

Chapter 38

Transformation Mechanisms in the Business Model/ Business Process Interface

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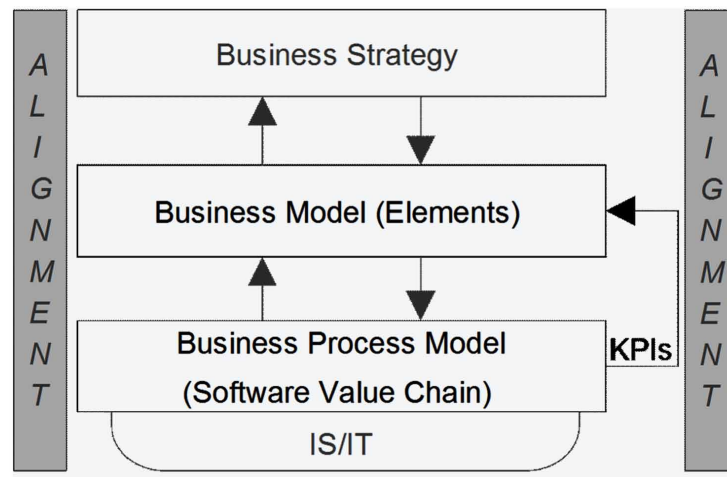
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ABSTRACT

Many scholars view the emerging business model concept as the missing link between a company's strategy and its operational implementation into business processes. They remain vague, however, in answering the question as to how strategy-induced changes to the business model can be transformed into business process adjustments. The other way round—a feedback mechanism that triggers business model adjustments in case of issues at the business process level—is not conceptualized either. The study hence is twofold. The authors explore both the top-down (business model to business process) and the bottom-up (business process to business model) perspective of this interface. The top-down part considers business model changes, such as induced by adopting a Software-as-a-Service strategy, which require an effective implementation in a firm's organization. The explorative findings cover a detailed description of the transformation framework as well as an exemplary expert survey that can serve as a reference for software firm decision makers. The bottom-up part clarifies the influence of business processes on the business model based on a literature review, expert interviews, and inductive reasoning. The authors derive a classification framework that provides new insights into the maturity of current KPI-systems and their strategic importance with regards to business model changes.

DOI: 10.4018/978-1-5225-1837-2.ch038

Figure 1. Layers of business modeling and their interdependencies



INTRODUCTION AND THEORETICAL BACKGROUND

Business Models and Business Processes

A rapidly changing economy drives enterprises to continuously reconsider and adjust their business model. More than other industries, the software sector is facing a fast changing and highly dynamic business environment induced by continuously evolving technologies and rapidly changing customer needs (Lee, Venkatraman, Tanriverdi, & Iyer, 2010). Studying transformation mechanisms in the business model (BM) and business process (BP) interface, three research streams need to be considered. First, we view the BM concept as a mediating layer between strategy and processes (Al-Debei & Avison, 2010; Morris, Schindehutte, & Allen, 2005). Second, we use the value chain (Porter, 1985) concept as a coarse grained abstraction of BPs. Finally, key performance indicators (KPIs) are seen as process performance measures which transmit bottom-up feedback from the process layer back to the BM layer (see Figure 1).

Conceptually, business models (BMs) subsume the actions of an enterprise concerning value creation and value capture, whereas business processes (BPs) encompass the concrete process implementation of a scenario. Hence, the design of BPs generally is supposed to begin with the determination of the company's BM and its strategic goals. By starting from the top, a clear understanding about the aspects to be modeled can be gained, as modifications within the BM cause changes within the underlying BPs (Scheer, 2001; Schief, Bonakdar, & Weiblen, 2012). BMs in this top-down perspective provide a sense to BPs by explaining the way the processes have to be carried out.

A BP represents a chain of coherent activities which have to be carried out in a certain logical order (Österle & Winter, 2003), thus implying a strong relation to organizational aspects (Scheer, 2001). Another definition describes BPs as a certain amount of activities that have to be carried out to deliver a specific value in form of an output to a company's customers by use of several input factors (Hammer & Champy, 1994). Furthermore, a dynamic relationship between BPs and their underlying IT systems exists, which has to be taken into consideration (Petrovic, Kittl, & Teksten, 2001). The BP model contains an implementation of a concrete scenario into BPs (Osterwalder, Pigneur, & Tucci, 2005).

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