

Explorative Analysis of Antecedents and Consequences of Strategic Flexibility on Firm Performance in the Context of Business Model Evolution

Abstract: For a company to be successful over the long-term in today's increasingly complex and fast-changing global environment, it is no longer sufficient just to innovate products or services or to optimise operations. Therefore, business model innovation is increasingly becoming the focus of CEOs and top-level managers. This paper addresses a specific type of business model innovation called "business model evolution" (BME). The process entails established firms venturing into new markets and establishing new business models based on their respective core competences, while additionally using corporate resources. To accomplish BME, a company needs strategic flexibility, which is the ability to proact or respond to changes in the external or internal environment and reposition itself in a new market. Strategic flexibility in BME occurs in the form of dynamic capabilities such as strategic foresight to foresee changes in the environment as well as competence and resource flexibility to reconfigure a company's strengths in a new business model in a new market and strategic leadership to provide the vision for growth and to lead the evolutionary process.

The purpose of this paper is to analyse the influence of these dynamic capabilities on corporate strategic flexibility, its consequence on a firm's competitive advantage and thus its performance in the context of BME. Given the specific research question and the complex phenomena of BME and strategic flexibility, a qualitative research approach, incorporating an exploratory multiple-case-study methodology in large multinational enterprises, was chosen. Using the resource-based-theory of the firm, as well as the dynamic capability view, testable propositions are derived for future empirical testing.

Key words: strategic flexibility, dynamic capabilities, business model evolution

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1. INTRODUCTION

In today's increasingly complex and fast-changing environment, it is no longer sufficient to innovate products or services or to optimise operations (Fueglistaller et. al., 2012; Mueller and Volery, 2010; Sosna et al., 2010). Because of shortening product life cycles, mere product or service innovations can no longer be relied upon to earn an adequate long-term profit (Chesbrough, 2007; Dreyer and Grønhaug, 2004). Furthermore, "in the operations area, much of the innovations and cost savings that could be achieved have already been achieved" (Amit and Zott, 2012, p. 41). In dynamic and unpredictable environments, established companies risk stagnation or even losses, when only incrementally innovating products, services and operations (Hitt et al., 1998; Mueller and Volery, 2010). Hence, business model innovation is gaining in importance (IBM, 2006). "Business leaders are seeking and finding new ways to adapt their business models to remain competitive in their current industry – or to seek growth by entering new industries" (Pohle and Chapman, 2006, p. 34). Thus, companies are faced with the challenge of rapidly and strategically renewing their business model in order to remain viable in the long run (Chaharbaghi 2003; Giesen et al., 2009; Reinhold et al., 2011). To achieve this, they need dynamic capabilities in the form of strategic flexibility (Burmman, 2002; Doz and Kosonen, 2008a).

The present article focusses on strategic flexibility in the process of business model evolution (BME), a form of business model innovation by established firms, based on their specific resources and competences. The research seeks to provide insight into the influence of strategic flexibility in BME on firm performance and thus the need for dynamic capabilities. Accordingly, the central research questions are:

- *How do antecedents determine strategic flexibility in BME and which are particularly important?*
- *How does strategic flexibility in BME influence a firm's competitive advantage?*

Emphasising on strategic foresight, competence flexibility, resource flexibility and strategic leadership, three case studies of large multinational enterprises (MNEs) are analysed, using the resource-based view, as well as the dynamic capability view, as the theoretical foundation. Based on the reviewed literature and on the exploratory case studies, the article derives testable propositions for prospective empirical verification (Eisenhardt, 1989; Welch et al., 2011). The work thus contributes to the research on the dynamics and processes of BME, as well as on the abilities necessary for the evolutionary process, fields in which very little formal research has been conducted (Combe, 2012; Johnson et al., 2008).

The paper is structured as follows. In the first section, the literature on business models, their evolutionary process and strategic flexibility is discussed, followed by a discussion of the theoretical background, with an emphasis on the resource-based and dynamic capability views. A brief discussion on the methodology of the paper precedes the case study analysis. Based on the latter, propositions are suggested for empirical verification. The paper concludes with a synthesis of the main findings and the limitations.

2. LITERATURE REVIEW

Business models, the associated innovation processes and the concept of strategic flexibility have all become major topics in strategic management research (Adelhelm, 2012; Roberts and Stockport, 2009; Voelpel et al., 2004). The latter study attracted the attention of scholars and practitioners alike (Sosna et al., 2010; Wohland, 2008; Stähler, 2001; zu Knyphausen-Aufseß and Meinhardt, 2002; Burmann, 2002; Grewal and Tansuhay, 2001), but they have barely been researched in combination. The present article seeks to close this research gap.

The analysis of business models and their innovation processes rose to prominence in the 1990s, when the business model concept became a new unit of analysis determining an organisation's potential for value creation and value capture (Amit and Zott, 2001; Stähler, 2001). Regarding the analysis of business model innovation, various development classifications can be identified (Koen et al., 2011; Chesbrough, 2007; Bieger and Reinhold, 2011; Zollenkop, 2006). This paper seeks to provide insight into a very specific type of business model innovation which can be characterised as an evolutionary corporate development, based primarily on a company's competences and resources. To better understand the specific nature of BME, it is necessary to distinguish it from other forms of innovation. BME takes place within the continuum of mere quantitative growth and business model revolution (Bieger and Reinhold, 2011; Zollenkop, 2006). Quantitative growth occurs when no innovation to the business model takes place, either in its elements or in its architecture, for example, through market penetration by means of increasing transaction volumes, transaction frequencies or through the expansion of the business model into new markets. By contrast, business model revolution takes place when at least the business model elements or its architecture change gradually, while the other dimension is fundamentally different, e.g. through lateral diversification.

Insert Figure 1 about here

In case of BME, it is either the business model elements and/or its architecture that change gradually. Using the RCOV business model concept of Lecocq et al. (2006), BME can be categorised according to the primarily changing constituent elements, namely the evolution of the value proposition, of the internal and external organisation and of competences and resources. The paper focusses on the latter form of evolutionary change referred to henceforth as BME. The following are good examples of BME from various MNEs in different sectors:

- Daimler's evolution from car manufacturer to extended mobility service provider (e.g. with its car-sharing concept car2go or its mobility platform moovel) rests upon its mobility expertise and its financial and physical resources.
- HOCHTIEF's evolution from construction service provider to airport-investor and -manager builds mainly on the company's construction competences, as well as on its financial, relational, informational and human resources.
- BLG LOGISTICS GROUP's evolution from a local port handling company to an international logistics service provider is based on its logistics expertise and its informational, physical and financial resources.

In all cases, the companies have ventured into new markets by establishing new business models based on their respective core competence, while additionally using corporate resources. Hence, it is important to note that, despite the focus on the primarily changing competence and resource element of the RCOV business model concept, usually, all elements adapt or change in the event of BME (Demil and Lecocq, 2010).

Therefore, one of the most important attributes necessary for BME is flexibility, a corporate capability that has witnessed an increased interest in the past two decades (Burmman, 2002; Grewal and Tansuhay, 2001). Flexibility is a strongly polymorphous construct, meaning that its definition and conceptualisation changes, depending on the context (Evans, 1991; Grewal and Tansuhaj, 2001; Steger, 2004). From the strategic perspective adapted in this paper, in contrast to an organisational (Burns and Stalker, 1961; Mintzberg, 1979) or operational approach (Zelenovich, 1982; Newman et al., 1993), flexibility can be described as “the ability of firms to reposition themselves in a market, change their game plans, or dismantle their current strategies when the customers they serve are no longer as attractive as they once were” (Harrigan, 1985, p. 1). Including a time aspect and extending environmental contingency factors beyond the customer perspective to both the internal and external environments,

strategic flexibility can be understood as an organisation's capability "to respond to changes in the environment in a timely and appropriate manner with due regard to competitive forces in the environment" (Roberts and Stockport, 2009; Das and Elango, 1995, p. 62).

The concepts of flexibility in general and of strategic flexibility in particular are "complex, multi-dimensional, and hard-to-capture" (Sethi and Sethi, 1990, p. 289). While strategic flexibility is considered by some authors as an ex post and rather defensive response to environmental changes (Jacob, 1982; Kogut, 1985; Abbott and Banerji, 2003) it is important to note that companies may apply it ex ante and offensively, so as to change proactively (Grewal and Tansuhaj, 2001; Hitt et al., 1998; Kaluza and Blecker, 2005). In the context of BME, the proactive connotation is preferable, because changing a firm's business model "literally involves changing the paradigm by which it goes to market, and inertia is likely to be considerable. Nevertheless, it is preferable for the firm to initiate such a change itself, rather than have it dictated by external events" (Lindgardt et al., 2009; Teece, 2010, p. 187).

Doz and Kosonen (2008a, 2008b, 2010) are among the first to connect strategic flexibility to the process of business model innovation. They describe strategic flexibility, or as they call it, "strategic agility", as an important prerequisite for established firms to renew their business model. The concept of agility is closely related to strategic flexibility, implying "a sense of being nimble in moving into an advantageous position, or being able to side-step a potential source of adversity" (Evans, 1991, p. 74). Doz and Kosonen (2008b) argue that over time, firms improve efficiency continuously, creating increasing stability, but also rigidity. To counteract this development, firms need to maintain or develop three antecedent capabilities. Firms need strategic sensitivity or strategic foresight in the sense of "the sharpness of, and the intensity of awareness and attention to, strategic developments". They need resource fluidity, meaning "the internal capability to reconfigure capabilities and redeploy resources rapidly" and leadership unity, "the ability of the top team to make bold, fast decisions, without being

bogged down in top-level ‘win-lose’ politics” (Doz and Kosonen, 2010, p. 371). In their book “Fast Strategy – How strategic agility will help you stay ahead of the game” they use company examples to explain the nature of strategic agility, how to build it and how to regain it once lost. In a later work, they develop corresponding vectors of leadership actions, which can enhance a company’s ability to renew its business models (Doz and Kosonen, 2010). However, what they did not consider or investigate is the influence of their three antecedent strategic agility dimensions on strategic flexibility and the consequences on firm competitive advantage and firm performance. To address this research gap, the present paper analyses three companies and their evolutionary process, using the resource-based theory of the firm, as well as the dynamic capability view.

3. THEORETICAL BACKGROUND

With regard to the underlying theories, we focus on the resource-based and dynamic capability views, both being popular theories for explaining competitive advantages, understanding how firms exploit their abilities, resources and competences to face the challenge of BME.

The resource-based view (RBV) is one of the most prominent theoretical frameworks in strategic management explaining the competitive advantage of a firm or of its business model and its long-term sustainability (Barney, 1991; Nelson, 1991; Penrose, 1959; Peteraf, 1993; Prahalad and Hamel, 1990; Rumelt, 1984, 1991; Wernerfelt, 1984). In contrast to the market-based view (MBV), which seeks to explain a firm’s competitive advantage based on changes in the market (Porter 2004), the RBV takes an inside-out perspective, explaining a firm’s competitive advantage based on its resources (Barney and Arikan, 2005; Rouse and Daellenbach, 2002). According to this perspective, the RBV assumes that firms can be conceptualised as bundles of resources (Penrose, 1959) that are distributed heterogeneously across firms and are “sticky”, meaning that, at least in the short run, organisations are to some

degree stuck with what they are endowed with and with what they lack (Barney, 1991; Teece et al., 1997). The common definition of resources in the RBV encompasses resources, such as tangible and intangible production factors, as well as competences, also known as (organisational) capabilities (Barney, 1991). In this present study, the two components are analysed separately. According to Seppänen and Mäkinen (2007), resources can be categorised into seven different types, based on Morgan and Hunt (1999):

Insert Table 1 about here

And, according to Amit and Schoemaker (1993, p. 35), competences “in contrast, refer to a firm's capacity to deploy resources, usually in combination”, so as to add value to the firm. They are therefore regarded as separate from the above-named resources. A sustainable competitive advantage arises when a firm uses its resources, which satisfy the VRIN criteria of being valuable, rare, imperfectly imitable (difficult to replicate due to unique historical conditions, causal ambiguity and social complexity) and non-substitutable in a unique way, and utilises its competences extraordinarily (Barney, 1991; Barney et al., 2001).

The problem with the RBV and its assumption of tightly bundled resources and competences is it does not hold in highly dynamic environments, where resources and competences are added, adapted, recombined or dropped altogether at a rapid pace (Galunic and Rodan, 1998; Eisenhardt and Martin, 2000). In addition, the assumption of long-term competitive advantage is quite unrealistic in highly dynamic environments; on the contrary, short-term advantages are the norm (Eisenhardt and Martin, 2000; Zahn et al., 2005). This is why the formerly relatively static approach has been extended by dynamic aspects, such as in the dynamic resource-based view of Helfat and Peteraf (2003) or the dynamic capability concept of Teece et al. (1997), Eisenhardt and Martin (2002) or Zollo and Winter (2002).

Following Teece et al. (1997), dynamic capabilities are a firm's ability to integrate, build, and reconfigure internal and external resources and competences to address rapidly changing environments. Through dynamic capabilities, an organisation is thus capable of achieving new and innovative forms of competitive advantage (Leonard-Barton, 1992). Revolutionary changes, meaning radical adjustments of a company's business model and its competitive advantage are generally less frequent than evolutionary changes, where the business model and the company's competitive advantage change only incrementally. In this context, some of the original resources and competences can thus be used further and others have to be acquired in parallel (Burmman, 2002).

Teece et al. (1997) treat dynamic capabilities as three organisational and managerial processes, namely coordination/integration (replication), reconfiguration and learning. This approach is very similar to that of Collis (1996), who distinguishes between the "ability to innovate" (replication), "ability to learn" (learning) and the "ability to transfer learning and information within the organisation" (reconfiguration). The ability to replicate involves transferring or redeploying resources and competences from one business model to another (Teece et al., 1997). This ability will be addressed below in terms of resource and competence flexibility. Reconfiguration, on the other hand, is described as "the ability to sense the need to reconfigure the firm's asset structure" as in strategic foresight "and to accomplish the necessary internal and external transformation" as in strategic leadership (Teece et al., 1997, p. 520). Although very specific on the concept of replication and reconfiguration, Teece et al. (1997) remain vague on the learning concept, which they see as an important component of high replication and reconfiguration capability and thus should be an aspect of all dynamic capabilities. Subsequently, from a RBV perspective, dynamic capabilities are based on a company's ability to replicate and reconfigure resources and competences (Burmman, 2002).

In consequence, the dynamic capability approach and the concept of strategic flexibility display a high degree of similarity (Combe, 2012).

4. METHODOLOGY

Given the specific research question and the complex phenomenon of BME, a qualitative research approach incorporating an exploratory multiple-case-study methodology was chosen (Eisenhardt, 1989; Yin, 2012). The qualitative case study is best suited for explaining and analysing business model evolutionary development, which has so far been poorly researched and over which the investigator has little or no control (Sosna et al., 2010; Yin, 2009). This applied methodological approach is also optimal when ‘how’ or ‘why’ research questions are asked which cannot easily be measured quantitatively (Strauss and Corbin, 1990; Yin, 2012). Moreover, the exploratory approach allows researchers to formulate theoretical propositions which can be analysed in depth in future research (Eisenhardt, 1989). Notably, the underlying research logic presented in the paper is an exploratory research approach based on the case study method (Welch et al., 2011). Three BMEs from MNEs in different sectors were selected to analyse the concept from different perspectives and to avoid industry-specific effects. Large, established companies were chosen for their transparency, extensive publications and archives, and especially to analyse the resource and competence transfer from the original to the new business model. In particular, the Daimler case study was chosen for its ex ante and offensive approach to evolutionary change, applying pre-emptive strategic flexibility, HOCHTIEF for its offensive, but ex post method of exploitive strategic flexibility and BLG for its protective strategic flexibility approach of being ex ante and defensive (Evans, 1991). The corrective strategic flexibility approach of acting ex post and defensive has been excluded deliberately, because it does not conform to the proactive BME concept introduced earlier.

Due to the sensitivity and nature of the information, semi-structured interviews were conducted with senior managers from the selected case companies to collect primary data. In

the context of data representativeness and validity, senior management was regarded as a viable source of information for the analysis of the specified research questions (Rajala and Westerlund, 2007). Multiple interviews were conducted, meaning that at least two high ranking senior managers per company were questioned.

Insert Table 2 about here

Interviews lasted between 1½ and 2½ hours and took place during December 2012 and March 2013. Subsequent to each interview, two investigators transcribed their protocols, thus allowing for consistent and complementary perspectives, also strengthening the grounding. Using MAXQDA, the two investigators coded the interviews independently. To validate the coding scheme, intercoder-reliability was tested and coefficients were above 90 per cent for all transcribed protocols.

To triangulate the obtained information and improve construct validity, further data collection methods were applied (Eisenhardt, 1989; Yin, 2012). For instance, extensive secondary data was collected through archival sources and a literature review including company documents, reports and newspaper articles. This was done prior to the visits to the sites and, where necessary, afterwards as well. On-site observations were made in addition. To further improve construct validity, all final case study reports were reviewed by the questioned managers (Yin, 2009).

5. CASE STUDY EVIDENCE

5.1 Business model evolution in the case of Daimler

Case Introduction

Daimler, a German car manufacturer with an extensive product and brand portfolio, is one of the largest producers of premium cars and commercial vehicles worldwide, also offering a wide variety of services, including financing, leasing, fleet management, insurance and most

recently, innovative mobility services (Daimler, 2013a). Through BME, Daimler entered the field of mobility service provision, for example, with its free-float car-sharing concept car2go, its ride-sharing community car2gether or its mobility platform moovel (Daimler, 2013b). Being only recently established in Ulm, Germany, in late 2008, car2go is the most successful of the above-mentioned Daimler mobility concepts and is the most successful car-sharing concept worldwide (Daimler, 2013c; Haller, 2013; Daimler, 2013d). Hence, the BME of car2go will be analysed as a proxy for Daimler's mobility services.

Business model evolutionary process

The BME arose from the company's quest to find new and increasingly profitable business units along the company's value chain, a process that started in 2006 (Haller, 2013). To institutionalise environmental scanning and strategic foresight, the company established a business innovation unit (Haller, 2013; Müller, 2013).

“The business model innovation unit was established to identify emerging customer needs and innovative market trends, but also to initiate them, because the best markets are the ones you create yourself” (Müller, 2013).

In the following analysis, various trends such as social, ecological and political developments were identified in this new business unit and translated into new products, services and innovative business models within the Daimler Corporation. The car2go business model in particular resulted from trends such as generally growing populations, urbanisation and thus increasing urban traffic congestion and parking problems, as well as from customer demand for sustainable, flexible and convenient mobility solutions, to name just a few (Haller, 2013).

The evolutionary process is based on Daimler's ability to build, redeploy and reconfigure competences and resources. The company's mobility competence could be redeployed after reconfiguration. Anchored in the original business model of providing customers with

individual mobility through the manufacturing and sale of premium personal vehicles, the mobility competence in the new business model offers customers a temporally flexible and convenient mobility service, through the widespread availability of vehicles in certain cities (Haller, 2013; Daimler, 2013c). Besides the mobility competence that contributes significantly to perceived customer benefit in both business models and that constitutes an important competitive advantage for Daimler, other equally important competences were able to be redeployed within the new business model, e.g. its technological and its innovation competence (Müller, 2013; Haller, 2013). In addition, the company had to reconfigure and extend some of its capabilities, such as lobbying beyond its existing capabilities. For instance, despite Daimler's existing public affairs unit, car2go had to further extend its negotiation and persuasion skills to convince city officials of the benefits of installing the new mobility service (Haller, 2013).

Apart from competences, Daimler managed to redeploy various resources in the new business model. For once, tangible resources such as physical and financial resources, could be transferred extensively. For example, smart-fortwo cars and related technologies such as electric drives, could be passed on from the original to the new business model (PwC and Fraunhofer, 2010; Haller, 2013). Relational resources, such as relationships within the firm and those with external stakeholders, human resources, including education, personal networks and individual experience, as well as organisational resources like brand and reputation, could be partially reallocated to the new business model. In the case of Daimler and car2go, only limited information could be transmitted, due to the novelty of the free-float car-sharing concept. Legal resources, as well as organisational ones such as culture, structure, routines and processes, could also only be reassigned to a limited extent (Müller, 2013).

Daimler demonstrated strong strategic leadership in the evolutionary process. Based on weak signals, Daimler proactively installed the business innovation unit, in which basically all

corporate employees may suggest ideas for future products, services and innovative business models (Buchenau, 2010; Müller, 2013). Then, based on trends identified in the business innovation unit, the company established various mobility services in separate business units to address the growing customer demands for these services, among them, car2go. Through this process, Daimler was able to supply a vision, as well as directions for future growth.

Consequences of business model evolution

Through establishing the innovative business model of mobility service provision, Daimler established another economically successful business unit. The company thereby extended its product range, based primarily on the corporate core competence and secondly, on the company's complementary competences and key resources. Being a pioneer in the fields of extensive mobility service provision and free-float car-sharing, Daimler gained a competitive advantage in the car manufacturing industry. In addition, the company could achieve a variety of monetary and non-monetary objectives, including improving its overall performance, such as sales and corporate growth, a parallel strengthening of other business units through diversification of the core business, image enhancement and new customer acquisition (Müller, 2013; Haller, 2013).

5.2 Business model evolution in the case of HOCHTIEF

Case Introduction

HOCHTIEF, one of the world's leading construction groups, develops, builds and operates infrastructure, real estate and facilities (HOCHTIEF, 2013a; HOCHTIEF, 2013b; HOCHTIEF, 2013c). In 1997, through BME, HOCHTIEF established the only recently divested wholly owned subsidiary HOCHTIEF AirPort, which bundled the entire group's airport investment and management activities (HOCHTIEF, 2013c; HOCHTIEF, 2013d).

Business model evolutionary process

HOCHTIEF's BME was triggered mainly by its stagnating core business during the mid-1990s (HOCHTIEF, 2013e). Since construction would clearly not sustain the company's long-term profitability, it searched actively for alternative growth markets. HOCHTIEF found that the airport segment was escaping the stagnating construction business, its prevailing low profit margins and the major risks often associated with sales and earnings volatility in construction (HOCHTIEF, 1999; HOCHTIEF, 2013f).

“The beginning of public sector privatisation, which also occurred in the airport segment, posed yet another growth and investment opportunity for HOCHTIEF at the time” (Brehmer, 2013).

HOCHTIEF's ability to reconfigure competences and redeploy resources was crucial to the evolutionary process. As the company's core competence, construction could be redeployed entirely within the new business model. HOCHTIEF had already built airports before establishing HOCHTIEF AirPort and was thus able to transfer its ability and expertise holistically into the new business model (Poungias, 2012; Brehmer, 2013). Apart from construction skills, HOCHTIEF could redeploy its project development competence, which also already existed in the original business model and was a necessary requirement for the new business model. In addition, that the company had to develop facility management skills, which were partly manifest in the original model, but had to be extended to meet the new requirements of the airport business (Poungias, 2012; Brehmer, 2013).

In addition to competences, HOCHTIEF could redeploy a variety of resources in the new business model. Among them were extensive informational resources, such as industry, product and internal information, human resources, such as personal networks, individual experience, education and the personal attributes of employees, as well as relational resources, e.g. customer relationships, relationships within the firm and extending to external

stakeholders, and financial resources. Some of the organisational resources, such as brand and reputation, could be transferred extensively, through corporate brand name similarity. Other organisational resources such as culture, structure, routines and processes could only be transferred in part. Due to the project character of the company's offer, physical resource transfers were limited. Overall, however the competence and resource flexibility from the original to the new business model was substantial.

Furthermore, HOCHTIEF displayed strong strategic leadership, with its bold and fast decision to bundle airport-specific resources and competences in a separate strategic business unit, in order to address the targeted future growth field and thus provide a vision. Top-level managers were assigned to advance the new business model. Their entrepreneurial thinking, assertiveness and openness, as well as their ability to consciously take risks enhanced their strategic leadership capability. They were also able to motivate and empower the firm's employees to implement and advance the new business model.

Consequences of business model evolution

For a while, HOCHTIEF's innovative business model became a major pillar of the group's activities and generated a significant contribution to corporate growth. It did so until recently, when the airport unit was sold, because of the company's decision to strengthen its financial and competitive position (BLG, 2013f). Extending its product range, based on constructional competences and using complementary competences and key resources in addition, the company gained a competitive advantage in the construction industry after BME. Moreover, HOCHTIEF was able to achieve a variety of monetary and non-monetary aims to improve its overall performance, such as sales and corporate growth, a parallel strengthening of other business units through diversification of the core business, image enhancement and customer retention as well as new customer acquisition.

5.3 Business model evolution in the case of BLG LOGISTICS GROUP

Case Introduction

In the mid-1990s, the BLG LOGISTICS GROUP (BLG) “transformed from a local port handling company in Bremen and Bremerhaven to an international logistics service provider” (BLG, 2013a). In the business unit AUTOMOBILE, the company accomplished this through establishing BLG AutoTec, by integrating pre-delivery inspection and technical centres from Horst Mosolf Eurocar Transportvermittlung and through creating comprehensive logistical services by acquiring the car handling and transport provider E.H.Harms (Nousch, 2013).

Business model evolutionary process

As early as the 1980s, BLG realised that handling and storage of goods would not be sufficient for long-term company success, because classic port services accounted for only 10 per cent of costs within the transport value chain (BLG, 2012; BLG, 2013c). Accordingly, BLG made the strategic decision to strengthen its added value and to create fully integrated logistics chains as consolidated services, and thus enable BME (BLG, 2013b; BLG, 2013c). To accomplish this goal, BLG restructured itself in 1997 from a joint-stock company to a more flexible strategic management holding, with the particularity of being publicly owned but privately managed (BLG, 2012; BLG, 2013a). In short, BLG sensed the need for business model renewal at a very early stage and changed its corporate structure, so as to facilitate the necessary future BME.

To advance from a local port handler to an international service provider, BLG partly built, redeployed and reconfigured and partly purchased various competences and resources. BLG’s logistics competence primarily determined the company’s evolutionary path. Along this competence route, BLG first enhanced its added value through extending its service range and then built its fully integrated logistics chain (Stöver, 2013; Nousch, 2013). Being originally limited to the transshipment and local transportation of goods in Bremen and Bremerhaven,

the logistics competence was then reconfigured and redeployed in the new business model of the AUTOMOBILE segment. Services in connection with logistics, such as vehicle pre-delivery inspection, installation of special equipment and technical modifications in so-called vehicle processing centres or complete transport services by road, rail or inland waterways were acquired and integrated into the new business model (BLG, 2013d; BLG, 2013e). In addition, handling, as well as technical competences could partly be redeployed or were acquired and redeployed in the new business model (Stöver, 2013).

The same happened in the resource department. BLG partly built, redeployed and reconfigured resources from the original business model and partly purchased them specifically for BME. Besides financial resources, physical resources, such as the geographic location and land and informational resources, e.g. industry, customer and internal information, could be shifted extensively between the business models. Human resources, such as education, personal networks and attributes of employees and relational resources, e.g. customer and internal relationships could be partly passed on. Much in the manner of the two previous examples, organisational resources, such as brand and reputation could be transferred extensively, whereas culture, structure, routines and processes could only be relocated to a limited extent. The overall transfer of competences and resources at BLG can be categorised as “medium”, due to the large extent of their external acquisitions.

BLG demonstrated extensive strategic leadership through its fast restructuring decision to provide a direction for corporate growth and to step up BME. BMEs were promoted strategically, with the aim of developing value-added services and these were implemented systematically through market- and customer-oriented behaviour and collective employee commitment (BLG, 2000).

Consequences of business model evolution

“BLG’s BME proved to be of major strategic importance” (Stöver, 2013).

Through implementing extensive value-added services, the company could, for once, extend its product range and on the other hand, enhance corporate growth. Furthermore, the company improved its competitive position in the international logistics value chain and thus gained a competitive advantage:

“Most ports do not possess the technical competence to modify cars and if they do, they lack the logistics competence to transport them beyond the harbour” (Stöver, 2013).

Additionally, BLG could realise a variety of monetary and non-monetary aims to improve its overall performance, such as sales and corporate growth, strengthening of the core business through diversification, image enhancement and customer retention, as well as new customer acquisition (Stöver, 2013; Nousch, 2013).

6. DISCUSSION

Each of the three above case studies demonstrates corporate strategic flexibility in successful BME, through demonstrating the ability of strategic foresight, resource and competence flexibility and strong strategic leadership. Among these dynamic leadership capabilities, each “can enhance a firm’s ability to renew its business models”, but they work best in combination (Doz and Kosonen, 2010, p. 370).

Due to the constantly changing nature of today’s environment, organisations have to pay attention to signals that will impact on their short-, medium- and long-term performance. “Early signals of potentially influential phenomena are usually small, indistinct, and hard to separate from the background noise” (Slaughter, 1998, p. 381). However, it is especially these weak signals that organisations have to detect, so as to exert an impact on long-term performance by either preparing to take advantage or taking actions to influence immediate strategic developments (Reid and Zyglidopoulos, 2004). Without the company’s dynamic capability to continuously perceive these signals, gather future intelligence and translate them

into medium to long-term visions for mobilising management and supporting present-day decision making, a company can neither understand nor anticipate the future and thus cannot proactively change its business model successfully (Becker, 2002). Daimler's approach of establishing a business innovation unit to identify the market trend of car-sharing and in consequence, creating the new business model car2go, was truly proactive, because the company acted *ex ante* and offensively. BLG's early anticipation of changing customer needs led to corporate restructuring and to increasing value-added services within the transport value chain. Thus, with an *ex ante*, but quite defensive approach, BLG demonstrated a high level of strategic foresight in its BME. HOCHTIEF's *ex post* but offensive BME, in response to its stagnating core business, can be regarded as a medium level of strategic foresight, because strategic circumstances were perceived, but more so as a reaction to, than an anticipation of strategic developments. As a result, strategic foresight can be seen as a necessary prerequisite for strategic flexibility and a significant dynamic capability, contributing to the BME of established firms. The above discussion gives rise to the following proposition:

Proposition 1: Strategic foresight is an important attribute of strategic flexibility in the context of successful BME.

Other important attributes of strategic flexibility are resource and competence flexibility. In each case study, a variety of competences (see Table 3) and resources (see Table 4) could be transferred and redeployed from the original business model to the new one.

Insert Table 3 & 4 about here

The studied companies' core competences determine the direction of BME. Using their ability to make a significant contribution to perceived customer benefits, in order to establish a clear competitive advantage and to create new businesses, - when redeployed - competences can

contribute to successful BME (Prahalad and Hamel, 1990). Besides core competences, other strategically relevant competences, with the ability to create customer benefit, were redeployed and reconfigured in the new business model, thus enhancing its success (see Table 3). Prahalad and Hamel (1990) see competences as engines for new business development, making competence flexibility a prerequisite for BME. All in all, this is why competence flexibility is proposed to be an important attribute of strategic flexibility in successful BME:

Proposition 2: Competence flexibility is an important attribute of strategic flexibility in the context of successful BME.

So too is resource flexibility. This is partly because competences are based on resources (Amit and Schoemaker, 1993; Rajala and Westerlund, 2007) and partly because resources determine a firm's competitive advantage at any point in time and thus also during BME (Teece et al., 1997). Companies that can easily redeploy critical resources to new business models in response to new competitive situations are at a definite advantage (Grewal and Tansuhaj, 2001). At this point, a distinction is necessary, because some resources are more flexible than others. For example, organisational resources such as brand and reputation are highly flexible, because they can be applied simultaneously by several strategic business units, and they tend to increase in value the more they are used (Doz and Kosonen, 2008a). The same applies to relational resources, informational resources and also competences, which are enhanced as they are applied and shared. In contrast, some resources such as physical and financial ones diminish with use (Prahalad and Hamel, 1990). Similar to financial resources, physical resources cannot be shared between business units, meaning that if those resources are used by one unit, they cannot be used by another at the same time and are therefore less flexible (Doz and Kosonen, 2008a). As the case studies show, resource flexibility is partly industry-specific and depends strongly on the specific feature of the new business model, e.g. informational resources. An intensive redeployment of informational

resources could be achieved in HOCHTIEF's and BLG's BME, where the business models were new to the companies, but not to the industries. This contrasts to Daimler, where only low redeployment was possible, due to the novelty to the market of the free-float car-sharing concept. Given the above discussions the following proposition is made:

Proposition 3: Resource flexibility is an important attribute of strategic flexibility in the context of successful BME.

Strategic leadership refers to a company's ability to provide a vision, or a direction for future growth in BME. Strategic leaders, seen as top-level managers of the firm, are charged with ensuring that their firm is able to effectively design, implement and advance innovative business models (Volberda et al., 2011). Strategic leadership thus implies substantive and astute decision making responsibilities on the part of top-level managers (Finkelstein et al., 2009) as well as the management of resources and competences (Hitt and Ireland, 2002). In this context, it is especially important to motivate and empower the firm's employees to create strategic change as required to achieve successful BME (Volberda et al., 2011). In all three case studies, the top-management teams demonstrated their ability to create innovative business models, thus giving their firm a clear direction for future growth. Astute decision making capabilities were clearly evident in the business model implementation process. Daimler's approach of establishing a business innovation unit to identify the market trend of car-sharing and in consequence, creating the new business model car2go, proved to be good strategic leadership, as did BLG's early restructuring and HOCHTIEF's establishment of its wholly owned subsidiary HOCHTIEF AirPort, in response to their stagnating core business. Only through implementing the change decision, can resources and competences be redeployed and strategic flexibility realised. Thus, the following is proposed:

Proposition 4: Strategic leadership is an important attribute of strategic flexibility in the context of successful BME.

Table 5 provides an overview of the dynamic capabilities manifestation in the three cases.

Insert Table 5 about here

The positive relationship between strategic flexibility and firm performance has already been established by various authors in various contexts (Burmman, 2002; Combe et al., 2012; Dreyer and Grønhaug, 2004; Grewal and Tansuhaj, 2001; Johnson et al., 2003; Nadkarni and Narayanan, 2007; Tan and Zeng, 2009). In conformity with Dreyer and Grønhaug (2004), strategic flexibility is a valuable corporate skill which has a major impact on a firm's competitive position, especially in turbulent environments. In accordance with Matthyssens et al. (2005), strategic flexibility is gaining importance not only in creating a competitive position but also in realising financial performance. Thus, the line of reasoning is that a firm can gain monetary as well as pre-monetary competitive advantages through strategic flexibility in the process of BME, because it can proact or respond quickly to changing competitive conditions (Hitt et al., 1998). By rapidly implementing innovative value-creating business models which cannot easily be duplicated by competitors, a firm can achieve competitive advantage (Barney, 1991; Nelson, 1991; Peteraf, 1993; Wernerfelt, 1984; Eisenhardt and Martin, 2000). This could be confirmed in the case studies. Besides sales and corporate growth as distinct monetary advantages, a strengthening of other business units, image enhancement and customer acquisition or retention, as pre-monetary advantages, could be realised in all three cases, thus strengthening the company's competitive position, as well as its overall performance. Hence a positive influence of strategic flexibility on a company's competitive advantage is expected.

7. CONCLUSION AND LIMITATIONS

The three qualitative case studies described in this paper suggest that for successful BME, a company needs strategic foresight to foresee environmental change and resource and

competence flexibility to reconfigure company strength, as well as strategic leadership to lead the evolutionary process. These dynamic capabilities are seen as constituting factors and antecedents of strategic flexibility, which enable an established firm to successfully innovate its business model, while in consequence, improving its competitive advantage and thus its overall performance. Therefore, strategic flexibility provides firms with numerous advantages (Kazozcu, 2011), especially in the process of BME. Companies that possess strategic flexibility are able to respond quickly to identified challenges in the internal or external environment, have the ability to easily redeploy (core) competences and (key) resources and implement them through strategic leadership in new business models. Thus, strategic flexibility is a prerequisite for BME and a necessary element of long-term survival (Burmman, 2002).

Although our study contributes to understanding the influence of strategic flexibility in BME, several limitations ought to be stated. For example, we focused our analysis on a limited number of case studies, which limits the generalisability of results. Based on the reviewed literature and on the exploratory case studies, we generated testable propositions and paved the way to move beyond the theoretical and case-based research that dominates the business model and strategic flexibility literature. Therefore, a future study could include a larger number of companies, such as in the form of a large-scale empirical investigation on the impact of strategic flexibility on an array of BMEs across various sectors or on a special type of BME within a single sector. Another constraint of this paper is that it does not consider moderating effects like the extent of market dynamics, age, size and organisational structure or type of business model innovation (Burmman, 2002). These issues can thus be taken up in future research.

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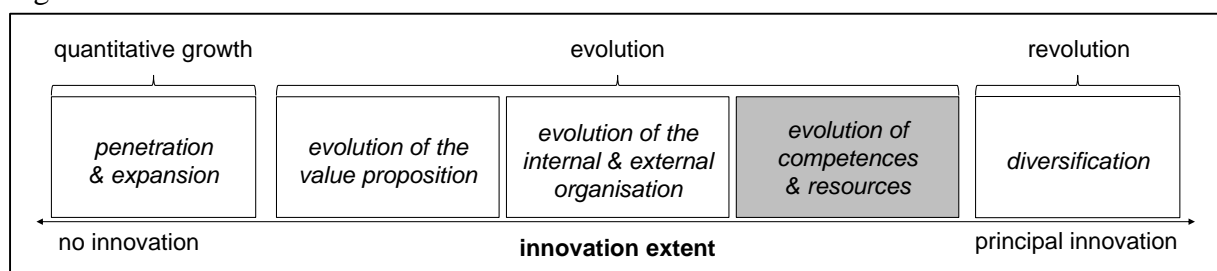
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FIGURES

Figure 1: Business model innovation continuum



TABLES

Table 1: Classification of resources for the business model concept

| Category of resource | Manifestation |
|--------------------------|--|
| Physical resources | geographic location, land, real estates, machinery, equipment, raw material reserves |
| Financial resources | external funds, internal funds, other financial instruments |
| Legal resources | agreements, patents, licenses, copyrights, registered designs, trade secrets, trademarks |
| Organisational resources | culture, structure, routines, processes, brand, reputation |
| Relational resources | relationships within the firm, with external stakeholders, supplier, customer and competitor relationships |
| Human resources | personal networks, individual's experience, education, personal attributes |
| Informational resources | industry, customer, supplier, internal and product information |

Source: Seppänen, 2009, p. 107; Seppänen and Mäkinen, 2007.

Table 2: Questioned managers and their position

| Company | Manager name | Position |
|----------|----------------|---|
| Daimler | Dr. C. Haller | <i>Senior Manager Marketing & Sales eMobility, Daimler AG</i> |
| | S. Müller | <i>CEO, car2go Europe GmbH</i> |
| HOCHTIEF | T. Brehmer | <i>Director Technology, HOCHTIEF AirPort GmbH</i> |
| | Dr. E. Pougias | <i>Executive Director Commercial and Property Activities, HOCHTIEF AirPort GmbH</i> |
| BLG | S. Nousch | <i>Key Account Manager, BLG AUTOMOBILE LOGISTICS GmbH & Co. KG</i> |
| | W. Stöver | <i>Director Marketing & Sales, BLG AUTOMOBILE LOGISTICS GmbH & Co. KG</i> |

Table 3: Relocated competences in the evolutionary process

| Type of competence | Daimler | HOCHTIEF | BLG |
|---------------------------|--|--|---|
| Core competences | mobility competence | construction competence | logistics competence |
| Complementary competences | technological competence, innovation competence, lobbying competence | project development competence, facility management competence | handling competence, technical competence |

Table 4: Relocated resources in the evolutionary process

| Type of resources | Daimler | HOCHTIEF | BLG |
|--------------------------|---|--|---|
| Physical resources | <i>high redeployment</i> esp. of technologies, equipment and real estate | <i>low to no redeployment</i> | <i>high redeployment</i> esp. of geographic location and land |
| Financial resources | <i>high redeployment</i> | <i>high redeployment</i> | <i>high redeployment</i> |
| Legal resources | <i>low to no redeployment</i> | <i>low to no redeployment</i> | <i>no redeployment</i> |
| Organisational resources | <i>medium redeployment</i> of brand and reputation | <i>high redeployment</i> esp. of brand and reputation | <i>high redeployment</i> esp. of brand and reputation |
| | <i>low redeployment</i> of culture, structure, routines, processes | <i>low to no redeployment</i> of culture, structure, routines, processes | <i>low redeployment</i> of culture, structure, routines, processes |
| Relational resources | <i>medium redeployment</i> of relationships inside the firm and relationships with external stakeholders | <i>high redeployment</i> esp. of relationships inside the firm, customer relationships and relationships with external stakeholders | <i>medium redeployment</i> of relationships inside the firm and customer relationships |
| Human resources | <i>medium redeployment</i> of education, personal networks and personal attributes | <i>high redeployment</i> esp. of education, personal networks, individual experience and personal attributes | <i>medium redeployment</i> of education, personal networks and personal attributes |
| Informational resources | <i>low redeployment</i> | <i>high redeployment</i> esp. of industry information, product information and internal information | <i>high redeployment</i> esp. of industry information, customer information and internal information |

Table 5: Dynamic capabilities in the evolutionary process

| Dynamic capability | Daimler | HOCHTIEF | BLG |
|------------------------|---------|----------|--------|
| Strategic foresight | high | medium | high |
| Resource flexibility | high | high | medium |
| Competence flexibility | high | high | medium |
| Strategic leadership | high | high | high |