

“A good business plan can be worth billions, but how do you find one? Chander Velu explains why business model innovation is the most important and valuable innovation for your company and shows you the route to your new business model. Fascinating and enjoyable – buying this book is possibly the best investment you can make!”

Stuart Madnick

John Norris Maguire Professor of Information Technologies
at the MIT Sloan School of Management, and Professor of
Engineering Systems at the MIT School of Engineering

“Fascinating and highly relevant. Chander’s book is valuable inspiration, particularly for anyone concerned with how we can boost growth and productivity, on which so much of society depends. Conventional economics assume that markets (and, by definition, those people who operate within them) are rational, moving quickly to optimise returns. In reality, businesses often aren’t rational. They’re full of inertia born out of the tensions between the short and long term and the way rewards are assessed and distributed. Many business leaders have good strategic instinct but transmission to results is often compromised by failure to overcome the inertia that stands in the way of changing a business model. Chander’s work addresses this reality head on with a rich analysis of how business model innovation is key to successful execution of strategy.”

Sir Charlie Mayfield

Chairman of Be the Business, former Chairman of the John Lewis
Partnership, and member of the Industrial Strategy Council

“Choosing a business model means choosing a particular way to compete and, for aspiring entrepreneurs as well as seasoned executives, I have found that there is nothing more important to focus on first. Professor Velu’s meticulous research and focus on the role of innovation in the design of business models and the dynamics that influence business models are extremely insightful, and what sets his work apart is his ability to seamlessly bridge academic rigour with real-world examples of the link between technology advances and business model innovation. I wholeheartedly endorse this book for anyone seeking to understand the importance of business model innovation in building a competitive business today.”

Lee Olesky

Founder of Tradeweb and former CEO and Chairman of the Board

“The publication of this book is very timely as the latest wave of digital technologies is challenging virtually every business model in every type of firm across the globe. The time lag in adoption and the need for greater absorptive capacity are often mentioned as barriers to firms seeing productivity gains fast. Chander Velu opens the black box on how firms can innovate their business models to obtain lasting benefits from those new technologies. His years of study of the topic come together in this comprehensive book, from which not only scholars and students of business will learn – it also shows the way for practitioners to get beyond the hype.”

Bart van Ark

Professor of Productivity Studies at the Alliance Manchester Business School, and Managing Director of The Productivity Institute

“A concise account of research on the relationship between business models and organisational performance. Recommended to anyone looking to gain a thorough understanding of the drivers, obstacles, and performance impacts of business model innovation.”

Panos Desyllas

Professor of Strategy at the University of Bath School of Management

“A comprehensive guide that sheds light on business model initiatives for sustained competitive advantage. This book expertly takes the business model perspective to navigate the complexities of market dynamics, digital transformation, sustainable development, and organisational adaptation, making it a must-read for academics, practitioners, and policymakers. The use of real-world examples from contemporary businesses and practical frameworks brings the principles of business model innovation to life, providing actionable strategies for today’s ever-evolving digitally enabled business landscape.”

René Bohnsack

Professor for Strategy and Innovation at Católica-Lisbon, and Director of the Smart City Innovation Lab



Business Model Innovation

What strategic challenges are faced by both start-ups and incumbent firms, and what opportunities do these challenges create for business model innovation? Focusing on the underpinning theory and concepts of business models, this book identifies new business models capable of creating sustainable competitive advantage and guides readers through their implementation. A detailed introduction outlines current research in business model innovation (including directions for future research), and global business cases are applied throughout to illustrate key issues. Topics covered include market creation, leadership, digital technology adoption, small- and medium-sized enterprises, start-ups, sustainability, socio-economic development and conduct risk. Also discussed are the principles of the architecting economic systems, the role of government in influencing business models design and how organisational structures must adapt in the context of business model innovation.

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Business Model Innovation

A Blueprint for Strategic Change

CHANDER VELU

University of Cambridge



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Preface

A plethora of new start-ups were launched to disrupt incumbent firms across a range of industries in the late 1990s and early 2000s, during what has come to be known as the era of the dot.com bubble. Often, people left secure employment to harness the opportunities provided by the Internet to launch new businesses that would disrupt their loyal employers or other incumbent firms that relied on the inefficiencies of the market to sustain their superior competitive advantage. During this exciting period, I joined one of the major global strategy consulting firms at the time, Booz Allen & Hamilton. My very first assignment at the firm was a strategy-evaluation project for a major global news and information service provider whose share price had declined rapidly, as the market felt it did not have a coherent e-commerce strategy. A team was assembled in London to work on this assignment in record time. After several weeks of intense work, our proposed e-commerce strategy was received with enthusiasm by the senior management; however, the firm found it challenging to implement the strategy because each department had an urgent current operational issue to address. There was a lack of common ownership of the business model, which made it difficult to coordinate the response internally to develop new business models. This resulted in a lethargic response by our client, with the consequence that they missed the opportunity to become a pioneer in leveraging the business opportunities provided by the Internet.

This experience sowed the seeds of my interest in business model innovation. I worked on several high-profile strategy-formulation assignments with major blue-chip firms, which demonstrated a similar inability on the part of management to innovate business models despite having a great deal of knowledge about Internet-based technologies. I could not fully understand the dynamics of the decision-making process and the resource-allocation issues to drive strategic business model innovation from the vantage point of a management

consultant, as the demands of the next assignment did not allow for such reflection. Hence, I decided with great trepidation to pursue my doctoral studies at the Cambridge Judge Business School to develop a deeper theoretical understanding of business model innovation resulting from new digital technologies. I initially studied the global financial services market before pursuing my interest across other manufacturing and service-driven industries when I joined the Institute for Manufacturing (IfM) at the Department of Engineering, University of Cambridge. I quickly realised that many of the grand challenges of society, such as the productivity paradox and economic growth, climate change, poverty alleviation, health and biodiversity, among others, require innovative business models. Moreover, novel business models are often the catalyst to enable digital and other emerging technologies such as quantum technologies to provide benefits to society. In fact, as I learnt about business model innovation through research and discussions with senior executives, more questions arose in my mind – reminding me of Charles Darwin’s insightful quote, “The pleasure of knowing things always goes on increasing the more one knows.”

This book is an attempt to pause and take stock of the knowledge in the area of business model innovation and to highlight what we know and the topics we need to explore further. I hope this book will provide the scaffolding to enable scholars, managers and policy-makers to ask the right questions in a truly collaborative effort to discover and shape our understanding of business model innovation in order to build a better world for us all as we face the next generation of grand societal challenges.

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