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Strategies for business model reconfiguration: a multiple case study

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Abstract

Focusing on change management (strategic agility concept) and strategic management (business model concept) literatures, the present paper proposes a framework for recognising common strategies and paths of business model reconfiguration. The paper argues that a company should have specific capabilities for specific areas of the business model (building blocks) in order to survive to disruptions in its environment. The methodology is based on five case studies analysis from different industries.

Keywords

Strategic agility, business model, case studies

1. ***THEORETICAL BACKGROUND***

2.1 Business model / business model reconfiguration

A ***business model*** shows how strategy is delivered (Casadesus–Masanell *et al*., 2010). The business model describes the rationale of how an organization creates, delivers, and captures value – economic, social, or other forms of value (Tikkanen *et al.*, 2005; Davenport *et al.*, 2006).

For many scholars the business model is composed by different parts together (Magretta, 2002; Morris *et al*., 2005). Literature tried to build and develop a standard framework for characterizing a business model (Voelpel *et al*., 2005). In this line, different frameworks are available. See Shaffer *et al.* (2005) for a literature review on elements and building blocks of the business models. For example, Osterwalder *et al.* (2005) defined and built a "business model ontology" that describes, in a structured way, elements and sub-elements of the business model – called ***building blocks*** (see Table 1).

Table 1 *– Business model (Osterwalder, 2008)*

	BUILDING BLOCK NAME	DESCRIPTION	OTHER AUTHORS
1	*VALUE PROPOSITION*	The collection of products and services a business offers to meet the needs of its customers.	Afuah and Tucci (2001), Linder and Cantrell (2000), Petrovic, Kittl and Teksen (2001), Pateli and Giaglis (2003), Morris, Shindehutte and Allen (2005)
2	*KEY PARTNERS*	It refers to all the alliances to optimize operations and reduce risks of a business model. Business alliances can be buyer-supplier relationships, joint ventures, strategic alliances between competitors or non-competitors.	Hamel (2000), Gordijin and Akkermanns (2008)
3	*KEY ACTIVITIES*	The most important activities in executing a company's value proposition.	Linder and Cantrell (2000), Pateli and Giaglis (2003), Gordijin and Akkermanns (2008), Casadeus-Masanell and Ricart (2010) and Ibm (2005)
4	*COSTS STRUCTURE*	This describes the most important monetary consequences while operating under different business models.	Linder and Cantrell (2000), Pateli and Giaglis (2003), Petrovic, Kittl and Teksen (2001), Casadeus -Masanell and Ricart (2010) and Ibm (2005)
5	*REVENUE STREAMS*	The way a company makes income from each customer segment.	Afuah and Tucci (2001), Petrovic, Kittl and Teksen (2001), Linder and Cantrell (2000), Pateli and Giaglis (2003) and Ibm (2005)
6	*CUSTOMER RELATIONSHIPS*	They identify the type of relationship companies create with their customer segments.	Casadeus -Masanell and Ricart (2010) and Ibm (2005)
7	*DISTRIBUTION CHANNELS*	They describe the different ways the company delivers its value proposition to its targeted customers through channels.	Linder and Cantrell (2000) and Casadeus -Masanell and Ricart (2010)
8	*KEY RESOURCES*	The resources necessary to create value for the customer. These resources could be human, financial, physical and intellectual.	Hamel (2000), Afuah and Tucci (2001), Linder and Cantrell (2000), Petrovic, Kittl and Teksen (2001), Pateli and Giaglis (2003), Morris, Shindehutte and Allen (2005) and Casadeus -Masanell and Ricart (2010)
9	*CUSTOMER SEGMENTATION*	It defines the groups of customers that the company wants to reach and serve. Various set of customers can be segmented based on the different needs and attributes.	Gordijin and Akkermanns (2008)

Winter and Szulanski argue "The formula or business model, far from being a quantum of information that is revealed in a flash, is typically a complex set of interdependent routines that is discovered, adjusted, and fine-tuned by doing". Therefore, Demil and Lecocq (2010) suggest that it is important to look at the dynamics created by the interactions between building blocks. In fact, the resources accumulated over an organization's history continually react with each other in unique combinations to determine the firm's idiosyncratic bundle of capabilities that differentiate it in its sector.

Value lies also in discovering new or applying different business models (Giesen *et al*., 2007; Markides, 2008), in other words in doing a ***business model innovation*** or a ***business model reconfiguration***. Business model innovation is a key point for firm performance and survival (Chesbrough, 2007; Johnson *et al*., 2008; Demil and Lecocq, 2010).

Business model reconfiguration can be due to industry model innovation, revenue model innovation or enterprise model innovation (Giesen *et al*., 2007).

Johnson *et al.* (2010) suggested ways to determine if the company should alter its business model for taking opportunities (e.g. addressing needs of large groups who find existing solutions too expensive or complicated; capitalizing on new technology or leverage existing technology in new markets; bringing a job-to-be-done focus where it doesn't exist) or satisfying a need (e.g. fending off low-end disruptors; responding to shifts in competition) by: determining the success reasons of the present business model, watching for signals of change needs and deciding if the renewal worth effort.

As in the literature review of Zott *et al.* (2011), Bouchikhi and Kimberly (2003) and Chesbrough (2010) investigated the barriers to business model innovation in existing firms. The first barrier is the underlying configuration of assets and processes. The second barrier is cognitive: a challenge in business model innovation is overcoming the dominant logic (Chesbrough and Rosenbloom, 2002), because it acts as a filter preventing managers to seeing opportunities.

Calia *et al.* (2007) show how technological innovation can result in changes in the company operational and commercial activities, influencing business model reconfiguration, and how the networks can provide resources necessary for business model reconfiguration. Smith *et al.* (2010) underlined the importance of leadership for dynamic decision-making, commitment building and learning for managing complex business models change. Santos *et al.* (2009) emphasised the behavioural aspects involved in business model innovation arguing that formal structural aspects are connected to the informal relational dynamics. In this line, Doz and Kosonen (2010) proposed that companies should have the strategic agility capability.

2.2 Capabilities for dealing with changing times

Running in a hypercompetitive, complex world requires to: (1) ensure being among the first to perceive and develop opportunities to create winning innovations, (2) increase response in fast changing environments and (3) enhance resilience against external threats.

Many studies have been carried out in search of capabilities to stay competitive in a high rate changing environment. Among them the main search streams can be identified in:

- *Dynamic capabilities* focus on the specific abilities to allowing organizations to sense change, acquire resources, and integrate them to renew the competitive advantage, when faced with external change (Teece *et al.*, 1997; Eisenhardt and Martin, 2000; Helfat *et al.*, 2007). Being dynamical capable means being adaptive, absorptive and innovative (Wang *et al.*, 2007);
- *Organizational capabilities* focus mainly on organizations internal system. Organizational capabilities characterize the dynamic, non-finite abilities that enable the firm to acquire, develop, and deploy its resources to achieve superior performance relative to other firms. (Lado and Wilson, 1994; Boonpattarakan, 2012). Organizational capabilities are intimately correlate to the complementarity concept. An ability to be understand as an organizational capability should involve a collective action (Levinthal, 2000 in Dosi *et al.* 2000).
- *Strategic capabilities* focus on a capability-based strategy. Stalk *et al.* (1992) recognize agility, speed, and acuity as main strategic capabilities. Other concepts can be collocate under this research stream such as:
  - o *Peripheral vision* emphasizes the need to build specialized sensors to overcome limitations of perception, experienced by industrial firms (Day and Schoemaker, 2004; Winter, 2004);
  - o *Environmental scanning* emphasizes the top management role in perceiving and interpreting change, as well as initiating organizational responses (Jain, 1984; May *et al.*, 2000);
  - o *Strategic resilience* focus on creating a system that can proactively react to change. It underlines the importance of (1) becoming conscious of change and its effects on business creating and (2) preventing for unexpected changes by creating resilience through variety of ideas, investing in those ideas liberating resources and dedicating energy to systematic exploration of strategies (Hamel and Valikangas, 2003);
  - o *Strategic agility* is the ability to adapting to unforeseen changes of the business environment, moving quickly and in an easy fashion (Ganguly *et al.*, 2009). Agility can be imagined as a dynamical process of anticipating as well as adjusting to trends and customer needs without misaligning from the company vision (Fartash *et al.*, 2012).

Table 2 reports a list of capabilities and author placed on the three main search streams.

Table 2 – *Capabilities in the literature*

#	CAPABILITIES	1. Dynamic capabilities			2. Organisational capabilities							3. Strategic capabilities			TOT
		1.1. Eisenhardt e Martin (2000)	1.2. Teece (2007)	1.3. Wang et al. (2007)	2.1. Sharma et al. (1998)	2.2. Ulrich e Smallwood (2004)	2.3. Kaplan e Norton (2004)	2.4. Protogerou (2005)	2.5. Lokshin et al. (2009)	2.6. De Toni et al. (2011)	2.7. Chang et al. (2012)	3.1. Stalk et al. (1992)	3.2. Hamel and Valikangas (2003)	3.3. Doz and Kosonen (2010)	
1	Absorptive capability			x											1
2	Abstracting													x	1
3	Accountability					x									1
4	Acuity											x			1
5	Adaptive capability			x											1
6	Agility											x			1
7	Alignment/Aligning						x							x	2
8	Anticipating													x	1
9	Autonomy									x					1
10	Caring													x	1
11	Consistency											x			1
12	Conquer denial												x		1
13	Collaboration					x									1
14	Coordination, integration capability							x							1
15	Cultural capability/Culture						x								1
16	Customer connectivity					x									1
17	Customer competencies								x						1
18	Decoupling													x	1
19	Dialoguing													x	1
20	Dissociating													x	1
21	Distancing													x	1
22	Efficiency					x									1
23	Embrace paradox												x		1
24	Experimentation/Experimenting										x			x	2
25	Gain and release resources	x													1
26	Grafting													x	1
27	Innovation / Continuous innovation / Innovative capability / Innovativeness		x	x	x							x			4
28	Interconnectivity									x					1
29	Integration / Integrating / Integrate resources	x									x			x	3
30	Leadership				x	x									2
31	Learning capability / Continuous higher order learning				x	x		x							3
32	Liberate resources												x		1
33	Managing threats and reconfiguration		x												1
34	Modularizing													x	1
35	Openness										x				1
36	Organizational competencies								x						1
37	Redundancy									x					1
38	Reconfiguration / Reconfiguration of resources / Transformation and reconfiguration capability	x					x		x						3
39	Reframing													x	1
40	Revealing													x	1
41	Seizing opportunities		x												1
42	Sensing opportunities		x												1
43	Sharing									x					1
44	Shared mind-set and coherent brand identity					x									1
45	Speed					x						x			2
46	Stakeholder integration				x										1
47	Strategic unity					x									1
48	Switching													x	1
49	Talent					x									1
50	Teamwork					x									1
51	Technological competencies								x						1
52	Value variety												x		1
	TOT	3	3	3	3	11	4	3	3	4	4	5	4	15	65

As showed in Figure X, the Doz and Kosonen's set of capabilities is the most complete. It's also the most suitable for our research study. In fact, **Strategic Agility** is defined as "the ability to dynamically revise or reinvent the company and its strategy as the business environment changes" (Fartash et al., 2012). It can also be defined as "the capability to think and act differently", that lead to new business model innovations (Doz and Kosonen, 2008).

For being strategic agile, Doz and Kosonen (2010) advises to enhance the strategic sensitivity, build leadership unity, and ensure sufficient resource fluidity to increase the responsiveness towards emerging change (Doz and Kosonen, 2008 and 2010). Specifically:

- *Strategic sensitivity*: the sharpness of perception of, and the intensity of awareness and attention to, strategic developments; in fact, "anticipating" market trends companies need to be sensitive to market. Using a metaphor coming from biology, the more sensory receptors you have, the more you will be able to recognize external trends and opportunities.
- *Leadership unity*: the ability of the top team to make bold, fast decisions, without being bogged down in top–level 'win–lose' politics; in fact, "adjusting to trends" means being able to rapidly reconfigure itself;
- *Resource fluidity*: the internal capability to reconfigure capabilities and redeploy resources rapidly; in fact, "not giving up firm's vision" needs a strategic unity, listed by Ulrich and Smallwood (2004) as one of the top–ten organizational capabilities.

Doz and Kosonen (2008, 2010) specify these macro–capabilities in micro–capabilities for achieving strategic agility (see Table 3). For Gandossy (2003), fast and agile organizations share five basic characteristics: having a clear purpose, an engaging climate (that permits dialogue), a small unit accountability (keeping things small), outside–in focusing (keeping in touch with customers), and a collective will. These capabilities seem to fill gaps of traditional managerial processes which are, according to Kotter (2012), identify the most important hazards and opportunities early enough, formulate creative strategic initiatives nimbly enough, and implement them fast enough.

Table 3 – Capabilities for achieving strategic agility (Doz and Kosonen, 2008 and 2010)

STRATEGIC SENSITIVITY	
1. Anticipating	Sharpening foresight • Explore future usage concepts • Do not over-rely on foresight tools (e.g. Scenario planning)
2. Experimenting	Gaining insight– Probing. Discovering 'lead locations,' innovation hotspots • Local experiments, in-market tests • Strategic and reflective use of corporate venturing
3. Distancing	Gaining perspective • Nurture an 'outside-in' perspective through a rich network of personal contacts • Hearing the voice of the periphery
4. Abstracting	Gaining generality • Restating business models in conceptual terms
5. Reframing	Seeing the need for business model renewal • Engaging in honest, open and rich dialogue around strategic issues
LEADERSHIP UNITY	
6. Dialoguing	Surfacing and sharing assumptions, understanding contexts • Explore underlying assumptions and hypotheses, not just conclusions, developing common ground
7. Revealing	Making personal motives and aspirations explicit • Transparency and clarity of motives brings mutual respect and trust, and understanding of positions
8. Integrating	Building interdependencies • Define a valuable common agenda that conditions success
9. Aligning	Sharing a common interest • Beyond incentives, give deeper common meanings
10. Caring	Providing empathy and compassion • Provide the personal safety needed to be playful
RESOURCE FLUIDITY	
11. Decoupling	Gaining flexibility • Organise by customer/segmentation–based value domains.

12. Modularising	Assembling and disassembling business systems. • Develop 'plug and play' functionality for business systems and processes
13. Dissociating	Separating resource use from resource ownership and negotiating resource access and allocation
14. Switching	Using multiple business models • Having different business model infrastructures in parallel and aligning and switching products between them
15. Grafting	Acquiring to transform oneself • Import a business model from acquired company

Table 4 matches the Doz and Kosonen (2010)'s capabilities set with the list of capabilities from literature. As example, in the capabilities Strategic Sensitivity bundle: **Anticipating** conveys capabilities related to the ability of exploring future usage concepts to anticipate market trends such as *acuity* by Stalk et al. (1992) that is the ability to see the competitive environment clearly and thus to anticipate it. **Experimenting** conveys abilities of discovering new concepts, markets, innovation hot-spots such as *autonomy,* that is the ability to encourage and tolerate risky, ambiguous, and unsuccessful radical ideas (Chang et al., 2012), *innovativeness* and *value variety* by launching a swarm of low-risk experiment (Hamel and Valikangas, 2003). In the Leadership Unity bundle: **Dialoguing** is similar to the capabilities of *collaboration* (Protogerou, 2005), *customer connectivity* that is creation of relationships of trust with targeted customers (Ulrich and Smallwood, 2004), *interconnectivity* by De Toni et al. (2011) and *openness* by Chang et al. (2012). **Aligning** conveys capabilities related to the ability to strategically align strategic meanings (Battistella *et al*., 2012), values and objectives. Thus merges capabilities of *coordination* (Protogerou, 2005), *culture* by Kaplan and Norton (2004), that is the ability to foster awareness and internalization of the mission, vision and core values (Kaplan and Norton, 2004), *leadership*, the ability to embed leaders throughout the organization (Ulrich and Smallwood, 2004), *shared mind-set* and *strategic unity* by Ulrich and Smallwood (2004).
Regarding the Resource Fluidity bundle of capabilities: **Switching** capability relates to the ability of having different business models, acquiring variety. Thus, switching conveys capabilities of: *adapting,* that is capitalize on emerging market opportunities (Wang et al. 2007); *reconfigure,* ability to change asset structure and business models in a continuously changing environment; *redundancy,* that is the ability to create a surplus of intangible cognitive, functional, informative resources (De Toni et al., 2011). Redundant functions create backup capabilities that improve the company's ability to respond to demand changes (Hoyt, 2007); and finally, *value variety* (Hamel and Valikangas, 2003). Another example is **Grafting**, a concept similar to switching one. Grafting means acquiring business models and knowledge. This concept can be related to the one of *absorb* by Wang et al. (2007), that is the ability to assimilate external information; or to *openness* and *reconfigure*.

Finally we recognize the presence of a set of capabilities not made explicit by Doz and Kosonen (2010): Knowledge Capitalization. These capabilities are relate to the concept of internal organizational culture and values. Thus, we define five new capabilities:

1. **Culture creating:** create an unique organizational culture.
2. **Learning:** generate ideas, generalize it, try and learn from experience.
3. **Knowledge managing:** manage internal and external knowledge, tacit and explicit one.
4. **Talent attracting:** surround your business with talents.
5. **Team-working:** share knowledge, culture and values and build internal trustworthy and friendly relations.

As shown in table 4, **Culture creating**, aggregates capabilities of *culture* by Kaplan and Norton (2004), *shared mind-set and coherent brand identity* and *strategic unity* by Ulrich and Smallwood (2004). And finally the ability to create an organizational mind-set able that has become deeply conscious of what's changing - and perpetually consider how those changes might affect firm's current success (Hamel and Valikangas, 2003). **Learning** conveys capabilities of *absorbing*, recognize the value of new, external information, assimilate it, and apply it to commercial ends (Wang et al., 2007), and *learning* (Ulrich and Smallwood, 2004; Sharma et al., 1998; Protogerou, 2005). **Knowledge managing** is related to the capabilities of *absorbing* and *technological competencies* that is the ability to generate, as well as assimilate, transform and exploit the acquired knowledge (Lokshin et al., 2009). Importance of knowledge is recognized also by Grant (1996). For him, organizational capability is the integration of individuals' specialized knowledge (Grant, 1996). **Talent attracting** is a mix of *openness* as ability to harvest ideas and competencies from a wide array of sources (Chang et al., 2012), and *talent* that is the ability to attract, motivate, and retain competent and committed people (Ulrich and Smallwood, 2004). Finally, **Team-**

working means ensure that knowledge and staff assets that have strategic potential are shared (Kaplan and Norton, 2004).

Table 4 – *Doz and Kosonen model and capabilities in the literature*

	CAPABILITIES	Strategic Sensitivity					Leadership Unity					Resource Fluidity					Knowledge capitalization					DEFINITION
		1. Anticipating	2. Experimenting	3. Distancing	4. Abstracting	5. Reframing	6. Dialoguing	7. Revealing	8. Integrating	9. Aligning	10. Caring	11. Decoupling	12. Modularising	13. Dissociating	14. Switching	15. Grafting	16. Culture creating	17. Learning	18. knowledge managing	19. Talent attracting	20. Team-working	
1	Absorptive capability			x		x	x		x							x		x	x			Ability to recognize the value of new, external information, assimilate it, and apply it to commercial ends (Wang *et al.*, 2007).
2	Accountability																					Ability to obtain high performance from employees (Ulrich and Smallwood, 2004).
3	Acuity	x		x	x																	Ability to see the competitive environment clearly and thus to anticipate and respond to customers' evolving needs and wants (Stalk *et al.*, 1992).
4	Adaptive capability	x										x	x		x							Ability to identify and capitalize on emerging market opportunities (Wang *et al.*, 2007).
5	Agility	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x						Ability to adapt simultaneously to many different business environments (Stalk *et al.*, 1992).
6	Alignment								x													Ability to align goals and incentives at all levels (Kaplan and Norton, 2004).
7	Autonomy	x	x		x	x																Ability to encourage and tolerate risky, ambiguous, and unsuccessful radical ideas (Chang *et al.*, 2012).
8	Collaboration						x		x													Ability to working across boundaries to ensure both efficiency and leverage (Ulrich and Smallwood, 2004).
9	Consistency	x	x																			Ability to produce a product that unfailingly satisfies customers' needs (Stalk *et al.*, 1992).
10	Conquer denial			x	x		x			x	x						x					*Become deeply conscious of what's changing - and perpetually consider how those changes might affect your firm's current success* (Hamel and Valikangas, 2003).
11	Coordination/integration capability*							x	x													Ability to effective integrate and standardize business processes, adopt the latest management tools and techniques, and systematic implement business plan (Protogerou, 2005).
12	Culture		x	x			x	x	x								x					Ability to foster awareness and internalization of the mission, vision and core values (Kaplan and Norton, 2004).
13	Customer competencies		x									x										*Customer cooperation, market research, customer sourcing, customer meetings* (Lokshin *et al.*, 2009).
14	Customer connectivity	x					x	x														Ability to build enduring relationships of trust with targeted customers (Ulrich and Smallwood, 2004).
15	Efficiency																					Ability at managing cost (Ulrich and Smallwood, 2004).
16	Embrace paradox	x	x	x	x																	*Dedicate as much energy to systematic exploration of new strategy options as you do to the relentless pursuit of efficiency* (Hamel and Valikangas, 2003).
17	Experimentation		x																			Ability to probe, experiment with, test, and commercialize radical ideas and concepts, across R&D, manufacturing and marketing disciplines (Chang *et al.*, 2012)
18	Gain and release resources		x	x		x	x															Ability to gain and release resources. These include knowledge creation routines whereby managers and others build new thinking within the firm (Eisenhardt and Martin, 2000).
19	Innovation / Continuous innovation / Innovative capability* / Innovativeness	x	x	x	x	x																Ability to develop new products and/or markets, through aligning strategic innovative orientation with innovative behaviours and processes. (Wang *et al.*, 2007). Ability to generate new ideas and to combine existing elements to create new sources of value (Stalk *et al.*, 1992).

#	Capability																					Description
20	Integration / Integrate resources								x	x			x	x		x							Ability to integrate and align the organizational connectedness and ambidexterity of radical innovation with the mainstream business (Chang *et al.*, 2012).
21	Interconnectivity						x	x	x	x						x							Ability to create networks able to exploit the small-world effect (De Toni *et al.*, 2011).
22	Leadership										x	x											Ability to embed leaders throughout the organization (Ulrich and Smallwood, 2004).
23	Learning /Continuous higher order learning																	x					Ability to generate and generalize ideas with impact (Ulrich and Smallwood, 2004).
24	Liberate resources		x								x												*Get cash to people who can bring new ideas to fruition* (Hamel and Valikangas, 2003).
25	Managing threats and reconfiguration			x	x							x											*Ability to recombine and to reconfigure assets and organizational structures as the enterprise grows, and as markets and technologies change, as they surely will.* (Teece, 2007).
26	Openness		x	x		x		x					x		x					x			Ability to harvest ideas and competencies from a wide array of sources (Chang *et al.*, 2012).
27	Organizational competencies										x							x					*Team cohesiveness; Slack time* (Lokshin *et al.*, 2009).
28	Reconfiguration / Reconfiguration of resources / Transformation and reconfiguration capability				x						x			x	x								Ability to change asset structure in a continuously changing environment (Protogerou, 2005).
29	Redundancy										x	x			x								Ability to create a surplus of intangible cognitive, functional, informative resources (De Toni *et al.*, 2011). Redundant functions create backup capabilities that improve the company's ability to respond to demand changes (Hoyt, 2007).
30	Seizing opportunities	x				x																	*Identification and calibration of technological and market opportunities, the judicious selection of technologies and product attributes, the design of business models, and the commitment of (financial) resources to investment opportunities* (Teece, 2007).
31	Sensing opportunities				x	x																	*Constantly scan, search, and explore across technologies and markets* (Teece, 2007).
32	Shared mind-set and coherent brand identity								x							x							Ability to ensure that employees and customers have positive and consistent images of and experiences with our organization (Ulrich and Smallwood, 2004).
33	Sharing						x	x	x														Ability to share values, vision and processes (De Toni *et al.*, 2011).
34	Speed																						Ability to make important changes rapidly (Ulrich and Smallwood, 2004).
35	Stakeholder integration		x					x															Ability to establish trust-based collaborative relationships with a wide variety of stakeholders, especially those with noneconomic goals (Sharma *et al.*, 1998).
36	Strategic unity						x	x	x							x							Ability to articulate and share a strategic point of view (Ulrich and Smallwood, 2004).
37	Talent										x								x				Ability to attract, motivate, and retain competent and committed people (Ulrich and Smallwood, 2004).
38	Teamwork								x												x		*Ensure that knowledge and staff assets that have strategic potential are shared* (Kaplan and Norton, 2004).
39	Technological competencies												x					x					Ability to generate, as well as assimilate, transform and exploit the acquired knowledge (Lokshin *et al.*, 2009).
40	Value variety/Variety	x	x									x			x								*Launching a swarm of low-risk experiment* (Hamel and Valikangas, 2003).
		10	12	13	9	9	12	6	12	13	8	10	6	2	5	7	6	7	4	2	3		

2.3 Strategic agility and business model

The strategic reconfiguration of business models is associated with many difficulties to overcome, such as: (1) identifying change needs, (2) overcoming inertia, (3) accepting new structures and choose adequate approaches to renovate (Wirtz *et al*., 2010). Being unable to adapt successfully and efficiently one's business model in the face of unexpected and significant environmental change can cause a decrease of the market share or even failure (Ganguly *et al*., 2009; Wirtz *et al*., 2010; Kotter, 2012). Thus, today, for firms, to possess capabilities for delivering strategic agility is a necessary requisite for surviving.

Business model reconfiguration can benefit of strategic agility (Ganguly *et al*., 2009) because strategic agility is *"the ability to continuously adjust and adapt strategic direction in core business, as a function of strategic ambitions and changing circumstances, and create not just new products and services, but also new business models and innovative ways to create value for a company"*. Being strategically agile means to gain the ability to dynamically revise or reinvent the company and its strategy, to think and act differently, leading to new business model innovations, as the business environment changes (Morgan *et al.* 2008; Doz and Kosonen, 2008; Fartash *et al.,* 2012).

While some works (Chesbrough, 2007) identify how the innovation/reconfiguration of the business model can generate new value in a sector (in terms of value proposition, target market, value chain, revenue mechanisms, value network or ecosystem, competitive strategy), there is few research yet on *how capabilities influence the reconfiguration of the building blocks of the business model*.

Demil and Lecocq (2010) identify the static and the transformational views of the business model. The static view allows to build typologies and study the relationship between a given business model and performance. It gives a consistent picture of the different components but is often unable to describe the process of business model evolution. The transformational view can help managers reflect on how they can change their business models but tends to discuss change rather than looking at how business models change themselves (e.g. Raff on the evolution of the capabilities, Winter and Szulanski on the role of routines, and Johnson *et al.* on the change in value propositions). Demil and Lecocq (2010) themselves discuss how a change of a component influences the change of another, but do not discuss the *specific capabilities that a company should have for enabling this change and its effects on components*. Therefore, none of these views discusses components and change in an integrated way.

As shown in *Table 5*, literature on business models have few contributions that analyse the business model from a strategic agility perspective and, from the other side, literature on strategic agility does not present a focus on building blocks of the business model – i.e. works that find the most suitable strategic capability for each building block of the business model, with the aim to make it agiler, are missing.

Table 5 – *Papers dealing with business model change and the literature gap*

AUTHORS	CONCEPT	DESCRIPTION	CHANGE MANAGEMENT VIEW				BUSINESS MODEL VIEW			
			OC	DC	SA	NA	CS	VA	BB	NA
Calia *et al.*, 2007	Effect of technological innovation on business model	It shows how technological innovation can result in changes in the company operational and commercial activities, influencing business model reconfiguration, and how the networks can provide resources necessary for business model reconfiguration.			x					x
Chesbrough, 2007								x		
Giesen *et al.*, 2007	Business model innovation									
Santos *et al.*, 2009	Behavioural aspects for business model	It emphasises the behavioural aspects involved in business model innovation arguing that formal structural aspects are connected to the informal relational dynamics.								
Demil and Lecocq, 2010	Dynamics of business model	It suggests that it is important to look at the dynamics created by the interactions between building blocks. In fact, the resources accumulated over an organization's history continually react with each other in unique combinations to determine the firm's idiosyncratic bundle of capabilities that differentiate it in its sector.						x	x	
Doz and Kosonen, 2010	Strategic agility framework	It								
Johnson *et al.*,	Business	It suggests ways to determine if the company should								

2010		alter its business model for taking opportunities (e.g. addressing needs of large groups who find existing solutions too expensive or complicated; capitalizing on new technology or leverage existing technology in new markets; bringing a job-to-be-done focus where it doesn't exist) or satisfying a need (e.g. fending off low-end disruptors; responding to shifts in competition) by: determining the success reasons of the present business model, watching for signals of change needs and deciding if the renewal worth effort.								
Osterwalder and Pigneur, 2010						x			x	
Smith *et al.*, 2010	Behavioural aspects for business model	It underlines the importance of leadership for dynamic decision-making, commitment building and learning for managing complex business models change.								

OC = Organizational capabilities, DC = dynamic capabilities; SA: Strategic agility; NA = Not applicable;
CS = Cash streams; VA = value; BB = Building Blocks; NA = Not applicable;

2. METHODOLOGY

Starting from the literature review, the understanding of the importance of linking the strategic agility and business modelling approaches, the present work aims to understand which capabilities are worth using in in specific areas of the business model.

To handle this question, we adopted a deductive approach to identify first the business model's building blocks and the capabilities and then to deduce how the capabilities are used and connected to the business model's building blocks.

As already discussed in the theoretical background section, we decided to use Osterwalder (2008) model for mapping the business model and Doz and Kosonen (2008) model for strategic agility and change. We chose these models because Osterwalder model is built from literature and therefore it is one of the most complete business model maps and Doz and Kosonen one comprehends many different capabilities from literature (see Table 2).

The research followed the steps for qualitative research on management suggested by Flynn *et al.* (1990):
  a) Theoretical foundation identification
  b) Selection of the research design
  c) Selection of the data collection method
  d and e) Implementation and elaboration of aggregated data

a) Theoretical foundation identification
Two different literature reviews have been conducted: the business model literature and the strategic agility literature. Then, we tried to understand the gaps and the importance of linking the two approaches.

b) Selection of the research design
For new investigations (Eisenhardt, 1989), to identify crucial variables (Yin, 2003), to observe a phenomenon in its complexity (McCutcheon and Meredith, 1993), to do an holistic and contextualized research and to collect a wide array of data (Hartley, 1994) and to study a phenomenon with a dynamic nature and process and where not-considered events play an important role in building explanations (Pettigrew, 1992), a qualitative methodology is needed. We followed the suggestions of Voss *et al.* (2002) for the choice of the case study for the research design: a multiple case studies for the theory building. As suggested by Eisenhardt (1989) and Voss et al. (2002), theory building aims to identify and descript the key variables, the links among them and why these relationships exist.

c) Selection of the data collection method
The collection of data required 10 circa (for every multiple case study) non-consecutive days of on-site visits, in a time-frame of analysis from 2010 to 2012. Multiple data collection methods were adopted to acquire a deep understanding of the dynamics involved. The aim was twofold: to increase information basis and to diversify data in order to reduce biases (Patton, 2002; Yin, 2003). Documentation was semi-structured interviews (to CEOs and strategy managers), company documents and secondary data (press review and official company's documents as website and archival documents).

To assure the coherence and the consistency, a standard interview protocol was developed to be checked and to guide the interviews:

- description of the strategy and of the general business model;
- description of the business model following the Osterwalder building blocks;
- description of the change / disruptions events;
- description of the capabilities that permitted to overcome the event;
- description of the locus where capability was much more needed and why.

d and e) Implementation and elaboration of aggregated data
For the multiple case study, we selected among enterprises that:

- had a significant business model reconfiguration and successfully overcome changes;
- have an innovative business model.

The motivations of the choice are: fit, distinctiveness and revelatory nature (Eisenhardt, 1989; Siggelkow, 2007; Yin, 2003). The unit of analysis has been the entire business model.

Moreover, we chose companies different in terms of size and kind of industry. This selection is due to the willingness to deepen the analysis and to perform a better comparison.

The cases are shown in Table 6. In the few multiple case studies that literature presents (e.g. …), no papers present a multiple case study.

The process of building of setting-up the framework has been abductive: a deductive approach with the development of the meaning strategy framework based on literature review and the exemplification and validation of the framework and an inductive approach where we compared our secondary data and interviews from our case study with the literature and present a more elaborated framework that has its foundations on reality.

Table 6 – The case studies

	FIRM	BUSINESS AREAS	EMPLOYEES	INNOVATIVE BUSINESS MODEL REASON
1	*ILLYCAFFÈ*	Coffee-related products	342 M€ 700+ employees	Supplier relationships, quality and knowledge management
2	*LOCCIONI*	Quality control and hi-tech electronic solutions	65 M€ 350+ employees	Network and territory
3	*NICE*	Home automation	139 M€ 750+ employees	Multi-business, customer relationships and communication
4	*LAGO*	Design furniture	50 M€ 180+ employees	Customer relationships

3. CASE STUDIES

All the four companies based their successful and continuous business model continuous reconfiguration on the three ingredients of Doz and Kosonen (2008):

- perceiving opportunities and quickly responding to them (*strategic sensitivity*);
- solid leadership (*leadership unity*);
- skilled orchestration of fluid resources (*resource fluidity*).

Moreover, we found out that another set of capabilities (derived from literature) can be used:

- *knowledge capitalisation*.

In the next section we will explore more in detail how strategic agility was implemented in the four companies and describe the capabilities activated by managers along specific building blocks of the business model to develop and nurture strategic agility in their organizations.

4.1 Nice

Established in the early 90s by Lauro Buoro in Oderzo (TV), Nice S.p.A. is one of the leading international companies in the Home Automation field. The Group offers a wide range of integrated automation systems for gates, garage doors, road barriers and parking systems, awnings and blinds, for residential, commercial and industrial buildings, as well as wireless alarm systems (www.niceforyou.com).

Nice is the key player of a group of 36 companies spread around the world. With consolidated revenues over 274 million euro in 2012, Nice markets its products in over 100 countries, covering areas from Italy to Western and Eastern Europe and also non–European markets such as China, United States, South America, Middle East and Africa.

Nice's strategic vision consists of becoming the main player in the Home Automation field through market expansion and product gamma extension.

Some examples of key building blocks of Nice's strategy are key partners and customer relationships.

Regarding **key partners**, Nice created "Nice world". This permits to develop a wide gamma of products and monitor, and eventually enter, in different and international markets, by acquiring and sharing external know–how from partners. Nice uses multiple business models for each different country. Thus, *switching*, *decoupling* and *grafting* are the main capabilities played here by Nice. For example, Nice expanded into the lighting sector through the acquisition of FontanaArte in December 2010 grafting its business model and switching the Group business. In June 2011, Nice entered the South American market with the acquisition of Peccinin Group. In August 2011, the company created a joint venture with Linix Motor, laying the foundations for the future expansion into the Chinese market and acquired KINGgates, reinforcing its technology focus on the core business of automation systems for gates and garage doors (switching and grafting). In September 2011, Nice acquired Elero – –the German Group leader in the manufacture of automation systems for sun protections – for the automation of all types of internal and external solar protection for buildings. Partners are then integrated through, as example, the creation of a new integrated system that is able to manage the Nice's world Nice Era and *dialoguing* is the main challenge for each partner. The motto "Be Nice, Think different, Be reliable" underpins Nice's shared opinion for surfacing and sharing assumptions.

Moreover, Nice has restated the **customer relationship** block of its business model through *abstracting* and *reframing* it. The "Nice Era", the "Nice way" of thinking different influenced the relationship between Nice and clients. Since from the beginning, when the first Nice's fair stand was composed only by a painting made by a Venetian painter, to the today's initiatives. "Nice meets art" where product and processes usage concepts such as sustainability and green are conveyed through pictures. Other examples are "Nice F.e.e.l." (For everyone everywhere liberty) that promotes activities that give people with motor difficulties – such as the disabled and the elderly – greater freedom in movement and more individual autonomy. And Nice Sailing Team that participates to different sailing competitions such as the "Extreme Sailing Series".

Figure 1 shows how the strategic agility macro and micro capabilities are oriented to specific building blocks of the Nice business model.

	BB 1	BB 2				BB 3						BB 4	BB 5		BB 6		BB 7					BB 8		BB 9		
	VALUE PROPOSITION	KEY RESOURCES				KEY ACTIVITIES						REVENUE STREAMS	COSTS STRUCTURE		KEY PARTNERS		DISTRIBUTION CHANNEL					CUSTOMER SEGMENTS		CUSTOMER RELATIONSHIP		
	1.1	2.1	2.2	2.3	2.4	3.1	3.2	3.3	3.4	3.5	3.6	4.1	5.1	5.2	6.1	6.2	7.1	7.2	7.3	7.4	7.5	8.1	8.2	9.1	9.2	9.3
	Design and innovative products	Headquarters	Central warehouse	R&D Labs	Informative system	Outsourcing of production phases	External know-how	Gamma width	Not conventional communication	Stock Market quotation	Training	Exporting	Foreign production	R&D investments	Group partners	Territory	Systems installers	Manufacturers	Distributorrs	Wholesalers	GDO	Clients of the distibution channels	DIY (Do It Yourself) clients	Nice meets art	Nice feel	Nice sailing team
STRATEGIC SENSITIVITY	AN AB							EX															AB RE		AB RE DI	EX
LEADERSHIP UNITY		CA			DI AL			DI IN							DI IN	IN CA							RE DI		RE DI CA	RE
RESOURCE FLUIDITY	DE			DE		DI	GR	MO SW		DI					DE SW GR		DE	DE	DE	DE	DE	DE	MO SW			
KNOWLEDGE CAPITALIZATION		TA			CU	CU LE			LE															CU	CU	CU

Figure 1– Strategic agility and business model in Nice

4.2 Lago

Lago was established in 1980 by the entrepreneur Giuseppe Lago near Padua (Italy). Lago SpA is a key player in the furniture industry producing design furnishing focused on the care for detail and the pursuit of elegance. In 2006, due to the intense growth rate, Lago became a publicly listed company and reconfigured internal processes and arranged to face international markets challenges. The last five years revenue increases from 5 to 50 million €, and the number of employees from 50 to 180. Today Lago spreads all over the world with more than 400 selected retailers located prestigious cities (Rome, Milan, Paris, London etc.).

Lago's mission has three main facets: design, caring for people and human resources and accessibility.

Starting from *value proposition*, Lago constantly seeks to abstract new usage concepts linking design and artistic significances to products and to business model. Lago's corporate philosophy embraces interaction between business and art, coupled with on–going research into sustainable development. For example, artistic meanings are depicted in *customer relationship* lateral projects such "Art Waiting Room": a company's waiting room that became an art gallery with which Lago dialogues and reveals its values. Another example is the "Lago's Flat": a flat with expositive functions, or the "tenant" (a simple tenant can use Lago's furniture but let the company use his flat for clients visits in order to show a "living house", with real people living in).

Another key building block is *key resources*. Lago declares that people are its main resource. Thus, Lago's company headquarters has the spirit of a home. The central role in the business is once again occupied by the people; opening up the territory and promoting economic and cultural development in an intelligent manner: "after all, the man who creates is also the man who uses" (www.lago.it). Therefore *caring* is one of the main Lago's capability.

Regarding *key activities* Lago, following the Lean principle of continuous improvement, optimized internal processes and simplified products architecture according to modularity. Internal activities that require Lago to be able to *modularize*, *graft*, *align* and *switch*. With grafting and aligning capabilities, we mean Lago's abilities to acquire external knowledge and to share internal one.

Finally, regarding the ***distribution channels****,* a distribution strategy has also been initiated, with new Lago's shops opening around Europe, in partnership with major showrooms. Lago Stores and shops in shop require ability of *reveal* itself to customers and to *decouple* distributions points.

Figure 2 shows how the strategic agility macro and micro capabilities are oriented to specific building blocks of the Lago business model.

	BB 1 – VALUE PROPOSITION			BB 2 – KEY RESOURCES						BB 3 – KEY ACTIVITIES				BB4 – REVENUE STREAMS	BB 5 – COSTS STRUCTURE	BB 6 – KEY PARTNERS					BB 7 – DISTRIBUTION CHANNEL			BB 8 – CUSTOMER SEGMENTS	BB 9 – CUSTOMER RELATIONSHIP				
	1.1 Home furniture	1.2 Fashion products	1.3 pCon planner	2.1 Daniele Lago	2.2 Brand	2.3 Olga	2.4 Patents	2.5 Headquarters	2.6 Lago studio	3.1 Modular design	3.2 Kaizen	3.3 Visual planning	3.4 Life Cycle Assessment	4.1 Selling furniture	5.1 Standards	6.1 Designers	6.2 R&D centres	6.3 Prestigious partners	6.4 Cultural partners	6.5 Local companies	7.1 Lago store	7.2 Shop in shop	7.3 Store openness	8.1 Home customers	9.1 Lateral projects	9.2 Blogs	9.3 External community	9.4 Lago Flat	9.5 Tenant
STRATEGIC SENSITIVITY	AB	RE	AN EX																					RE				EX RE	EX RE
LEADERSHIP UNITY					RE AL	DI IN AL CA		CA	DI		AL	AL	AL			DI AL	DI	DI IN	DI IN	DI IN	RE	RE			DI	DI	DI		
RESOURCE FLUIDITY		GR	MO			DI				MO	GR	MO	SW			GR				DE	DE	DE	DE					DE	DE
KNOWLEDGE CAPITALIZATION			CU LE			LE					TW	TW				LE TW	LE	LE								TA	TA		

Figure 2– *Strategic agility and business model in Lago*

4.3 Loccioni

Loccioni Group was officially established in 2006, but its history is longer. The first company of the group, ICIE, was founded in 1968 by Enrico Loccioni. During 1974 ICIE became General Impianti, and in the following years a generation of new business units were established such as AEA in 1980, and Summa Srl in 1992. Today the Group has five main business units: Loccioni Energy, Loccioni Environment, Loccioni Home, Loccioni Humancare and Loccioni Mobility, which generate revenues of 65 million euros, employing more 350 people, operating in more than 40 countries.

Loccioni measures and tests solutions, to improve the quality of products and processes for the manufacturing and service industry. The mission of Loccioni is: "We integrate ideas, people, technologies to transform data into values". Data are the core activity of Loccioni. The Group studies systems to manage, create, measure and transfer data.

Loccioni's business model is based on the concept of network. Networks are main constituents of Key Partners and Customer Relationship. Regarding the ***key partners***, Loccioni plays a "hub role" within the network of schools and universities, network of research centres, network of top firms and local players. This last network, as example, is the "spin-off" network: ex-collaborators, leaving the Group and becoming entrepreneurs (82 companies in 43 years employing about 300 people on the territory), who will continue to collaborate with Loccioni enriching the territory of work and knowledge. Therefore, key strategic agility

capabilities played by Loccioni regarding partners network are *dialoguing, modularising* (set of modular nets) and *grafting* (acquiring external knowledge and ideas by networking).

Networks constitute also the key strategy of managing **customer relationship**: BlueZone, U_Net, Nexusm Crossworld, etc. are all networks. These represent a new way of *dialoguing, caring, revealing* and *integrating*. As example, Silverzone is a network of experiences and knowledge of "beautiful minded", over-65 retired people, such as Loccioni's collaborators, clients, suppliers, partners who now feel like transferring their experience to young people, with a renovated enthusiasm and passion, enjoying them.

Figure 3 shows how the strategic agility macro and micro capabilities are oriented to specific building blocks of the Loccioni business model.

	1.1 Bespoke solutions	1.2 Data selling	1.3 Customised technologies	1.4 Follow your client	2.1 Enrico Loccioni	2.2 Brand	2.3 Summa	2.4 Young collaborators	2.5 SW Department	2.6 Plants	2.7 Loccioni's experience	3.1 Training	3.2 R&I team	3.3 R&D labs	3.4 Business marketing lab	3.5 Spin-offs / start-ups	3.6 System integrator	3.7 Open innovation	3.8 European projects	3.9 On-demand competences	4.1 Sales	5.1 Training	5.2 Investments in research	6.1 Schools and universities	6.2 Research centres	6.3 Top firms	6.4 Local players	6.5 Top designers	7.1 Focalised channels	8.1 Home	8.2 Energy and environment	8.3 Automotive	8.1 Human care	8.2 Industry	8.3 Community	9.1 LOV	9.2 Bluezone	9.3 U-net	9.4 Nexus	9.1 Cross world	9.2 Silverzone	9.3 Leaf community	9.4 Events
STRATEGIC SENSITIVITY	AN EX	EX		RE									RE	RE																AN	AN EX RE	RE	RE	RE	RE	DI	DI	DI	DI	DI AB RE	DI	DI	
LEADERSHIP UNITY					RE AL				IN CA		AL	AL	AL	DI	AL	DI		IN							DI	DI										DI IN	DI IN		DI	IN	IN CA		DI RE
RESOURCE FLUIDITY		DE	DE					DI		DI	DE		SW	SW	GR	DI				MO SW				GR	MO	GR			DE	DE SW	DE SW	DE SW	DE SW	DE SW	DE SW	MO	MO	MO	MO	MO SW	MO	MO	
KNOWLEDGE CAPITALIZATION			TA CU					TA			CU	LE	TE TW	TE TW KM	KM	KM	KM	KM	LE					TA	LE	TW	CU	CU								CU	TA	TA			LE		

Figure 3– Strategic agility and business model in Loccioni

4.4 Illy

Illycaffè is an Italian company in the coffee market from 1933. It competes with a niche strategy, selling a unique coffee blend (100% Arabica premium quality espresso coffee). 2010 closed with a consolidated turnover of 305 million euros, where sales outside Italy were about 56%. The number of employees is more than 700 units.

Some examples of the key building blocks are the cost structure, the distribution channels and the customer relationship.

Quality, from the supply point of view, is reached by buying green coffee of the highest quality Arabica directly from the growers, bypassing traditional actors of the coffee supply chain as traders and by according to the growers a premium price above-market prices (determined by the coffee exchange in the New York Exchange). illycaffè rewards quality with prices that are approximately 30 per cent higher than market average. This is a way to *modularise* the **cost structure** for assuring respect of the quality standards and creating an environment of reputation, trust and knowledge exchange.

The **distribution channels** are not only the traditional vending and serving, retail and ho.re.ca. (hotel, restaurants and cafes). illycaffè recognizes the elite cafes achieving high standard in coffee making and preparation with the designation Artisti del Gusto and Espressamente Illy. They aim to select and create a community of "interpreters of the Italian bar" and to create a "space of involvement and creativity stimulus". These specialists are aligned with the illy world and illycaffè gives them exclusive commercial proposals, solutions for the internal design, special recipes, events and coffee courses. The philosophy behind the project lies in illy's pursuit of quality and the cafes are marked by innovative design promoting Italian foods and taste. This increases the capability of *reframing*, by dialogue around strategic issues, *decoupling*, by sharing with café owners and customers common values and interests, and *switching*, by having multiple infrastructures in parallel to reach the customer itself.

The **customer relationships** are increased by the strong connection with art and culture. For example, illycaffè has redesigned its own brand in 1996, asking the artist James Rosenquist, one of the most important artists of pop art. He designed the now famous red square with white writing in four strokes and soft dynamics. illy has also conducted studies of sensory and emotional design in order to stimulate the consumer with all five senses, to keep the memory imprinted in their minds and to enhance the coffee experience and enhance the moments of identification with the world Illy. This is aligned with *abstracting* capability, i.e. gaining generality.

Figure 4 shows how the strategic agility macro and micro capabilities are oriented to specific building blocks of the illycaffè business model.

	BB 1 — VALUE PROPOSITION				BB 2 — KEY RESOURCES			BB 3 — KEY ACTIVITIES				BB4 — REVENUE STREAMS	BB 5 — COSTS STRUCTURE		BB 6 — KEY PARTNERS					BB 7 — DISTRIBUTION CHANNEL						BB 8 — CUSTOMER SEGMENTS			BB 9 — CUSTOMER RELATIONSHIP			
	1.1 High quality coffee - One blend	1.2 Illy art collection	1.3 Coffee machines	1.4 Education on coffee	2.1 Knowledge on chemestry and sensorial aspects	2.2 Quality management	2.3 Technology innovations & patents	3.1 R&d and ddl	3.2 Brand management	3.3 Knowledge ecosystem coordinator	3.4 Coffee roasting&blending	4.1 Courses revenues	5.1 Cost structure	5.2 Premium price	6.1 Operations partners	6.2 Knowledge ecosystem partners	6.3 Unilly	6.4 Clubilly	6.5 Illy award	7.1 Ho.Re.Ca	7.2 Artisti del gusto	7.3 Espressamente illy bars	7.4 Retail	7.5 Vending & service	7.6 E-commerce	8.1 Home - high endustomers	8.2 Bar cafes	8.3 Offices - high end customers	9.1 Art&culture and coffee lovers brand	9.2 Illystories	9.3 Illyworld	9.4 Cultural events&initiatives
STRATEGIC SENSITIVITY	AN EX	AN EX	EX	EX DI				EX		DI						DI					RE				RE				AB RE	EX	EX	DI
LEADERSHIP UNITY					DI				DI RE AL	IN						IN DI		AL CA	RE										AL	RE DI	RE DI	RE DI
RESOURCE FLUIDITY			GR	SW									MO				SW					DE	SW	DE DI		MO	MO	MO				
KNOWLEDGE CAPITALIZATION		CU		CU	LE	KM	LE KM	CU LE		CU	LE				TA	CU LE	TA	TA											CU KM	CU LE	CU LE TA	CU

Figure 4– Strategic agility and business model in illycaffè

5 *DISCUSSION*

Figure 5 shows the synthesis of the specific capabilities used in the specific building blocks in the four case studies.

We argue that the capabilities that constitute the foundations of a strategically agile organization should be used not along all the business model but managers can concentrate on acting and activating specific areas of the business model with specific capabilities. The cases suggest that the right combination of capabilities on building blocks can be the organizational response for a company that needs to reconfigure its business model.

BUSINESS MODEL CANVAS (building blocks)	STRATEGIC SENSITIVITY					LEADERSHIP UNITY					RESOURCE FLUIDITY					KNOWLEDGE MANAGEABILITY				
	ANTICIPATING	EXPERIMENTING	DISTANCING	ABSTRACTING	REFRAMING	DIALOGUING	REVEALING	INTEGRATING	ALIGNING	CARING	DECOUPLING	MODULARISING	DISSOCIATING	SWITCHING	GRAFTING	CULTURE CREATING	LEARNING	KNOWLEDGE MANAGEING	TALENT ATTRACTING	TEAM WORKING
CUSTOMER SEGMENTATION	I, LO	LO, N	I	N	LA, LO, N						LO, N	I, N		LO, N						
CUSTOMER RELATIONSHIP		I, LA, N	I, N, LO	I, LO, N	I, LA, LO, N	I, LA, LO, N	I, LO, N	LO		LO, N	LA	LO		LO		I, LO, N	I, LO	I	I, LA, LO	
DISTRIBUTION CHANNELS					I		LA				I, LO, LA, N		I	I						
VALUE PROPOSITION	I, LA, LO, N	I, LA, LO	I	LA, N	LA, LO						LO, N	LA		I	I, LA	I				
KEY RESOURCES						I, LA, N	LA, LO	LA, LO	LA, LO, N	LA, LO, N	LO, N		LA, LO			LA, LO, N	LA, I	I	LO, N	
KEY ACTIVITIES		I, N	I		LO	I, LO, N	I	I, LO, N	I , LA, LO			LA, LO, N	LO, N	LO, N	LA, LO, N	I, LA, N	I, LO, N	LO		LO, N
KEY PARTNERS		I				I, LA, LO, N	I	I, LA, N	I , LA	I, N	LA, N	LO		N	LA, LO, N	I, LO	I, LA, LO		I, LO	LA, LO
COSTS STRUCTURE													I							
REVENUE STREAMS																				

Figure 5– Strategic agility and building blocks of the business model

5.1 Strategic sensitivity

Strategic sensitivity refers to the sharpness of perception of, and the intensity of awareness and attention to, strategic developments. In our cases, the strategic sensitivity capability is activated in three specific areas of the business model: value proposition, customer segments and customer relationships.

In fact, strategic sensitivity refers to the anticipation of the market, in order to comprehend the value needed from the customer and still not explicit. This perception permits to comprehend where the value lies (and will lie) for the customer and then to generate new business models with a new value proposition. Perceiving opportunities in anticipation allow deliberate reforms of business models to be undertaken in time for firms to maintain strategic advantage and value creation. The four companies tried to extend their time horizons in two ways: attempting to anticipate how end-users might use their future products and anticipating technological and sociological trends.

Moreover, strategic sensitivity implies experimentation of new product or business model design, in order to "probe" the future. Experimenting provides insights that may prove useful to adapt business models. It is important because it challenges current business thinking and may prototype and pilot change.

For example, illycaffè has been able to build a new product ontology of espresso coffee, rejecting most of the industry recipes and reputational rankings that characterized the traditional coffee business, and proposing the "one blend one brand" formula. Researching on product quality and on its aesthetic sensorial characterization, illycaffè perceived the cultural trend of the experience economy (Pine and Gilmore, 1999). The society is increasingly sensitive to ways of improving quality of life. The product becomes secondary. The inner love for beauty and artisanship is increasingly profound. The premium market segment strongly seeks the most advanced technologies and the emotional and intellectual involvement. Moreover, some companies are now seen as tribes, attractors and catalysts of social-relationships.

One strong disruption during illycaffè history was the emergence in the early 1990s of new conditions and opportunities in the Brazilian market due to the disclosure in 1991 of Istituto Brasilero do Café. This event shocked the entire coffee system out of its inertia forcing illycaffè to redesign part of its procurement strategy and to understand the importance of reputation, trust and knowledge sharing in developing strong relationship with farmers and suppliers and customers.

Illycaffè perceived new customers benefits:

- Customers are increasing seeking sensorial and emotional pleasure and focusing on consumption experience and better quality of life. This enrichment of the involvement of consumers is driven not only by developing the most desirable products but also places of consumption.
- The importance of building a strong emotional and trustworthy brand to join and nurture growing premium-quality niches market.

and it proposed a new *value proposition* of coffee by:

- rejecting coffee as a commodity product and proposing the "one blend one brand" strategy.
- understanding the potential for solving technical problems and for proposing innovations even in a commodity market; rejecting Brazil as producer of a medium-low quality coffee and building an ecosystem to generate a virtuous cycle of knowledge and quality.

Therefore illycaffé experimented a new value proposition by "prototyping change" with the high-quality coffee. It selectively modified its company concept, basing it on quality, in response to changing supplier and customer relationships as a precursor to more complete change in all the business model.

Strategic sensitivity permits to separate the operational (day-to-day) activities from the strategic (long-term) activities, in the sense that it permits to "stand outside" one's own organization. This is helpful in abstracting the company itself and beginning to imagine a whole different system of customer segments and relationships. A rich personal network of external professional contacts and a deep understanding of what the organization contributes to customers can help to sustain this 'outside-in' perspective. The reconfiguration takes insights from "insiders", but from the periphery. They are at a sufficient distance from the centre of the company for them to gain a thoughtful perspective on its workings, while at the same time knowing them well enough to be realistic and effective in changing them.

This "outside-in" perspective allows for reframing – i.e., the generation of new perspectives and new alternatives – by considering the possibility of applying different business models to the same business.

For example, Lago changed its business model by reframing it to the customer segment of young, creative and eco-friendly customers.

Lago applied this using marketing innovation.

product innovation:

- New product modularization: Lago designs standard modules with which building the forniture.

and organisational innovation:

- Lago Studio: creativity Lab. in a particular location: a house in the countryside where 5 times a year workshops with international design schools are made.

These capabilities allow to sense and shape the environment and to propose innovative products/services and anticipate possible markets. We therefore propose the following proposition:

P1: *If **strategic sensitivity capabilities** are focussed on "value propositions", "customer segments" and "customer relationships" building blocks, then strategic agility performance improves.*

5.2 Leadership unity

Leadership unity refers to the ability of the top team to make bold, fast decisions, without being bogged down in top–level 'win–lose' politics; in fact, "adjusting to trends" means being able to rapidly reconfigure itself.

Leadership unity refers to ability of the organization to channel strategic vision, mission, organization's values and objectives rapidly. We can metaphorically think organizations as a birds flock, all parties, internal units and people have to move homogenously and synchronously along strategic directions. These unity behaviour make organizations able to rapidly anticipate and adapt to market changes and new value propositions.

For example, Loccioni, standing outside, sensed and understood the theme of territory and tradition, of corporate social responsibility, business ethics and collective value that lies in establishing and nurturing a business ecosystem (Iansiti and Levien, 2004). Ethics and the commitment to construction of value over time through corporate social responsibility is one of the main drivers inspiring and leading an increasing number of companies.

Loccioni uses the network for perceiving the external world, reflecting about the totality of the business model and allowing a more holistic, rather than fragmentary picture to emerge. The network is used a sentinel to see the business model from different perspectives and to have feedbacks from the environment. It permits to keep attention to market trends and to new sectors; to continuously search for new markets to which decline Loccioni's competences; to gain perspectives of different markets (local, national and international) and to talent scouting. The insight and experience gained through territory partners and the existence of a plurality of fora for dialogue about key strategic issues showed themselves of great value in helping Loccioni's business model evolve.

P2:
Leadership unity capabilities *(e.g. dialoguing, integrating and aligning) focus on the "Key Resources", "Key Activities", "Key partners" and "Customer relationships" building blocks.*
These capabilities allow to create both an internal organizational fertile climate, aligning individual competences and ideas, and an external strategic alignment that allow the partners to cooperate through shared objectives and goals.

5.3 Resource fluidity

P3:
Resource fluidity capabilities *(e.g. decoupling, modularizing and switching) focus on the entire business model (except the money flows).*
These capabilities allow companies to respond quickly to environmental changes making the business model more flexible.

5.4 Knowledge capitalization

P4:
Knowledge capitalization capabilities *(culture creating, learning and talent attracting) focus on the "Key Resources", "Key Activities", "Key partners" and "Customer relationships" building blocks.*
These capabilities allow to manage human resources and create an internal organizational climate, enacting and sharing organizational culture, managing knowledge and individual competences. The final aims are the continuous learning and the growth of the individuals' talents.

***Table 7** – Cross case analysis*

	NICE	LAGO	LOCCIONI	ILLYCAFFE'
STRATEGIC SENSITIVITY				
Anticipating	VP - Merging the concept of "design" with "automation".	VP - New product: simple, personalized, quality, craft made. "future house" concept.	VP - Keep attention to market trends, to new sectors. CS - Continuous search for new markets to which declinate Loccioni's competences; companies network for gaining perspectives of markets (Local, national and international).	VP - Coffee not as a commodity. CS - Niche strategy. Premium market segment.
Experimenting	CS - Entering many near sectors and new markets such as DIY. CR - Nice F.e.e.l. promotion of activities; Nice For You, communications. Not conventional communication. KA - Investment in R&D activities. Continuous searching for new material, forms and technologies; Creating a distinctive identity for the company based on technology innovation, emotional design.	VP - "Future house" concept. CR - Marketing innovation: e.g. "Apartment showroom" that is a real property flat where the tenant shows the forniture to possible clients; "Lago Flat" where employess really live in an expousure flat during fairs.	CS - Research, exploration. VP - Innovation; Continuous technological development; creativity.	VP - One blend one brand. illy main product is a high quality coffee (one blend) offered in different formats (fine and medium grind – whole bean – Moka – ESE "easy serving espresso" – hyper espresso capsules). KA - Product experimentation. Activities of R&D and design-driven laboratories. CR - Concepts of art, culture and coffee lovers brand. Illystories. Illyworlds. cultural-artistic events and initiatives.
Distancing	CR - Nice F.e.e.l. promotion of activities; Nice For You, communications.		CR - Networks: BlueZone, U_Net, Nexusm Crossworld, etc. are all networks.	VP - Cups and mugs of the illy art collection illy expresses its values through chosen art, literature and creativity. KA - Activities of R&D and design-driven laboratories. CS - Premium market segment. CR - Concepts of art, culture and coffee lovers brand. Illystories. Illyworlds. cultural-artistic events and initiatives. KP - Supply chain integration through education.
Abstracting	VP - Merging the concept of "design" with "automation". Art. eco-sostenibilità. CS - Reinforcement of Nice's position in the core european markets; Expansion to Middle-East Europe markets. CR – Nice era, Nice feel, Nice way.	VP - "Future house" concept.	CR - Foresight, networks, innovation team.	CR - Employees community.
Reframing	CS - Continuous searching for new customer segments and business model. CR – Nice era, Nice feel, Nice way.	VP - "Future house" concept. CS - Young, creative and eco-friendly customers. CR - Green and Life Cycle Assessment. Eco-sustainability: e.g. the slogan printed on the trucks: "Don't be like me. I'm fat, ugly, slow, expensive and dangerous. use bike or public transport. preserve your landscape".	VP - Value in the "territory" meaning. CS - Support products with services. Swithed from component supplier to final product supplier. Changing governance structure. CR - SUMMA: internal society that "think and design" new business models.	DC - Coffee bars (Artisti del gusto). CR - Connections with art (Illy art collection).

	NICE	LAGO	LOCCIONI	ILLYCAFFE'
LEADERSHIP UNITY				
Dialoguing	KR - Common shared values: "Be Nice, Think different, Be reliable". Brand.KA - Exploring new concepts. Branding.KP - Local area and Universities.CR - Nice F.e.e.l. promotion of activities; Nice For You, communications.	CR - Lago values are conceptualized as "relationships design" that promotes the meaning of network as a dialoguing and brainstorming tool. Use of the Social web and social networks for creating internal and external communities.KR - Internal and external communities.KP - Lago Studio: creativity Lab. in a particular location: a house in the countryside where 5 times a year workshops with international design schools are made. Creation of an internal physical place... a "ba" where people quotidianely exchange their opinions. The external community harvests the consumers' feedbacks and involves consumers by leaving them the possibility of creation their own "interior design" making avaible a design software.	CR - Listen to the market, to customer needs.KA - Leaf community for brainstorming eco-sustainability issues. Open innovation; PDCA.KP - Keeping in relation with ex-employees; partnerships with key-clients; Caring for visitors.	KA - la formazione e l'assistenza ai baristiCR - University of coffee (Trieste).KP - Suppliers relationship, university of coffee (Brasil)KR - Employees community.
Revealing	CR - External revealing: constant dialogue with shareholders and stakeholders ensuring a systematic diffusion of Nice's activities.	KR - Creativity. Laboratories. KP - Internal and external communities. DC - Lago store. Shop in shop.	CR - Community, partnerships. KA - Networking, "territory" culture creating.	CR - Magazine, blog. KA - Branding activities. KP - Suppliers relationship. Trust-based knowledge-sharing ecosystem, linking growers, technicians and coffee experts, universities, laboratories.
Integrating	KA - Creation of a new integrated system that is able to manage the Nice's world named Nice Era. KP - External integration: creation of strong relationships with the local area and Universities.	KR - Visual planning. KP - Internal and external communities.	CR - Knowledge integration. KR - Knowledge integration; capabilities and competences.	KA - Quality control. Knowledge alignment along the supply chain. Knowledge sharing ecosystem coordinator. KP - Supply chain integration through education.
Aligning	KR - Common shared vision: become the leading actor for managing integrated home automated systems; Common shared values: "Be Nice, Think different, Be reliable".	KR - Shared vision. Become an example related to the concept of "home living". Shared knowledge. KA - Weekly team meetings. Personal visual table for each employee and a common table for the team. Activities are added with post-its ® KP - Internal and external communities.	KA - Shared mission and vision; "Organizational values chart"; rulebook for creating a positive climate and for integrating different attitudes; Brand identity. Internal training. KR - Brand; Shared mission and vision; culture.	KA - Education on coffee for sharing values. KP - Supply chain integration through education. Clubilly.
Caring	KR - Creation of a functional and confortable workplace that include relax zones, saunas etc. CR - Nice feel. KP - Stakeholders and employees.	KR - Considering the man as the core of the company. Lago is 50% business and 50% culture. Lago promotes many activities for employees such as "cooking together" for the company canteen.	KR - Trust; Energy, immagination, respousability, tradi-innovation. Play factory: working in teams, challenges	KP - Trust; work with artists; illy Award for quality coffee.

	NICE	LAGO	LOCCIONI	ILLYCAFFE'
RESOURCE FLUIDITY				
Decoupling	VP - Different products for different markets. CS - Different products and companies for different markets. KP - Creating subsidiaries that oversee the market, acquiring knowledge both of clients and distribution channels.KR - Introduction of business units and laboratories dedicated to in-house R&D.DC - GDO, distributors, etc.	CR - 400 stores and 30 brand stores.KP - External comrunity.DC - Focalizationg on distribution channels: selection of 400 stores and 30 brand stores. There are 4 possible formats for the store: point, space, store and apartment.	CS - Location: opens foreign branches to stay beside the consumer. Creation of new companies and start-up with the participation of the employees as shareholders. Spin-off generation with associates. DC - Internationality.VP - Value in the "territory" meaning.KR - Competencies diversification. Network.	DC - la diversificazione lungo la supply chain (macchine espresso); ho.re.ca. (hotel, restaurants and cafes).
Modularising	CS - Use a different business model for each different country.	VP - New product modularization: Lago designs standard modules with witch building the forniture. KA - Creation of new commercial and cultural partnerships, the first with the main european retailers and companies, the second with cultural associations.	KA - Differentiation and diversification of the product gamma; switch from modules creation to designer of product architecture. Creation of new companies and start-up with the participation of the employees as shareholders. Spin-off generation with associates. KP - Modular networks. CR - Modular networks.	CS - Differentiation and diversification of the product gamma; one blend but "customisation" for different Countries. CO – Premium price.
Dissociating	KA - Outsourcing of the entire productive phases entrusting many contractors.	KR - Apartments and tenant initiatives.	KR - Competencies diversification. Network. KA - Decoupling R&D entities. Networking and partnerships with ex-employees.	DC - "espressamente illy". Artisti del Gusto (Artists of Taste).
Switching	KA - Use a different business model for each different country. CS - Entering many markets developing a wide gamma.		CS - Niche strategy. Presence on multiple markets. CR - Rapid creation of new core competence to entern on emergent markets. KA - Trasposition of Loccioni core competences to new markets.	VP - Education on coffee. DC - differentiation in customers (e.g. le tazzine illy collection)
Grafting	KA - Acquisition of external know-how by acquiring foreign commercial structures and companies, and making partnerships and strategic unions with historical brands (e.g. FontanaArte Spa). KP – Acquired companies.	VP - Aquiring ideas and concept form the fashion industry. KA - Openness. KP - New sales&Marketing manager coming from Diesel.	KA - Networking. Gatekeeper. KP - Working with leaders companies; network between company and universities (Bluezone, U_NET).	VP - Education on coffee. Coffee machines (with the Francis Francis brand)

	NICE	LAGO	LOCCIONI	ILLYCAFFE'
KNOWLEDGE CAPITALISATION				
Culture creating	CR - Nice F.e.e.l. promotion of activities; Nice For You, communications. KR - Nice headquarters. KA - Nice meets art. Communication. Branding.	KR - Considering the man as the core of the company. Lago is 50% business and 50% culture. KA - Lago promotes many activities for employees such as "cooking together" for the company canteen.	KP - Territory esteem (stakeholders); Marche Culture. KR - Resources. Capabilities, people, employees Marche stakeholders. CR - Be Lean, Be clean, Be green. Sustainability, green; ecology, energy consumption issues. Loccioni experience. Events organisations.	CR - University of coffee (Trieste). VP - Education on coffee. KA - knowledge sharing ecosystem coordinator. KP - Trust; work with artists; illy Award for quality coffee.
Learning	KA - Training (compulsory, continuous, specialistic)	KR - Training. KP - Internal and external communities.	KA - Silverzone - old employees explaining their expertise. KP - network. CR - Loccioni experience.	KR - knowledge on chimics, packaging, … KA - Activities of R&D and design-driven laboratories. KP - Trust; work with artists; illy Award for quality coffee. CR - University of coffee (Trieste).
Knowledge managing			KA - Network management.	KR - knowledge on chimics, packaging, …; Leading technological innovations on coffee (illy holds more than 100 patents).CR - University of coffee (Trieste).
Talent attracting	KR - People recruiting: Nice wants you.		CR - Interconnection. KR - Talent scout. KP - Networking; interconnection.	KP - Trust; work with artists; illy Award for quality coffee. CR - University of coffee (Trieste).
Team working	KA - Team working.	KP - Internal and external communities.	KP - Networking; interconnection. KA - Laboratories. Capability matching flexibility working with teams.	