

Open Business Models and Industrial Marketing: A Multiple Industry-Practice Perspective

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OPEN BUSINESS MODELS AND INDUSTRIAL MARKETING: A MULTIPLE INDUSTRY-
PRACTICE PERSPECTIVE

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ABSTRACT

This paper presents an early contribution to the concept of open business models (OBMs) - those business models (BMs) in which value is co-created between practitioners outside the boundaries of a single firm. Whilst the BM concept has become well established in industrial marketing (IM) scholarship, only a small number of empirical papers have focussed on the concept of open business models (OBMs). This paper reports an empirical study into an open-business model. Further, as a challenge to the predominant static or processual understanding of BMs and OBMs, the findings presented here advance current understanding by examining OBMs as strategic *practice*. By focussing on practitioners and their capabilities in OBMs, this approach therefore addresses the undersocialisation of current BM research and adds micro-level insight into the functioning of OBMs. Insight is offered into value capture and value co-creation as strategic practices. As the focal OBM crosses industry and sectoral boundaries, the research also adds knowledge where it is currently lacking into the importance of boundary-spanning practitioners in OBMs.

Keywords: Open Business Models, Industrial marketing, Business ecosystems, Value co-creation, Strategy-as-practice.

INTRODUCTION

In recent years, the business model (BM) concept has attracted increased attention from scholars in a variety of academic disciplines and areas of professional practice. BMs are a source of continuing attention by industrial marketing (IM) scholars. Typically, empirical BM research has focused on rather parochial single company studies (Palo & Tahtinen, 2013). We propose here that a BM represents more than just the revenue model of a single company, or its business plan, rather, similar to arguments presented by Benson-Rea et al. (2013) we see BMs as a broader, pluralistic concept that has the potential to be used by practitioners in a network context (Nenonen & Storbacka, 2010; Palo & Tahtinen, 2013). Therefore, by examining business models beyond the boundaries of a single firm, this paper takes a broader perspective on BMs than that commonly elucidated. Research on networked BMs is still an emergent area (Palo & Tahtinen, 2011, 2013) and empirical elaborations are rare. We propose that the consideration of inter-organisational networks represents a key element in establishing the BM concept as practical, pluralistic and non-rhetorical. This study builds on a small body of work in IM literature considering open business models (OBMs) and we make an early contribution to the examination of BMs by exploring a co-located cross-industry and cross-sectoral (public-private) OBM and its concomitant business ecosystem. The study uses the lenses of multiple disciplines that have discussed the BM concept and attempts to firmly ground the OBM concept in the strategy-as-practice tradition of strategic management (Jarzabkowski, Balogun, & Seidl, 2007; Jarzabkowski & Spee, 2009; Whittington, 1996, 2006, 2007) where strategy practitioners were regarded as the link between the situated praxis in a firm and the practices that existed at the intra-, inter- and extra-organisational levels.

The structure of the paper is as follows: first a review of some of the leading contributions to the BM and OBM literature, including OBMs in the context of value co-creation and capture is presented. We then briefly review the literature on strategy and practice and position the potential contribution available from the assimilation of these perspectives. We then offer a description of the case-study methodology deployed in this paper and finally we move to present and discuss the substantive findings from the study. Conclusions are then drawn.

LITERATURE REVIEW

The BM concept has become fashionable vocabulary with practitioners (Shafer et al., 2005; Wirtz et al., 2015) but there remain some concerns that the concept is a rhetorical term rather than a feature of strategy-as-practice. The BM concept gained increased importance in the dot.com era from the late 1990s (Doganova & Eyquem-Renault, 2009; Klang et al., 2014; Mason & Spring, 2011). Whilst a potentially powerful concept (Zott & Amit, 2008), current academic research is not well developed and offers few elements of agreement (Casadesus-Masanell & Ricart, 2010; Chesbrough, 2007; Osterwalder & Pigneur, 2010). As a result, practitioners appear confused about the use of the concept (Shafer et al., 2005). The identification of the key components to characterise a BM is arguably a key area of BM literature, but few scholars have devoted attention to the empirical study of the topic (Baden-Fuller & Morgan, 2010; Morris et al., 2005; Zott & Amit, 2010). Hence, we argue that an empirical focus on the strategy-as-practice view of BMs has much to offer practitioners.

Open business models

Many of the core conceptualisations of BMs have been argued to remain “somewhat simplified and static” (Palo & Tahtinen, 2013, p. 773) and “often difficult to distinguish from Porter-esque competitive strategy and have been only applied at the level of the firm (Mason & Spring, 2011). Companies that have implemented ‘closed’ BMs have focused primarily on developing BMs that consider only internal value creation. As an alternative to this atomistic perspective on BMs, a notion of ‘open’ BMs has been conceived (Chesbrough, 2007; Frankenberger et al., 2013, 2014; Wirtz & Ehret, 2013). Coombes & Nicholson (2013, p. 663) suggested that distinctive contributions for IM lie “in the development of OBMs, co-created with multiple stakeholders in a supply chain, and the end users of a value proposition”. In contrast to closed BMs, OBMs additionally focus on external resources as key contributors to a company’s value creation process. Value in OBMs is therefore conceived as ‘co-created’ between practitioners external to a focal firm (Coombes & Nicholson, 2013; Frankenberger et al., 2013; Storbacka et al., 2012; Wirtz & Ehret, 2013). The adoption of OBMs offers the potential for companies to be more pluralistic, in the conceptualisation of both the creation and capture of value. By encouraging firms to look beyond their own firm boundaries for ideas and intellectual property, they could potentially bring capabilities and resources in to their own OBM whilst, at the same time, licencing their own under-utilised intellectual property to other partners within an OBM (Chesbrough, 2007). Pluralistic perspectives on BMs would seem to encompass dyadic, vertical (supply chain) and network (or business ecosystem) dimensions of explication. According to Mentzer et al. (2001), a direct supply chain was composed of a focal firm, its supplier firm and its customer. Furthermore, according to Christopher (2011), a supply chain could be defined as a network of firms that were involved, through upstream and downstream linkages, in different activities (we add practices) and processes (we add praxis) that created value for customers. The initial choice of a research object for this paper respects this definition of a supply chain. The networked context of BMs is a significantly under researched area, (Komulainen et al., 2006; Westerlund et al., 2008) and seems to be area demanding further attention from IM scholars, particularly those from within the IMP tradition. In addition to the supply chain context, the research in this paper also takes in the networked context of the firms in the identified supply chain. A small body of recent work in IM has however, examined project networks (Mele, 2011) and complex solution networks (Ferreira et al., 2013; Frankenberger et al., 2013; Jaakkola & Hakanen, 2013; Storbacka, 2011; Storbacka et al., 2013), and outsourcing arrangements (Baraldi et al., 2014). However, according to Weiblen et al. (2013), the OBM concept was neither clearly defined nor clearly delineated from the closely related BM and open innovation fields. The reason for this confusion is because, arguably, OBM’s were still formative. As a result, there was a lack of research, hitherto, that could be deployed to assist practitioners achieve OBM’s within their own organisations (Weiblen et al., 2013). Furthermore, the role of boundary-spanning practitioners (see for instance Noble & Jones, 2006; Williams, 2013; Zhao & Anand, 2013) in OBMs seems absent. Whilst the literature on boundary-spanners in the context of private sector firms appears to be significant, there appears to be much less literature in the context of public-private sector partnerships (PPP) (Noble & Jones, 2006; Williams, 2013). There seems, therefore, still much IM scholarship can do to enrich the BM literature. In particular, the context of OBM’s that cross industry and sectoral boundaries seems to have been significantly overlooked. We seek to partially address the discrepancy in this paper.

Value co-creation and value capture in open business models

The concept of value co-creation is an emerging theme across the marketing discipline alongside BMs, (Fisher & Smith, 2011; Sheth & Uslay, 2007). Coombes & Nicholson (2013) recently called for greater focus on, and synthesis between the co-creation and BM literature. To date however, this synthesis has only been done to a limited extent (Mele, 2011; Truong & Palmer, 2012). The value co-creation literature essentially explores the processes through which value is jointly created between firms rather than within the boundaries of a single firm (Prahalad & Ramaswamy, 2000, 2004). The primary focus of this literature has however, been on dyads between suppliers and customers, acknowledging the power of customers as innovators (Vargo & Lusch, 2004, 2008, 2010). According to Chesbrough (2007), the OBM is closely related to the open innovation paradigm. In other words, firms must develop OBMs if they are to make the most of the opportunities offered by open innovation by actively searching for and exploiting ideas outside of the firm and by allowing unused internal technologies to flow to the outside, where other firms can unlock their latent economic potential (Chesbrough, 2007).

A possible problem within the co-creation literature has been its grounding in the service-dominant logic, which has been granted macro, meta-theoretical status by many authors (Brodie et al., 2011; Lobler, 2011). However, Leroy et al. (2013) have criticised this ‘zooming out’ and instead advocate ‘zooming in’ on more micro-level features of value-co-creation. This comment initially alerted us to the potential of a practice based perspective on BMs. Several IM scholars have ‘zoomed in’ on the micro-factors, particularly in the context of solutions businesses. Ferreira et al. (2013) note that solutions based BMs show the highest degrees of both integration of the customer within a company’s value chain and coordination between elements of the value chain. Co-creation is therefore achieved in OBMs of solutions businesses in the integration of the customer into each aspect of the value chain. Frankenberger et al. (2013) further discovered that in solutions providers, the degree to which the customer was embedded in the value creation process and which affected the nature of the network structure. Lower customer centricity leads to more, weaker ties, higher customer centricity leads to fewer, stronger ties. Hence there is scope for further developing both supply chain and network visions of OBMs.

Open business models as strategic practice

When considering the potential of a practitioner based perspective on OBMs, Storbacka (2013) attempts to highlight both organisational and *person* centric factors when proposing four dimensions with which to interrogate OBMs; customer embeddedness, offering integratedness, operational adaptiveness, and organisational networkedness. What therefore appears lacking in this literature as it stands is a micro focus on BMs as strategic practice. Put another way, socialisation and relationships in open business models seem to have been largely overlooked in current literature. We therefore turn next to briefly explore what a practice-based perspective may add to current insight into OBMs.

In recent years, strategy-as-practice has emerged as a distinctive approach for studying strategic management, organisational decision making and managerial work (see for instance Jarzabkowski et al., 2007; Whittington, 1996, 2006). It focuses on the micro-level social activities, processes and practices that characterise organisational strategy and strategising. As

opposed to the hitherto dominant view on strategy as something firms possessed, the strategy-as-practice view is concerned with strategy as something people in organisations ‘do’. However, whilst scholars (see for instance Jarzabkowski et al., 2007; Jarzabkowski & Spee, 2009; Whittington, 1996, 2006) have offered definitions for the terms ‘practices’, ‘praxis’ and ‘practitioners’, none of these definitions appear to have been fully accepted by the academic community (Seidl & Whittington, 2014). Consequently, there appears to be confusion about how to apply the concept. In order to provide some clarity to these terms, in this paper we adopt a language of shared norms for acting (as practices), alongside the actual activities for implementation, i.e. what people do ‘in practice’ (as praxis), and the individuals (being practitioners) involved in these actual activities (Whittington, 2006). We propose to study the micro-level relational interplay between practices, praxis and practitioners in the context of four interrelated value creation domains, termed as intra-organisational factors, inter-organisational factors, extra-organisational factors and practitioner capabilities. However, extant definitions of the term ‘competency’ appeared to be limited (Mitchelmore & Rowley, 2010) therefore, the meaning of the term ‘competency’ adopted in this paper is a description of something which a practitioner who works in a given occupational area should be able to achieve, it is a description of an action, behaviour or outcome which an individual should be able to demonstrate (Cheng et al., 2003). These factors are conceptualised in a framework presented in Figure 1.

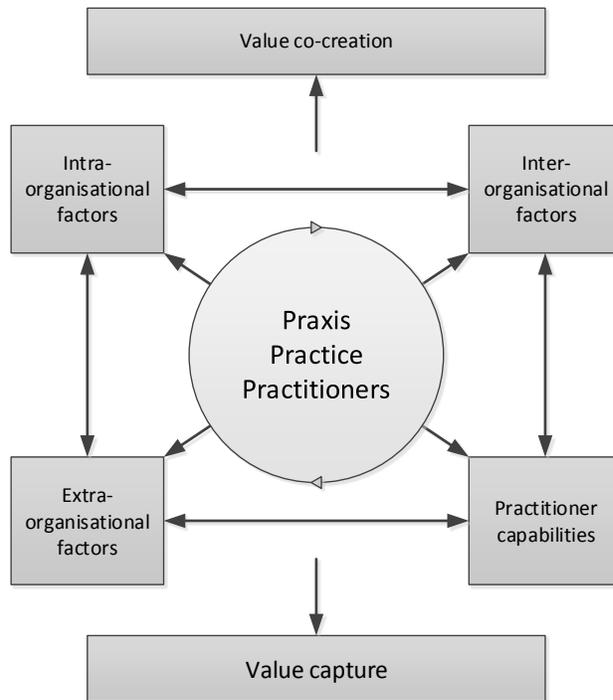


Figure 1: Conceptual Framework

The paper addresses the following two research questions:

- (1) Who are the key practitioners situated within an OBM; what are the capabilities demonstrated by these key practitioners that underpin an OBM?

(2) What are the key practices and resultant elements of situated praxis demonstrated by these key practitioners that support an OBM?

METHODOLOGY

The empirical setting for the study was centred on three firms with closely integrated value creation processes. As an alternative approach to a multiple case study, the three firms were examined as multiple embedded units of analysis (Yin, 2009) within a single, focal OBM case study context (Stake, 1995). Case study research is a well-established methodology in IM and network research (Visconti, 2009) and plays an “important role in theory development within IM and the industrial networks paradigm” (Wagner et al., 2009, p. 6) so it seems particularly appropriate to deploy these principles in the study of an OBM. The primary purpose of the deployment of this approach was to seek analytical generalisability (Yin, 2013) to the contexts of other OBMs, regardless of sector or industry context.

Research Context

Three firms were chosen in our study and which formed an exemplar of a supply chain through from upstream supplier to end user – which took in and considered a public-private downstream sector dyad, an upstream buyer-supplier dyad as well as the broader networked and ecosystem contexts of the three firms in a solutions provision arrangement. The head offices of the three firms were geographically co-located in a medium to low technology sectoral city-region situated in the North of England, hence the management and decision makers of these firms were also co-located allowing for organisational and social proximity to exist. In terms of supply chain positioning. The first firm (we will call Builder) is presented as the hub firm, the second supplier firm (we will call Inbound) occupied an upstream position Builder’s supply chain context whilst the third firm (we will call Buyer) occupied a downstream position to Builder. Builder has been selected as the hub firm because, in a strategic network, a focal actor often led the network and such leading actors were often financially or technically dominant (Eklinder-Frick et al., 2011; Frear & Metcalf, 1995). Builder’s transactions with Inbound took place within a single industry context. The broad supply chain context of Builder crossed multiple industry boundaries and the exchanges between Builder and Buyer crossed a sectoral boundary between public and private sectors. Builder, as the hub firm of the study, was therefore assumed to be the primary designer of the focal OBM (in the terms used by Storbacka et al., 2012).

Builder is a family-owned independent property development, property management and retail business based in a city-region situated in the North of England. Inbound is an independent building supplies business based in the same city-region as Builder. Buyer was founded as a special purpose vehicle firm under the Department of Health’s NHS Local Improvement Finance Trust (LIFT) public-private partnership (PPP) based in the same city-region as Builder and Inbound. We posited at the outset of the study that the three firms all participated in what has been termed an ‘open business model’ (see for instance Chesbrough, 2007; Frankenberger et al., 2013, 2014) because these firms all interacted with those of other industry participants, for example, customers, supplier firms and other co-located business and non-business stakeholders (Casadesus-Masanell & Ricart, 2010). Frankenberger et al. (2013) conceptualised a model that

illustrates the differences between three *separate* firms' OBMs along a simplified solution provider value chain. We have adapted this model which contributes to extant OBM literature by illustrating the differences between the three firms that formed the *single* focal OBM along a simplified solution provider value chain. This adapted model is presented in Figure 2. The grey activities in solution co-creation indicate the activities performed by each of the three firms, the white activities were performed by these firms' partners whilst the hatched grey and white activities were performed by these firms and one or more of their partners.

For the purpose of this study, OBMs have been understood as a sub-class of BMs in which collaboration between the hub firm, the supplier firm and the buyer firm and the other co-located stakeholder actors situated within the focal OBM's business ecosystem was a decisive element of value creation and value capture (Frankenberger et al., 2014).

Data collection approach

Twenty five semi-structured interviews of between one and two hours duration were conducted with senior and middle managers of the three firms, which took place over two periods between November 2012 and November 2013 and between January and March 2016. Additional secondary data sources were also used. In advance of the interview process, a list of questions was devised in the form of an interview guide, which indicated relevant topics and potential questions to guide the interview process. Consistent with the principles of convergent depth interviewing (Dick, 2002; Rao & Perry, 2003), the interview guide was developed taking into account relevant thematic areas arising from extant OBM literature as well as the relationship between researcher and respondent. Respondents received the main questions in advance so that they could prepare. Interviews were subsequently transcribed verbatim, allowing for subsequent analysis, and specific questions clarified in follow-up emails. The semi-structured interviews provided a deep level of contextual insight and understanding and helped to inform an impression with regard to the three firms. Sampling followed the principles of theoretical saturation (Black & Tagg, 2007; Cheung et al., 2007; Zou & Lee, 2007).

Data analysis approach

Following familiarisation with the three firms, the within-case theme analysis was undertaken. This prompted further analysis of the respondents' interview transcripts and then further examination of the themes to ensure that the analysis was thorough and preconceived ideas were not being forced upon the data. In order to aid the process of descriptive coding, NVivo was deployed. The similarities and differences, and repetitions were then grouped into themes in order to identify the characteristics of each theme. The characteristics of each theme were then compared with each other and the key practices, praxis and practitioners identified in order to develop an overall construct.

FINDINGS AND DISCUSSION

The structure of this section will respect the four main elements of the conceptual framework presented as Figure 1. Within each section we will seek to expose the key practitioners and their

practices and situated praxis in respect to each of these aspects of the framework. The key intra-organisational factors in the context of the focal OBM, are presented next.

Intra-organisational factors

Intra-organisational factors we visualise as those factors within a single organisation that specifically support the OBM. The notion of organisational culture emerged as a recurring intra-organisational feature of the three firms' value creation processes that formed the focal OBM. The foundations of these firms' cultures appears to have been established in Builder and Inbound by their founding practitioners and in Buyer by LIFT in the city-region. The notion of organisational culture is supported in BM literature by Morris et al. (2005) who found that a well conceptualised BM affects and was affected by such organisational variables as organisational culture. The three firms that formed the focal OBM each had their own distinctive organisational cultures. In varying degrees, organisational culture resonated with the three firms and formed an intuitive way for their key practitioners to understand intra-organisational practices and situated praxis. The above finding alludes to the fact that the collective beliefs, principles and values of firm members could be arranged into four generic within-case themes which were termed by the researchers as human resource-based practices, investment-based practices, procurement-based practices and sales-based practices, all of which demonstrated key intra-organisational value-creating practices and related situated praxis. A common theme displayed among the three firms' cultures was an absolute expectation for their practitioners to put the customer first. As part of this customer-first expectation, the three firms' practitioners were empowered with varying degrees of delegated responsibilities to make their own decisions in order to solve problems and resolve conflict. Furthermore, the three firms' practitioners were recognised as their number-one asset and were rewarded with incentivised remuneration structures and training and development opportunities that led to the promise of structured career progression to reach their full potential. However, there seemed to be a general consensus amongst respondents that Builder and Buyer had very different value orientations, incentives and motivations for being involved in the PPP. Buyer was characterisable as being motivated by the opportunity to develop a range of innovative health care and social care solutions for their co-located non-business communities in the city-region. Builder, on the other hand, seemed primarily motivated by the opportunity to make a profit with the implication that the interests of its shareholders would take precedence over the needs of its co-located non-business communities.

Notwithstanding the differences in culture stated above, there was a broad consensus amongst respondents that, although public and private interests differed, they could, in successful partnerships, be aligned in the pursuit of developing high quality health care and social care facilities which would benefit its co-located non-business communities. The ambition of the three firms was to aspire for various degrees of synergy within the focal OBM, however, in practice, the relationships appeared to be positioned closer to segregation with none of the three firms demonstrating a full integration of organisational cultures. Thus, the notion of organisational culture appeared, arguably, to be important and was considered to form a key value creation domain of the focal OBM. The key inter-organisational factors in the context of the focal OBM, are presented next.

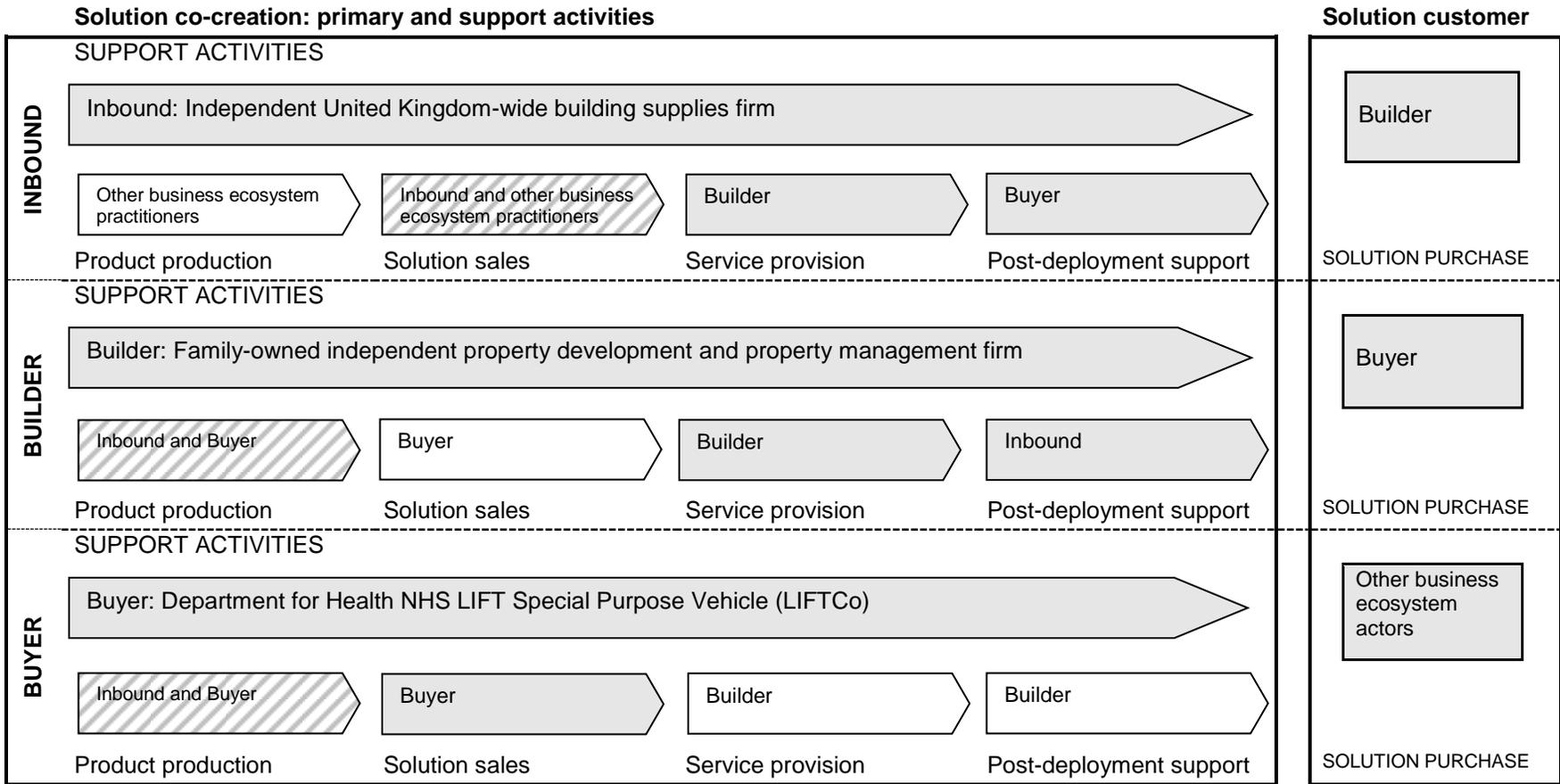


Figure 2: The focal OBM's solution provider value chain
Adapted from Frankenberger et al. (2013)

Inter-organisational factors

Inter-organisational factors we see as the realm of value co-creation and value co-capture. The notion of collaboration emerged as a recurring inter-organisational feature of the three firms that formed the focal OBM. However, the notion of collaboration has not hitherto been studied in the context of cross industry and sectoral OBMs. A precursor to the notion of collaboration adopted by Builder and Buyer within the focal OBM appeared to have been established under the terms of the PPP contract entered into by the two firms under the LIFT agreement. In particular, the PPP contract enabled the Builder to capture value within the focal OBM through an exclusivity clause giving the firm the exclusive right to construct all primary care properties in the city-region over a period of twenty five years, using a standardised procurement process, subject to best value for money operational performance. There seems here to be an interesting interplay here between relational and transactional governance, and the transcripts demonstrate the inter-organisational interaction that led to the securing of this exclusive contract, and the practices that continue to justify its existence. This PPP contract provided the firm with guaranteed regular, long-term revenue streams, therefore these practices in relation to contract attainment and maintenance were considerable value-capturing practices. More arms-length/transactional examination of OBMs may assume a simple cost/benefit assessment as play, which findings here refute. Like with Builder and Buyer, the notion of collaboration adopted by Builder and Inbound within the focal OBM appeared to have been established under the terms of the construction materials supply contract entered into by the two firms. This contract enabled Inbound to capture value within the focal OBM. The findings indicate that the collaborative inter-organisational practices between the three firms consisted of various resource exchanges in their dyadic, vertical supply chain context.

The results of the study demonstrate how the three firms' value-creating practices and situated praxis were enmeshed in a complex network of collaborative inter-organisational relationships along a continuum of varying degrees of complexity that ranged one-dimensionally from informal co-operation to formal collaboration (See for instance Granovetter, 1973) which reflected the intensity of the interaction between the three firms. However, whilst strong ties were apparent between Builder and Buyer, weaker ties were demonstrated between Builder and Inbound. The degree of formality of the practices between the three firms' various relational exchanges was particularly displayed in the language used by practitioners from the three firms. Semantically, respondents from Builder and Buyer preferred to use the more formal term 'partnership' as an adjective, whilst the less formal term 'relationship' as an adjective was preferred by respondents from Inbound. This finding is consistent with Fenton and Langley (2011) who found that the actual doing of strategy took place in the form of talk, text and conversation. The notion of organisational proximity (see for instance Boschma, 2005) created the capacity for the three firms that formed the focal OBM to acquire and exchange tacit information and knowledge resource practices as well as to optimise the sharing of risk. These findings appear to be supported by Anderson et al. (1994) who found that firms who reduced their degree of vertical integration and began to rely on a network of specialised firms to deliver supporting services, tended to contract with supplier firms who were able to co-operate or collaborate in a relationship context. Furthermore, according to Gulati et al. (2000), the sharing of risk exposure within networks allowed firms to achieve their strategic objectives. The notion of organisational proximity enabled the optimisation of collaborative inter-organisational information and knowledge resource practices within the focal OBM. An example of this information and knowledge resource practices customer(s)-supplier(s) dynamic was demonstrated by the co-location of

Buyer's head office within Builder's head office premises. A key inter-organisational value co-creating practice adopted by Buyer was evidenced with all of Buyer's support practices, which consisted of the administrative areas of finance, health and safety, human resources, information technology, and public relations and communications, being provided by Builder as surrogates, thus replacing the need for Buyer to either provide these support practices itself or to outsource these support practices from a third party supplier.

A key practitioner identified in the inter-organisational interaction within the focal OBM, was the boundary-spanning practitioner. Particular examples of such boundary-spanning practitioners were found within Builder's finance, health and safety, human resources, information technology, and public relations and communications functions. These boundary-spanning practitioners were based in Buyers head office at various times of the year on a part time basis. According to Asheim et al. (2007), during the period of a collaborative arrangement, the interaction with certain customers and supplier firms often had durations of several years which, in some cases, supplier firms worked at the customers' firms' premises. A further key inter-organisational value co-creating practice adopted by Buyer, and further example of the strong ties between Builder and Buyer, was manifested by Buyer who replicated many of Builder's administrative policies and procedures. In particular, the resultant inter-organisational praxis that was evidenced to implement this key practice was elucidated by a number of respondents who explained that the firm adopted and deployed many of Builder's policies and procedures particularly in the areas of finance, health and safety, human resources, information technology, and public relations and communications. The strong ties between Builder and Buyer appeared, therefore, to point to the existence of a 'bridge' (see for instance Eklinder-Frick et al., 2011; Granovetter, 1973) or a 'collective bridge' (Zhao & Anand, 2013) between the two firms. Zhao & Anand (2013) conceptualise inter-unit collective bridging for the transfer of both collective knowledge and individual knowledge. We have therefore adapted this idea which contributes to extant OBM literature by illustrating the practice of collective bridging (we offer the alternative term 'collaborative bridging'), for transferring inter-organisational collective information and knowledge resource practices between Builder and Buyer. This adapted idea is visually represented in Figure 3. Through the practice of transferring collective knowledge between Builder and Buyer, Builder, in essence, helped Buyer to replicate the practices and situated praxis of Builder (Zhao & Anand, 2013). The solid arrows in Figure 3 represent inter-organisational communication ties and the dashed arrows represent knowledge interdependence within each firm. One circle represents Builder as the source unit and the other circle represents Buyer as the recipient unit and the dotted line around the circumference of each circle represents each firm's boundary. The four small shaded circles situated within Builder's boundary represent the four administrative areas of finance (F), human resources (HR), information technology (IT), and public relations and communications (PRC) and the four small shaded circles situated within Buyer's boundary represent the four *surrogate* administrative areas of finance (F), human resources (HR), information technology (IT), and public relations and communications (PRC).

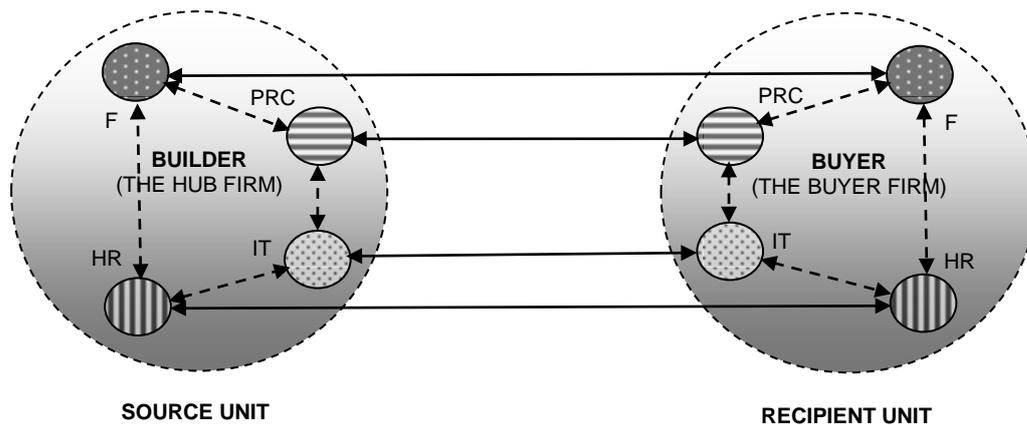


Figure 3: An inter-organisational collaborative bridge for transferring collective knowledge between Builder and Buyer

However, in contrast to the interaction between Builder and Buyer, there is much less evidence of the collaborative distribution of inter-organisational information and knowledge resource practices demonstrated by the practitioners of Inbound. These practices appeared to be much more infrequent than that evidenced between Builder and Buyer. For instance, the weaker ties demonstrated between Builder and Inbound consisted of occasional information and knowledge resource practices between various practitioners of Builder's construction division and various branch-based practitioners of Inbound. Figure 4 illustrates the inter-organisational absence of collective bridging (we offer the alternative term 'collaborative bridging') practices for transferring collective information and knowledge resource practices between Builder and Inbound. The single solid arrow represents inter-organisational communication ties and the dashed arrows represent knowledge interdependence within each firm. One circle represents Builder as the recipient unit and the other circle represents Inbound as the source unit and the dotted line around the circumference of each circle represents each firm's boundary. The four small shaded circles situated within Builder's boundary represent the four business unit areas of investment (I), construction (C), project development (PD) and facilities management (FM) and the five small shaded circles situated within Buyer's boundary represent the five administrative areas of finance (F), human resources (HR), information technology (IT), procurement (P) and sales and marketing (SM). We posit, therefore, that both the existence and absence of inter-organisational collective bridging practices are indicative of the existence of a co-located cross-industry and sectoral (public-private) OBM in practice. We note from the transcripts that these practices increasingly had become shared between the three firms.

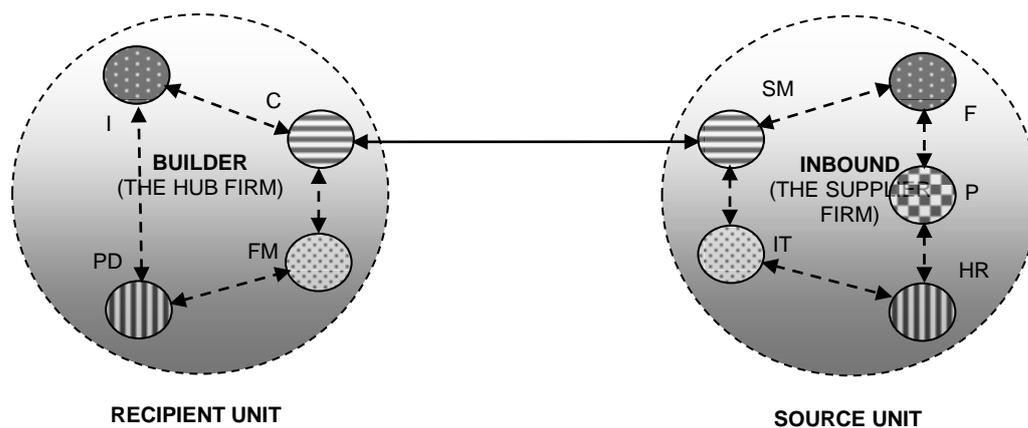


Figure 4: An inter-organisational collaborative bridge for transferring collective knowledge between Builder and Inbound

Optimising the sharing of risk exposure also appeared to be an important practice of PPPs and more broadly within the focal OBM. However, the notion of the distribution of inter-organisational risk exposure has not hitherto been studied in the context of cross industry and sectoral OBMs. Whilst the practice of risk management within a supply chain context has emerged as an important area of study (Chen et al., 2013), hitherto, the study of risk management has not been adequate to meet the challenges associated with increasing supply chain risks (Thun & Hoening, 2011). Risk management can be considered as a means of value co-production through mitigation of the risk of value co-destruction (see Escheverri & Skalan, 2011). However, considering such collaborative inter-organisational practices as purely driven either by efficiency (e.g. risk sharing) or strategic considerations (e.g. entry into a new geographical markets), was reductive and could have missed some major points of inter-organisational value-adding and value-capturing practices (Madhok, 1997). In the context of the focal OBM, the findings suggest that collaboration was not just about complementary knowledge and resource distribution and the sharing of risk exposure, it was about the sustainability of the three firms' long-term product-market positioning. Collaborative inter-organisational value-adding practices afforded the three firms a chance to pre-empt competition in addition to allowing these firms the opportunity to evaluate the capabilities of their partner firms. Besides which, co-opting competition could also mitigate risk exposure (Narula & Santangelo, 2009) and thereby minimise the opportunities for value co-destruction within the focal OBM. Thus, the notion of collaboration appeared, arguably, to be important and was considered to form a key value creation domain of the focal OBM. The key extra-organisational factors in the context of the focal OBM, are presented next.

Extra-organisational factors

We use the term business ecosystem here as something more embedded than a notion of business environment (Clarysse et al., 2014). The extra-organisational practices that supported the focal OBM contained many explicit notions of spatial proximity. For instance, the head offices of the three firms were geographically co-located, hence the management and decision makers of these firms were also geographically co-located allowing social proximity to exist. Within the focal OBM, Builder addressed a broader set of stakeholder

practitioners than just Inbound and Buyer and which included other co-located business and non-business stakeholder practitioners situated within the ecosystem.

Geographical proximity was particularly displayed in relation to the three firms who all adopted the key extra-organisational value co-creating practice of being good corporate citizens to their co-located business and non-business communities within the business ecosystem. In relation to the three firms' co-located business communities, the resultant praxis was demonstrated by a preference for the procurement of products and services exclusively from their co-located supplier firms in the city-region, whenever possible. In relation to the three firms' co-located non-business communities, the resultant praxis was demonstrated by the recruitment and selection of only locally-based people, whenever possible. This applied to both the three firms' direct recruitment as well as the indirect recruitment by their co-located supplier firms. The recruitment and selection of only locally-based people, whenever possible, was seen to make a positive contribution to the economies of those co-located communities. The resultant praxis was further demonstrated by the recruitment and selection of apprentices and work experience placements which were sourced entirely from the three firms' co-located schools. In addition, the resultant praxis was also demonstrated by the three firms who were all benefactors to a range of co-located charitable organisations in the city-region.

Due to the strong ties between Builder and Buyer, the design of Builder's health care and social care developments was undertaken in collaboration with Buyer. Social proximity was particularly evident with the key extra-organisational value-creating practice of the early engagement of Builder's and Buyer's co-located communities in the design of its health care and social care developments. A number of respondents commented that this key practice enabled the firm to benefit from their input and, at the same time, these co-located non-business communities felt a sense of ownership in the facilities that they had helped the firm to develop. The resultant praxis was demonstrated by the arrangement of a series of regular local community events beginning at the design stage of a project and continuing throughout the delivery stage. We posit, therefore, that the existence of both geographical proximity and social proximity are indicative of the existence of a co-located cross-industry and sectoral (public-private) OBM in practice. Similar to the inter-organisational factors presented earlier in this paper, the strong extra-organisational ties demonstrated between Builder and Buyer also appeared to point to the existence of a collective bridge (Zhao & Anand, 2013) between the two firms and their co-located communities. We have therefore further adapted this idea which contributes to extant OBM literature by illustrating an extra-organisational collective bridge (we offer the alternative term 'collaborative bridge') for transferring collective information and knowledge resource practices between Builder and Buyer and their co-located communities. This adapted model is presented in Figure 5. The solid arrows represent extra-organisational communication ties and the dashed arrows represent knowledge interdependence within each firm. The two large circles represent Builder and Buyer as the recipient units and the dotted line around the circumference of each circle represents each firm's boundary. The four small shaded circles situated within Builder's boundary represent the loci of the four business unit areas of investment (I), construction (C), project development (PD) and facilities management (FM) and the four small shaded circles situated within Buyer's boundary represent the four business unit areas of estates planning (EP), developments (D), project management (PM) and operations (O). The single small shaded circle situated outside the boundaries of Builder and Buyer represents the locus of the two firms' co-located communities (CC) situated within the focal OBM's business ecosystem as the source unit.

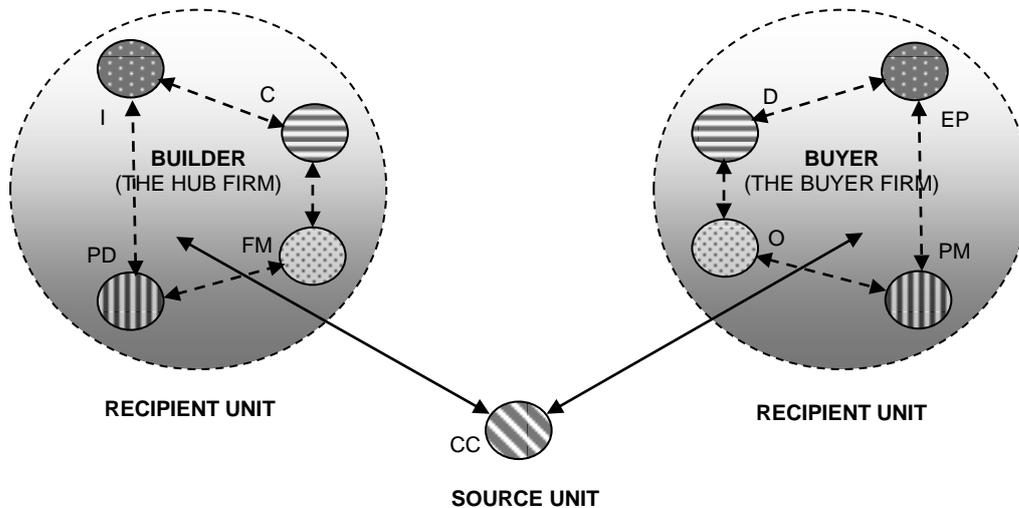


Figure 5: An extra-organisational collaborative bridge for transferring collective knowledge between Builder & Buyer and their co-located communities

However, in contrast, there was little evidence of the notion of social proximity between Builder and Inbound. We posit, therefore, that both the existence and absence of extra-organisational collective bridging practices are indicative of the existence of a co-located cross-industry and sectoral (public-private) OBM in practice. Thus, the notion of co-location appeared, arguably, to be important and was considered to form a key value creation domain of the focal OBM. The key practitioners and their capabilities that support the focal OBM are presented next.

Practitioner Capabilities

A key practitioner type identified in Section 4.2 was the boundary-spanning practitioner. Builder's chief executive officer (CEO) had been the practitioner responsible for the servitisation of the firm (see for instance Vandermerwe & Rada, 1988) into new product/service and market areas due to this practitioner's willingness to take a risk on a PPP opportunity in the city-region. Servitisation is now widely recognised as the process of creating value by adding services to products (Smith et al., 2014). In co-creating the focal OBM, Builder's CEO demonstrated certain entrepreneurial capabilities by the creation and development of new boundary-spanning relationships (See for instance Noble & Jones, 2006; Williams, 2013) with Inbound and with Buyer where value was co-created through the relationships and exchanges between the three firms as well as certain other co-located business and non-business stakeholder practitioners situated within the focal OBM's business ecosystem. This finding highlighted the existence of certain dynamic capabilities (Teece et al., 1997) within the focal OBM. For instance, Builder's CEO described one of his interpersonal capabilities himself using the term 'maverick', a dynamic capability. The entrepreneurial capabilities of such boundary-spanning practitioners were discussed by DeLeon (1996) who, like with Builder's CEO, also evoked an image of entrepreneurs as 'mavericks' who brought together problems and solutions not otherwise achieved by other practitioners. However, although strategy work was mainly associated with the ideas of practitioners at the highest level of the firm, the roles of practitioners at the lower-ranking

levels should not be ignored (Balogun & Johnson, 2004; Whittington, 2007). In addition to Builder's CEO, the firm's boundary-spanning directors of its various sub-divisions were seen as the principal practitioners involved the operation of the OBM. These practitioners evidenced the delegated authority, cognitive ability, inter-personal and organisational skill sets to lead teams of people and to co-ordinate other activities and resources. In contrast, the findings also highlighted the existence of more traditional non-dynamic capabilities within the focal OBM. For instance, with the exception of Builder's CEO and divisional directors, a number of respondents from the firm also reported that the firm's head office-based practitioners, who typically specialised in the administrative areas of finance, health and safety, human resources, information technology, procurement and public relations and communications, were also seen as the principal practitioners involved the operation of the firm. These practitioners also provided certain cross-sectoral administrative support services to Buyer.

Like with Builder, Inbound's CEO had also been the practitioner responsible for the co-creation of the focal OBM in ways that other types of practitioner practitioners could not have achieved by converting a new business idea into a successful venture due to his readiness to take risks, and which involved a boundary-spanning relationship with Builder as well as certain other business and non-business communities situated within the focal OBM's business ecosystem. However, unlike Builder, Inbound's CEO was reluctant to accept the label of an entrepreneur. In addition to Inbound's CEO, the firm's individual branch managers, who were recruited as a result of their experience and knowledge managing similar firms in the same industry as Inbound, also demonstrated certain entrepreneurial capabilities. In particular, a number of respondents used the term 'hungry' to describe the firm's branch managers' determination to achieve success. However, unlike Builder's CEO and Inbound's CEO, the branch managers were not required to demonstrate risk tolerance and therefore the risk taking propensities normally associated with entrepreneurial practitioners were not displayed in this case. All of the risk related to the operation of the firm's de-centralised network of branches was borne centrally by the firm. These practitioners' entrepreneurial capabilities appeared, therefore, to be semantically different to the entrepreneurial capabilities of both Builder and Inbound's CEOs. However, some respondents cautioned on the use of the term 'entrepreneur' when describing these branch managers stating that not every branch manager demonstrated an entrepreneurial vision. In addition to the firm's branch managers, the branch-based sales managers and counter sales teams were also seen as the principal practitioners involved the operation of the firm. With the exception of Inbound's CEO, branch managers and other branch practitioners, like with Builder, a number of respondents from the firm also reported that the firm's head office-based practitioners who typically specialised in disciplines such as finance, human resources, information technology, marketing and procurement were also seen as the principal practitioners involved the operation of the firm. However, with the exception of Inbound's CEO and branch managers, unlike with Builder, Inbound's key practitioners at the lower levels demonstrated little evidence of the creation and development of new boundary-spanning relationships with Builder, thereby demonstrating the weaker ties between the two firms.

In contrast, the existence of certain dynamic capabilities were further demonstrated by Buyer's CEO. Whilst this practitioner didn't appear to accept the label of an entrepreneur, certain other innovative and opportunistic capabilities were displayed. In co-creating the focal OBM with Builder, Buyer's CEO and Builder's CEO created and developed new boundary-spanning relationships where value was co-created through the relationships and exchanges between Buyer and Builder as well as certain other co-located business ecosystem

practitioners beyond the boundaries of Buyer. This finding is consistent with that of DeLeon (1996: p. 497) who evoked the capabilities of public sector practitioners as innovators and risk-takers who are able to “hear opportunity knocking”. Buyer’s senior and middle managers also appeared to evidence various boundary-spanning business development roles. The firm’s senior and middle managers were, typically, property management and development practitioners who were responsible for the management and development of the public-private sector partnership contract with Builder. In addition to the support services, which consisted of the administrative areas of finance, health and safety, human resources, information technology, and public relations and communications, being provided by Builder as surrogates, which was discussed earlier in this paper in the context of the conceptual framework’s inter-organisational factors, because Buyer was a small firm with a flat organisational structure and a corresponding small headcount of practitioners, it was also heavily reliant on a large team of external practitioners situated within the focal OBM’s concomitant business ecosystem to deliver its value propositions in the market place. Thus, the notion of practitioner capabilities appeared, arguably, to be important and was considered to form a key value creation domain of the focal OBM.

CONCLUSIONS

This study has built on a small body of work in IM literature considering OBMs and makes an early contribution to the examination of BMs by exploring a co-located cross-industry and sectoral (public-private) OBM and its business ecosystem in the strategy-as-practice tradition. The findings from the study have responded to two research questions relating to the identity and capabilities of key practitioners situated within a cross-industry and sectoral (public-private) OBM as well as the key practices and resultant elements of situated praxis demonstrated by these key practitioners that support that OBM. In particular, the findings were presented and discussed in the context of intra-, inter- and extra-organisational factors, and practitioner capabilities (and competencies). A key practitioner type that was identified was the boundary-spanning practitioner. A precursor to the creation of the focal OBM had been the establishment of a NHS LIFT PPP in the city-region. Builder’s boundary-spanning CEO was the practitioner responsible for the servitisation of the firm into new product/service and market areas due to his willingness to take a risk on this PPP opportunity. It was this boundary-spanner who co-created the focal OBM with Buyer and Inbound as well as certain other stakeholder practitioners situated within the focal OBM’s business ecosystem. Organisational proximity created the capacity for the three firms to acquire and exchange tacit information and knowledge resource practices as well as to optimise the sharing of risk. Optimising the sharing of risk exposure appeared to be an important practice of PPPs and more broadly within the focal OBM. The findings have demonstrated how the three firms’ value-creating practices and situated praxis were enmeshed in a complex network of collaborative practices that ranged from informal co-operation to formal collaboration which reflected the intensity of the interaction between the three co-located firms. The strong ties demonstrated between Builder and Buyer were not displayed between Builder and Inbound. Similarly, the language used by practitioners from the three firms to describe their practices varied. Semantically, Builder’s and Buyer’s practitioners preferred used the term ‘partnership’ as opposed to the less formal term ‘relationship’ used by Inbound’s practitioners. The findings also demonstrated that both the existence and absence of collaborative bridging practices within the focal OBM, as well as with its business ecosystem, were indicative of the existence of a co-located cross-industry and sectoral (public-private) OBM in practice. The findings also evidenced that, whilst the notion geographical proximity was important to the focal OBM, it was simultaneously influenced by

other dimensions of proximity, such as social proximity and organisational proximity, which complemented it. Within the focal OBM, organisational proximity provided the foundation for collaboration, whereas geographical and social factors acted as reinforcing dimensions.

Whilst empirical studies of BMs appear to be formative, OBM research, in particular, appears to have received relatively little attention from IM scholars. Whilst this study has partially explored this under-researched area, much remains still to be explored about how the OBM concept could contribute to fundamental concepts of IM. This appears, therefore, to be a very significant lacuna and just as significant an opportunity for IM scholars going forward. For instance, research into relationships extended to a network of stakeholder relationships in the context of other cross-industry and sectoral (public-private) ecosystems, might be a particularly attractive direction for future research. Such other ecosystems could include an exposition into firms that both compete and collaborate with each other. The notion of co-competition is a recent phenomenon that has captured increasing attention in IM scholarship due to its relevance to business practice. Finally, much strategy-as-practice research has, hitherto, focused predominantly on the strategy making practices of senior managers. Whilst this study has partially addressed calls for more research exploring the micro-level strategy making practices of multiple actors at different management levels and functional locations across firms, there is, arguably, a case for the strategy making practices and situated praxis of functional middle managers to be further explored.

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