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The Development of an Enterprise Realignment Framework for Firms Entering Emerging Markets

Rebecca De Coster, Brunel University London, London, UK

ABSTRACT

Pursuing markets which are highly dynamic may require not only innovation in terms of products or services but also business model changes. This is often the case for firms in fast moving sectors such as the media, telecoms and internet industries. This article reports on case study research where high technology firms at the early stage of a sector lifecycle were studied to gain insights into their innovation strategies, technology development approaches and their accompanying enterprise realignment. The framework developed identifies three levels for enterprise realignment: (1) industry position; (2) application provision; and (3) technology development. The case study firms that were examined supported the majority of the elements that were identified for each level as follows: (1) innovation value chain and technology leadership, (2) product attributes; optimisation; interconnectivity and embedded software systems (ESS) and (3) architecture and collaborative working.

KEYWORDS

Business Model Renewal, Convergence, Emerging Technologies, Enterprise Realignment, Innovation Strategies, Media Entrepreneurship, Mobile Networking

INTRODUCTION

The appeal of entering markets with emerging technologies is that they may offer growth opportunities which can be important particularly for firms operating in a fast-moving sector such as the digital media sector. This paper examines innovation strategies that high technology firms utilised when entering a sector at the early stages of its lifecycle based on case study analysis of their transition from the firm's existing position. The associated entrepreneurial orientation involves business model innovation typified by Mütterlein and Kunz (2017) as value creation innovation, value proposition innovation, and value capture innovation. This study is likely to be of interest to high technology firms looking to operate in a fast moving sector where convergence is occurring, such as the media, telecoms and internet industries, where greater content as a result of digitisation is one of the major changes in the field (Teece, Peteraf and Leih, 2016, Wamba, Gunasekaran, Akter, Ren, Dubey, & Childe, 2017, Donders, Enli, Raats, & Syvertsen, 2018).

The challenge for high technology firms seeking to enter an emerging market is that their current organisational architecture (or business model) which has enabled success in their current markets

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may be a limitation for entering this emerging market. This is a strategic entrepreneurship issue for firms in fast moving sectors such as the digital media industry (Sharma and Sharma, 2016). Further, in many sectors there can be uncertainty for firms with established solutions over which potential emerging technology is likely to succeed. This has been the driver behind this study which looks at high technologies firms who have identified an emerging sector and asks: "What must firms do?" The focus is on the realignment of the enterprise (Goerzig & Bauernhansl, 2018) and its competitive basis through the development of unique capabilities and business models (Jensen & Sund, 2017, Teece, 2018).

Mobile networking refers to wireless protocols which provide wireless connectivity between devices, for example, a laptop maybe connected wirelessly to a printer via radio using the Bluetooth standard. Mobile networking encompasses a variety of technological approaches in terms of wireless encoding, data communication and networking protocols. This paper reports on the results of a research project concerning business model renewal within high technology firms. This study was made when mobile networking was at the early stage of its lifecycle (De Coster, 2010) and is now updated with recent findings. This research takes a strategic approach and examines the business model development of high technology firms when entering emerging markets which are highly uncertain markets (Wolf and Holzer, 2015, Teece, Peteraf, & Leih, 2016). The objective is to develop a theoretical framework for business model renewal based on a study which examines the organisational, management and strategic changes made by high technology firms entering an emerging sector.

BACKGROUND LITERATURE

Previous research into business models has been shown to be fragmented and inconsistent (George & Bock, 2011, Zott, Amit, & Massa, 2011, Helfat & Martin, 2015). However, many of the published papers do focus on similar components within their discussions that typically address the 'scope' and 'architecture' of a firm such that the organisation can create a value proposition and organise its resources and processes to deliver products and services (Osterwalder, Pigneur, & Tucci, 2005, Zott, Amit, & Massa, 2011). Recently the literature has started to address sustainability implications as well as social factors and other trends including the potential influence of crowd funding; however, these research streams are still at their early stages with respect to business models.

A widely adopted planning tool is the business model canvas that enables a case study firm's business approach and value proposition to be examined (Osterwalder and Pigneur, 2010). However, this is a generic model rather than one which is focused on high technology firms and their business approaches to support innovation and technology management which is the focus in this paper. According to Dodgson and Gann (2000): "for technology based firms – that is, all firms that rely on technology for their ability to compete – technology strategy comprises the definition, development, and use of those technological competencies that constitute their competitive advantage." In this paper, concerning business model development, the focus is to identify elements that are more comprehensive in terms of the innovation and technology management aspects required by high technology firms looking to enter emerging markets.

With the market changes that are occurring in today's Information Age firms can find themselves in a situation where they are outside of their existing expertise and product base. This requires them to alter their organisation in order to provide products and services to the new market i.e. it requires Enterprise Realignment involving regenerative dynamic capabilities (Eisenhardt & Martin, 2000, Helfat & Martin, 2015, Teece, 2018). This approach to business (model) development recognises that high technology firms often seek to utilise their legacy which gave them credibility in the market by various means including sector expertise as shown in Figure 1.

One example from the field research conducted during this study of the influence of legacy on Enterprise Realignment is given by a company that was originally a technology manufacturer of high performance audio and video products requiring broadcast quality. The firm's legacy expertise has

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