The Business Model House
A Study in Business Model Decision-Making Tools

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by

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Abstract
In the world of today, constant change is the “new normal”. The context of our global economy calls for a new set of entrepreneurial leaders; leaders who embrace and diligently find the way forward for their organizations. In this context, leading decision makers need efficient tools for smart business model decision-making. (Ries, 2011) Thus, this thesis sets out to answer following questions, with the purpose to inform those seeking a fundament for advantageous business model decision-making.

MAIN QUESTION: Can the Business Model Canvas be an advantageous tool for business model decision-making in large enterprises?
SUB QUESTION 1: What are the limitations of the Business Model Canvas in the decision-making process?
SUB QUESTION 2: What modifications might be applied to increase the relevance of the Business Model Canvas as a tool for large enterprises?

To answer these questions, the thesis presents relevant theory regarding key concepts behind the business model, frameworks and tools commonly used in the startup community (the BMC, CD, LS, and LC), as well as an overview of the concepts of strategy and dynamic capabilities.

The empirical procedure begins with hybrid brainstorming sessions and in-depth interviews, and continues with a workshop and evaluation interviews and questionnaires. The empirical work is conducted with Microsoft Sweden Services’ executive leadership team, spanning a time period of approximately one month. The results are derived by reviewing the empirical findings in light of theory.

In short, the results show:
(1) That five out of six leadership team members regarded the BMC as a 4 or 5 on a 1-5 scale, ranging from “Prefer traditional tools” (e.g. a business plan), to “Prefer the BMC”
(2) That the following areas where identified as “Key areas of improvement” by the leadership team (number of members considering this a key area for improvement in brackets): Connection to strategy (4/6), Connection to organizational capabilities (3/6), Connection to values (2/6), Mixing different levels of abstraction (1/6), Connection to compete (5/6), Ability to track development over time (4/6)

The results are then discussed and analyzed, presenting critique of and limitations to the tools, as well as suggesting modification and a new model, The Business Model House (The BMH), which was created by this researcher and is based on following decisions:

- Integrate chosen aspects of the BMC and the LC
- Add a foundation of values
- Add a ceiling of strategy
- Add an intersection of dynamic capabilities
- Add a third, optional, dimension capturing the transition between business models and innovation accounting.

The purpose of these development decisions is to offer a more holistic and yet simple tool for business model decision-making.

Key-words: Business Model, Decision-Making, Strategy, Industrial Management
Contents

Glossary & Definition of Key Terms .................... 7
1 Introduction ........................................... 9
  1.1 Background & Literature Review ............... 9
    1.1.1 A Historical Perspective ..................... 9
    1.1.2 Current Definitions of the Business Model 10
    1.1.3 Industry Relevance ......................... 11
  1.2 Problem Presentation & Purpose ............. 13
2 Methodology ............................................. 16
  2.1 Research Method & Paradigm .................. 16
    2.1.1 Positivism & Interpretivism .............. 16
    2.1.2 Inductive & Deductive Research ......... 16
  2.2 Qualitative & Quantitative Research ....... 17
  2.3 Approach .......................................... 17
  2.4 Delimitations ...................................... 18
    2.4.1 Theoretical Delimitations ............... 18
    2.4.2 Empirical Delimitations ................. 18
  2.5 Limitations ........................................ 19
  2.6 Information Gathering – Primary & Secondary Data ......................... 20
  2.7 Validity & Reliability ......................... 21
  2.8 Research Design & Data Gathering .......... 22
    2.8.1 Ethical and Social Issues ............... 23
3 Theory .................................................. 26
  3.1 Key Concepts behind the Business Model 27
    3.1.1 Creative Destruction ....................... 27
    3.1.2 The Innovator’s Dilemma ............... 27
  3.2 Frameworks and Tools commonly used in the startup community .......... 29
    3.2.1 The Business Model Canvas ............. 30
    3.2.2 Customer Development ................... 32
    3.2.3 The Lean Startup ......................... 33
    3.2.4 Lean Canvas ................................. 34
  3.3 Strategy, Dynamic Capabilities & Business Model - an Overview ........... 35
4 Empirical Procedure ..................................... 38
  4.1.1 The Hybrid Brainstorming Sessions ........ 38
  4.1.2 The In-Depth Interviews ................. 39
  4.1.3 The Workshop .................................... 39
  4.1.4 The Evaluation Interviews & Questionnaires ......................................... 40
5 Empirical Findings & Results ......................... 43
  5.1 The Hybrid Brainstorming Session ........ 43
  5.2 The In-Depth Interviews .................... 43
  5.3 The Workshop ...................................... 45
    5.3.1 The Current Decision-Making Tools & Processes ......................... 46
    5.3.2 The Business Model Canvas as a Decision-Making Tool ......................... 48
  5.4 Evaluation Interviews & Questionnaires ................. 50
6 Discussion & Analysis .................................. 55
  6.1 Part 1: Critique and Limitations of the Tools 55
    6.1.1 The Business Model Canvas ............. 55
    6.1.2 Customer Development - Critique .... 57
    6.1.3 The Lean Startup - Critique .......... 58
    6.1.4 The Lean Canvas - Critique ........... 58

6.2.1 The Business Model House: The Overall Approach............................59

6.2.2 Key Development Decisions in Constructing the Business Model House

59

7 Conclusion ..............................................................68

7.1 Answer to the Research Questions 68

7.2 Key Decisions in Constructing the Business Model House ..................68

7.3 Comparison of the Business Model Canvas and the Business Model House....70

7.4 Anticipating critiques of the Business Model House ...........................71

8 Recommendations for Further Studies ........................................74

9 Appendix .................................................................76

9.1 Listing of Figures ...................................................76

9.2 Listing of Tables: ......................................................77

10 Bibliography ...........................................................79
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Family and friend for bearing with me, my rambling thoughts and all my sketches during this period of my life.

Without you, this thesis wouldn’t have seen the light of day.

/Emelie Ekblad
Glossary & Definition of Key Terms.

Since many of the terms, such as business model, strategy and lean are common and widely used terms in a theoretical and industrial context, as well as in this thesis, chosen definitions for each term is presented below. Further discussion and more elaborated analysis of the terms and background concepts will then be elaborated throughout the thesis.

**Business model**: The rationale for how an organization creates, delivers, and captures value. (Osterwalder and Pigneur, 2009)

**Business Model Canvas (BMC)**: A tool for describing, analyzing, and designing business models by Osterwalder and Pigneur (2009), presented in their work “Business Model Generation”.

**Business model decision-making**: In this thesis, this phrase describes the process of active and conscious decision-making with the purpose of developing the business model.

**Business model perseverance**: Regarding perseverance in a business model context, Ries (2011) and Blank (2012) argue that you should have an articulated test for progressing with a certain business model. If you pass the test, then persevere. Persevering in the context of this thesis means that there is an active choice to not iterate (minor modifications to a business model element) or pivot.

**Business model pivot**: A structured course correction designed to test a new fundamental hypothesis about product, strategy and engine of growth. (Ries, 2011)

**Customer Development (CD)**: A four step process to organize the search for a scalable, repeatable and profitable business model: 1) Customer discovery, 2) Customer validation, 3) Customer Creation, 4) Company building (Blank, 2012)

**Lean Canvas (LC)**: Alternative BMCs that has changed the “Key Partners” to “Problem”, “Key Activities” to “Solution”, “Key Resources” to “Key Metrics”, and “Customer Relationships” to “Unfair Advantage”, to become more actionable and increase signal to noise ratio. (Maurya, 2012)

**Lean Startup (LS)**: A startup that relies on 1) Validated learning, 2) Scientific experimenting, and 3) Iterative product releases to gain valuable customer feedback and measure progress (Ries, 2011)

**Strategy**: Overall plan for deploying resources to establish a favorable position. (Grant, 2013)

**Values**: The moral principles and beliefs or accepted standards of a social group or person. In the context of this thesis values is equivalent to beliefs, and is important in the sense that effective organizations identify and develop a clear, concise and shared meaning of values or beliefs, priorities, and set direction so that every employee understands and can contribute. Those values, once defined, impact every aspect of the organization and of the business model. (Haehnel, 2014)

**Value network**: A system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm, with its partners, to create value and capture a share of that value. (Zott & Amit, 2010)
Introduction
1 Introduction

In order to answer the research questions, this thesis includes a number of sections, illustrated below in Figure 1.

1.1 Background & Literature Review

1.1.1 A Historical Perspective

The business model as a term was first used in an academic article in 1957 (Bellman et al., 1957). The article examines the construction of business games for educating purposes. The term business model is mentioned just once. However, already then, it appears illustrating a reproduction of the current state of the business through a model. Moving a couple of years forward, the first academic article using business model in its title was published by Jones (1960).

From this point in time, it took decades for the term to spread and become more broadly acknowledged. As you can tell by the figure below, the peer-reviewed journal papers on business models stayed relatively low until the 1990s. Merely five articles had business model in their title throughout the full decade - the 1990s - as indicated by Osterwalder et al. (2005).

In conjunction with the growth of information and communication technologies (ICT) and the rise of internet companies, the term business model rapidly gained prominence amidst practitioners as well as business scholars.

Figure 1: Overview of thesis’ structure and content.
Correspondingly, the application of the term business model in academic articles followed the trend of the NASDAQ index from the early 1990s to the dot-com bubble burst. (DaSilva & Peter Trkman, 2014) Additionally, Ghaziani and Ventresca (2005) recognize that, during this time, the business model as a term spread into numerous other communities. Despite the dot-com bubble, the quantity of papers with business model in their title stayed comparatively stable between the years of 2004 and 2007. Thereafter it grew rapidly. In addition to the ICT and internet companies, the airline industry (Lawton and Solomko, 2005; Procter, 2005; Tretheway, 2004) and music industry (Manafy, 2006; Procter, 2004; Swatman et al., 2006) have also been comprehensively analyzed.

The increase of business model literature in more recent times is also the result of the buzzword being spread far beyond the business sphere - to analyze a wide-ranging scope of endeavors, including a broad set of interpretations (Ghaziani and Ventresca, 2005). This has e.g. included, but is far from limited to, the opportunities to preserve nature (Sovinc, 2009); and the growth of rare diseases (Ferry, 2010), as well as in a macroeconomic context, to scrutinize the model of the U.S. economy (Cappelli, 2009).

1.1.2 Current Definitions of the Business Model
Unquestionably, the business model has and continues to be a popular term, used by
numerous business publications that have embraced the business model vocabulary in reference to firms’ ways of doing business (Gilbert et al., 2003; Johnson, 2010; Kim and Mauborgne, 2005; Schwalm et al., 2009).

In addition, an increasing number of consulting companies are offering services related to business model innovation and building; e.g. McKinsey & Company, Bain & Company and the Boston Consulting Group. In its 2008 “Global CEO Study” IBM reported that organizations across industries and fields are seeking advice on how to innovate their current business models (IBM Global Business Services, 2008).

Dozens of definitions of the business model have been proposed over the last decade (Amit and Zott, 2001; Casadesus-Masanell and Ricart, 2010; Chesbrough and Rosenbloom, 2002; Johnson et al., 2008; Magretta, 2002; Morris et al., 2005; Osterwalder and Pigneur, 2010; Teece, 2010; Zott and Amit, 2010), which we will go into more detail on below.

1.1.3 Industry Relevance

There exists a wide variety of theoretical research and definitions of the business model. It is clear, from the continuous presence of the term in both scholarly and broader business literature, that managers and researchers find it a useful descriptive and analytical construct that is often referred to in annual reports, newspaper articles, research reports, etc. (Al-Debei and Avison, 2010; LeCocq, Demil and Ventura, 2010; Zott, Amit, and Massa, 2011).

To be able to validate industry relevance further, one could look at the empirical research, and within which areas the research tend to gravitate. Out of the 69 empirical articles that matches the criteria in table 1, published between 1996 and 2010, using the business model concept, the majority tend to depart from a European context and focus on the media and telecom industries (C. Lambert

Table 1: Overview of criterion for the selection of articles, Source: Lambert and Davidson (2013)
When analyzing the areas of emphasis for these studies, three clear themes emerge: (1) the business model as the basis for enterprise classification, (2) business models and enterprise performance, and (3) business model innovation. (Lambert and Davidson, 2013)

There is a growing body of evidence supporting the business model as a unit of analysis in organizational and entrepreneurship research (George and Bock, 2011; Zott et al., 2011). Moingeon and Lehmann-Ortega (2010) suggest that the business model contributes with an extra level of analysis by providing a framework that develops the field of strategic renewal.

### 1.1.3.1 Different Conceptual Scopes of the Business model Concept

Among many things, the business model can be viewed as an instrument to examine and communicate strategic choices (Shafer, Smith, and Linder, 2005). Moreover, it can also be seen as a manifestation of strategy (Casadesus-Masanell and Ricart, 2010a; Dahan, Doh, Oetzel, and Yaziji, 2010) and expresses how an organization generates and captures value (Brink and Holmén, 2009). There are many different definitions of the business model, each varying in their scope and conceptual focus (Zott et al., 2011). Most commonly, definitions are applied to a sole

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<th>The business model as the basis for enterprise classification</th>
<th>Business models and enterprise performance</th>
<th>Business model innovation</th>
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<td>Ericsson et al. (2008)</td>
<td>de Reuer et al. (2009a)</td>
<td>de Reuer et al. (2009b)</td>
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<td>Fiskanen and Rutherford (2002)</td>
<td>de Reuer et al. (2009b)</td>
<td>de Reuer et al. (2009c)</td>
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<td>Nosella et al. (2005)</td>
<td>Küvalatäen et al. (2007)</td>
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<td>Westb à Vibrato, 2002</td>
<td>Ordanini et al. (2004)</td>
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Table 2: Overview of main themes within the area of business model research, and contributing work, Source: Lambert and Davidson (2013)
company and focus on value creation and value offerings.

While Afuah’s (2004) definition ties the business model notion to the specific corporation, Zott and Amit (2010) embrace the full value network (see further explanation in the table below). Weill and Vitale (2001) on the other hand discuss e-business models. Meanwhile, Osterwalder and Pigneur (2009), have value as the conceptual focus of their work on business models. Weill and Vitale’s (2001) definition focuses on interactions amongst the entity and other players in the value network, whilst Osterwalder and Pigneur (2009) put less weight on other units in the value network and concentrate on internal aspects of the enterprise.

### 1.2 Problem Presentation & Purpose

Departing with above presented background as a fundament; in the world of today, constant change is the “new normal” (Ries, 2011). Ries (2011) means that the context of our global economy calls for a new set of entrepreneurial leaders; leaders who embrace and diligently find the way forward for their organizations. In this context, leading decision makers need efficient tools for smart business model decision-making.

Additionally, we see how large enterprises are starting to seek inspiration from the startup community to strengthen their capacity to innovate, become agile and thus increase their relevance in the market (Ahuja & Lampert, 2001). Popular concepts e.g. include the customer development framework (Blank, 2012), the LS (Ries, 2011) and the BMC (Osterwalder and Pigneur, 2009), and related business model innovation for enterprise performance (C. Lambert & A. Davidson, 2013)

This leads us to the purpose of this thesis: to, through a combination of theoretical and empirical research, answer the following questions:

**MAIN QUESTION: Can the Business Model Canvas be an advantageous tool for business model decision-making in large enterprises?**

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<th>Conceptual focus</th>
<th>Scope</th>
<th>Enterprise</th>
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<td><strong>Activities</strong></td>
<td>Zott and Amit (2010, p. 216)</td>
<td>Afuah (2004, p. 9)</td>
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<td>...a system of interdependent activities that transcends the focal firm and spans its boundaries. The activity system enables the firm, in concert with its partners, to create value and also to appropriate a share of that value.</td>
<td>A business model is the set of which activities a firm performs, how it performs them, and when it performs them as it uses its resources to perform activities, given its industry, to create superior customer value (low-cost or differentiated products) and put itself in a position to appropriate value</td>
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<td>A description of the roles and relationships among a firms consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants</td>
<td>A business model describes the rationale of how an organization creates, delivers, and captures value</td>
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*Table 3: A cross-section of business model definitions. Source: Lambert and Davidson (2013)*
SUB QUESTION 1: What are the limitations of the Business Model Canvas in the decision-making process?

SUB QUESTION 2: What modifications might be applied to increase the relevance of the Business Model Canvas as a tool for large enterprises?

Collectively, the aspiration is to, by answering these questions, contribute with both new academic value and inspiration for practical use in how frameworks and tools commonly used in the startup community can be used to improve the decision-making process catalyzing business model innovation.
Methodology
2 Methodology

2.1 Research Method & Paradigm
We will begin by looking at positivism and interpretivism, followed by a brief discussion of inductive and deductive research. Thereafter, a presentation on information gathering, validity and reliability will follow. Lastly we will look at research design. Jointly, this will provide a full overview of the work building up to the thesis.

2.1.1 Positivism & Interpretivism
A scientific paradigm could be regarded as a philosophic framework based on humans’ assumptions about current knowledge. Historically the approaches and paradigms have changed, and today mainly two fundamental paradigms are used; positivism and interpretivism. (Collis and Hussey, 2009)

With positivism, one usually refers to a philosophy based on the belief that natural and social data could be obtained and verified by the senses; empirical evidence. On the other hand, interpretivism is when mental content is judgment-dependent. (Byrne, 1998)

Positivism and interpretivism can be regarded as two extremes on a spectrum. Only a few researchers today depart from solely one of them. It is more common to apply some kind of combination. As the paradigms are extremes, their respective sets of methodology are rarely – and not in this work – applied in a straightforward manner. For example, interpretivism is strongly connected to an inductive approach. (Collis and Hussey, 2009)

2.1.2 Inductive & Deductive Research
In inductive research, the theory part is established by the researcher’s investigation of reality. The conclusions in this type of research are generated from empirical observations.

Deductive research could be argued to be the opposite of inductive research. A deductive research begins with existing theories on the topic. As the theoretical part of the study has been established, the researcher continues and tests it against the empirical findings. (Collis and Hussey, 2009) This is the approach this thesis takes initially.

Figure 4: Overview of the empirical work.
In this thesis, an empirical study – with qualitative interviews as the backbone – is conducted. The aim is to be as objective as possible, by e.g. conducting interviews that seek to map out as a holistic picture as possible. To increase objectivity, the workshops\(^2\) are set up by first ensuring everyone has a good fundamental knowledge of the field (to reduce dependency on my participation). Then, during the actual workshop itself, I take an observing role.

Here, one could also point out that objectivism is an aspect of positivism. Despite above mentioned actions to be as objective as possible, it is difficult to make fully separate objective observations, and thus there is a risk of influencing the results by one’s own presence and participation. (Collis and Hussey, 2009) Further details on Participant Observation is presented under the section on Limitations.

2.2 Qualitative & Quantitative Research

In addition, one can also look at research from a qualitative and quantitative perspective. Quantitative research requires collection of quantitative data. These types of data are primarily used for statistical purposes. Qualitative data can e.g. be gathered by interviews, as in this thesis (Collis and Hussey, 2009)

To gain the benefits of both approaches, qualitative and quantitative methods are used in a complementary manner in this thesis. This is further described and discussed below.

2.3 Approach

As hybrid brainstorming has proved to be advantageous in both quantitative and qualitative terms (Girotra, Terwiesch, and Ulrich, 2009), I began with such an approach. I brainstormed with key stakeholders within the company, as well as my thesis supervisor – simultaneously keeping a growth mindset (Krakovsky, 2007), striving to avoid biases (Shapiro, 2011), and mitigating the different levels of background knowledge regarding business models and related concepts through the multiple step process described in the empiric section.

This is well aligned with Lambert and Davidson’s (2013) view, in which they state, with regard to business models, that exploratory and descriptive research is required before explanatory and predictive research can be undertaken.

As described above, there exist various approaches that connect empirical material and theory, and from which a conclusion could be attained. Two of the most common approaches are deductive and inductive. A deductive approach departs from existing theoretical fundaments to explain experienced reality. The approach is based on the notion that the general can be applied to the specific, e.g. by conducting a literature study and thereafter applying it to a specific case. In an inductive approach, on the other hand, the

\(^2\) The workshop is a part of the empirical work, and was conducted with the executive leadership team of Microsoft Services. For further details, see chapter 4.
conclusions are instead derived from empirical findings. (Collis and Hussey, 2009)

The methodology approach in this thesis is partially of inductive character, as the conclusions will be derived with support in empirical data. These conclusions can then, with caution, hopefully be applied in a broader context than solely the studied company. The study departs from a combination of industry relevance, as well as an identified theoretical and academic gap. With this as fundament, a literature study is conducted within relevant fields.

Based on the theoretical background, workshop and interview questions are developed, to bridge to and found the empiric section. The key findings and results from the empiric study, in light of theory, are then used as fundament for the discussion and analysis. Lastly, the questions are answered in the conclusion, and followed by recommendations for further studies.

2.4 Delimitations

The delimitations chosen for this thesis serves to provide a crisper and thus more relevant outcome, both from an academic and industrial perspective.

2.4.1 Theoretical Delimitations

The theory will mainly depart from the BMC as a part of Business Model Generation by Osterwalder and Pigneur (2009), the Customer Development framework by Blank (2012), the LS method by Ries (2011), and the LC by Maurya (2012). Relevant theory on strategy, dynamic capabilities and values will also be addressed briefly to provide further depth and cross pollination. Overall, these delimitations aim to create a focus on how the concepts can be used as tools for an advantageous business model decision-making process for large enterprises.

Given the constraints of this research project, this thesis will not address the following areas: deeper research within the fields of innovation management, dynamic capabilities, strategy development and implementation, organizational change and knowledge management, ideation, industrial dynamics, and the like.

2.4.2 Empirical Delimitations

The empirical studies are focused at the Microsoft Services business in Sweden, by a series of interviews, a workshop, and questionnaires with the executive leadership team. These delimitations are chosen as they are judged to provide maximum input to the thesis work given the means and resources of the thesis, in relation to the chosen topic.

Doing the empiric research at another company, or within a different branch of the company, would not have allowed for as prompt and deep access to key individuals, insights and content for the decision-making process as this set-up.

The chosen combination of interviews, workshop and questionnaires is to ensure both that the studied group, i.e. the executive leadership team, has sufficient and equivalent levels of knowledge and joint taxonomy, as well as to gain sufficient data to be able to facilitate a situation in which they can experience working with the BMC as a business
model decision-making tool, in an efficient manner.

Lastly, the evaluation interviews and questionnaires are chosen to provide an efficient combination of qualitative and quantitative evaluation measurements to reach conclusions that are as reliable as possible. For further details, please see the following sections in this chapter. For richer descriptions of how the different aspects of the empirical data gathering were conducted, please see the chapter on Empirical Procedures.

The empirical data gathering procedure can be illustrated by the figure 4.

2.5 Limitations

The limitations spring from the research methods used. They are described briefly in the introduction, including Fig. 1, together with an overview of the full thesis structure and content. The methods are also described in much further details in the following chapter on Methodology, and then given additional body throughout the rest of the thesis.

According to Lambert and Davidson, the varying conceptualizations of the business model present a limitation of the empirical research. Many of the early empirical studies recognize only a few attributes of business models. This is particularly limiting in the studies that depend on classifications of business models. This may present difficulties for longitudinal studies where researchers realize, afterwards, that other business model attributes are more appropriate for the undertaking. To use the research across industries and purposes, a general classification of business models based on all applicable business model attributes is essential. (Lambert, 2010); (C. Lambert & A. Davidson, 2013). I strive to partly improve this aspect by departing from the canvas, and thus cover all elements of the business model, meanwhile remaining within the terminology related to it.

Focusing on the empirical data gathering process, one should keep in mind that any perceptual measures are subject to various forms of response bias. Response bias is a general term for an extensive variety of cognitive biases. Cognitive biases impact the responses of participants. The biases are most predominant in research that involves participant self-reporting, e.g. interviews. Furthermore, response bias may also influence the validity of questionnaires and surveys. (Furnham, 1986; Nederhof, 1985) Many factors can cause response biases; all can be related to the fact that human subjects do not respond passively to stimuli. (Orne, 1962)

As a result, the vast majority of experimental conditions will cause biased responses in various degrees. This includes all aspects from phrasing questions to the ways experiments are conducted. As a result, the conclusions drawn from data affected by response bias may decrease in both validity and reliability. It is important for researchers to be aware of response bias and the impact it may have on the studies, to mitigate and prevent influencing findings negatively. (Furnham, 1986; Nederhof, 1985)

Furthermore, as I work for the company, Microsoft, that is investigated, this research could be classified as a type of Participant

In all forms of participant observation the presence of the researcher in the field will influence the participants’ behavior, in accordance to the so called Observation-expectancy effect. Therefore, researchers conducting this kind of qualitative research method need to be aware that participants might behave differently, by e.g. acting in accordance to what they think the researcher is investigating.

As a result, it is crucial to employ rigor in qualitative research. One useful method is participant feedback, which is applied for all participants in this study. (Douglas, 1976) (Lincoln, Guba, 1985)

There are certain limitations with participant observation as a method:

- The observation about an event or group of individuals is not going to be a complete description. (Schwartz, Green, 1955) (Peshkin, 1993) (Atkinson, Hammersley, 1994).
- This due to the selective nature of any kind of recordable data: it is unavoidably influenced by the researchers’ view of what is important and relevant (Schwartz, Green, 1955) (Peshkin, 1993) (Atkinson, Hammersley, 1994).
- This also impacts the gathering of data; the researcher’s perspectives invariably impacts who she understands and assesses the data. (DeWalt, DeWalt, Wayland, 1998) (Spradley, 1980) (Peshkin, 1993) (Atkinson, Hammersley, 1994).

The fact that I personally work for the company and in the team I examine gives access to insights and perspectives at an executive level which otherwise would be hard to reach within the scope of this thesis. However, simultaneously, aligned with above, it poses a risk of both impacting the interviewed individuals as well as the processes, and thus the outcomes and therefore also the results and conclusions. (Collis and Hussey, 2009)

Though this cannot be mitigated fully, measurements such as a mixture of qualitative and quantitative methods have been used, jointly with the reviews by the participants to confirm or revise the material. The complementary steps in the empirical process, to ensure that the team has a good and equal understanding of the business model area and related concepts are other mitigating measures. Lastly, the questionnaires have been conducted individually and anonymously to further mitigate risks. Each step of the empiric and data gathering will be described further below.

Lastly, taking the presented background into account, the overall risks and limitations are considered less than the total value added to both research and the field by this explorative study and the in-depth view it is able to present based on the researcher’s engagement in the organization. Thus, this is the chosen setup.

2.6 Information Gathering – Primary & Secondary Data

The gathering of data is an important aspect of the study, as the later sections will be based
on it. Data can be primary data, which often is attained by tailored interviews or question formulary. Secondary data are data gathered from an existent source and e.g. include published articles, journals, books and similar sources where relevant data are gathered and evaluated for research purposes (Collis and Hussey, 2009).

Information gathered from the literature study can be classified as secondary data, as it is built by another author for another purpose – and is now used in a different context to be applicable to the new purpose (Christensen G., 2004).

Regarding gathering of primary data, it can mainly be done in two ways; by the quantitative or qualitative methods mentioned above. Both methods have pros and cons, which makes it important to carefully evaluate which options suit which situation and context most appropriately. Parameters such as time, quality and accessibility play an important role. The study’s purpose and character are also important aspects to consider. (Collis and Hussey, 2009).

This study is, to begin with, explorative. Such a study makes a quantitative method inappropriate as a single source, as quantitative methods better answer more narrowly and pre-determined questions that only require short answers.

The purpose of this thesis is rather to investigate new areas of application of business model development and innovation tools such as the BMC, CD, the LS Methodology and the LC - and how they can provide potential advantageous decision-making tools in a large enterprise context. This requires a more detailed investigation and a deeper understanding of context along with a more holistic view, wherefore qualitative interviews and workshops are conducted. The qualitative data will then be complemented with quantitative supplements such as questionnaires. The choice of quantitative and qualitative methods departs from the chosen paradigm. Quantitative and qualitative studies are considered to have complementing capacities. (Collis and Hussey, 2009)

Regarding the secondary data; the scientific literature, articles and publications have been gathered from the E-databases and library of Royal Institute of Technology (Kungliga Tekniska Högskolan, KTH).

2.7 Validity & Reliability

Validity is an assessment of the extent to which the results illustrate what has been studied. Relationships should be illustrated correctly and theory should not have any consequential faults. (Collis and Hussey, 2009) In this thesis, theory has been studied to understand the historical development and current state of the business model and previously described related concepts.

The choice of topic to study and the background research behind choosing it, based on theoretical and academic gaps as well as industry relevance, could also be argued to support the validity and legitimacy.

Regarding the relation between the procedures of data gathering, the documentation amassed, and validity, the use of databases at KTH, and the scientific articles
within, constitute a solid basis for the literature study.

Furthermore, as a more holistic picture of the research is presented, including accumulated research of relevance for the topic, it improves validity as it e.g. illustrates development over time.

Lastly, as quantitative methods are not the primary base for empirical data gathering, triangulation will not be applied. Instead, feedback has been provided from the investigated departments, and is applied and utilized to insure validity and trustworthiness, in accordance with Denzin (1978). The procedure can also reduce prejudices towards used sources. (Jick, 1979) Additionally, feedback from the studied company is used to improve the quality of the discussion, analysis, conclusions and recommendations for the future.

To validate the results, and to leverage the quality in the concluding parts, this thesis received feedback from the units of the company that have been investigated. This enlightens and reinforces the results. The results are presented in the thesis report as well as at the campus of the Royal Institute of Technology.

Reliability describes and is dependent on the data gathering procedure. During a qualitative study, such as this, there are several aspects that may impact reliability. One such problem is the risk of the interviewer to consciously or unconsciously point the interviewed individual in a particular direction. (Andersen, 2009) To avoid this, the questions of the in-depth interviews have been provided to the participants in advance. To ensure the questions themselves aren’t colored by biases, they depart directly from theory. This is e.g. achieved by departing from the questions Osterwalder (2009) poses in conjunction to presenting the BMC when interviewing regarding the BMC. The interviewed individuals have also had the opportunity to read the material and make any adjustments to avoid misinterpretations.

Reliability in relation to quantitative research faces other risks and potential implications. It is important to avoid biases from the person constructing the tool for measurement, in this case the questionnaires. Even though it is hard to fully evaluate and mitigate that risk with such a small population as the executive leadership team in this thesis, this researcher has attempted to mitigate the risks by examining the concurrence between the outcome of the different empirical data gathering steps, as well as between the participating individuals. (Thunman, 2013)

2.8 Research Design & Data Gathering

As described above, a scientific thesis can use a number of different methodologies. It is important that the methodology is aligned with the purpose of the thesis. Collis and Hussey (2009) mention four main categories; descriptive, explorative, analytic and predictive. Narrowing and focusing on the two leading in this thesis; 1) The descriptive research describes data and appearances regarding the phenomenon studied. 2) The explorative approach identifies and defines a question or problem formulation.

This thesis utilizes a mixture of the different execution methods, and begins by exploring
the chosen company, Microsoft, and its business model decision-making process. Microsoft’s global field presence is divided into 13 areas. The second largest area after North America is Western Europe. Western Europe is then divided into 12 subsidiaries, where Sweden is the second largest subsidiary, with only the Netherlands being larger. On a subsidiary level, the organization could simply be divided into two major enterprise sales and partner departments, one marketing and operations department, one consumer department, one developer department, and then the Services department. The Services department is the investigated unit, with approximately 170 employees, including the following roles: sellers, architects, and technical as well as change management consultants, etc. See the figure below.

Due to the chosen delimitations, the answers to the research questions will not be broadly generalizable. In summary, generalizability theory (G Theory) is a statistical framework for conceptualizing, investigating, and designing reliable observations. It was originally introduced by Cronbach et al. (1963). Extensive generalizability requires data on large populations, and preferably quantitative research. The fact that this thesis focuses on a rather small group with a mainly qualitative approach means that it has limited generalizability. The results and conclusion can instead be used as contribution for further research.

2.8.1 Ethical and Social Issues
Taking into account the scientific, social and ethical aspects, one could argue that the scientific ones are addressed above. However, with regards to what social and ethical issues might arise related to this topic and thesis, one could argue that investigating the same company as one works for creates a situation in which one might have an ethical and social conflict of interest in terms of purpose and objectives with the different roles.

In this case, I have my employment at Microsoft on one hand, and my role as a researcher at the Royal Institute of Technology on the other hand. From a social perspective, I naturally want to do a good and professional work in both roles. From an ethical perspective, as a Microsoft employee I e.g. have obligations to preserve and not leak company sensitive information (which naturally is the case for a non-employee researcher as well, though it might be more difficult to gain access to the same amount and character of information). As a researcher, I strive to review, explore and analyze as objectively as possible, taking relevant information into account. The way I have addressed this dilemma is to choose a topic and research questions that I, together with my thesis supervisor and Microsoft supervisor, judge to add value to the research field – and at the same time take into consideration and respect above mentioned challenges.

The research question chosen and the delimitations applied (see below) ensure that I can put my role as a researcher first and foremost, without needing any company sensitive data to be able to derive relevant scientific conclusions. This also means that I can leverage the synergies of the two roles – e.g. the access to key individuals the role provides me – without violating the responsibilities or ethical obligations within
any of the two roles. Nevertheless, one could naturally argue that having and using the access my professional role enables me is socially unfair, as it would be harder for someone without the same access to the organization to conduct equivalent research during the specific scope of time. Nothing would prevent an external individual from conducting the research, but it would be likely to take more time, and require more effort. Could one then argue that it is unethical to act on the opportunity to research the company I am working for? Naturally one could argue that. However, every single one of us comes with a different background, and not leveraging it could also be argued to be actively choosing to not contribute to the research field in the most efficient way possible.

Last but not least, one could argue that researching a group of individuals that you know in beforehand creates biases, and thus impacts the outcomes and results during the study. Even though there are no ways of fully eliminating biases when interacting with the research objective as you do when conducting e.g. interviews, the entire methodology set up is constructed to extract maximum research value with the minimum ethical and social implications and biases. This will be further described and addressed in the Methodology section as well as in the chapter on Empirical Procedures.
Theory
3 Theory

The theory section constitutes of three main sections:

1. Theory regarding background and context of the business model departing from to big ideas:
   a. Creative destruction
   b. Innovator’s dilemma
2. Tools and frameworks commonly used in the startup arena:
   a. Business Model Canvas
   b. Customer Development
   c. Lean Startup
   d. Lean Canvas
3. Theory on Strategy, Dynamic Capabilities, and Business Model

As with all tools, theories, and frameworks, they all have limitations, and based on which perspective and paradigm they are reviewed via, various critique can be presented and argued. Since the BMC is the most central tool in this thesis, it will be most comprehensively analyzed and scrutinized.

For the other concepts, this thesis will simply acknowledge that they are neither perfect, nor entirely novel ideas, but rather the result of many years of previous research. Some examples of key behind lying research is presented in this chapter, in terms of e.g. Schumpeter’s (1942) work on Creative Destruction and Christensen’s (1997) work presented in the Innovator’s Dilemma (and later followed by the Innovator’s Solution).

Suggestions of critique towards both the BMC, CD, LS, and LC, is described in the analysis and discussion chapter.

The purposes of the theory sections within this thesis are as follows:

**Theory regarding the context surrounding and catalyzing the business model:**

Even though a considerable share of the research on the business model – both historically and in this thesis – will focus primarily on the creation, delivery, and capturing of value (Osterwalder, 2009) from the individual enterprise, it is of great value to present an overview of the context in which the notion of business model and its innovation thrives. For this, we will begin with a brief look into the past, and the emerging of phenomena such as creative destruction and the idea of the innovator’s dilemma.

**Theories concerning tools and models commonly used in the startup arena:**

A handful of models and tools have gained momentum in the sphere of startups during the last decade. As they have generated an extensive uptake from both the startups themselves, as well as investors and researchers, they are believed to be interesting to investigate as decision-making tools for the larger enterprise context as well. The big ideas and models that are considered most central in this thesis context is: 1) BMC, 2) CD, 3) LS, 4) LC. (Blank, 2013)
Theory on strategy, dynamic capabilities and business model:

To gain a richer understanding of how the concepts of strategy, dynamic capabilities and business model are related and impact on each other, an overview of definitions and interdependencies is provided.

3.1 Key Concepts behind the Business Model

Why should we care about business model innovation in the first place? General Electric’s former CEO, Jack Welch, once said that “If the rate of change outside your organization is greater than the rate of change inside your organization, the end is in sight.” There would be no need for innovation or development of business models if the world around us were static and constant.

So where does change come from? Naturally many sources and catalysts exist. However, since we are studying the application of startup tools in the context of large enterprises, it is interesting to look further into the disruptive market forces derived from the entry of new market actors and ideas.

This section will start with one of the pioneers in this area, Joseph Schumpeter (1942), who coined the term “creative destruction”, and move on to Christensen’s work on The Innovator’s Dilemma (1997); to understand what implications creative destruction and alike forces have on large corporations; and thus what market mechanisms business model decision-making must address to leverage the dynamics.

3.1.1 Creative Destruction

The term “creative destruction” was coined by Joseph Schumpeter in his work “Capitalism, Socialism and Democracy” (1942) to represent a “process of industrial mutation that incessantly revolutionizes the economic structure from within, incessantly destroying the old one, incessantly creating a new one.” Simplified, creative destruction transpires when something new replaces something older. The multiple bankruptcies of the Polaroid camera when the digital camera arrived could be one such example. What Uber, the high-tech networking transportation company, is doing to the taxi market could be seen as another, currently unfolding, example.

3.1.2 The Innovator's Dilemma

So, how does it work when an industrial mutation revolutionizes the economic structure from within? Why does this happen, and how does it look?

Christensen (1997) means that first and foremost, a “disruptive technology,” or as he later called it, a “disruptive innovation,” is rarely technologically revolutionary, not even necessarily even the latest invention. Rather, it is “a process by which a product or service takes root initially in simple applications at the bottom of a market and then relentlessly moves up market, eventually displacing established competitors.” Christensen then continues with a second kind of disruption; the new market disruption. In the latter one, a whole new population of people owning and using the products and/or services comes into place. A new market will initially compete with non-consumption, but may then very well
grow enough to impact other markets. The smart phone market could for example be argued to have disrupted many markets, though not entirely replaced them, e.g. the camera and GPS market. The tablet could in a similar way be argued to have significant impact on the market for magazines and newspapers.

This notion and motion is in sharp contrast with the well-known concept of sustaining innovations, which strives to develop current technology and/or offerings to provide better value to existing markets. This dynamic is illustrated by figure 6: As the speed of technological advancements progresses more rapidly than customer expectations, it ultimately moves upward to "disrupt" a higher value; a large and mature market. In his work, Christensen (1997) has developed principles of disruptive innovation. Some of the key principles are:

1. Companies depend on customers and investors for resources
2. Small markets don't solve the growth needs of large companies
3. Markets that don't exist can't be analyzed
4. An organization's capabilities define its disabilities
5. Technology supply may not equal market demand
In his later work, he develops these principles, and adds additional ones. But for the purpose of relevant background to this thesis, they will not be presented in further detail here.

What Christensen calls “asymmetries of motivation” causes small firms to enter the market with disruptive innovation and large enterprises to grow their current business by sustaining innovation – and thus leaving unsupervised niches for the startups to enter and penetrate the market.

Professor Rita McGrath (2010) states that competitive advantage is transient, not sustainable. She elaborates: “It’s almost impossible for a company to call it correctly every time. What matters, though, when you have been taken by surprise or something negative occurs, is what you do next. The fundamental problem is that deeply ingrained structures and systems designed to extract maximum value from a competitive advantage become a liability when the environment requires instead the capacity to surf through waves of short-lived opportunities. Sustainable competitive advantage is not just ineffective, it’s actually counterproductive. The presumption of stability creates the wrong reflexes. It allows people to fall into routines and habits of mind. Innovation needs to be a continuous, core, well-managed process rather than the episodic and tentative process it is in many companies. As the pace of competition becomes faster, decisions that are made quickly and “roughly right” are likely to beat a decision-making process that is more precise, but slower. Prediction and being “right” will be less important than reacting quickly and taking corrective action.”

3.2 Frameworks and Tools commonly used in the startup community

This third section of theory focuses on tools, models and concepts that are commonly used by today’s startup community - to be able to later on, in the empirical section and onward, investigate if they can be used as advantageous tools for business model decision-making in large enterprises.

We will begin with the BMC by Osterwalder and Pigneur (2009), move on to the notion of CD by Blank (2013), then finish with the LS by Ries (2011) and the LC (Maurya, 2012). These are not separate frameworks, but closely related. CD uses the BMC (including its nine building blocks) as its scorecard for testing and progress validating the business model. Testing of the nine building blocks is embedded into CD’s steps, which go beyond the BMC. Later in this section, we will look more deeply into how all four of these concepts – the BMC, CD, LS and the LC – are related.
3.2.1 The Business Model Canvas

The BMC is presented in Osterwalder and Pigneur’s book, “Business Model Generation.” This work takes a design thinking approach and goes through the following phases: 1) The BMC; a tool for describing, investigating, and designing business models, 2) Business model patterns, 3) Methods to support design of business models, 4) re-interpreting strategy through the business model lens, and 5) a general process to support you in designing innovative business models, with all the concepts, methods, and tools in *Business Model Generation*. See overview in the figure.

A business model describes “the rationale of how an organization creates, delivers, and captures value” (Osterwalder and Pigneur, 2009). The BMC constitutes of 9 building blocks; 1) Customer Segments, 2) Value Proposition, 3) Channels, 4) Customer Relationships, 5) Revenue Streams, 6) Key Resources, 7) Key Activities, 8) Key Partnerships, and 9) Cost Structure. Below a short description of each element is presented as described by Osterwalder and Pigneur (2009):

**Customer Segments** defines the groups of people or organizations a company aims to reach and serve.

**Value Proposition**: describes the products and services that create value for an explicit customer segment.

**Channels**: illustrates how a company communicates with and reaches its customer segments to deliver a value proposition. Channels are customer touch points (e.g. communication, distribution and sales) that play a key role in the customer experience. Channels serve several functions, including:

- Creating awareness midst customers about the company’s offers
- Support customers to assess a company’s value proposition
- Enabling customers to procure the products and services
- Delivering a value proposition to customers
- Offer post-purchase customer support
Customer Relationships: defines the categories of relationships a company establishes with the customer segments. Relationships may span from personal to automated. Customer relationships can be driven by the following motivations:

- Customer acquisition
- Customer retention
- Upsell

Revenue Streams: This building block describes the revenue an enterprise generates per customer segment. A business model can include two different forms of revenue streams: 1) Recurring revenues from continuing payments, and 2) Transaction revenues from one-time customer purchase.

Key Resources: Represents the most essential assets required to make the business model work. Key resources can be either intellectual, human, physical, or financial in their character.

Key Activities: illustrates the key things a company must do to ensure its business model work. Key activities are e.g. production, platform/network or problem solving.

Key Partnerships: represents the network of suppliers and partners that make the business model work. An organization may forge partnerships for many reasons, and are thus a common cornerstone of business models. Organizations build alliances to optimize their business models, reduce risk, and/or acquire resources. One can split partnerships into four categories:

- Joint ventures to cultivate new businesses
- Buyer-supplier relationships to assure reliable supplies
- Strategic alliances between non-competitors
- Coopetition: strategic partnerships between competitors

Figure 8: Overview of the Business Model Canvas, Source: Osterwalder and Pigneur (2009)
Motivations for partnership is typically one or more of the following: 1) Optimization and economy of scale, 2) Reduction of risk and uncertainty, and 3) Acquisition of particular resources and activities.

**Cost Structure:** illustrates all costs incurred to operate a business model. An organization can be either cost-driven or value driven. A cost structure usually include one or more of following characteristics of costs: Fixed costs, variable costs, economies of scale, and economies of scope.

### 3.2.2 Customer Development

Blank’s (2013) concept Customer Development constitutes of four main elements:

1. **Get out of the building:** meaning that your business model needs to be developed by testing it on customers, rather than being written inside the walls of the office. Blank expresses this in terms of “there are no facts inside the building”.

2. **Theory of market types:** meaning that different market types (existing market, re-segmented market, new market or clone market) ought to be gauged in different ways.

3. **Finding a market for the product as specified:** the idea here is that product development ought to strive for the minimum feature set required to get early customers. In Blank’s suggested set up, this means that a customer development team would work to find a market for the product currently specified.

4. **Phases of product & company growth.** These four phases are: Customer discovery, Customer validation, Customer creation and Company building (see below figure). The big idea here is that one ought to stay in the two initial phases within “search mode” and pivot until a scalable, repeatable and profitable business model is identified, before moving on to launch and the two later phases. In the first two phases, the objective is to accelerate the feedback loop through the “build, measure, learn” approach (explained more in detail below). It is not until the two later phases one ought to start building a more traditional organization, to optimize for execution of the chosen business model.
Blank (2013) also talks about learning and iterating vs. linear execution. He argues that the root of many failures is premature execution. The major insight of *The Four Steps to the Epiphany* (Blank, 2013) is that organizations need to invest time in a mindset of learning and iterating, before they try to move into execution and launch. During the phase of searching, the organization can accumulate facts and change trajectory in private. The BMC is used as a scorecard to track progress during these phases of CD.

### 3.2.3 The Lean Startup

The LS draws upon many frameworks, the most preeminent ones being: 1) Lean manufacturing, 2) Agile software development, 3) Design thinking and 4) CD. The later one includes the BMC, as stated previously.

Simply expressed, the idea of the LS is to develop ideas and customers with less money and time. In his book *The Lean Startup: How Today’s Entrepreneurs Use Continuous Innovation to Create Radically Successful Businesses*, Ries (2011) encourages entrepreneurs to pursue incremental innovation, rather than a static business plan.

This idea is aligned with the previous presented notion of continuous innovation, and will provide guidance for the development of the business model decision-making tool in later sections. In short, the LS builds on following five principles:

1. **Entrepreneurs are everywhere.** The concept of entrepreneurship embraces anyone who works within a human institution designed to create new products and services under conditions of extreme uncertainty.

2. **Entrepreneurship is management.** A startup is an institution, not merely a service or a product. As an institution, it necessitates a new type of management, explicitly geared to address the context of extreme uncertainty that constitutes the environment of a startup. Moreover, in the world of today, where not only startups need to manage extreme uncertainty, entrepreneurship as a type of
management becomes relevant in a much broader context, including all organizations that operate under conditions of severe uncertainty. The skillset required when viewing entrepreneurship as management e.g. includes the innovation accounting described in further detail below.

3. **Validated learning.** According to Ries, companies do not merely exist to build products, earn revenues, or even to serve customers. Instead, they exist to learn how to build a sustainable business. This learning can e.g. be confirmed scientifically by continuous experiments that enable to test each element of the vision.

4. **Build-Measure-Learn.** The indispensable activity of an organization before achieving a profitable, repeatable and scalable business model is to turn ideas into services and products, measure customer response, and then learn whether to persevere, iterate or pivot. In this phase – the search phase in CD terms – the measure of success is the speed of the feedback loop; to “build, measure, and learn” as quickly as possible.

5. **Innovation accounting.** The purpose of innovation accounting is to improve entrepreneurial outcomes and results, as well as to drive accountability with the innovators. Innovation does not happen by coincidence, but should instead be managed as a process with continuous measurements of progress of key milestones, etc. This necessitates a new type of accounting designed for innovation optimization. The accounting can be manifested and managed in many ways, e.g. by tracking progress on the LC, described in further detail below.

3.2.4 **Lean Canvas**

Maurya (2012) developed the LC departing from the BMC. He then added inspiration from Fitzpatrick’s alternative canvas (the Startup Toolkit) and Blank’s worksheets from “The Four Steps to Epiphany”. Through continuous using and testing of his canvas on startups, and with the purpose to make it more actionable, Maurya developed it into the LC. It still has several of the basic elements from the BMC unchanged: customer segment, key activities, channel, cost structure, and revenue streams.

Comparing the LC with the BMC, the problem building block is added to provide more emphasis on the customer’s pains. The

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*Figure 10: Schematic illustration of Ries’ (2011) concept of Build Measure Learn to accelerate the feedback loop.*
solution block is instead much smaller, with purpose to emphasis the importance of understanding the customers’ problem, versus focusing on the company’s own solution.

With solution Maurya (2012) refers to the minimum feature set (MVP, minimum viable product) that proves the unique value proposition. The unique value proposition has a similar set up and content as within the BMC, but accentuates on uniqueness versus competitors. The last major difference between the canvases is the LC’s Unfair Advantage: the reason for emphasis on unfair advantages is that most companies list things as competitive advantages that simply aren’t. Anything that is worth copying will be copied - an unfair advantageous is thus something that cannot be copied or bought.

3.3 Strategy, Dynamic Capabilities & Business Model - an Overview

Having presented the tools commonly used in the start-up arena, it is now time to move on to the section of how strategy, dynamic capabilities and the business model works together – to be able to better access the BMC as a decision-making tool.

M. DaSilva, and Trkman (2014) present a good overview of the definitions and concepts behind strategy, dynamic capabilities and the business model – as well as the relation between them:
Porter (2001) defines strategy as “how all the elements of what a company does fit together”. This might seem close to one definition of the business models: “A system, showing how the pieces of a business fit together” (Magretta, 2002). Undeniably, many researchers have worked on understanding the difference between strategy and business models, with numerous views emerging (Casadesus-Masanell and Ricart, 2010; Ghaziani and Ventresca, 2005; Magretta, 2002; Porter, 2001; Seddon and Lewis, 2003). M. DaSilva and Trkman argue that the business model differs from strategy in two main ways:

**First**, by building on Casadesus-Masanell and Ricart (2010) who state, “business models are reflections of the realized strategy”, they argue that strategy shapes the development of capabilities that can alter current business models in the future. Strategy is about building dynamic capabilities with the purpose of responding efficiently to future and existing possibilities (Ambrosini and Bowman, 2009).

Dynamic capabilities are defined as the capacity to forestall, form, seize opportunities and avoid threats meanwhile upholding competitiveness by improving, protecting and (when required) rearranging the organization’s intangible as well as tangible assets (Pavlou and El Sawy, 2011; Teece, 2009).

Below figure represents M. DaSilva’s and Trkman’s framework. They argue that strategy (a long-term perspective) sets up dynamic capabilities (a medium-term perspective) which then outlines potential business models (present or short-term perspective) to manage future and/or current possibilities.

Thus, strategy necessitates developing dynamic capabilities that are able to address the contingencies with the organization’s business model. Lastly, business models are then confined by the organization’s dynamic capabilities.

**Second**, while M. DaSilva and Trkman argue that “every organization has some business model” and “not every organization has a strategy” (Casadesus-Masanell and Ricart, 2010), they emphasize that strategy mirrors what a company strives to become, while business models describe how an organization creates, delivers and captures value today (below figure).

![Figure 12: The correlation between Strategy, Dynamic Capabilities and the Business Model, Source: DaSilva and Trkman (2014)](image-url)
EMPIRICAL PROCEDURE
4 Empirical Procedure

Throughout this section, the different steps of the empirical research and process are described, covering key aspects of the brainstorming sessions, the in-depth interviews and workshop as well as the final evaluation and questionnaire. An overview of the procedure is illustrated by the figure below.

The empirical set-up was constructed to answer the thesis questions in the best way possible given the scope and means of the thesis, the chosen theory to depart from, and the researcher’s position within the company, as well as to leverage the strategic planning rhythm of Microsoft. Without leveraging the rhythm of the business, it would for example be much more difficult to gain access to key individuals, and the sufficient data input in terms of track record of business results to evaluate. The timing also enables capturing of the strategic communication regarding yearly updated trajectory of business model development. The set-up is also constructed to optimize the benefit of the researcher’s involvement in the company, meanwhile limiting negative implications (described in the methodology section). Lastly, the goal is to extract maximum value from the complementary steps and the combination of qualitative and quantitative empirical input.

To provide a more holistic view of the work, a section describing each step of the empirical data-gathering procedure follows:

4.1.1 The Hybrid Brainstorming Sessions

Hybrid brainstorming is when individuals first generate their ideas independently, and then come together in a group to discuss them (versus the “ordinary brainstorming” in which the group works jointly at the same time, in the same room, to create ideas). (Carpenter, 2010)

The empirical work began with a number of hybrid brainstorming sessions with the Services Director, to understand the current

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**Figure 13: Overview of the empirical procedure.**
and future business model challenges for the Swedish Services organization in the context of both Microsoft as a whole and the surrounding market conditions, as well as what approach, tools and methods would be of relevance. Simultaneously with these brainstorming sessions, there is an ongoing interaction with the thesis supervisor to ensure a good scope and trajectory from an academic perspective.

4.1.2 The In-Depth Interviews

To be able to assess how advantageous the BMC is as a decision-making tool in an enterprise context, the first step of interviews and mapping of current business models in canvases served to ensure a good common ground and knowledge basis to depart from for the coming steps.

As presented in the introduction to this thesis, there exist many different views and definitions of what the business model concept contains and means. Thus, providing as much common ground as possible from the start was key.

The interviews began with a short session on the key concepts of the BMC, CD, and LS, and then walked through the different BMC building blocks. The interviews were approximately one hour long, conducted in person, with one leadership team member at a time. Six interviews were conducted in total, ranging across the different functions of the leadership team; General Management, Sales, Finance, Marketing, and Delivery (MCS and Premier). During the interviews, the interviewee answered the questions suggested by Osterwalder and Pigneur (2009) in Business Model Generation, e.g.; “Which are the targeted customer segments?”, “How would you describe the customer relationships?”, etc. The answers were documented onto the BMC jointly with each team member.

4.1.3 The Workshop

The purpose of the workshop was to create a situation in which the participants, i.e. the six executive leadership team members, had the opportunity to work hands-on with the BMC. Enabling that firsthand experience is necessary to be able to later on evaluate if the BMC is perceived as advantageous, compared to traditional business model decision-making tools otherwise used by Microsoft.

The reason for a workshop as a format, in comparison to the alternative of each leadership member sitting down alone and working with the BMC, is simply to facilitate an environment as close to the “ordinary reality” in which business model decision-making tools is otherwise used. In the context of Microsoft, this happens during the so-called “planning workshop” that takes place within the leadership teams when it is time to review the current business model, evaluate the outcomes and results of it – and then look at how the business model could be developed to meet the strategic guidance, organizational capability frameworks, business growth priorities and sales targets provided from the corporate headquarters. This business model workshop, using the BMC as a foundation, was conducted instead of the ordinary workshops, which otherwise are based on pre-decided Excel and PowerPoint templates. The yearly cycles and rhythm of business in which these planning workshops take place will be further described below.
More concretely, the workshop began with a short recap of the tools and frameworks introduced in the in-depth interviews (to create a safe atmosphere where each person could ask questions and take the time needed to ensure understanding of the frameworks).

The actual hands-on work consisted of the team members first looking at the mapping of the current business model on the BMC, and then discussing which elements and sub-aspect of elements that works well – both in retrospect, looking at accumulated business outcomes and results, as well as with a proactive approach, looking at how well the different elements and aspects fit and serve the strategy, organizational development and desired business outcomes, market growth and sales targets of the coming fiscal year. Based on the discussion within the team, departing from the BMC, the team makes decisions regarding which elements and aspects to keep as is, i.e. persevere, which parts to develop incrementally, i.e. iterate, and lastly which areas that needed more extensive transformation, i.e. pivots. During the workshop the researcher observes the behaviors and dialogue and documents both the conversation as well as the BMC. Decisions regarding which aspects to persevere, iterate or pivot are presented in the following chapter, together with a richer description of discoveries from the workshop.

4.1.4 The Evaluation Interviews & Questionnaires
After the joint workshop, a combination of qualitative interviews and quantitative questionnaires followed, in which the leadership members answer questions regarding how they perceived the BMC as a decision-making tool. The questionnaire is illustrated below. The questionnaire was distributed via email after the workshop and answered individually by the participants. After the questionnaire, the researcher sat down with each leadership team member and asked about how they have perceived the BMC and how they had reasoned when they filled out the questionnaire. The purpose of combining in-depth interviews with a questionnaire is to gain both a deeper understanding of how they experienced the BMC, as well as to get a quantitative assessment which can be used to compare the different leadership team members’ perceptions more objectively.

The in-depth interviews allow complementary and clarifying open questions, such as “What do you mean when you say ‘lack of connection to strategy?’”, “Could you please elaborate on what you mean with ‘values’?”, etc. Having a better understanding of how they experienced the BMC enables to e.g. eliminate any potential misinterpretations that otherwise might have impacted the accuracy of the results. The evaluation interviews also provide a richer fundament for the conclusion and recommendations.

Moreover, the interviews also facilitate the opportunity to map out what aspects they found more, equivalent or less valuable compared to the standard setup of decision-making tools. Another important aim of the interviews is to understand how the participants believe that the BMC could be developed to add more value in the decision-making progress. The six interviews in the second round were 30-45 minutes long, and...
also conducted with each leadership team member separately. The results were transcribed, and key outcomes are reported in the following chapter.
5. Empirical findings & Results
5 Empirical Findings & Results

The results will be presented corresponding to each part of the empirical process.

5.1 The Hybrid Brainstorming Session

The hybrid brainstorming sessions with the Services director and the thesis supervisor resulted in a shift in focus from studying the process of moving in between business models, to how to merge different business models, to narrowing in on the decision-making process and advantageous tools for it. This question was assessed to be most efficiently scoped and simultaneously enabling generating most valuable insights from an academic and field perspective, corresponding to the material presented in the introduction.

5.2 The In-Depth Interviews

The results and outcome from the qualitative interviews can be divided into two main elements:

1. A shared knowledge foundation for the leadership members to depart from, to ensure higher quality of both the workshop and thus the ability to assess the BMC versus traditional tools. With traditional tools, this thesis refers to the business plan and alike tools.

---

**Key Partners**
- One Microsoft
- System Integrators (Si)

**Key Activities**
- For Channels/Customer Relationships/Revenue Streams:
  - Crisis Management
  - Proactive Support/Health checks

**Value Propositions**
- Performance/Risk & Cost Reduction/Accessibility:
  - Maximize your MS investment
  - Problem free IT/Insurance

**Key Resources**
- For Channels/Customer Relationships/Revenue Streams:
  - The Staff and Know-How (human)
  - The Goods and Material (physical)
  - Internal Funding (financial)

**Customer Relationships**
- (Dedicated) Personal Assistant: Service Delivery Manager
- Personal Support 1:Many: Support Center

**Channels**
- Direct:
  - With partners as subcons
- Indirect:
  - Scaling/Attaching on "One MS"

**Customer Segments**
For whom are we creating value?
- End Users & ITDM: Who are our most important customers?
  - Primary: CIO, ITDM (responsible for delivery to the business)
  - Secondary: CFO

**Cost Structure**
Which Key Resources are most Expensive?
- Staff: The consultants.
Which Key Activities are most Expensive?
- The consultancy assignments, admin, IP development.
An combination of Cost Driven (approx 50% marginal) and Value Driven (enabling high margins)

**Characteristics**
- Fixed Costs: Local Salaries
- Variable Costs: Salaries (Subcons, MS pools)
- Economies of Scale and of Scope – in some extend as a result of building Know-How and IP

**Revenue Streams**
For what value are our customers really willing to pay?
- Getting the Job Done, Reducing Risk, Created Business Value, in a convenient (see value prop)

How much does each Revenue Stream Contribute to overall revenues?
- MCS = 40% of revenue, 15% DM
- Premier = 60% of revenue, 50% DM
- Non fixed prices: Negotiating with customer per each deal.

*Figure 15: Canvas of current business models: Premier*
2. The filled out BMcs, illustrating the current business models operated by the Services organization. The development of the canvases provides two things:

a. It ensures that key tacit knowledge from the different leadership members is articulated - and thus continues to build on the joint knowledge foundation.

b. It secures the raw data input regarding the current business models; which is needed to be able to proceed with the workshop.

Figure 15 and 16 illustrate the BMcs that the in-depth interviews resulted in. They show the different elements and sub-aspects per building block for Microsoft Consulting Services (MCS) and Premier.

Simply explained, Premier offers insurance of a risk-free and stable IT environment that enables the customer to optimize its Microsoft investments (that often includes major software license investments). MCS, on the other hand, offers customer tailored IT solutions that support customers to realize greater value from their businesses. This could for example be innovative Internet of Things (IoT) projects that enable the customer to increase efficiency in its processes and procedures, as well as collecting and analyzing

<table>
<thead>
<tr>
<th>Key Partners</th>
<th>Key Activities</th>
<th>Value Propositions</th>
<th>Customer Relationships</th>
<th>Customer Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Microsoft</td>
<td>Marketing, Sales, Assessment, Production, implementation, Change management.</td>
<td>Increased Business Value through an IT platform and implementation that enables higher enduser productivity meanwhile ensuring IT Scalability, Security, Cost-efficiency, Know-how.</td>
<td>(Dedicated) Personal Assistants</td>
<td>For whom are we creating value?</td>
</tr>
<tr>
<td>System Integrators (SIs)</td>
<td>For Channels/Customer Relationships/Revenue Streams:</td>
<td>Convenience:</td>
<td>Who are our most important customers?</td>
<td></td>
</tr>
<tr>
<td>Independent Software Vendors (ISVs)</td>
<td>• The Staff and Know-How (human), The Goods and Material (physical), Internal Funding (financial)</td>
<td>• One single IT platform, consultancy services and products from one single vendor.</td>
<td>• Primary: CIO, ITDM</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Getting the Job Done:</td>
<td>Getting the Job Done:</td>
<td>• Secondary: CCO, “functional managers”</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Increased IT departments relevance by creating business value.</td>
<td><strong>Performance/Risk &amp; Cost Reduction/Accessibility:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Key Resources</td>
<td></td>
<td><strong>For Channels/Customer Relationships/Revenue Streams:</strong></td>
<td><strong>Channels</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Key Activities</td>
<td>• Performance/Risk &amp; Cost Reduction/Accessibility:</td>
<td><strong>Direct:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased Business Value through an IT platform and implementation that enables higher enduser productivity meanwhile ensuring IT Scalability, Security, Cost-efficiency, Know-how.</td>
<td>• With partners as subcons</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Convenience:</td>
<td><strong>Indirect:</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• One single IT platform, consultancy services and products from one single vendor.</td>
<td>• Scaling/Attaching on “One MS”,</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Getting the Job Done:</td>
<td>• Supporting partners.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Increased IT departments relevance by creating business value.</td>
<td><strong>To all customers:</strong> A combination of Physical and Web/Mobile – cross: Awareness, Evaluation, Purcase, Delivery, After Sales</td>
<td></td>
</tr>
</tbody>
</table>

**Figure 16: Canvas of current business models: Microsoft Consulting Services (MCS)**

**EMELIE EKBLAD**

44
its data in a way that can be sold to a third party, i.e. the customer’s customer, and thus generating new revenue streams for the customer.

Even though the MCS offerings naturally depart from a platform of standardized offerings and congregated intellectual properties, the nature of customization to optimize the realized business value for the unique customer means that all elements of the business model are harder to predict and forecast, e.g. which partnerships, key resources and activities, etc. that will be needed to carry out a specific project – than for Premier. Both MCS and Premier primarily use the ongoing assignments as well as the rest of the Microsoft organization as a channel.

From a revenue perspective, MCS can offer a range of different payment models for the customer, spanning from “pay up front”, and “pay as you go”, to “fixed fee”, i.e. pay for realized value of the project. Premier, on the other hand, offers only up-front payment, for one or several years.

Looking at it from a cost perspective, the cost structures vary both between MCS and Premier, due to Premier being based on standard offerings in a higher degree – as well as within MCS and Premier respectively, as projects can be delivered both with own consultants, other Microsoft consultants as well as with subcontractors.

Collectively, this means that MCS in general has lower margins than Premier. However, MCS contributes with agility, and thus an ability to contribute to the transformation in a complementary way – which is key from a perspective of securing future revenue streams.

5.3 The Workshop
To present the findings and results from the workshop, the first section will describe the way – in terms of yearly cycles, rhythm of business, content and tools – Microsoft usually
conduces business model evaluation and decision-making. This is to provide a solid foundation to compare when this thesis looks at how the BMC was perceived as an alternative tool for business model decision-making.

5.3.1 The Current Decision-Making Tools & Processes

Microsoft has a fiscal year (FY) beginning the 1st of July and ending the 30th of June. The overall rhythm of business, with regard to how the business is evaluated and developed over the year, could be described by below figure:

Throughout the year there are monthly business updates (MBUs), and the more extensive quarterly updates (QBU). The QBUs take place in October and April. Once per year, six months into the fiscal, i.e. in January, the most extensive review – the Mid-Year Review – takes place. At these occasions the subsidiaries (such as Sweden) present their business results and insights for the area headquarters (in Sweden’s case, it is Western Europe), that consolidates it, and presents it for the World Wide headquarters (HQ). The same full year targets are kept throughout the year. These targets are primarily based on the input from the extensive mid-year review. The suggestions for next year’s business model iterations and pivots are provided from HQ in March time frame. The different aspects of the business then have a varying degree of freedom to iterate and pivot on a subsidiary level.

The consultancy business, Services, have a comparatively large degree of freedom to make decisions regarding business model development - As the consultancy offerings to customers can be tailored and customized in a high degree to fit local market conditions (compared to e.g. the Office software or the Windows operating system, which are standardized in a much higher extend). Even though there exist standardized offerings and organizational blue prints for the Services organization, the ability to deviate, and modify the business model down to an offering level is high.

Some examples of business model decisions that can be made on a local level for the consultancy business, and which level of freedom the local organization have to decide to pivot, iterate or persevere:

- Partner eco system development: Full freedom for local decisions
- Customer segments: Large freedom for local decisions (HQ provides recommendations)
- Offering development (what to offer and how to package and price it): Large freedom for local decisions (HQ provides recommendations on offerings and margin guidelines)
- Organizational set up: Local freedom to deviate from blue print with up to approximately 20% - from the recommended organizational blue print by HQ.

Looking at Microsoft as a whole, many aspects of it could be considered traditional, compared to a LS setup. Examples of traditional
characteristics is e.g. and implementation driven approach to strategy, departments by function, and traditional financial recording.

Blank (2013) provides an example of the difference between a LS setup versus a traditional, looking at organization before product/market fit, where a LS should have two teams (Customer Development and Product Development) with no traditional titles for employees (e.g., Head of Sales). After Product/Market fit is found, then “normal” titles and regular staffing is assigned, because you can now execute on the known business model. Figure 18 illustrates further examples.

Coming back to Microsoft, the way of developing and executing on strategy is no exception. It is heavy leaning towards a business plan setup, complemented with a clear focus on being implementation-driven (that is, executing the current business model) - versus a LS approach which would be departing from more of a business model setup and weight towards hypothesis-driven (that is, searching for the optimal business model).

When the subsidiaries start moving into the planning phase, the strategic and tactical frameworks are provided from Corp. The framework documentation resembles a business plan to a great extent: the elements are relatively static, and a large focus is on incremental innovation to improve margins (see “The Innovator’s Dilemma” by Christensen, 1997, in the theory section above).
This sort of framework tends to lead to filling out gaps in many slides, decks, and pages, with local numbers and activities, rather than reviewing the business model from a holistic operational perspective, where it is easy to see how the different elements of the business model interact. As a result, it is relatively hard to see how an iteration or pivot in one business model element impacts the other aspects of the business model, and even harder to see how it may impact or be dependent on dynamic capabilities, strategy or values.

5.3.2 The Business Model Canvas as a Decision-Making Tool

As the group moves to the BMC, the previous mapping of the current business models is discussed. The group also goes through a recap of the big ideas of LS and CD, to then start working with the BMC as a joint decision-making tool; looking into what parts that works well, what aspects that are more challenged - and how to address those challenges. The group finds that some elements would most likely benefit from more extensive pivots, meanwhile other elements - to align and support the pivots, are better of being iterated, or simply persevered.

Aligned with the big idea behind business model pivots - the group strives to find a good balance between leveraging current assets, e.g. existing intellectual property, and capabilities of the present business model - meanwhile at the same time going after the change required to ensure a successful business model going forth.

Similar to Maurya’s (2012) work on testing and developing business models in “Your Product is not your Product”, the group brainstorms possible models, identifies the riskiest parts and decided which parts to start iterating and pivoting, as well as how to continuously and systematically test the chosen model. See schematic illustration in Figure 20.

Ries (2012) explains that without the tools to pivot well, companies get stuck between two extremes: “the living dead, still expending energy but not really making progress, always hoping the next new feature will cause traction to magically materialize, and the compulsive jumper, never picking a single direction long enough to find out if there’s anything there.”

Below figures illustrates what areas the group identified to iterate and pivot. The non-marked areas are persevered.

---

**Figure 19**: Schematic illustration of the different phases in Business Model Testing, Source: Maurya (2012)
When mapped out and placed side by side, it suddenly becomes very easy for the team to see and identify where the two business models have some clear overlapping elements and aspects – sometimes resulting in synergies, and sometimes in sub-optimization. Going deeper in respective building blocks, all of the nine building blocks turned out to have overlaps, resulting in synergies as well as sub-optimization. To show it in an illustrative manner, the business models could be portrayed as Venn diagrams; with some areas being unique, and some areas being the same across the two business models. The figure below demonstrates this with a schematic picture of the customer segment-building block.

This ability to easily map out, compare, analyze, and work with the business models brought up a dialogue and discussion in terms of organizational capabilities and structure, such as: “If we invest that much in building relations with our customers over there, then we should use those insights and relationships over here in a better manner... and then we could simply modify that team and have them focusing at solving this questions instead”.

That line of reasoning also triggers discussions in terms of values, culture and how that relates to the shift of strategy and the major
The Business Model Canvas vs Traditional Tools as Decision Making Tool

<table>
<thead>
<tr>
<th>Rating</th>
<th>Nr of Replies</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: Prefer Traditional Tools</td>
<td>0</td>
<td>0%</td>
</tr>
<tr>
<td>3: Equally Good</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>50%</td>
</tr>
<tr>
<td>5: Prefer the Canvas</td>
<td>2</td>
<td>33%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>6</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 4: Results of question 1 and 2, regarding how they perceive the Business Model Canvas as decision-making tool compared to traditional tools.

transformation that Microsoft is currently undergoing, e.g.: “That is exactly the sort of mindset we want to transfer into those roles as well... If we were to combine some key individuals from each part of those teams, then we could definitely foster the right spirit required to accelerate this transformation.”

Collectively, the results and outcome from the workshop can be divided into two main elements:

1. The participants gained a better sense and deeper experience of how the BMC can work as a decision-making tool.
2. The leadership team members started noticing strengths, limitations and development areas for the BMC as a decision-making tool in a large corporate environment.

5.4 Evaluation Interviews & Questionnaires

After the joint workshop followed a combination of qualitative interviews and quantitative questionnaires, in which each leadership member answered questions regarding how the BMC was perceived as a decision-making tool.

The aim was to map out what aspects the leadership team found more, equivalent or less valuable compared to the standard processes. Another aim was to understand how they believe that the BMC could be developed to be add more value in the decision-making progress going forward.

The evaluation phase constitutes of two main parts:

1. The first one being the leadership team members assessing the tool quantitatively. The questions and
results are illustrated in table 4 and 5 and related graphs.

2. During the second part, the researcher sat down with them to discuss their assessment to gain a richer understanding of their evaluation - in order to be able to identify the limitations in the best way possible - and thus enabling the development of an improved version of the BMC for an enterprise context.

The results of how the BMC was perceived vs traditional tools for the decision-making process is illustrated in below tables and diagrams. The table shows number of replies per rating, meanwhile the graph gives a visual view of how the results where spread out over the scale, ranging from fully preferring traditional tools (0 out of the 6 participants) - to fully preferring the BMC (2 out of the 6 participants). The most common reply was a 4, corresponding to being positive about the BMC, but not relying completely on it as a sole tool for decision-making, as well as seeing of the need to develop it.

When looking at areas for improvement, the free text was searched for themes that could be clustered into areas. Six clear themes emerged, and the lack of competitive aspects in the BMC was the most recurring one. The lack of integration of strategy, development over time and organizational capabilities followed on in a close second and third place. Two respondents mentioned the lack of connection to values as a limitation, and one person mentioned that the canvas felt unbalanced, similar to Kraaijenbrink’s (2012) critique of mixing abstraction levels of the

Figure 22: Graph illustrating the results of Table 4, and a clear emphasis on a positive attitude towards the canvas as a decision-making tool.
elements in the canvas. The reason for these results and possible conclusions that could be drawn from them will be elaborated in the discussion and analysis section.

Quotes from the interviews:

“It [the BMC] definitely has its benefits in simplicity and overview. However, it does come across as a bit too static, and with somewhat mixed levels: how do you compare the different levels of the elements in a smart way? With high growth targets and rapidly changing market conditions we need to be able to track progress over time in an efficient manner. Perhaps an additional dimension to provide depth and a good sense of time?”

“The IP (intellectual property) and the organizational, dynamic capabilities is one of Microsoft’s greatest assets and liabilities at the same time. On one hand, the scope, knowledge and capabilities of Microsoft gives us a truly unique position in the market - on the other hand it means that it requires more effort to transform. A large body needs more energy to change direction. Regardless good or bad, it is an important aspect to consider that cannot be separated from the business model.”

“Great overview of the business! Though, as a large company that already tends to put too much emphasis and focus inwards, to the own organization - versus externally with attention to customers, partners and competitors; Especially with competitors on all angles - I miss a clear compete component or layer.”

“Microsoft, and particularly Services, is what it is based on the individuals that work here. The organizational values are extremely impactful. Values are also challenging as the How is much harder to change than the What. We change KPIs on a yearly basis, but the trickiest part of it is not the targets themselves, but rather the behavioral change that some of the KPIs and business changes requires. This is an aspect that is often over looked in planning, but that actually decides the outcome of every business model at the end of the day.”

Results: Key Areas of Improvement

<table>
<thead>
<tr>
<th>Identified Improvement Areas</th>
<th>Nr of Mentions</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection to Strategy</td>
<td>4</td>
<td>67%</td>
</tr>
<tr>
<td>Connection to Organizational Capabilities</td>
<td>3</td>
<td>50%</td>
</tr>
<tr>
<td>Connection to Values</td>
<td>2</td>
<td>33%</td>
</tr>
<tr>
<td>Mixing different levels</td>
<td>1</td>
<td>17%</td>
</tr>
<tr>
<td>Connection to Compete</td>
<td>5</td>
<td>83%</td>
</tr>
<tr>
<td>Development over Time</td>
<td>4</td>
<td>67%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>19</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Table 5: Results of question 3 to 6, illustrating what development areas where detected to improve in order to increase the canvas relevance in a large enterprise context.
Collectively, these results from the evaluation phase correspond well to the findings and results of the workshop. There is a clear positive attitude towards the BMC as a tool for decision-making compared to the traditional more “business plan-like” approaches. However, there are also clear areas where the team would like a stronger support from the BMC to be a more holistic and thus advantageous decision-making tool. The results will be further elaborated and analyzed in the following section.
6. DISCUSSION & ANALYSIS
6 Discussion & Analysis

For the discussion and analysis, the empirical sections will be clustered and analyzed with support in presented theory. This chapter is split in two main parts; part one covering critique and limitations of the tools, and part two presenting suggested modifications to the BMC, as well as the introduction of the Business Model House (BMH).

Since the BMC is the most central tool in this thesis, next to the BMH, the BMC will be more elaborately scrutinized. Thereafter the thesis is delimited to present shorter descriptions of chosen key areas of critique towards the CD, LS and LC.

Collectively, these sections lead us to the conclusion and recommendations for further research.

6.1 Part 1: Critique and Limitations of the Tools

This part will look at the critique and limitations regarding the BMC that appear in research as well as the insights surfaced from the empirical section. The reason for the critique to focus on the BMC, and not all tools presented, is that the BMC was the point of departure for the research question and thus the empirical procedure.

6.1.1 The Business Model Canvas

Key examples of critique and limitations of the BMC:

- **The BMC excludes an organization’s strategic purpose** (Kraaijenbrink, 2012):

  By not taking in the mission, vision, and strategic objectives into account, the BMC could be argued to assume that generating revenue is the sole purpose of any business. This is indeed an important aspect for many organizations, including Microsoft. However, there might be several other, complementing purposes, which are also important. E.g. to balance short- and long-term revenue streams, or taking on a more holistic view of generating return on investments, not only to
shareholders, but all or other stakeholders. As one leadership team member expressed it: “Though revenue per month and quarter naturally is key in showing quarterly financial accountability for shareholders – we still need to balance that with ensuring the growth of the revenue streams of tomorrow. These come from strategic products and services which align and support our strategy – to secure relevance for current and future customers. We need happy customers that consume our services, not just purchase them, and leave them there.”

McGrath (2010) says: “Strategy may need to think through: what is the bottom line of the organization in this new world of transient advantage? Is it merely making money or maximizing shareholder value? Or is it profitably adding value to customers?”

Strategic purpose is an essential component of the business model, it significantly impacts the other components and vice versa. The lack of strategic purpose in the BMC thus fails to capture these interdependencies.

- The BMC excludes a notion of competition (Kraaijenbrink, 2012):

The BMC solely focuses on the business model of a specific company. One may argue that competitors have their own business models and thus that comparing the specific firm’s BMC to the BMCs of competitors is adequate. Though being doable, it could be argued impractical.

One leadership team member says: “Our customers is transforming, their budget is moving from IT to the business decision makers. This means that we do not only need to transform our business model – it also necessitates us to meet new competition; actors we have not been measured against before. It is key for our future success that we manage to address them successfully.”

Continuing, one could claim that any business model is only meaningful relative to competitors. The choice of whom is defined as the main competitor may have a strong effect on the business model. Most likely, the value proposition will be affected, as the potential customers will always compare value proposition amongst relevant alternatives.

It is important to point out here that Osterwalder wrote a direct response to this. In his book “Business Model Generation,” he addresses the environment in which the BMC sits and responds that competition should be viewed outside the BMC.

<table>
<thead>
<tr>
<th>Area of Critique</th>
<th>Theoretically Supported</th>
<th>Empirically Supported</th>
<th>Addressed by “The Business Model House”</th>
</tr>
</thead>
<tbody>
<tr>
<td>Connection to Strategy</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Connection to Values</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Connection to Organizational Capabilities</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mixing different Levels of Abstraction</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Connection to Compete</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Development over Time</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Table 6: Overview of areas and source (taking into account all theory presented throughout the thesis) of critique towards the Business Model Canvas, as well as mapping towards how well the suggested “Business Model House” address the critique.
• The BMC mixes levels of abstraction (Kraaijenbrink, 2012):

Not all of the BMC’s nine elements are defined at the same level of abstraction. Some building blocks are on a higher level of abstraction than other, resulting in some parts of the business model receiving too much emphasis relative to other parts. Collectively, one could argue that this makes the BMC imbalanced.

Kraaijenbrink (2012) looks at the components ‘customer relationships’ and ‘channels’ on the right side of the BMC and ‘activities’ and ‘key activities’ on its left side, and means that “while each of these components is of course important to a business, these components have a lower level of abstraction and are more detailed than the other components”. Along the same line, the distinction between key activities and key resources is also more fine-grained than the other.

Above three limitations is critique presented by Kraaijenbrink (2012). If one merges this with the insights derived from the results of the empiric section, a couple of common as well as complementary themes appear. These themes are illustrated in Table 6, taking not just Kraaijenbrink, but also earlier presented theory in this thesis into consideration.

From this consolidated view, the researcher began developing a new model, combining features from the different models and theories presented throughout this thesis and adding insights derived from the empirical work. This new model is referred to as the “Business Model House” (BMH) and will be presented in the following section.

6.1.2 Customer Development - Critique

1) There are missing links between business model strategy, market type and product analogs. (King, 2014)
2) It ignores the relationships between the blocks of a business model. (King, 2014)
3) CD does not include an organization’s “Why”, i.e. the mission, vision, and purpose. (King, 2014)

6.1.3 The Lean Startup - Critique
1) The LS is not as applicable with organizations that require heavy initial investments, e.g. within manufacturing – as with web based startups. (Pelling, 2011)
2) Basing design decisions too heavily on customer iterations encourages organizations to develop me “me-too” products. (Pelling, 2011)
3) Along the same line of reasoning, LS risks developing superficial products and services risking loosing deeper architectural foundation for a richer experience (feature by feature vs whole products). (Sharkey, 2013)

6.1.4 The Lean Canvas - Critique
1) It replaces “Key Partners” with “Problem” without addressing the crucial partner aspect in a complementary building block. (Mc Grath, 2011)
2) It leaves out “Key Resources” after replacing that element with “Solution”. (Mc Grath, 2011)
3) It fails to address “Customer Relationships” explicitly, after having replaced that building block with “Unfair Advantage” (Mc Grath, 2011)


Based on above input, striving to suggest a more advantageous tool for business model decision-making, I presented the LC to the leadership team. They judged it to be a better foundation to depart from than the BMC (for behind lying factors, see the following section in The Decisions). Thus the LC will constitute the main body of the Business Model House (BMH). However, as the LC is a product of the BMC, the BMC also constitutes a large portion of the BMH.

As the LC addresses some but not all critiques, the BMH will go beyond. Nevertheless, before going deeper into those enhancements, let’s do a brief recap of the main differences between the BMC and the LC, which makes the LC a superior piece for the BMH body in this context.

Maurya’s (2012) main purpose when he developed the LC was: 1) Maximizing the signal to noise ratio on the canvas, 2) Making the canvas more actionable, 3) Less focus on retrospectively documenting successful business models, and more focus on capturing and tracking the raw untested hypotheses ahead.

With the key differences between the BMC and the LC explained, let’s look at the background and the development of the BMH on a broader scale:
6.2.1 The Business Model House: The Overall Approach

Much of the BMC’s and the LC’s power and value lie in the simplicity and ability to clearly, in one page, show the correlations and dependencies between the business model’s different building blocks. Thus, this has been maintained.

Now, one could argue that the BMH is not correctly titled, as it includes elements beyond what is generally regarded to be a part of the business model (i.e. strategy, dynamic capabilities, and values). That might lead one to wonder: Then why doesn’t the BMC also include other important elements, such as e.g. culture? These are good and valid questions that will be further elaborated on in the section of “Anticipations of critique towards the business model house”. For now, it is important to acknowledge that the BMH goes beyond the boundaries of what many view as a business model. However, this is done intentionally to highlight how the business model needs to connect with other related areas.

6.2.2 Key Development Decisions in Constructing the Business Model House

In the following sub-sections, this thesis presents the key development decisions and how they depart from the findings and results presented. An overview of this is presented in Table 6, and in-depth examples are provided per each section below.
6.2.2.1 Decision 1: Change the main body of the BMH from the BMC to the LC

The reason for this is simply that the LC was judge more relevant by the leadership team. The things they believed increased its relevance was:

1. Its increased focus at the end customer’s problem vs. the organization’s own solution makes it more actionable. – As one of the leadership members explains: “In Microsoft, the focus at the customer problem too often gets lost due to the strong focus on the organization’s process and procedures, as well as the tendency to focus on company solutions, rather than what job the customer is actually looking for to get done”.

The importance of focusing at the customer, rather than internally, is also expressed by e.g. Blank (2013) in his CD framework and pillar of “Get out of the building”.

As mentioned in the theory section, another purpose behind the LC, versus the BMC, was to increase signal to action ration, i.e. making it more actionable. (Maurya, 2012) Increased actionability might sound targeted to smaller organizations, but as one of the team members explain, it can be of least the same importance for larger organizations: “This challenge is not unique for Microsoft, but as IP- and offering development is managed from centralized functions, rather than in the customer interface, it becomes even more important to direct a larger share of the total focus of the organization to the customer problem, and to ensure that the signals captured in the customer interaction is rapidly transferred to the other parts of the organization.”

2. Unique value proposition & unfair advantage (Maurya, 2012) With larger enterprises often suffering from less agility, experiencing challenges of disruptive innovation (Christensen, 1997) and creative destruction (Schumpeter, 1942), there is a great need to reflect upon what the truly unfair advantages actually are, and how these are leveraged most impactful. One of the leadership team members elaborate: “In Microsoft’s case, the Services Business have a unique leverage in the asset of “the rest of the Microsoft organization”, i.e. everything from the product development groups, to the marketing and sales organization. This provides the possibility to, amongst other things, be in the absolute forefront of technical development, and provide feedback to the world’s third largest R&D department and budget – to drive the development of technology in desired trajectory. The access to global as well as local market organizations and sales forces provide a scalability opportunity few consultancy organizations in Services size could ever match.”

<table>
<thead>
<tr>
<th>Top R&amp;D Spenders Of The S&amp;P</th>
<th>Ticker</th>
<th>R&amp;D Expense (Last 12 Months)</th>
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<tr>
<td>Merck &amp; Co Inc</td>
<td>MRK</td>
<td>10,808.50</td>
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<td>Pfizer Inc.</td>
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<td>Intel Corp.</td>
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Source: Thomson Reuters Fundamentals via FactSet Research Systems.

Table 7: Ranking of companies based on R&D investments, published by Forbes (2011)
Collectively, the unique value proposition and unfair advantage both captures compete in a more well-articulated way than the BMC. As presented in previous chapters, this was a clear feedback from the empiric work: “As we move through our transformation, we are facing new competitors in new arenas. It is key to understand their business models in order to address them successfully”.

Lastly, the unfair advantage and the unique value proposition guides focus away from “ordinary USPs” that tend to land in feature by feature discussions – and instead forces focus at what aspects actually are unfair advantages. (Maurya, 2012) This is also something that one of the team members articulated: “Microsoft, as many large companies, comes from a background of targeting a technical audience where feature by feature comparison were a successful method to demonstrate strength versus competitors. However, as the budget shifts from IT to the business side, we must become much better at articulating what value Microsoft contributes with; a value that is not replicable by other vendors or actors in the market”.

6.2.2.2 Decision 2: Modify elements within the LC; change “Key Metrics” to “Partners”. The rationale behind this change is as follows:

- To address the feedback of being able to track development over time – “With these sorts of complex business models and execution cross a wide range of business areas, it is crucial to be able to track the development in a way where you both see how the different aspects perform – and simultaneously track the business transformation on a holistic level”. Moreover, it makes good sense to use the full canvas as a dashboard, in the way it was intended by Osterwalder (2009), and applied by CD.

- Many large enterprises rely heavily on a partner ecosystem, where Microsoft for example, on an overall level, sells seldom directly to customers. A leadership team member describes: “On average, for every U.S. dollar Microsoft earns, the Microsoft partner ecosystem earns eight U.S. dollars.” Thus, it is key to keep the focus on the partner ecosystem, enabled by the partner building block.

- Having the key metrics gathered in one element, versus distributed cross the full canvas, causes the unbalanced abstraction level we are trying to move away from in changing the BMC to the LC.
6.2.2.3 Decision 3: Add a Foundation of Values for the BMH to stand upon

Long-term successful companies are often characterized by strong values, which run through and impacts all aspects of the business (Collins and Porras, 2005). For values to have a strong and meaningful impact, they must be aligned with the business strategy and operations; i.e. the organization’s business model. (Haehnel, 2014) Just as the BMC is much about illustrating and clearly show interdependencies between different aspects of the business model, the idea behind adding the values foundation is to ensure that the values empower and support the other elements, in a clear and actively aware manner.

This becomes even more important in a business model where, as one of the team members explain: “The vast majority of services provided to the customer is delivered in person – where the values of the individual facing the customer will, in a high degree, decide the customer’s perception of both the individual, the service provided, and Microsoft as a whole”.

Haehnel (2014) argues that most frameworks today give little or no guidance on how values impact the business model as we embark on business model innovation journeys. He means that “Effective organizations identify and develop a clear, concise and shared meaning of values or beliefs, priorities, and set direction so that every employee understands and can contribute. Those values, once defined, impact

Figure 27: A Canvas with the Values element integrated. Source: “Value Creation through Values in business model” Haehnel (2014)
every aspect of your organization and of the whole business model. The values must be an integral part of a description of any business model.”

Heahnel (2014) suggest four questions to ask oneself to go deeper in the values aspect of the business model. Based on the empiric input, I believe these can be a good point to depart from, when reviewing how to integrate values in the specific business model in the most relevant way possible:

- What are our current values, beliefs and practices?
- What values do our customers expect?
- What values are fundamental to our business regardless of the business model?
- What values create the culture we need for the specific business model?

These questions are well aligned with input from another team member: “To succeed in this rapid transformation, we must shift mindset and values. We must start encouraging experiments – and not just the ones that succeed, but the learnings that comes with all experiments. We must value the courage to fail fast and learn fast, to be nimble and take on an underdog mentality – not the fat and happy mentality that many have had, and some still do.”

This perspective also resonates with Ries’ (2011) concept of “Build, measure, learn” that was presented in the theory chapter. Dwech (2007) emphasizes the importance of the mindset.

### 6.2.2.4 Decision 4: Adding a Ceiling of Strategy and Dynamic Capabilities

A clear critique from both the theory studied and the empirical work is the lack of connection between strategy, dynamic capabilities and the BMC.

One team member describes: “Today, I’d say everyone at Microsoft is committed to Satya’s (the CEO) strategy and vision of becoming a productivity and platform company in a cloud first, mobile first world. However, many of us feel hindered in our ambition to go after that strategy, due to how we are organized, measured and compensated. We simply lack some of the key capabilities we need in place to realize the strategy.” This phenomenon is also discussed by Blank (2013) when he describes that innovation dies a little more for each corporate process that is added.

The empiric input also aligns with the correlation between strategy, dynamic capabilities and the business model that was elaborated in the theory section, and can be summarize by: Strategy is the overall plan for deploying resources to establish a favorable position (Grant, 2013), or An integrated set of choices that collectively position the firm in its industry so as to create sustainable advantage relative to competition and deliver superior financial returns (Martin, 2004). The business model, on the other hand, describes the rationale for how an organization creates, delivers and captures value (Osterwalder, 2009). The dynamic capability is the intersection in between, which are defined as the capacity to anticipate, shape, seize opportunities and avoid threats while maintaining competitiveness by improving, combining, protecting and, when deemed
necessary, rearranging the company’s intangible and tangible assets (M. DaSilva & Trkman, 2014).

One leadership team members describes: “With our current set up and way of making decision we have no good and clear way to see how those decisions impact the business model on a more holistic level. This means that we risk both sub optimization and side effects we aren’t aware of. It also means that we might take decisions that drive the development of the business model away from alignment with strategy and capabilities – in the hunt for short term optimization.”

To address this empiric input, with support in theory, the ceiling with strategy at the top, and dynamic capabilities in the interface to the business model thus aims to ensure a clear and illustrative alignment between the different levels, where it e.g. becomes easy to see how well potential pivots or iterations match the strategy and current capabilities. Furthermore, the purpose of the ceiling is also to illustrate the chosen trajectory, being embodied as an arrow. Correspondingly, the ceiling also scopes and protects the body, i.e. the business model, from things that might be tempting to add to the business model, but that does not fit with the strategy, nor the dynamic capabilities.

6.2.2.5 Decision 5: Adding a third, optional, dimension capturing the transition between business models and innovation accounting

As stated initially, one of the overall objectives with the BMH is to maintain the strength of simplicity. At the same time, there has been clear feedback presented, asking for efficient ways of managing the business model development over time for three main reasons:

1) To develop the business model from its current state to a future/desired state,
2) To merge two business models, or
3) A combination of (1) and (2).

One team member describes: “Many of us agree that we are in a place where we need to transform our business model rapidly. Both on an overall level, as well as within different parts of the business. This requires not just transformation from one business model to another, but also the ability to merge, pivot and consolidate the many business models within Microsoft simultaneously. However, instead of focusing at finding those future business models, top management tend to push even harder on executing in accordance to a business model that are outdated in many aspects.”

The importance of first finding an optimal business model – i.e. a scalable, repeatable and profitable business model (Osterwalder, 2009) – is captured by Blank (2013), in his CD framework. As described in the Theory chapter, CD explains that the purpose of in the search phase, before finding an optimal business model, is to build, measure and learn as quickly as possible. By doing this, you can make necessary business model pivots early on – and thus more rapidly move into the second phase of execution. If you move into the second phase of execution prematurely, you will most likely spend resources and time to force a business model down the wrong direction. (Blank, 2013)
One of the team members continues with: “We need to be able to compare our current business model with our future. And we need to be able to track that transformation in a way that is both accurate, and in the same time encourages and empowers innovation – balanced with a clear sense of accountability.”

This is very much aligned with Ries’ (2011) view of the LS, and his four principles: entrepreneurs are everywhere, entrepreneurship is management, validated learning, build – measure – learn, and innovation accounting described in the Theory chapter.

To maintain the simplicity, the third dimension added to solve this is optional, and could be considered a second generation of the BMH, for those who prefer a yet more dynamic and comprehensive view. The reason to why I decided to add this last fifth aspect is simply to stay true to the overall purpose of the thesis: exploring and suggesting advantageous business model decision-making tools.

This feedback from the empirical sections is also found in e.g. Stähler’s (2014) reasoning, where he argues that we need a process that supports companies to develop innovative business models. Currently, there are two main processes that occur in organizations, which could be applied: the Innovation Process and the Strategic Planning Process. Stähler means that none of these are sufficiently efficient, as they lack experiments and agility. Instead they hold assumptions that more extensive planning will anticipate the future. An assumption that is not adequate in a world of radical change. Furthermore, Stähler argues that neither companies nor customers will be able to predict the future, as neither can anticipate what is possible. This means that future is no longer about prediction, but instead about building the future through agile experimentation. This calls for a different kind and purpose of management and planning, with the aim altered from predicting the future – to plan a creative process to construct the future; a process that drives for agile experiments and more rapid learning.

Consequently, in a world as constantly changing and evolving as ours, situation (1), (2) and (3) presented above are key, in one way or another, for all business model decision-making. To capture this, an axis is included and gives the house a three-dimensional body.

Based on the findings in the evaluation interviews and with support in Stähler’s line of reasoning, the researcher suggests one to use the following two ways of presenting and working with the third dimension as a two-step process:

**Step 1. The Venn Diagram:** Preferably used on a high level when comparing two business models (either two models that will be merged up front, or two in the sense of a current one and a future one), to identify key overlaps to depart from; either to strengthen synergies, or to remove sub-optimization. As illustrated, this could be done either on an overall business model level, or at a more granular level, e.g. per building block, or sub-aspects.

**Step 2. Time & Milestone Axis:** Once the two models and key intersections and interdependencies have been mapped out on chosen level, I suggest a simple time and milestone axis - coming back to Ries (2011) comment on innovation accounting. Being able to measure and track innovation
Accounting is key to be able to make business model decisions during the process and transfer between business models, and thus an integrated part of the BMH as a tool.

Figure 28: The Business Model House with a third, optional, dimension capturing the transition between business models and innovation accounting. Source: Emelie Ekblad (2015)
CONCLUSION

7.
7 Conclusion
This conclusion contains four sections: 1) An answer to the research questions, 2) Overview of the key decisions behind the construction of the BMH, 3) Comparison of the BMC and the BMH, and 4) Anticipations of critiques towards the BMH.

To address these shortcomings, the researcher developed and presented the BMH. The BMH is designed to maintain the simplicity introduced by its predecessors, the BMC and the LC, while adding building blocks and dimensions to address the critique presented by theory and empirical findings.

7.1 Answer to the Research Questions
To conclude, let’s revisit the research questions initially posed:

**MAIN QUESTION:** Can the Business Model Canvas be an advantageous tool for business model decision-making in large enterprises?

**SUB QUESTION 1:** What are the limitations of the Business Model Canvas in the decision-making process?

**SUB QUESTION 2:** What modifications might be applied to increase the relevance of the Business Model Canvas as a tool for large enterprises?

**Conclusion:** Yes, based on the presented empirical findings and theory, the BMC can be an advantageous tool to support the decision-making process related to business model development. However, both theory and empiric studies show a couple of shortcomings, e.g.: lack of connection to strategy, values, dynamic capabilities, competition, development over time as well as the mixture of different abstraction levels.

7.2 Key Decisions in Constructing the Business Model House

**Decision 1: Change the main body of the house from the BMC to the LC**
This decision is based on two main reasons:

1) To increase focus on the end customer’s problems, versus the company’s own solutions, and

2) To address the aspect of competition by highlighting the uniqueness of the value proposition as well as the truly unfair advantages of the venture.

**Decision 2: Modify the building block within the LC from “Key Metrics” to “Partners”**
There are three reasons for this decision:

1) Achieving better balance of abstraction levels amongst the building blocks by allowing the full canvas to be used to evaluate key metrics, rather than relying on a single block,

2) To address the feedback of being able to track development over time – which is more efficiently done with the full canvas providing a holistic and dynamic dashboard, and

3) Address the heavy dependency that many large corporations have on their partner ecosystem.
Decision 3: Add a foundation of Values for the BMH to stand upon
The idea behind adding the foundation is to ensure that the values empower and support the other elements clearly and actively.

Decision 4: Add a ceiling of strategy and dynamic capabilities
The purpose of the ceiling of strategy at the top, and dynamic capabilities in the interface, is to

1) Ensure a clear and illustrative alignment between the different levels, where it e.g. becomes easy to see how well potential pivots or iterations match the strategy and current capabilities,

2) Illustrate the chosen trajectory, being embodied as an arrow, and

3) The ceiling also scopes and protects the body, i.e. the business model, from things that might be tempting to add to the business model, but that does not fit with the strategy, nor the dynamic capabilities.

Decision 5: Add a third, optional, dimension capturing the transition between business models and innovation accounting
The fundament for the fifth decision is the strong feedback asking for efficient ways of tracking business model development over time for three main reasons:

1) To develop the business model from its current state to a future/desired state,

2) To merge two business models, and

3) A combination of (1) and (2).

To maintain the simplicity, the third dimension added to solve this is optional, and could be considered a second generation of the BMH, for those who prefer a yet more dynamic and comprehensive view. From a practical, hands-on perspective, I suggest that the third dimension is addressed in a two-step process, where you first compare the two chosen business models (either two models that will be merged up front, or two in the sense of a current one and a future one), to identify key overlaps to depart from; either to strengthen synergies, or to remove sub-optimization. This could be done either on an overall business model level, or at a more granular level, e.g. per building block, or sub-aspects. The second step is then to apply a simple time and milestone axis to be able to measure and track innovation accounting in the transfer between the two business models - to empower business model decisions along the journey.

Collectively, the purpose of this thesis is to examine and explore whether the BMC can be used as an advantageous tool for decision-making in large enterprises, what limitations the BMC might have, and whether modifications may be warranted. By reviewing theory in light of the empiric findings, we found that the BMC is indeed perceived advantageous. It offers an alternative to traditional frameworks, which tend to lead to filling out gaps in many slides and pages, with local numbers and activities - rather than reviewing the business model from a holistic operational perspective - where it is easy to see how the different elements of the business model interact. The traditional set-up is perceived to make it difficult to see how a decision to iterate or pivot in one element impacts the other aspects of the business model, and even harder to see how it may
impact or be dependent on dynamic capabilities and strategy.

With the BMH, we bring together the aspects of the theory and research that best meets the empirical findings. This is the first generation of the BMH, which naturally needs supplementary testing in a broader context, to be able to advance further (see section 7.4 for further details). Nevertheless, the BMH provides some food for thought in terms of how to advance business model decision-making.

7.3 Comparison of the Business Model Canvas and the Business Model House

As this thesis departs from the BMC, and since the BMH still carries much of the BMC with it, below is an illustration showing the main differences between the two models.

On a building block level, the preserved blocks from the BMC are: Partners, Customer segments, Channels, Cost structure, and Revenue Streams. The following blocks have been exchanged in accordance to the LC: Problem, Solution, Unique value proposition, and Unfair advantage. Last but not least, the following blocks have been added to the BMH: The ceiling of strategy and dynamic capabilities, the foundation of values, and the third dimension – giving the house a body to review and manage transformation of business models by innovation accounting.

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Figure 29: Schematic picture, illustrating where the different building blocks of the BMH comes from.
*Source: Emelie Ekblad (2015)*
7.4 Anticipating critiques of the Business Model House

As with all models, one could argue shortcomings in terms of how well it serves its purpose and to what extent it actually captures the complexity of what it seeks to describe. The case is naturally the same with the BMH. This section focuses on a number of key areas of anticipated critique. Nevertheless, there are many more areas of potential critique, dependent on which paradigm and perspective the BMH is reviewed via.

One could for example argue that adding the supplementary building blocks, and especially the third dimension, impacts the simplicity negatively. On the other hand, not adding them would simply miss the purpose of developing the model in accordance to the findings. One could then argue that one building block should simply have been exchanged towards another one. However, I decided not do so, as forcing too much content into too few blocks, will still make it complex to manage, even though it might appear simple and clean on the surface.

In addition, adding the supplementary building blocks was a decision made with the trade of of alternative costs in mind. I.e. the alternative cost of energy and resources otherwise needed to capture how the values, strategy, dynamic capabilities and development over time actually relate to and impact the business model. That alternative cost could be argued to be much higher than the effort of including and working with the additional building blocks in the BMH. Thus the additional building blocks are judged to add more value than the cost of decreased simplicity.

Furthermore, as we start adding building blocks, one can naturally question if there shouldn’t be more blocks added; there are many important aspects in the environment and context surrounding the business model that deserve to be highlighted. This is of course a fair argument to make. The decision to stay with these building blocks is essentially because they were deemed the most important ones, with respect to the empirical and theoretical findings of this thesis’ scope and purpose. With a different scope, purpose and perspective, it is not unlikely that other or complementary building blocks would be chosen to add value.

Lastly, one could argue that this is not the first alternative to the BMC, and thus question what value add it contributes with. I will not go deeper into those canvases here, but rather acknowledge that they exist, and are sprung from backgrounds and with purposes different than the BMH. Some example of alternative BMCs, in addition to the LC that has been described previously, are:

- The Partnering Canvas (Fielt, 2010)
- The Value Model Canvas (Kraaijenbrink, 2012)
- The Value Proposition Canvas (Osterwalder, 2012)
- The Values Canvas (Haehnel, 2014)
- Social Business Model Canvas (Innovation Lab, 2013)

The aim for this thesis is not to provide a static truth over how the optimal business model decision tool should look, but rather inspire the continuous discussion and exploration of
the area. For supplementary suggestions on what research might be conducted to bring further clarity to this and related topics, please see below chapter.
Recommendations for further studies
8 Recommendations for Further Studies

Much has been written on the topic of how large organizations ought to be more innovative, but fewer pages have been dedicated to what prohibit them from being so. As Blank (2012) phrases it; “Every time another execution process is added, corporate innovation dies a little more. Innovation happens not by exception, but integral to all parts of the corporation and its business model.”

This thesis aims to contribute to this dearth by looking into how tools and concepts that are commonly used in the startup community could be applied as decision-making tools in the large enterprise context at the very core of business model development – i.e. where the business model decisions are made. Nevertheless, much more research is needed to understand with greater depth what is hindering innovation, as well as suggestions on how to overcome those struggles. Additional research is also needed within the area of how, whether and under what circumstances tools and concepts from the startup community can be transferred to the context of larger enterprises and organizations, as well as full value networks, in an advantageous way; e.g., but not limited to, how the CD phases of search and execution can be balanced in large enterprises, as they need to search for future revenue streams and simultaneously execute on current business models.

This thesis touches upon the intersection between strategy, dynamic capabilities and the business model. As these concepts develop respectively, there is also a great need to better map out and understand the interdependencies between them, and how they can be leveraged towards one another.

The BMC stands out with its simplicity in a world that is becoming increasingly complex and multifaceted. Accordingly, further elaboration on how simplicity could be leveraged through decision-making, business model development and innovation is of great value. Capturing and illustrating multifaceted phenomena in an easy and straightforward manner empowers one to reveal and grasp patterns and thus answers previously hidden by complexity. As a wise man said: “If you can’t explain it to a six year old, you don’t understand it yourself.” – Albert Einstein.
9 Appendix

9.1 Listing of Figures

Figure 2: Overview of thesis’ structure and content.

Figure 2: Number of papers published on business models vs. the NASDAQ trend. Source: Lambert & Davidson (2013)

Figure 3: Mapping of contexts where the business model is researched, Source: Lambert and Davidson (2013)

Figure 4: Overview of the empirical work.

Figure 5: Schematic illustration of the Microsoft organization and how the investigated Services organization fits into the larger picture.

Figure 6: The disruptive innovation model, illustrating the different motivations for innovations, and what outcomes that most commonly presents, when looking at incumbents and startups respectively, in a high paced tech development environment. Sources: Christensen (1997)

Figure 7: Illustration showing the relations in-between the different aspects of the work in Business Model Generation, by Osterwalder and Pigneur (2009)

Figure 8: Overview of the Business Model Canvas, Source: Osterwalder and Pigneur (2009)

Figure 9: Schematic illustration of the Four Phases of Company Growth in accordance to Blank’s Customer Development concept (2013)

Figure 10: Schematic illustration of Ries’ (2011) concept of Build Measure Learn to accelerate the feedback loop.

Figure 11: Illustration showing which building blocks that have been modified from the Business Model Canvas to the Lean Canvas. Source: Maurya (2012)

Figure 12: The correlation between Strategy, Dynamic Capabilities and the Business Model, Source: DaSilva and Trkman (2014)

Figure 13: Overview of the empirical procedure.

Figure 14: The questionnaire to evaluate how the Business Model Canvas where perceived as a decision-making tool compared to the traditional tools.

Figure 15: Canvas of current business models: Premier

Figure 16: Canvas of current business models: Microsoft Consulting Services (MCS)

Figure 17: Overview of the evaluation and planning rhythm of business for Microsoft.

Figure 18: Overview and comparison between Lean Startup characteristics, vs. a traditional enterprise, Source: Blank (2013 b)

Figure 19: Schematic illustration of the different phases in Business Model Testing, Source: Maurya (2012)

Figure 20: Overview of chosen business model elements to iterate, pivot, and persevere - as a result of the workshop.

Figure 21: Schematic picture of how two business models could be easily compared; either two business models that will be merged “up front”, or two business models in the sense
of a current and future one. This example focuses on and compares MCS’s and Premier’s business models with regard to the Customer Segment building block.

Figure 22: Graph illustrating the results of Table 4, and a clear emphasis on a positive attitude towards the canvas as a decision-making tool.

Figure 23: Graph illustrating the results of Table 5.

Figure 24: Framework for discussion and analysis.

Figure 25: The Lean Canvas, Source: Maurya (2012)

Figure 26: Suggested new model: The Business Model House. Source: Emelie Ekblad (2015)

Figure 27: A Canvas with the Values element integrated. Source: “Value Creation through Values in business model” Haehnel (2014)

Figure 28: The Business Model House with a third, optional, dimension capturing the transition between business models and innovation accounting. Source: Emelie Ekblad (2015)

Figure 29: Schematic picture, illustrating where the different building blocks of the BMH comes from.

9.2 Listing of Tables:
Table 6: Overview of criterion for the selection of articles, Source: Lambert and Davidson (2013)

Table 7: Overview of main themes within the area of business model research, and contributing work, Source: Lambert and Davidson (2013)

Table 8: A cross-section of business model definitions. Source: Lambert and Davidson (2013)

Table 4: Results of question 1 and 2, regarding how they perceive the Business Model Canvas as decision-making tool compared to traditional tools.

Table 5: Results of question 3 to 6, illustrating what development areas where detected to improve in order to increase the canvas relevance in a large enterprise context.

Table 6: Overview of areas and source (taking into account all theory presented throughout the thesis) of critique towards the Business Model Canvas, as well as mapping towards how well the suggested Business Model House address the critique.

Table 7: Ranking of companies based on R&D investments, published by Forbes (2011)
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