

# **Business Model (Innovation) Design: Adopting A Lean Approach?**

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Lean Startups and Innovation Strategy:  
Towards a New Paradigm?  
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# Premise & Question

Entrepreneurs and CEOs need to periodically **rethink** and **adapt** the design of their current **BM** due to

- ◆ Competitive environment changes
- ◆ Introduction of new technologies
- ◆ Evolving customers' preferences

**How should they go about it?**

# Business Model

A **system of interdependent activities** performed by the firm and its partners, together with the **ways** these activities are linked to each other through transactions in factor and product markets (Zott and Amit, 2010)

System that is made up of components, linkages among the components, and **dynamics** (Afuah and Tucci 2001)

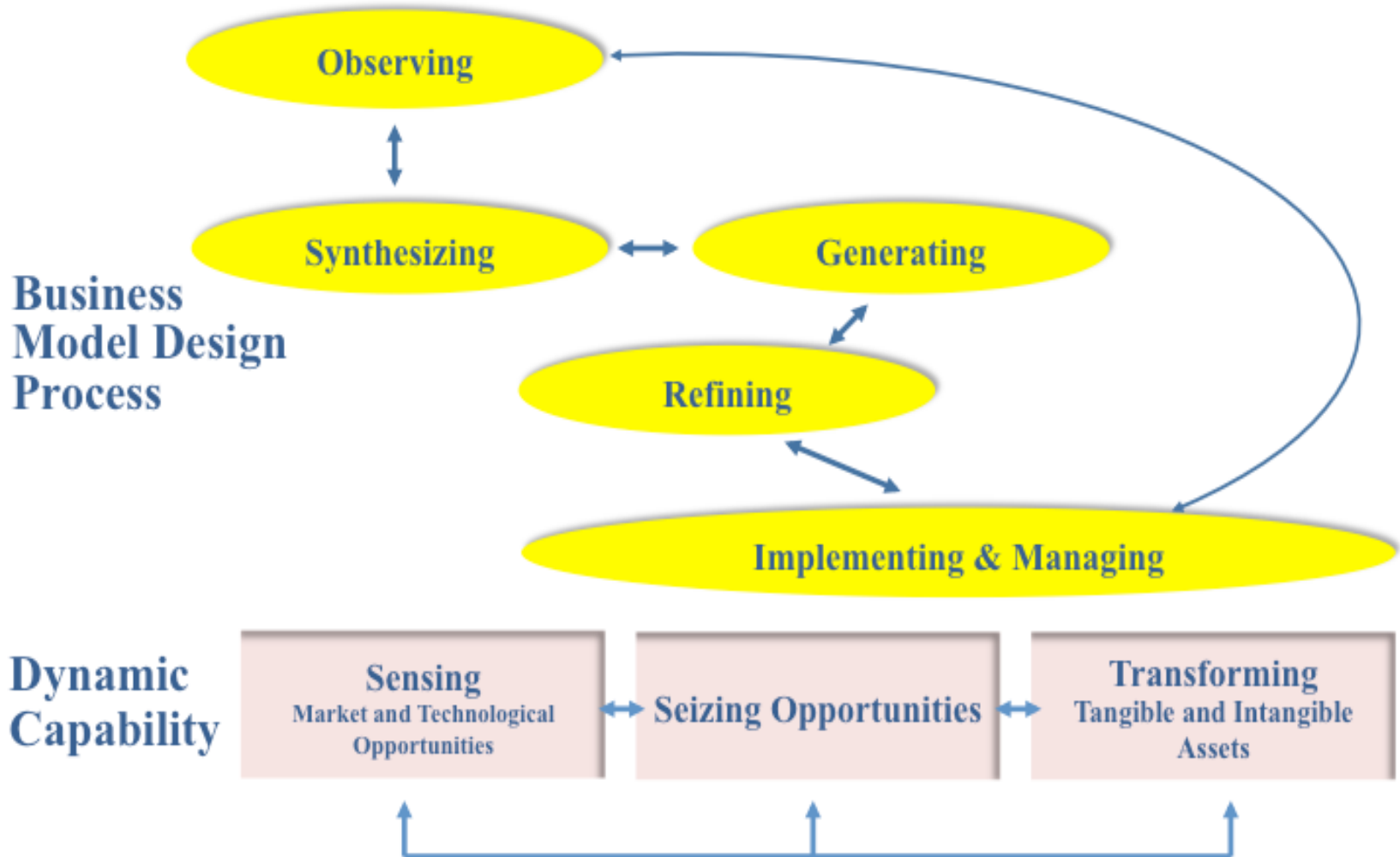
Dynamics of BM creation, adaptation and change can be viewed as a **design process** (Zott and Amit 2014)

# Business Model Design Process



Source: Zott, C., and Amit, R. 2015. Business model innovation: Towards a process perspective. In C. Shalley, M. Hitt, J. Zhou (Eds.), Oxford Handbook of Creativity, Innovation, and Entrepreneurship: Multilevel Linkages.

# BM Design As Dynamic Capability



Source: Amit, R., and Zott, C. 2016. Business model design: A dynamic capability perspective. In: D. J. Teece, S. Leih (Eds.), *The Oxford Handbook of Dynamic Capabilities*

# Research Opportunities

- ◆ Focusing on process
- ◆ Developing contingency approaches
- ◆ Finding out, what (large) firms actually do / should do to change (innovate) their business models
- ◆ Linking “lean” approaches to relevant outcomes (do they really work? under which circumstances?)
- ◆ Developing stronger theoretical foundations

# “Lean Startup” Roots

Key Concept	“Lean” Terminology	Intellectual Roots
Untested Hypotheses	“Business Model Canvas”	DDP (Benchmarking, assumptions)
Working Prototype	“MVP”	Design, Effectuation (Affordable loss, strategic partnerships with customers), DDP (Parsimony)
Customer Feedback	“Pivoting”	Design, Effectuation (Leveraging contingencies), DDP (Assumption-testing, milestones)
Product Development	“Agile Development”	Effectuation (Rapid iteration b/w acting and planning), Design, DDP

# Conclusion

- ◆ We are far from having a new paradigm
- ◆ But: Very interesting & relevant issues
- ◆ Much more work needed to establish
  - The theoretical foundations
  - The empirical validity and relevance of so-called “lean startup” approaches, especially in the context of business model change & innovation