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Operationalizing Collaborative Business Models: A Practitioner Capabilities Lens

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Abstract

This paper offers insight into the boundary-spanning practitioners and the operationalization of their capabilities that are critical to sustainable value co-creation, delivery, and capture within collaborative business models. Few empirical studies have focused on the concept of collaborative business models - those business models in which value is co-created, delivered, and captured between practitioners outside the boundaries of a single firm - and research into the dynamic/ordinary capabilities of their boundary-spanning practitioners appears neglected. The study is centered on three firms that form a solutions collaborative (public-private) business model. A case study methodology is deployed to examine the firms as three embedded units of analysis. The data sources consist of semi-structured interviews supplemented by archives of publications. The findings advance understanding of practitioner dynamic/ordinary capabilities in solutions collaborative business models that are critical to support value co-creation, delivery, and capture.

Introduction

The purpose of this paper is to provide empirical insight into the boundary-spanning practitioners and the operationalization of their dynamic and ordinary capabilities that are critical to sustainable value co-creation, delivery, and capture within a collaborative business model (Dreyer et al., 2017; Pedersen et al., 2021). We propose here that a business model represents more than just the revenue model of a single firm; we view business models as a broader, pluralistic concept that has the potential to be used by practitioners in a network context (Freudenreich et al., 2020; Palo & Tahtinen, 2013). The development of sustainable business models often depends on the collaboration of multiple actors, such as customers, suppliers and other stakeholders, i.e. public agencies

Keywords: boundary-spanners, dynamic/ordinary capabilities, value co-creation.

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- in other words public-private collaboration, however such discourse appears neglected in the literature (Holm & Kringelum, 2022). For instance, Quelin et al. (2019:831) posited recently that understanding how private-sector actors engage in collaboration with public-sector agencies is particularly important "given the growing scholarly attention to these novel hybrid organizational forms." The role of these boundary-spanning actors, therefore, who facilitate cross-unit knowledge transfer within and beyond firm boundaries (Zhao & Anand, 2013), is an extremely important factor in the effective operationalization of public-sector undertakings (Nicholson & Orr, 2016). Therefore, by examining business models beyond the boundaries of a single firm, this study takes a wider perspective on business models. Research into collaborative business models - those business models in which value is co-created between practitioners outside the boundaries of a single firm - is an emergent area in the literature with few empirical studies elucidating how these models are operationalized hitherto (Coombes, 2022; De Man & Luvison, 2019). By encouraging practitioners to look beyond their own firms' boundaries, these actors can potentially bring capabilities to their own business models (Chesbrough, 2007). Whilst ordinary capabilities are best practices that typically start in one or two firms and then spread to the entire industry, conversely dynamic capabilities are higher-order competencies that enable firms to orchestrate resources to create superior firm performance (Eisenhardt & Martin, 2000; Teece, 2014, 2018). At this higher-order, dynamic capabilities consist of three clusters of processes, namely sensing opportunities, seizing the opportunities by mobilizing resources and transforming/reconfiguring by continuously renewing the firm (Teece, 2018). Furthermore, research into the capabilities of boundary-spanning practitioners within collaborative (public-private) business models also appears neglected.

This study is centered, therefore, on the boundary-spanning practitioner capabilities of three firms that form a solutions collaborative (public-private) business model. The findings advance our understanding of practitioner dynamic and ordinary capabilities in solutions collaborative (public-private) business models that are critical to support value co-creation, delivery, and capture. The structure of this short paper is as follows: following the introduction to the research issues, the case study methodology deployed is outlined; the case study is presented next followed by a discussion of the key insights from the study; finally, conclusions are then drawn including potential directions for future research.

Methodology

Three firms, which have been anonymized, were examined as multiple embedded units of analysis (Yin, 2018) within a single case study context. Twenty-five semi-structured interviews of approximately one hour duration was conducted with senior executives of the three firms, majoring on these actors' practices and praxis. Additional secondary data sources were also used to provide contextual information. Purposive sampling was deployed which followed the principles of theoretical saturation (Black & Tagg, 2007; Cheung et al., 2007). Following familiarization with the three firms, the within-case thematic analysis was undertaken. This prompted further analysis of the respondents' interview transcripts and then further examination of the themes to ensure that the analysis was thorough and preconceived ideas were not being forced upon the data. To aid the coding process NVivo was deployed.

The Case Study Context

The United Kingdom Department of Health launched the National Health Service (NHS) Local Improvement Finance Trust (LIFT) program in England in 2000 (Department of Health, 2000). At that time, NHS LIFTs were a new approach aimed at improving the then long-standing under investment in healthcare facilities. The NHS LIFT encouraged the co-location of healthcare professionals into single buildings together with a more integrated approach to primary care. The NHS LIFT examined in this study was a contractual relationship between a public-sector agency and a private-sector firm, in which the private-sector firm provided a public service and assumed substantial financial, technical, and operational risk in undertaking the project. A key component of NHS LIFT contracts was an exclusivity

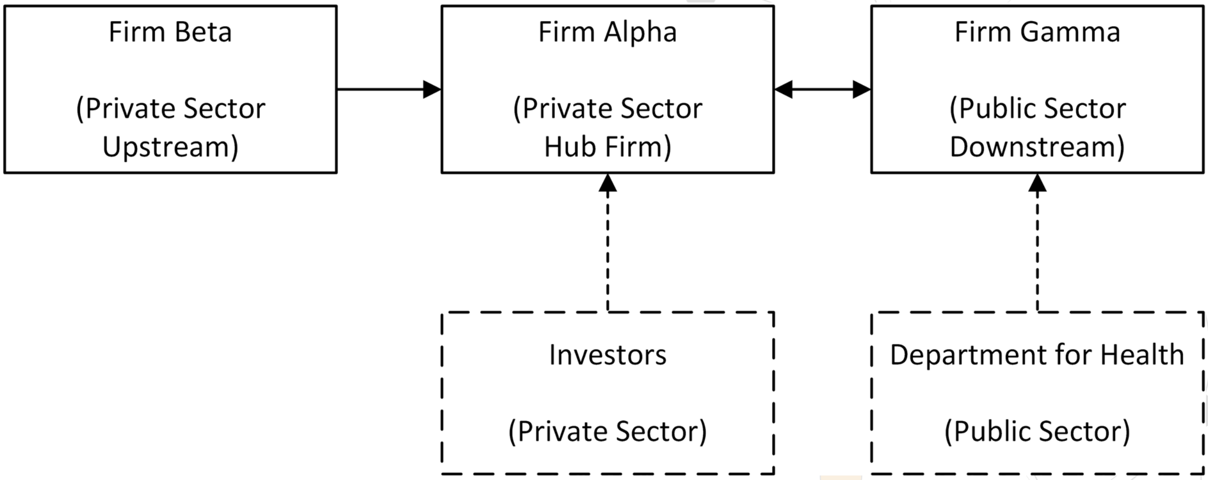

Figure 1: The three firms that form the solutions collaborative (public-private) business model

clause giving the LIFT company the right to build all healthcare properties for a clinical commissioning group – a public agency – situated within their local authority boundaries. These contracts also enabled significant value capture by receiving guaranteed revenue streams for up to twenty-five years.

The empirical setting was focused on three firms which formed a supply chain through from upstream supplier to downstream end user - which took in and considered a public-private downstream dyadic, an upstream buyer-supplier dyad as well as the broader networked contexts of the three firms in a solutions provision collaboration. The lead firm, we call Firm Alpha, acts as the hub firm, and the two other individual firms, we call Firm Beta and Firm Gamma, act as the supplier firm and the customer firm respectively. Firm Alpha's transactions with Firm Beta took place within a single industry context. The broad supply chain context of Firm Alpha crossed multiple industry boundaries and the exchanges between Firm Alpha and Firm Gamma crossed a sector boundary between public and private sectors. Firm Alpha, as the hub firm of the study, was therefore assumed to be the primary designer of the collaborative business model (in the terms used by Storbacka et al., 2012). We posit that the three firms all participated in a collaborative (public-private) business model because these firms' practitioners all collaborated with those of other industry actors, for example, customers, suppliers, public agencies, and other co-located stakeholder actors. An illustration of the collaborative (public-private) business model is presented in Figure 1.

Firm Alpha is a family-owned independent real-estate development, investment, and facilities management business situated in a city-region in the North of England. Firm Beta is an independent building supplies business based in the same city-region as Firm Alpha. Firm Gamma is a public agency founded as a special purpose vehicle firm under the NHS LIFT based in the same city-region as Firm Alpha and Firm Beta. There was an expectation that this collaborative project would attract private-sector practitioner capabilities as well as resources (including finance), and innovation to the provision of public-sector infrastructure, particularly healthcare facilities. Therefore, we understand collaborative business models to be a sub-class of business models in which the boundary-spanning practitioner capabilities between Firm Alpha, Firm Beta and Firm Gamma, are critical elements of the co-creation, delivery, and capture of value.

Key Insights

Dynamic capabilities involve a firm's top management, i.e. the proprietor, managing director, or chief executive officer (CEO), sensing, seizing and/or transforming/reconfiguring opportunities and adding value through their re-organization of resources and opportunities (Eisenhardt & Martin, 2000; Teece, 2014, 2018). For instance, Firm Alpha's CEO described one of his entrepreneurial capabilities himself using the term *maverick*, indicating a dynamic capability. In co-creating the collaborative business model, Firm Alpha's CEO displayed certain boundary-spanning dynamic capabilities by the sensing of a new NHS LIFT opportunity, the seizing of this opportunity, and the successful transformation/reconfiguration of his erstwhile construction firm to realize the opportunity by the systematic cannibalization and simultaneous co-creation of a new boundary-spanning collaborative business model with Firm Beta and Firm Gamma which was re-focused around satisfying customer needs, around the firm's new solutions products/services and around supporting the needs of its co-located communities. Therefore, Firm Alpha's CEO was also the practitioner responsible for the *systems integration*, a dynamic capability, of the firm into new product/service and market areas due to his willingness to take a risk on the new NHS LIFT opportunity in the city-region. In contrast, the findings also highlighted the existence of ordinary capabilities (Teece, 2014) within the collaborative business model. In addition to Firm Alpha's CEO, the firm's boundary-spanning directors of its various sub-divisions were seen also as the principal practitioners involved the day-to-day management of the firm. These practitioners displayed the existence of more ordinary capabilities to lead teams of people and to co-ordinate other activities and resources. Several respondents reported the firm's head office-based practitioners, who typically specialized in the administrative areas of finance, health and safety, human resources, information technology, procurement and public relations and communications, also played critical roles in the collaborative business model. For instance, these practitioners also provided administrative support capabilities to Firm Gamma.

Firm Beta's CEO also evidenced the possession of dynamic capabilities. In a similar finding to Firm Alpha, the notion of collaboration was displayed by Firm Beta's CEO. This actor was also seen as the principal practitioner responsible for the creation of a resource base in ways that other types of practitioners could not have achieved by converting a new business idea into a successful venture due to his readiness to take risks, and which involved a boundary-spanning collaboration with Firm Alpha. However, unlike Firm Alpha, Firm Beta's CEO was reluctant to accept the label of an entrepreneur. In addition to Firm Beta's CEO, the firm's branch directors, recruited because of their experience and knowledge managing other firms in the same industry sector as Firm Beta, also displayed certain entrepreneurial capabilities. These practitioners displayed the existence of ordinary capabilities to lead teams of people and to coordinate other activities and resources. Several respondents used the metaphor *hungry* to describe the determination of these practitioners to achieve success. However, unlike Firm Alpha's CEO and Firm Beta's CEO, the branch directors were not required to demonstrate risk tolerance and therefore the risk-taking capabilities normally associated with entrepreneurial practitioners were not evidenced. All the risk related to the operationalization of the firm's decentralized network of branches was borne centrally by Firm Beta. These practitioners' entrepreneurial capabilities appeared, therefore, to be semantically different to the entrepreneurial capabilities of both Firm Alpha and Firm Beta's CEOs. However, some respondents cautioned on the use of the term *entrepreneur* when describing these branch directors stating that not every branch director displayed entrepreneurial capabilities. In addition to Firm Beta's CEO and branch directors, respondents from the firm also reported that its head office-based practitioners, whose capabilities typically specialized in disciplines such as finance, human resources, information technology, marketing, and procurement, were also seen as the principal practitioners involved the operationalization of the firm. These practitioners thereby evidenced ordinary capabilities in terms of the delivery of professional services to Firm Beta. However, apart from Firm Beta's CEO and branch directors, unlike with Firm Alpha, Firm Beta's practitioners at the lower-ranking levels displayed little evidence of boundary-spanning collaborations between the two firms.

Finally, Firm Gamma's CEO further displayed the possession of dynamic capabilities. Whilst this practitioner did not appear to accept the label of an entrepreneur, this actor displayed other innovative and opportunistic capabilities. In co-creating the business model with Firm Alpha, collaboration was evidenced by the CEOs of Firm Alpha and Firm

Gamma who created and developed new boundary-spanning relationships where value was co-created through their resource transforming/reconfiguring capabilities. Firm Gamma's senior- and middle-managerial-level practitioners also appeared to evidence various boundary-spanning business development capabilities. These practitioners were, typically, real-estate development and investment professionals who displayed ordinary capabilities in terms of the administration of the NHS LIFT contract with Firm Alpha. In addition to support capabilities, which consisted of disciplines such as finance, health and safety, human resources, information technology, and public relations and communications, provided by Firm Alpha as surrogates, this collaboration with Firm Gamma was necessary because the firm was small with a flat organizational structure and a corresponding small headcount. In addition to Firm Alpha, Firm Gamma was also reliant on a large team of external actors, i.e. legal firms, to deliver its new solutions products/services in the marketplace.

Conclusions, and Future Research

This study has built on an evolving body of literature considering collaborative business models and presents an *early* empirical study into practitioner capabilities in the context of a solutions collaborative (public-private) business model. A central practitioner type identified in the business model was the *boundary-spanning practitioner*. In co-creating the collaborative business model, Firm Alpha's practitioners displayed certain dynamic and ordinary capabilities by the sensing and seizing of new boundary-spanning relationships with Firm Beta and Firm Gamma where value was co-created through the transforming/reconfiguring capabilities between the three firms. We have advanced knowledge of solutions collaborative (public-private) business models by the discovery that various practitioner capabilities contribute to the existence of innovation and opportunism within the business model. Boundary-spanning practitioner dynamic capabilities were further indicative of both the existence and absence of *systems integration* capabilities (see for instance Davies et al., 2007; Jacobides & MacDuffie, 2013) within the solutions collaborative (public-private) business model. Whilst the primary role of boundary-spanners is concerned with working within collaborative cross-firm and cross-sector contexts, such studies have not hitherto been set in the context of a solutions collaborative (public-private) business model. We conclude; therefore, the solutions collaborative (public-private) business model needed dynamic capabilities and ordinary capabilities as the metaphorical glue to sustainably exist.

In the future, we contend a particularly attractive direction for further research could include an examination into the practitioner capabilities of firms that both compete and collaborate with each other. The notion of *coopetition* (see for instance Gernsheimer et al., 2021; Lundgren-Henriksson & Kock, 2016) posits that cooperation and competition function simultaneously in inter-organizational relationships.

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