

JOURNAL OF BUSINESS MODELS

BOOK REVIEW

Business Model Innovation Strategy: Transformational Concepts and Tools for Entrepreneurial Leaders.

By Raphael Amit and Christoph Zott, John Wiley and Sons, Inc., Hoboken New Jersey

Reviewed by Professor Robin Roslender for Journal of Business Models

When two of the founding figures in a field decide to author a textbook, readers' expectations are inevitably extremely high. In this instance these expectations are not simply met, they are greatly exceeded in an addition to the business model literature that both managers and entrepreneurs, and students and their teachers will find of great value. The authors are able to draw on two decades of their own research, some of which has achieved seminal status, skilfully combining it with the broader business model literature to produce an readily accessible volume that delivers a continuous stream of insights on business model innovation strategy.

The book is divided into three parts, the first of which is entitled "Foundation and Mindset for Business Innovation". Its four chapters document the broad foundation for the business model innovation topic, doing so by reviewing three sets of theoretical underpinnings: on understanding business models; on

the value creation interface; and on the substance of the business model mindset, which together are identified as the prerequisite for successful business model innovation. In chapter 1 the authors set out their preferred definition of a business model as an activity system or "system of independent activities that are performed by a focal firm and by its partners and the mechanism that link these activities to each other." (p13). Following this the authors discuss the "What, How, Who, and Why" conceptual framework they have developed in the course of their own research careers and which is employed throughout the whole book. Chapter 2 sets out the relationship which exists between the business model concept and the traditional foci of strategy thinking, arguing that the former offers a new means of creating value. The necessity for developing a business model mindset is explored in some depth in chapter 3. The authors conclude Part 1 by drawing together these insights to provide a detailed overview of the busi-

Please cite this paper as: Roslender, R. (2021), Book Review off " Amit, R., Zott, C., Business Model Innovation Strategy: Transformational Concepts and Tools for Entrepreneurial Leaders. John Wiley and Sons, Inc., Hoboken New Jersey"., Vol. 9, No. 4, pp. 1-3

ISSN: 224-2465

DOI: <https://doi.org/10.5278/jbm.v9i4.7020>

ness model innovation topic together with a formal definition of it. While these chapters are the most theoretical in emphasis, it would be misleading to represent them as constituting the theory chapters, since in common with the whole text use is made of a portfolio of empirical cases and insights to illustrate the various points. Each chapter offers a concise summary of what are regarded to be its key takeaways together with a list of references that readers are encouraged to explore.

Part 2 is entitled “Strategic Design and Evaluation of Business Model Innovation” and is composed of five chapters. The content of these five chapters is marginally more practical in content than that evident throughout Part 1 but for the most part the style of its presentation is not discernibly different. The authors themselves identify what is on offer in chapter nine as an essential “toolkit”, a designation which also arguably neatly characterises all five of these chapters. In chapter five the authors argue that in designing innovative business models, managers and entrepreneurs can learn much from engaging with the design literature and embracing a design approach. They direct attention to six business model design drivers, captured in the DESIGN acronym, each of which resonates with key design concepts. Those responsible for designing novel business models in particular initially require to recognise the **D**eployable resources that are available to them and the **E**xternal environment in which the business seeks to operate. The third design driver is that of **S**takeholders’ activities performed within the business model. **I**ncumbent templates, or established business models in use within an industry provide the fourth design driver, The final pair of design drivers are identified as a firm’s **G**oals and customers’ **N**eeds. Complementing these drivers as determinants of successful business model innovation is a concern with mindfulness and robustness.

Chapters six and seven provide an introduction to a number of extant methods of business model design. Designing a new business model using a dynamic design approach focused on process is explored in chapter six. Within such an approach the work of the IDEO design firm plays a central role. Originally the IDEO design company developed a design process

for use in new product design, its insights subsequently being incorporated into the design process of both new services and new businesses. The authors explain how it might be further adapted for the purpose of designing new business models. The three fundamental stages within the IDEO approach now become *BMIdeate*, *BMIterate* and *BMImplement*, with the *BM* designation intimating business model innovation as a possible outcome. Building on the ideas set out in the chapter, chapter 7 provides an overview of three complementary design methodologies that are widely used by entrepreneurs in their business model innovation activities. Each is characterised by a simple strapline. Discovery-Driven Planning permits a business to “Fail Soon, and Fail Fast”; Effectuation is underpinned by the imperative to “Just Do It”; and the Lean Startup methodology requires users to “Test, Test, Test” in the pursuit of a low-cost indication of possible feasibility. Throughout this pair of chapters there is evidence of extensive borrowing of insights from across the business and management literature, thereby reinforcing the strong theoretical credentials of the text previously acknowledged.

Chapter eight focuses on the core concept of business model thinking, the value proposition, identifying a more complex construct than is often identified in the literature. Initially the authors argue that when talking about value propositions it is necessary to refer to stakeholders as opposed to the more conventional customer focus. In this way sustainable business models should offer a value proposition to all the stakeholders that are involved in the business model and not simply customers. It is then possible to distinguish between the value proposition of a product and the value proposition of a business model, which itself is separate from but complementary to the former value proposition. The value proposition of a service is much less distinguishable from the value proposition of a business model, with the pair of them combining to provide the total value proposition to the customer, as represented in exhibit 8.1. As a consequence of this, the co-creation of value process identified in recent marketing management literature assumes a more complex nature that is presently understood. In the second half of the chapter the NICE framework is discussed. The framework identifies four generic

drivers of value, which in combination maximise the value created for stakeholders. These drivers of value are designated **N**ovelty, **L**ock-In, **C**omplementarities and **E**fficiency, each of which is discussed by the authors. In the final chapter of Part 2 the authors detail a 13-item toolkit for business model analysis, which they see to form a complement to the content of the previous eight chapters. In introducing this toolkit the authors make reference to the Business Model Canvas and Business Model Navigator, both of which have provided the focus for two of the most influential volumes within the extent business model literature.

The third and final part of the text is entitled "Making Business Model Innovation Happen", and comprises three chapters. These chapters the most practically oriented in the book, and provide a neat balance with its prior content. They focus on the inherent challenges associated implementing business models and business model innovation, and provide an overview of how it is possible to successfully overcome them. Chapter ten examines how business model innovation might be implemented in established organisations, initially identifying resistance from participants and organisational inertia as fundamental obstacles to affecting change, both of which might be engaged by a variety of mechanisms. A comprehensive and robust change management programme should always be in place complemented by the visible involvement of top management. Business model innovation in "young" undertakings

provides the focus for chapter 11. In such cases a different set of obstacles are often encountered, in addition with a range of generic risks that all start-ups face, including leadership and governance issues. The authors discuss a series of risk mitigation strategies that have been identified as contributing to a successful launch of new ventures. The concluding chapter provides a synthesis of the various contents of the text by rehearsing the case for adopting a well-conceived business model innovation strategy that is designed to easily complement the various other elements of an organisation's corporate strategy. The authors seek to impress upon readers that the existence of such a business model innovation strategy has become increasingly necessary in the digital age and will present a continuing challenge to those who they designate "entrepreneurial leaders".

In addition to the highly useful end-of-chapter summaries and reference lists, the text incorporates an integrated index, combining concepts, cases and authors. At a length of 20 pages, it readily merits the description of being comprehensive, and serves to further increase the accessibility that characterises the whole volume, which will surely quickly become a must-read for anyone interested in the business model field, and much beyond.

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