

The Hearth Lecture Series
Trendspotting: Why Things Matter

Session 4

Innovation Partnerships: Can Existing Business Models Keep Pace With Innovation?

1. **Constantinos Markides, *Business Model Innovation, Strategic and Organizational Issues for Established Firms*, Cambridge University Press, 2023.**

This text explores the concept of 'business model innovation'. In discussing the sources and outcomes of business model innovation, the text distinguishes it from the concept of 'business model'. Much research has gone into understanding the latter and its connection with the concept of strategy. The former is often viewed through the start-up lens. Consequently, a study of business model innovation in the context of established businesses has a lot of room for reflection. This text discusses issues faced by established businesses in their response to disruptive business model in their industry and the strategic or organisational challenges before big companies in their transition from one business model to another. This resource is available [here](#).

2. **Lorenzo Massa and Christopher L. Tucci, *Innovation and Business Models*, Oxford Research Encyclopedias, 2021.**

This work views business model innovation as one of the lines of inquiry under the extensive research on business model. The authors explain business model as a concept referring to the core logic that a firm or other type of organisation employs to achieve its goals (create, deliver, and capture value). Business model innovation is a unique dimension of innovation, different but complementing other dimensions of innovation, such as product/service, process, or organisational innovation. Business models are relevant to innovation in the following two main ways:

- i. Business models can act as vehicles for the diffusion of innovation by bridging inventions, innovative technologies, and ideas to (often distant) markets and application domains.
- ii. Business models are a subject of innovation that can become a source of innovation in and of themselves.

Full work available [here](#).

3. **Florian Lüdeke-Freund and Steffan Schaltegger, *Business Model Innovation for Sustainability*, Chapter 19, in Rasche A, Morsing M, Moon J, & Kourula A (Eds.), *Corporate Sustainability: Managing Responsible Business in a Globalised World* (2nd ed.), Cambridge University Press, 2023.**

This work explains how business model innovation and business models support corporate sustainability. The discussion includes an introduction to the principles guiding business model innovation for sustainability.

An excerpt from the conclusion:

First, innovation is not a panacea. It is a major trend and buzzword in management and entrepreneurship, and in the field of corporate sustainability as well. There are

very good reasons to seriously consider new business models as a means to help companies create sustainable value, but not every problem can or should be solved through innovation. In some cases, less exciting approaches such as administering and managing the activities of a company may suffice – there are many standard routines related to managing people, processes, going to market and many more that companies simply need to function. We should avoid fetishising innovation, and we should always also consider exnovation as an option (Heyen et al., 2017). But we should also be clear about situations and challenges when being innovative and thinking out of the box is required.

Second, the notions of business model for sustainability and business model innovation for sustainability are closely related to the notion of sustainable value creation. The theory is that companies must find ways to create ecological, social, and economic value in an integrated manner. They should have positive impacts only. Needless to say, that this is hardly feasible. There will always be tensions between different goals and stakeholder interests and there will always be negative effects on the natural environment and people, at least unintentionally (e.g., when highly efficient and resource-saving processes lead to job losses, or when new technologies such as energy storage systems lead to environmental harms through the production of increasing amounts of lithium). The tensions, sometimes even fundamental paradoxes, must be considered and actively detected and managed to not fall into the trap of overly optimistic win-win or triple-win promises (Hahn et al., 2018; Endregat and Pennink, 2021).

Third, as more and more new visions, we can also say paradigms, emerge, such as circular economy, sharing economy, green growth, a-growth or degrowth, we must reconsider the roles and special capabilities of public institutions, civil society, and business (cf. Mintzberg, 2015). Market-based, competition-driven, and profit-seeking ways of organising value creation definitively have their limitations. Not every human need can or should be solved by relying on ‘the market’. There are good reasons for organising certain exchanges via markets. But there are other situations – for example, when it comes to the most vulnerable groups of a society or critical topics such as education and healthcare – in which the division of labour between public, civil and business organisations, and their different purposes, should be reconsidered and adjusted for more proactivity on the side of public and civil organisations.

Available [here](#).

4. Matt Banholzer, Michael Birshan, Rebecca Doherty, and Laura LaBerge, Innovation: Your solution for weathering uncertainty, McKinsey & Company, January 2023

This opinion asserts that in times of fundamental change, big innovation maybe safer than an incremental change approach by businesses. Five practices are deemed particularly essential for innovation success:

- i. Resetting the aspiration based on the viability of current businesses.
- ii. Choosing the right portfolio of initiatives.
- iii. Discovering ways to differentiate value propositions and move into adjacencies.
- iv. Evolving business models.

- v. Extending efforts to include external partners.
Refer to the full article [here](#).
5. **Greg Samios, The Power of Partnership in Driving Innovation, Forbes Business Council, July 2022.**
Establishing partnerships allows start-ups to quickly adopt and incorporate foundational elements developed over decades by established companies, contributing to efficient innovation. Cross-industry collaboration is becoming more prevalent, and this opinion stresses the importance of meeting evolving customer needs through innovation for industry leaders (such as Apple's partnership with Dent Reality in 2020). On the other side, start-ups can benefit from the credibility and strong foundations of an established business. Main recommendations are that collaborations should focus on identifying core capabilities and supplementing products or services, finding the right cultural fit, and agility in navigating obstacles. Access the full text [here](#).
 6. **Bartleby, The woolliest words in business: Innovation. Sustainability. Purpose. Yuck, The Economist, May 2022.**
This article offers a perspective on the consequences of excessive use of specific terms within the corporate sphere. The 'ubiquity' leads to lack of utility. It is difficult to test accuracy in a chorus of consent. The article takes the example of 'innovation'. There is a possibility of customers being turned off by too much of it. The article refers to a study at the Massachusetts Institute of Technology (MIT) which recently looked at factors that predicted high levels of attrition among companies. It was found that employees were more likely to leave firms with high levels of innovation. The long hours and high-pressure characteristic of innovative cultures can be possible reasons for higher staff turnover. Similarly, 'collaboration' is a slippery slope. It can encourage free flow of expertise and ideas but can also obstruct decision making. There are other risks such as an 'uneven collaborativeness' where women take up most of the non-promotable work. The article advocates that managers use such terms thoughtfully. This article can be accessed [here](#).
 7. **Paola Cecchi-Dimeglio, Taha Masood, and Andy Ouderkirk, What Makes Innovation Partnerships Succeed, Harvard Business Review, July 2022.**
The article concludes that the success of innovation partnerships comes down to trust. Development and commercialisation of breakthrough innovations requires partners who will come to the table with their own interests, expectations, and concerns. Clear, win-win rules of engagement, and a fair risk allocation establish trust and develop a productive collaboration. This enables partners to navigate the conflicts and concerns that will inevitably arise, sustain the collaboration, and accelerate innovation. Access the full text [here](#).
 8. **Le Masson P, Weil B, & Hatchuel A, What do we know about innovation? Testing the economic and social sciences, Chapter 1 in Strategic Management of Innovation and Design, Cambridge University Press, 2010.**

The chapter uses case studies to discuss contemporary innovation. Further, research in different disciplines focuses on different aspects of innovation (such as innovation in economic policy, social networks, markets, cognitive process, organisational theory, management). Research on innovation in different disciplines has resulted into myriad notions around the concept (product innovation, process innovation, radical versus incremental innovation, communities of practice, organisational innovation, organic organisations, ambidextrous organisations, core competencies, tacit versus explicit knowledge, etc). However, all of these notions separately do not show the way for leaderships to optimise collective action towards repeated and sustainable innovation. The authors argue that understanding innovation is no longer limited to understanding a phenomenon. Innovation is now an object for action, and this requires understanding 'management of innovation'. In other words, there is largely a consensus on a direct relationship between innovation and growth. However, what continues to remain uncertain is how to manage innovation for growth.

Note for the readers: The materials mentioned above are intended to serve as a foundation for the public lecture scheduled for 16 January 2024. This event is organised by the Hearth in partnership with the India Habitat Centre. It's important to note that none of the viewpoints presented in the readings listed in this bibliography should be considered as representing the opinions or advice of the Hearth. Similarly, the perspectives shared by the panel are solely their own.