEDC business model [actually] defined?”

3. Are there other business models operating within each department or unit?

**Components, Elements and Constructs of the Business Model**

1. What components, elements and constructs are defined by the NYCEDC business model (explicitly or implicitly)?

2. How do these components, elements and constructs interact with each other to form the NYCEDC business model (explicitly or implicitly)?

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#### Business Model Application (APPLY)

**Financing and Sustainability of the Business Model**

1. How *could* the NYCEDC define business models (general)?

2. How should the NYCEDC define their business model (based on which definitions, terminology and reference models)?

Implementing and Activity Alignment of the Business Model

1. How could the NYCEDC define business models (general)?

2. How should the NYCEDC define their business model (based on which definitions, terminology and reference models)?

Change Management and Innovating the Business Model

1. What are the limitations of the NYCEDC business model?

2. What elements, components and constructs the NYCEDC business model may define?

3. How might these elements, components, and constructs interact with each other to form the NYCEDC business model?

Notes:

1 Perspectives Influencing Various Organizational Business Model Definitions:

- City Hall (Mayor & Deputy Mayor of Economic Development and Rebuilding)
- Senior Management & Board of Directors of NYCEDC (President of NYCEDC)
- Center for Economic Transformation (CET) (Value Creation Orientation)
- Strategic Planning Department (SPLAN) (Value Creation Orientation)
- Transaction Services (Value Delivery Orientation)
- Special Investments Group (Value Creation Orientation)
- Development, CIDA & Waterfront Management (Value Creation Orientation)
- Asset Management (Value Capture Orientation)
- Capital Investment Program, NYCIDA, NYCCRC, Apple-IDC (Value Creation Orientation)

2 Given scope of the thesis, data collection will refer only to the organizational business model of EDC, as perceived by the CET and SPLAN strategic organizational units.