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BUSINESS MODEL TRANSFORMATION PROCESS IN THE CONTEXT OF BUSINESS ECOSYSTEM

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It is current phenomena that business environment has changed and has set new requirements for companies. Companies must adapt to the changes comes from outside its normal business environment and take into consideration wider business environment where it operates. These changes also have set new demands for company business model. Companies Business models need to be changed to match state of art business environment and requirements. Business models can be competitive advantage to the companies. This study report will demonstrate how company could take environmental aspect into account while transforming its business model into new one.

Research is aiming to new theory-building. Through the literature reviews of two main topics, Business Ecosystems and Business models, and through reflecting theory into case company presentation, this study report gives answer to research question, “Through what kind of process mature company can transform business model in the context of business ecosystem?” Business ecosystem will present the business environment where business models come into reality. Another assumption is that transformation can be done through well-designed process.

Research provides transformation process which can be used as a baseline if company is planning to transform its current business model into new one. It can help company managers and strategist to plan, implement and transform business model. Research gives good contribution to the research field as it is not widely research topic. It also gives good suggestion for future research topics.
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1 INTRODUCTION

Nowadays many industries can be seen as networks of organizations, technologies, consumers and products. This has led to the situation that companies have more business partners, and therefore also the relationships between them have become even more vital than before. Also the competition has become more complex and challenging. Therefore can be concluded that performance of the company is driven by many partners, competitors and customers. And not just companies but also many industries are networking with each other’s. (Iansiti & Levien 2002: 1). Daft (2010:148) claims that today’s successful companies develop relationship with many companies and travel across the traditional business boundaries. Moore (1997: 12-14) agrees with this mater and even speaks about the end of industries. Nowadays company leaders need to bring together various business element to create new whole ecosystems, which can create new businesses as well as totally new industries. Moore (1997:15) prefers to speak about “business ecosystems” instead of industries.

Moore (1998) highlights that one challenge for nowadays leaders is how to manage and brought together companies’ resources in a way that customers can get more value. Leaders must shift their hierarchical organizations to be a part of nowadays complex and evolving system, where leaders must take care of company’s outside resources as well. This means that companies must start to take advantage of other companies’ capabilities and together try to create new innovations. (Moore 1998). Doz and Kosonen (2010) state that one reason why businesses fail is because they keep doing what they have always been doing and therefore fall to rigidity in their business model. Business model is research field especially in management field and can be defined for example as “a reflection of the firms realized strategy”. (Casadesus-Masanell and Ricard 2010).

Management of internal resources is changing to manage assets also outside the company and to take control of those outsourced actions. These kinds of changes have been affecting companies’ strategies and operations. One way to keep company together is to get better understanding of these “business ecosystems”. These kinds of changes in the business are common especially in rabidly changing industries such as
computing industry (Iansiti & Levien 2002: 1). Companies have started to understand that innovations are big sustainable advantages, but those innovations cannot be done alone. Innovation is not just a new product or service: innovations should also create new customer need. Innovations require also complementary adaptations; co-evolving, where companies share their capabilities and support each other’s. Requirement of co-evolving has created for companies a requirement to create new kind of business model. (Moore 1998.) Nowadays networking and being a part of business ecosystems can be a strategic choice, but it can also emerge because some services arise to support each other’s (Kuittinen 2012). Being part of business ecosystem requires changes in company’s business model.

As environment has changed, organizations must adapt to these changes; new strategies and models need to be implemented. To stay into business in new environment, companies should scale their environment constantly and adapt to the changing circumstances.

Organizational structure has been changing. Moore (1998) explains that traditional form of the corporate is so called “Multidivisional firm”, M-form organization. In this form company has one or more different business units which are under the central corporate headquarters and reporting for them. Business units can be divided in different ways: geographical, market segments or distinct product lines. Companies in M-form are focusing in two main things: core market and core operations. Goal is to manage operations, grown revenues and live long. Problem in this focus is that management may come blind to what happen outside of these core operations and markets. Many opportunities may be in this “white space”, out of the reach. E-form (ecosystemic form) organization instead is engaged in market and industry creation and tries to find opportunities in the “white space”. E-form organization differs from M-form organization because it self-consciously leads the community of allies and it can be part of many ecosystems. E-form organizations may focus in one thing and can provide leadership in many another different elements of the market development and manage other companies by arranging the supply chain and establishing the product. They want to lead the co-evolution of the important parties of the ecosystem. E-form organization has the ability to integrate
the functions of the business development and this diverse form supports the development, shaping markets and ecosystems. (Moore 1998.)

An E-form company sees the opportunities outside of its own parent units or firm. The E-form organizations try to find power players of the ecosystems in some specific business field. When in traditional M-form organization the management tries to gather all possible control, in E-form organization the management does not want to have the control so much, they prefer to have multiple sources to get the important share. They try to capture other power players by giving a desirable vision which other players wants to be part of. When before the M-form organization invests to its own new interest and built the business, the E-form the lead firm creates the interest for other companies to invest in elements they think is complementary. This creates the opportunities inside the ecosystem. (Moore 1998.)

1.1 Background of the study

According to previous introduction to the subject it is obvious that today’s business environment is different than before. Executives need also to think their future business partners and ecosystems, where they want to act and also how to be successful in business ecosystem. Companies which are part of maybe many different business ecosystems need to get better understanding of the environment they are making business and how they can benefit from this environment of business ecosystems. Business ecosystems have created new requirements for the companies to create new strategies and business models. That is the reason, why it is important to study business ecosystem structures and what kind of strategies and roles different players in business ecosystems may have to understand how to add these elements to company’s business model. Therefore this study is concentrating to study business ecosystems and business models and how those two concepts could be embedded together.

New complex, changing and demanding business environment has caused also that industry boundaries have become invisible, companies might not work any longer in one specific industry and provided services or products are not industry specific as they are networking and doing business with and evolving with many industries and
many different stakeholders. Customers want complementary products and the total value of the end product or service gives to the customers may be the results from many stakeholders. Changes in business environment have caused the need to change the company operations and strategies also inside the organization. As competition has changed too, company strategies must match to that new competition environment. And when operations and strategies changed, also business model needs to be changed to match new requirements are set from outside of the company. Companies are not trying to gather all possible competitive advantage for themselves, they are trying to find partner with whom they can create robust and long-term business ecosystem around the product or service.

As a case study, this report will demonstrate Finnish forestry company, UPM as a case company. UPM is starting to focus on its growth businesses and aiming to get around 50 % of its sales from those businesses. UPM is not any longer making business with in the traditional paper business, it has wider its business concept and found new innovations from the forest e.g. biofuels. As the business concept has changed, could be assumed that UPM also needs to make changes in its business model. It could consider creating new business models for new business areas and to harmonize its business concepts to be synergic. But the task won’t be easy, how this big mature company, which has a long history, can transform its business model into new?

1.2 The purpose of the study

Reasons for selected research topic lays on researchers interests against the research topic. This research can also be seeing as a continuation to bachelor’s thesis which was done by the author in spring 2012. Research title of this previous research is “IKEA as a keystone and opportunity creator in Haparanda-Tornio’s local business ecosystem”. Case study UPM was selected as author has work experience from the company and therefore interested to raise own knowledge of company’s operations in researcher point of view.

This study report will analyse how business model transformation process could be done by using published data of case company UPM and business ecosystem and
Ahokangas and Myllykoski (2013) argues and are defining that “business model as a concept becomes fully comprehensive only through action in the context where it is created”. Inspired by this claim, also this study takes the same approach. Business Ecosystem is presented as context where business model concept comes comprehensive.

This research is aiming firstly to demonstrate nowadays business environment from business ecosystem point of view. Companies must make changes in their operations and strategies and further in the business models to success better in nowadays complex business environment. Business ecosystem point of view is used here to describe nowadays business needs as business ecosystem perspective can be seen demonstrating current business environment. Also Peltoniemi and Vuori (2004) have used business ecosystem concept to get new insights to changing business environment. The understanding of business ecosystem, its structure, roles and existence is not enough; Companies cannot just notice to be part of these systems, they must also build business model/s which supports business ecosystemic approach of business environment. This study is also studying business model literature in order to demonstrate that business ecosystem role and strategies are not enough. Companies must build business model which works well in its context; business ecosystem.

One research question has been set in order to define the focus of the study and is as follows:

*Through what kind of process mature company can transform business model in the context of business ecosystem?*

This research question includes two main views; business model transformation and business ecosystem perspective. Through studying these two concept, can be answered the research questions as a total. Also two assumptions are set from the research question. These assumptions were kept in mind while collecting data and forming the research analysis and transformation process.

Assumption 1: Business model exists and operates in certain context or environment.
Assumption 2: Business model transformation should be done through well-defined process.

Main references used in this study are presented in Table 1 below. Table is divided into two; business ecosystem literature and business model literature.

Table 1. Main references of the study

<table>
<thead>
<tr>
<th>Topic</th>
<th>Authors</th>
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<tr>
<td>Business ecosystem</td>
<td>Iansiti &amp; Levien 2004, 2002</td>
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<td>Peltoniemi and Vuori (2004)</td>
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<td>Business model</td>
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<td>Onetti et al. 2012</td>
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1.3 Structure of the study

Chapter 2 walks through business ecosystem literate; firstly by defining the term of business ecosystem. Sub-chapter 2.2 is demonstrating business ecosystems as a biological ecosystem, which will explain how the term itself has emerge and what similarities and differences there are between biological ecosystems and business ecosystem. Sub-chapter 2.3 will present prerequisites for successful business ecosystem in order to highlight the fact that business ecosystem members must cooperate and together create robust and efficient context for companies.

Chapter 3 is concentrating to business model literature. Sub-chapter 3.1 presents business model definitions by different authors; 3.1.1 highlights the differences between strategy and business model and 3.1.2 the activity system perspective of business model which conceptualizes the business model and divides it into activities. In sub-chapter 3.2 report presents how business model is connected to its environment. Chapter 3.3 demonstrates how business model can be changed? In
Chapter 3.4 goes through how business models are connected to business ecosystems. Chapters 2 and 3 together consist the theory framework.

Chapter 4 is presenting research methodology, how this research has been done. Chapter 5, research analysis, is concentrating first to present case company UPM and secondly reflecting the theory framework to UPM case. Main aim of the chapter 5 is to conduct new theory for business model transformation. Chapter 6 is reserved for conclusions and discussions, where answer to the research question is given. Also theoretical and managerial implications are presented in chapter 6 as well as evaluation of the research and suggestions for future researches.
2 BUSINESS ECOSYSTEM

Chapter’s objective is to describe what business ecosystem is and what kind of context it can create to businesses. First it presents defines term of business ecosystem. Secondly it compares business ecosystems to biological ecosystems. This analogy is presented in subchapter 2.2. Sub-chapter 2.3 demonstrates prerequisites of successful business ecosystem.

2.1 Business ecosystem definitions

Peltoniemi and Vuori (2004) noted that many researchers have been spoken something about business ecosystem, but the precise definition about business ecosystem is still missing. According to Peltoniemi and Vuori (2004) “...business ecosystem is a highly descriptive expression for the complex business environment which is the reality for most companies nowadays.”

Business ecosystem theory can easily be mixed up with the term of value network. Therefore it is good to take a short look to these two terms and their differences. Lehto, Hermes, Ahokangas and Myllykoski (2013) have studied differences between value networks and business ecosystems. Business ecosystems are built around analogy of ecology while value networks are basing on strategy and value driven perspective. In the core of business ecosystem is coevolution, joint value creation for innovation, interplay of collaboration and competitive strategies. Instead in core of value network is that value networks are built intentionally and are customer oriented co-creation of value with competition only between networks. The structure of value networks is more forced (or built) than business ecosystem’s which evolves overtime. (Lehto et al.; 2013.)

Figure 1, helps to understand the complexity and the structure of typical business ecosystem. The whole ecosystem is much wider than the core business or the extended enterprise. It is also notable to understand that business ecosystem can be also used to illustrate small businesses. For example, small restaurant has its business ecosystem; people life nearby and companies nearby to buy takeout’s and using restaurants services as well as legislation is set for this industry. (Moore 1997: 27-
28.) According to Moore (1997: 27) business ecosystem consist of: the core business such as direct suppliers and distribution channels, extended enterprise with complementary product producers and standards bodies representing customers or suppliers, and also the owners and other stakeholders such as labour unions outside of core business and extended enterprise.

![Business ecosystem diagram](image)

**Figure 1. Business ecosystem (adapted from Moore 1997: 27)**

The complexity of business ecosystem is a challenge itself to companies and managers. Peltoniemi and Vuori (2004) in their research have use complexity theory in the context of business ecosystem and argues that self-organization, co-evolution, emergence and adaptation are applicable concepts to use for defining the complexity of business ecosystem.

1) By self-organization in business ecosystem is meant that business ecosystems are voluntarily formed, organizations/participants are voluntary gathered together and goals are set up together. Business ecosystems can freely create the structure they want. (Peltoniemi & Vuori 2004.)
2) Co-evolution means that one company may by its acts affect also others in business ecosystem. Strategic changes by one business ecosystem member affect strongly to others possibilities. That is why management also should think the wider impact of decisions, how decision affects to the ecosystem as a whole? (Peltoniemi & Vuori 2004.)

3) Emergence can be defined by unexpectedness. It arises from the organization-level motives and actions, which may lead to unpredictable and maybe even surprising behavior (Peltoniemi 2006:14). It means that in business ecosystems, which is more than just the sum of it part, results are the contributions by many actors and through interaction, where no-one can predict all the actions. (Peltoniemi & Vuori 2004.)

4) Adaptation means that the whole ecosystem needs to adapt to the changes may rise from the form of governmental restrictions, taxes and tariffs. Or if the changes are environmental, business ecosystem adapts to those new conditions by described emergence, co-evolution and self-organization. (Peltoniemi & Vuori 2004.)

Iansiti and Levien (2002: 20-21) noted that boundaries in the ecosystems are difficult to establish and define. There are different kind of levels and types of interactions between firms in ecosystems. The ecosystem boundaries are not shaped like traditional industry boundaries. Boundaries in ecosystems may be defined in sharing some tool or technological components between the companies in many different business fields. (Iansiti & Levien 2002: 20-21.) For example Apple innovated for music services a new business model (a music platform). Apple’s integrated offering consists of both hardware and software; iPod device and iTunes service. This kind of turnaround in traditional music industry, e.g. affected by internet, has influence to whole business ecosystem. (Iansiti & Richards 2006).

Daft (2010:148) states that today’s successful companies develop relationship with many companies and travel across the traditional business boundaries. Moore (1997: 12-14) agrees with this matter and wants to speaks about the end of industries. Nowadays executives need to bring together disparate business element to create new
whole ecosystems, which can create new businesses and totally new industries. Moore (1997:15) wants to speak about “business ecosystems” instead of industries. As a conclusion can be summarized, that today’s companies work outside of their traditional industry boundaries. Companies have wider their external business environment and develop relationship with many different companies in different business fields.

2.2 Business ecosystems as a biological ecosystem

Bloom and Dees (2008) note that researchers in strategic management field have focused on similarities between biological and economic systems and adopt the ecosystem strategy to use in organizational strategic choices. Business ecosystems are compared to biological ecosystems many times. Biological ecosystems have been developed over time by creating local ecosystems, which parts together have found their places and created dynamic and robust cycle. (Moore 1998.) Iansiti and Levien (2002: 20) explain that both biological ecosystems and business ecosystems are large, loosely connected networks of entities, where species and firms interact together in complex way. Health and performance of each member is highly important to the ecosystem as a whole. Species and firms influence to each other and their internal capabilities and interaction with others influence to the whole ecosystems.

As in biological ecosystem also business ecosystem members have different roles and strategies. Biological literature determinates roles as keystones, dominators and niche species and Iansiti and Levien (2002: 17-20, 22) have used same names in their research of business ecosystems structure. In biological ecosystem keystones are species which have some specific characteristics to maintain the ecosystem entire health. Dominator species can be recognized because of their physical size or abundance; they do not encourage the diversity. Dominator may take over and eliminate the other species and this can lead to the one specie “ecosystem”. Niche species are the players who do not have a big impact to the whole ecosystem or the other players in the ecosystem. They constitute the range of the ecosystem and its variety and concentrates to do what they do. (Iansiti & Levien 2002: 17-20, 22.)
In business ecosystem keystones have the potential to preside all changes in ecosystem. Keystones support ecosystems’ productivity and diversity and can even decide ecosystem members, but it is important to understand that keystones’ limitations may also reduce ecosystem productivity. Even that ecosystem members change the ecosystem and keystones stays. Dominators in business ecosystems are the ones who try to take over the whole ecosystem by eliminating other players and by causing harm for the ecosystem’s diversity and productivity. Niche players in business ecosystems, as in biological ecosystems, makes the mass of the total ecosystems and concentrates to do what they do. (Iansiti & Levien 2002: 22-25, 44.)

Next it is good to take a look to business ecosystem strategies.

2.2.1 Keystone strategy

“Keystone strategies provide an important service to an ecosystem by increasing its productivity, robustness and niche creation capabilities.” Keystones are connected hubs of the ecosystem and try to make the complex ecosystem simpler by creating productivity by connecting ecosystem participants together. In the same time, keystones are trying to make new product creation more efficient. Keystones invest to and integrate new technological innovations and by this create robustness in the ecosystem. These new innovations create new references to the ecosystem members and also create niches to third party organizations. The strategy is to create niches, regulate the connections among the ecosystem members and work to increase productivity and diversity. (Iansiti & Levien 2002: 40, 43-44.)

Business ecosystem gives roles for each ecosystem members and the company operates in the center needs to take fuller responsibility of the ecosystem development as a whole and create new innovations. There are three areas where center company need to search new innovations and opportunities for ecosystem. First is by lowering costs for achieve better functionality, second is by making offers look more attractive and third is by emphasizing companies’ core competences. (Wallin 2009: 14).

Wallin (2009: 21-23) speak about orchestrating instead of managing, because it describes better today’s management concept and is used in business literature. In
orchestrating the basic idea is to create value to the customer and network members. The management cannot focus only to manage company’s internal resource it also needs to see its external context. He speaks about orchestrating the business ecosystems.

2.2.2 Dominator strategy

Dominator strategy effects to the behaviour of ecosystems hubs and they try to take over the ecosystem by eliminating other. Dominators in the ecosystems start by eliminating their closest niches and after moves to another. The target can be in their own markets but also in other markets which they would like to dominate. Dominators harm the ecosystem’s healthy, reduce the diversity and limits consumer choices and further suffocate the innovations. For keep the dominator position, they needs to invest to own internal R&D and make sure substitutes cannot be created to offer their customers better prices or functionality. Sooner or later it is quite likely that the dominator takes over the whole ecosystems, by reducing the ecosystem diversity and robustness. This may lead afterward to the competition between different ecosystems. Another ecosystem beside may offer substitute functionality and healthier ecosystem with one or more effective keystones. (Iansiti & Levien 2002:44-47)

2.2.3 Niche player strategy

Niche players in business ecosystems are the ones whose keeps the connection with other ecosystem participants. The niche player strategy may focus on some specific services which ones the keystones in the ecosystem have created. They focus on things which directly support their niche strategy. (Iansiti & Levien 2002:47-48.)

Niche players should make a good niche strategy beforehand. Company should analyse the ecosystem and its keystone’s characteristics. Niche player needs to understand risks of the ecosystem and their negotiation power. Some can focus on one single ecosystem, but because of the possible collapse of the keystone, niche players may want to have some diversity and connect with other hubs of the ecosystem. Another thing is to think in which niche to concentrates. Niche player
need to select the one which it can be in in the future also. By focusing in the main activities and distinguish themselves, niche players can improve their own productivity and effectiveness. (Iansiti & Levien 2002:47-51.)

Sometimes niche players can find themselves in a conflict situation with the keystone. If the niche players do not advance and evolve enough their products, some other may want to take the niche market. Niche player need to make the decision for either start to promoting the product or resist the process. (Iansiti & Levien 2002:52-53.) Pierce (2008) agrees with this matter and says that niche firms should constantly monitor core firm activities e.g. hazardous activities such pricing and regulatory influence, and make strategic decision how to response, whether compete or exit from the market. If niche player have a good strategy and specified in one context, they may be keystones of another ecosystem. If the niche has possibilities to grow and serve many functions and have a good expertise and focus, it may translate its strategy to keystone strategy. Even that many cryptic niche players are not visible to all ecosystems member; they have important impact to the ecosystem. (Iansiti & Levien 2002:52-53.)

Iansiti and Levien (2002:44-47) encourage companies to keystone strategies with a long-term innovations and niche creations in the ecosystem. As a strategy it is more effective and better way to make business. Dominator strategy may give fast and extraordinary returns but in a long run it may lead to ecosystem collapse and cause harm.

Moore (1998) wants to note that even that there are similarities between biological and business ecosystems, there is also big differences in those two ecosystems. Unlike in biological ecosystem, in business ecosystems firms’ can guide their own evolution and leaders can see the ecosystem as a whole and understand the dynamics in it. Leaders/firms can change and shape their own future and evolve in their ecosystems as they like. Iansiti and Levien (2004: 38) see also differences between those two ecosystems. They found three facts how biological and business ecosystem differs from each other. Firstly, biological ecosystems do not have any pressure of growth and creating innovations which enables growth. Business ecosystems instead have to create innovation for enable the ecosystem entire growth and success.
Secondly, competition between members in business ecosystems is true. In biological ecosystem species do not compete together to satisfy third party, as a business ecosystem compete to satisfy and get new customers. Thirdly, business ecosystem members are intelligence actors, they can predict and plan the future and make decisions. Biological ecosystems are not able to do that. (Iansiti & Levien 2004: 38).

2.3 Prerequisites for a successful business ecosystem

Adner (2006) notes that one mistake managers normally make is that they plan out the full ecosystem. They pick their role in the ecosystem and create and defend their role in delivering an integrated product or service parts to the end customer. This way to manages, may forget the whole process, and think the ecosystems itself make the rest. This is too explicit strategy and can cause delays and challenges. Collaborating helps in succeeding in ecosystems. (Adner 2006.) Peltoniemi and Vuori (2004) are suggesting that individual organization should operate as an ecosystem, in order to survive.

Iansiti and Levien (2004: 46) explain that there are three factors to achieve health business ecosystem: through productivity, robustness and niche creation. Business ecosystem should be productive so that it keeps getting profit. They mean by robustness that business ecosystem needs to have capabilities to survive if it faces changes in its environment. The last factor is niche creation. Productivity and robustness alone do not make the entire business ecosystem healthy; it also should have ability to create new capabilities and opportunities to new firms. (Iansiti & Levien 2004: 46-54.) In a healthy business ecosystem companies can easily change and share vital resources and interrelated companies have a capability to provide comparative advantages to an individual companies (Kim, Lee & Han 2010.)
Figure 2. Virtuous cycle of investment and return adapting from Moore (1997: 31)

Figure 2 explains how to achieve continuous improvement in both core offer and in community of allies (ecosystem). It is double-looped cycle of investment and return which describes the hearth of successful business ecosystem. The cycle starts from the idea that business ecosystem has one or more core capabilities that it uses for providing value to end customers. The immense potential of these capabilities also stimulate allied business activities. The product or services that can give new capabilities can also generate a large volume of sales. The next fact is that the core product or service does not give the total experience to the end customer. A variety of complementary product or services and the core offer provides it. Returns of large-scale businesses are vast and the profits are good to reinvest in the core innovations and capacity for continue the core business and to reinvest in leadership and support for the ecosystem itself to develop the activities. (Moore 1997: 29-31.) As Moore (1997:32) highlights: “…you must have value, economies of scale and continuing innovation, and you must invest in an expanding community of allies”.
Business ecosystem can easily be seeing as an environment, context, where company operates. Next chapter will demonstrate how companies operates in this context through their business models.
3 BUSINESS MODEL

Many authors (Zott, Amit and Massa, 2010; Shafer, Smith and Linder; 2005; Onetti, Zucchella, Jones and McDougall-Covin, 2012) say that business model literature still lacks precise and comprehensive definition of what business model really is. Zott et al. (2010) note that there’s lots of different definitions and different scholars have not been able to agree with the common definition of business model. They note that many researchers have been employing business model to address or explain some phenomena. Three most used phenomenas are 1. E-business and IT’s role and usage in organization 2. Strategic issues or 3. Innovation or technology management. (Zott et al. 2010.) Also Shafer et al. (2005) have noticed the same problem; researchers seem to look at the term from so different perspective and therefore see the term so differently that the common definition stays invisible. Onetti et al. (2012) says that literature of business models is fragmented and heterogeneous. In their research they cross-checked 48 business model definitions by different authors and concluded that definition really needs a conceptualized more formal business model definition. This chapter will demonstrate different ways of seeing the concept of business model. Firstly it will explain what it is and what it is not in order to get better understanding of business model.

3.1 Business model definitions

Let’s first take a look to business model definitions in order to get proper understanding of the topic. Zott and Amit (2010) have defined that “business model can be viewed as a template of how firm conduct business, how it delivers value to stakeholders (e.g., the focal firms, customers, partners, etc.), and how it links factor and product markets”. Shafer et al. (2005) see business model from strategy perspective; company’s business strategy as a plan and business model as a set of activities to realize strategy into practice. Baden-Fuller and Morgan (2010) argue that business models function as recipes. Casadesus-Masanell and Ricard (2010) follows the same ideology and defines that business model is… “a reflection of the firms realized strategy”. Casadesus-Masanell and Ricard (2010) argue that strategy refers to the choice of business model through which the firm will compete in the marketplace. Osterwalder and Pigneur (2010: 14) defines that “A business model
describes the rationale of how an organization creates, delivers, and captures value”. Magretta (2002) refers business models as a story that explains how enterprises work. From Magretta (2002) point of view new business model can be built for designing new product or for new innovation of process how to make better with already existing product or services.

Richardson (2008) has concluded that the basic idea behind business model is that it describes the way firm is delivering its products and services to customers and the way it makes money. Onetti et al (2012) highlight that through different business models, companies execute same strategies in different ways. That’s why business model decisions are vital as those can be seen as a way to differ from competitors and compete with. Teece (2010) is seeing business model also as competitive advantage, but notes that to be that it must be more than just logical way of doing business; it must also meet customer needs. Ahokangas and Myllykoski (2013) in turn concludes that “business model as a concept becomes fully comprehensive only through action in the context where it is created”.

Zott et al. (2010) in their report noticed, different scholars are using term “business model” to explain very different thing but by using the same term. They identified three different analytical focus in these; e-business, strategy and innovation and technology. Scholars studying e-business have been trying to archetype the e-business model; researchers from strategic field have been analyzing it as an activity system and technology management and innovation scholars seeing business model from cost/revenue architecture point of view. Onetti et al. (2012) have identified two main stream in business model literature. Early e-business stream emerged in mid-90th, when Internet companies raised, focus e-business context; later stream they call general stream which is more comprehensive approach for identifying business tools which are not restricted to high-tech companies. As Zott et al. (2010) state, seeing business model from different perspectives gives a good viewpoint to envision commonly agreed matters.

Through investigating and studying how different scholars have been defining business model; Zott et al. (2010) found some similarities of which these scholars seems to agree with. Firstly different scholars seem to agree that it is new and
distinct unit of analysis which differs from traditional analysis. Secondly they claim that business model is holistic and systematic concept, explaining what and how companies do business. Thirdly researchers can be seen to agree with the fact that organizational activities plays important role in business model and business model can be conceptualized through organizational activities. Fourth similarity in business model literature is that researches have been emphasizing value creation instead of value capture which has been the focus in earlier studies.

Shafer et al. (2005) in their research gathered components rose from business model literature and created diagram where all most used components are presented (see figure 3). They used that diagram as a basis for defining their own business model definition. They classified business model components into four categories; Strategic choices, create value, value network and capture value and used all these main categories in their definition. They define business model “as a representation of a firm’s underlying core logic and strategic choices for creating and capturing value within a value network”. Core logic refers to the fact that properly done business model helps organizations to make assumption about cause-and-effect relationships and the internal consistence of strategic choices which is defined as a second term. Value creation and capturing value refers to the fundamental business performance where organizations must create value and capture some of that value back and do that by differentiate way to stay into business and compete in the competition environment. Value creation and value capture does not occur together. Those can occur just in a value network which can include suppliers, partners etc. Adding the role which company decides to act is vital to the business model. (Shafer et al 2005.)
3.1.1 Strategy vs. Business Model

Baden-Fuller and Morgan (2010) note that to the question “what is strategy?” many people are giving answer that includes also the word business model. Zott et al. (2010), Shafer et al. (2005), Magretta (2002), Richardson (2008) and Yip (2004) have been highlighting that strategy and business model are different concepts. Strategy can be seen as a plan and business model as a practical solution to implement it in reality (Casadesus-Masanell and Ricard 2010, Shafer et al. 2005). Shafer et al. (2005) note that strategy can be seen from many different approaches but one common element is that it includes making choices. McGrant (2010) is seeing business model as a focal concept for strategy. Even that many researchers seems to have taken the approach from strategy to business model, Hacklin and Wallnöfer (2012) are seeing business model also as a strategizing device, which serve as a tool for decision-making process.

Zott and Amit (2010) highlight that strategic choices companies made have a big effect to business model, how they do business. For example if company holds technical innovation what to do with it; company can sell it or start manufacturing it
itself. Either way the business model to do it is different. Mäkinen and Seppänen (2007) say that “the strategy of a venture or an organization is concerned more with value capturing and its sustainability than with value creation, while a business model should be concerned with integrating sustainable value creation with capturing and appropriation.” Shafer et al. (2005) state that company might have several business models e.g. one for each strategic choice company has done. Business models can be seen also as a tool for analyzing, implementing and communicating strategic choices. Richardson (2008) states that “a well-designed business model defines and organizes the activities of the firm to execute the strategy”.

3.1.2 Activity system perspective

Mason and Spring (2011) are stating that business model can be understood as a frames for action. Many researcher have been using activity-based approach in defining and conceptualizing business model (Zott & Amit 2010, Ahokangas & Myllykoski 2013, Onetti et al. 2012 ). Zott and Amit (2010) state that business model literature supports activity system perspective and therefore they have also conceptualized business model definition as a system of interdepended activities. They are seeing business model’s overall objective to “exploit a business opportunity by creating value for the parties involved, i.e., to fulfil customers’ needs and create customer surplus while generating a profit for the focal firm and its partners.” Activity is action which serves to fulfil the overall objective and activity system itself a set of interdepended organizational activities and these activities must be linked together. One should also understand that some activities are performed inside the company but some defined activities might be from the nature such that those are performed by outsider actor (supplier, customer, and partner). (Zott & Amit 2010.)

Zott and Amit (2010) note that “business model is geared toward total value creation for all parties involved”. As also Zott et al. (2010) noted direction of business model is toward value creation. Choices done while creating business models have an impact of how company creates and captures value and defines how big share company obtain from the total share of the value pie (Zott & Amit 2010).
Zott and Amit (2010) note that interdependency in activities plays an important role as it enables evolution in the system if environment around the company change; therefore it is vital that business model is embedded to its environment. Also they suggest that business model designers – entrepreneurs or managers - could consider two set of parameters in business model designing; design elements and design themes. (Zott & Amit 2010.) “Design elements of content, structure and governance, which go beyond interdependencies among activities or notions of network structure” are important parameters to characterize an activity system. Content refers to the selection of activities; those ones which are performed in reality. Structure refers to the linkage between activities; after activities have been selected those activities must be also linked together to make the set of activities comprehensive. Structure element can be seeing answering to the question How? Last element, governance, answers to the question who? by which Zott and Amit (2010) refers to who performs selected activities. They highlights that managers should make decision on all of these parameters. Zott and Amit (2010) want to note also that these design parameters have been described to be independent and orthogonal, but those also could be highly interdependent.

Another set of parameters is called NICE design themes; novelty, lock-in, complementarities and efficiency. These themes detail system’s dominant value creation drivers. As Zott and Amit (2010) state; “Design themes are configurations of design elements, or degree to which they are orchestrated and connected by distinct themes”, mean that these themes connect and orchestrate activity system elements. Novelty-centered design adopts new activities (content), and/or new ways of linking activities (structure) and/or new ways of governing activities (governance). Lock-In design refers to the power to keep third parties attracted as business model participants. By complementarities design is meant that adding complementary activity provides more value than performing those activities separately. Last theme, efficiency, refers to design how company can be more efficient through reducing transaction cost e.g. outsourcing some activities. Together design elements and design themes conduct activity system framework, which addresses vital issues and gives managers a language and conceptual toolbox to design business model through activity system. (Zott & Amit, 2010.)
Table 2. An activity system design framework adopted from Zott and Amit (2010)

<table>
<thead>
<tr>
<th>Framework provides insight by:</th>
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</thead>
<tbody>
<tr>
<td>Giving Business Model Design a language, concepts, and tools</td>
</tr>
<tr>
<td>Highlighting Business Model Design as a key managerial/entrepreneurial task</td>
</tr>
<tr>
<td>Emphasizing system-level design over partial optimization.</td>
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<tr>
<th>Design Elements:</th>
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<tbody>
<tr>
<td>Content</td>
</tr>
<tr>
<td>What activities should be performed?</td>
</tr>
<tr>
<td>Structure</td>
</tr>
<tr>
<td>How should they be linked and sequenced?</td>
</tr>
<tr>
<td>Governance</td>
</tr>
<tr>
<td>Who should perform them, and Where?</td>
</tr>
</tbody>
</table>

<table>
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<tr>
<th>Design Themes:</th>
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<tbody>
<tr>
<td>Novelty</td>
</tr>
<tr>
<td>Adopt innovative content, structure or governance</td>
</tr>
<tr>
<td>Lock-In</td>
</tr>
<tr>
<td>Build in elements to retain business model stakeholders, e.g., customers</td>
</tr>
<tr>
<td>Complementarities</td>
</tr>
<tr>
<td>Bundle activities to generate more value</td>
</tr>
<tr>
<td>Efficiency</td>
</tr>
<tr>
<td>Reorganise activities to reduce transaction costs</td>
</tr>
</tbody>
</table>

Zott and Amit (2010) think that through focusing on activities, which is natural approach to managers and entrepreneurs, helps defining company’s business model. Through thinking which activities to select and who to govern those? Another fact speaks on behalf of activity systems advantageous; that it encourage to systematic and holistic thinking while designing business model. Activity perspective encourages concentrating to overall designing instead of concentrating isolated and individual activities. (Zott & Amit 2010.) This activity system framework is presented in Table 2 above.

Onetti et al. (2012) are defining business model also from activity perspective as many other authors have done e.g. Zott & Amit, 2010, Onetti et al. (2012) define “business model as the way a company structures its own activities in determining the focus, locus and modus of its business.”
Table 3. The business model framework adapted from Onetti et al. (2012).

<table>
<thead>
<tr>
<th></th>
<th>FOCUS</th>
<th>LOCUS</th>
<th>MODUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity A</td>
<td>How much to allocate</td>
<td>Where?</td>
<td>Who? In-House or Third Parties?</td>
</tr>
<tr>
<td>Activity B</td>
<td></td>
<td></td>
<td>How? Capital or labour intensive?</td>
</tr>
<tr>
<td>Activity C</td>
<td></td>
<td></td>
<td>How much Tech-intensive?</td>
</tr>
</tbody>
</table>

Onetti et al. (2012) use terms “Focus”, “Locus” and “Modus” as an analytical building blocks for business model conceptualizing (see table 3). Focus, refers to the selection of activities on which the company’s efforts are concentrated. Focus decision also concerns the allocation of company resources to different activities. Decisions such as where to invest and from where to divest are good example of those. Onetti et al. (2012) are highlighting that every company has value-chain and therefore business model activities also determines the span of the value chain. By Locus is referred to the location where different company activities are located. Decision, on which geographical area or industrial clusters individual activities are carried out, need to be decided and this decision need to make in each activity the company has chosen to focus. Modus is referring to the relationship with other players and organizational boundaries. It is also about deciding which activities are managed in-house or by third party. Also how to approach the activity as there are many options available and in case of outsourcing; who to select what kind of contract to build long or short term. Also the decision on how to entry to market is essential, business model, decision. (Onetti et al. 2012.)

3.2 How business model is connected to its environment?

Ahokangas and Myllykoski (2013) are highlighting that business models comes fully comprehensive in the context around it and that business model need to be created in the correct context where it acts. Osterwalder and Pigneur (2010: 200) are saying that organizations must constantly scan it’s environment. Point is that understanding of the environment organization makes business with, helps defining and building up
organization’s best possible business model. Zott and Amit (2010) are highlighting also that it is vital that business model is embedded to its environment. Moore (1998) in his study of business ecosystems states that requirements of co-evolving have created for companies also the requirement to create new kind of business models.

Teece (2010) says developments of the global economy have changed the traditional balance between customer and supplier; businesses need to be more customer-centric. New business environment is requiring well-developed business model, to not only satisfy customer needs but also to capture value from providing new product or services. As Teece (2010) highlights business model is always connected to its environment:

“Neither business strategies, business structures nor business models can be properly calibrated absent assessment of the business environment; and of course the business environment itself is, in part, a choice variable; i.e. firms can both select a business environment, and be selected by it: and they can also shape their environment.”

Business model is obviously strongly connected to its environment. Shafer et al. (2010) have included value network into their business model definition. They are arguing that fundamental business model elements, Value creation and value capture, cannot exist just together, those occur in value network. Also Ahokangas and Myllykoski (2013) agree with this matter, while saying that business model as a concept can work only in through actions in the environment it is created. In other hand can be concluded; Company’s business model need to be defined and created in the context/environment it makes business with and business model actions are done in this context. Also Onetti et al. (2012) have included environmental aspect into their business model framework which uses activity perspective as they are seeing that business model structures company’s activities (presented in table 3). Locus in that framework is referring to the location where business model activities are performed. Also Modus component refers to environment as it is defining who are performing set activities; and referring to relationship with other players and organizational boundaries. Some activities might be performed in-house but some activities might be better to outsourced. (Onetti et al. 2012.)
Shafer et al. (2010) are reminding not to rely that current value network will remain unchanged. Therefore Osterwalder’s and Pigneur’s (2010) statement comes valuable to add in here: that organization must constantly scan what happens in its environment. Zott and Amit (2010) have considered environmental changes and are saying that business model activities need to be interdependent in order to enable evolution in business model activity system if environment around it changes. Obviously changes in business environment must be taken into consideration in business model activities.

3.3 How Business model can be changed?

Hedman and Kalling (2003) are highlighting that business models evolves over time and therefore should be managed and developed in a long term period. And because of this characteristics they propose that the process perspective need to be included to the model. Margetta (2002) state that business model is essential to every successful company; to new venture as well as for an established company. Still really little attention of business model literature have paid for creating new business model and transforming existing business model processes (Ahokangas & Myllykoski 2013). Therefore this chapter will concentrate to firstly to creation of new business model and secondly how to transform existing business model processes. Study of Ahokangas and Myllykoski’s (2013) has been mainly used as to describe these processes.

The process of creation and transformation of business model are highly different (Ahokangas & Myllykoski 2013). Business models tend to be stable so changing those are difficult (Doz & Kosonen; 2010), when business model is ones set to the organization, it is obviously challenging to be changed (Zott and Amit, 2010). This also makes the process of transforming business model more complicated and challenging (Ahokangas & Myllykoski 2013, Zott & Amit 2010). Fundamental changes in business model requires high commitment and support from top management of the company (Chesbrough; 2007).

Chesbrough (2007) highlights that it is fundamental to think what to do with the existing business model, while company is building the new one while transforming
company’s business model. One tricky task for management is how to manage new business model alongside with the existing one. Kagermann, Osterle and Jordan (2011: 171) highlight that high level business model transformations many times require active support from company’s IT function. IT has a significant and active role in business model transformation. The transformation process is not easy, according to Chesbrough (2007) there’s two essential element to be considered. Firstly, business model must be adjusted or rebuilt to handle significant volumes; it is not enough that new model works well when only some trained people of the organization are involved to ongoing change, all layers of the organization must be involved and model must work with actual volume as well. Secondly new business model release must obtain great amount of commitment before rolled out. Scaling-up of processes can encounter tremendous resistance e.g. if some group’s budgets are cut off to free up resources to support new business model. Morgan and Page (2008) are noting that every business transformation program is unique. The implementation of the business transformation plays an important role, even that organization gives high commitment to the transformation, the performance may still suffer.

Ahokangas and Myllykoski (2013) in their research built conceptual framework for business model creation and transformation. See figure 4.

Figure 4: Business model creation and transformation as a practice adopted from Ahokangas and Myllykoski (2013).
This framework (figure 4) consists of four sub-practices of visioning, strategizing, performing and assessing. On top of this, these elements need to be related with opportunity and advantage exploration and exploitation which can be seen outermost of the figure. Two cycles have been added to the framework, one for business model creation and another one for business model transforming. Visioning in this context refers to long-term intentions, purposes and objectives of business. Strategizing is concerned with planning and implementing the content and process of the business model, whereas performing is concerned with doing business with business model. Assessing refers to observed consequences and effects of actions. (Ahokangas & Myllykoski 2013.) When it comes to relating these practices to opportunity and advantage exploration and exploitation, they argue that:

“…from a practical point of view, business model visioning is related to exploration of opportunity and advantage; business model strategizing to exploration of advantage and exploitation of opportunity; business model performing to exploitation of opportunity and advantage; and business model assessing to exploitation of advantage and exploration of opportunity. In addition, we argue that business model creation as a practice starts and ends with visioning, whereas business model transformation as a practice starts and ends with performing.”

According to Ahokangas and Myllykoski (2013) framework, business model creation starts with visioning which can be seeing concerned to future by questioning do we have an opportunity and the advantages required for doing business? Therefore not-yet-ready business model need to be framed through exploration of opportunity and possible advantages. In strategizing, the chosen opportunity is starting to shape toward the real business model description and to be exploited. But the advantage remains to be achieved. During performing both advantage and opportunity are exploited through testing business model against them. In last practice, assessing, advantages exploited will be evaluated against business model opportunities in wider sense and not only against exploited opportunity; also alternative opportunities need to take into account. Creation process also ends with visioning as the eye need to be in the future, and due to that the threshold between assessing and visioning processes can be obscure as assessment with evaluation should be done in wider sense. The business model creation as a practice exists in the context which might not be yet well-known. Therefore also opportunity and
advantages for business model creation may remain elusive and be explored for some time. Business model creation can also be seeing having entrepreneurial behaviour as it is starting from opportunity seeking process, visioning. (Ahokangas & Myllykoski 2013.) McGrant (2010) notifies that business models cannot be fully anticipated in advance. Business models should be learned overtime and therefore learning is in the centrality of experimentation of discovery and development of new business models. (McGrant 2010.)

Business model transformation starts from performing phase where existing business model exploits the chosen opportunity with existing advantages. The pressure to make changes in business model related practices depends on type and quality of the feedback. Assessing phase in transformation can be crucial phase “as the scope and scale of the re-explored business opportunity/ies, the respective business model, and exploited advantages may exhibit planned or emergent systemic resistance”. Also the fact that business model system (context, boundaries and properties) is difficult to change due to complexity and dependencies. This is true especially in uncertain and dynamics context of business model. The visioning process is concerned with future of business model. This concern of the future may be different across different business model elements; also conflicting views of the future scope and scale of the re-explored opportunities and advantages held by the firm which are resulting from previous actions, may come to prominence. Strategizing process is depending on previous actions and experiences, leading to the limited amount of options to set up the planning for business model implementation or doing the business as such. The transformation process cycle ends (and starts) with performing process, which may be blurred with strategizing process, at least for the ones charged with ending the transformation process. In transformation process, the stemming liabilities from existing business model may provide the context too constraints; therefore business opportunities and advantages may be considered as fixed. Business model transformation process overall can be seeing from traditional experiential learning point of view. (Ahokangas & Myllykoski 2013.)

Even that creation of business model seems to be simple in terms of setting up strategy and build model around it, it is not. Shafer et al. (2005) have identified four main problems of business models which are associated with their creation and use.
Firstly they highlight that companies sometimes make mistakes while creating core logic basing on flawed assumptions about the future. Analysing and testing precisely the core logic and strategy behind that is essential. Implicit and explicit cause-and-effect relationships must be well-grounded to prevent problems may rise. Second problem may rise from the limitations in strategic choice considerations. It is essential to consider wider range of strategic choices instead of following “the fashion”. Many companies fall to that harmful trap. As business model is a reflection of strategic choices, it is essential to get the strategic choice correct in the first place to avoid problems. In order not to fail in strategic decisions, companies must be careful for not to overestimate their models and success.

Another problem arises from misunderstanding value creation and value capture. Shafer et al. (2005) claims that many times companies focuses on value creation and forget to consider value capture; how to turn the value into profit. Another pitfall which falls to this category is that executives confuse potential value with actual value when they design their business models. Last problem is relying on flawed assumptions about the value network. Many time companies may think that the current value network will continue unchanged also in the future, but this assumption should not be taken. To build business model to long-term assumption may be mistake; environment changes. (Shafer et al. 2005.)

### 3.4 Business models in business ecosystems

Zott et al. (2010) have considered business model literature and business ecosystem literature as related literatures. This research is agreeing with this claim and therefore this chapter has been included to this study. It will demonstrate how business models are embedded to its environment. In this study business ecosystem is demonstrated as a business environment. Ahokangas’s and Myllykoski’s (2013) research speaks on behalf of this claim as well. They have found a research gap in the dynamics of development of business model in its context. They are also assuming that business models work in the certain context. Also Teece (2010) states that good business model design and implementation involves also assessing broader business environment, internal factors as well as external factors.
Ecosystem approach departs from previous economic framework by Michael Porter, which focused on gaining competitive advantage and capturing profit. Another idea in this view was to defend company from new entrant and substitutes producers. In this traditional framework, industries consist of competitors, suppliers and customers and do not take in the consideration other actors such as complementary product producers or the infrastructure on which the company depends on or people. (Bloom & Dees 2008.) Moore (1997: 3) explains that traditional competition of offers and markets, where the companies compete by their products or services and where there is one winner, forgets to take in the consideration its outside context – environment. Moore (1997: 15) also explains that gathering the competitive advantage does not work any longer in nowadays coevolving business environment. Ecosystem framework add some new important actors in the framework and extend the environment the organizations work (Bloom & Dees 2008). Daft (2010:149) also highlights that traditional competition does not exist anymore, today’s organizations need both support and depend on the others for succeed. This obviously creates also new requirements for business model design and how businesses do business, as business model can be concluded to define how organization makes business and uses its resources to create and capture value and capture some of that value back as a profit. (Zott & Amit 2010; Casadesus-Masanell and Ricard 2010; Richardson 2008; Shafer et al 2005.) While environment changes, business model needs to change within it.

Competition is omnipresent when making business. Currently competition is intensifying and in the same time it has become unrecognizable to the business management. Excellent businesses can fail just because of its business environment around it. (Moore 1997:3.) As Moore (1997: 3) put it out: ”A good restaurant in a failing neighbourhood is likely to die.” Changes in new business world and challenges because of this have created management new questions about how to make strategies (Moore 1997: 14-15). Ecosystem roles can help in this as those can be seeing viewing also operation strategies. These roles are also influencing to the ecosystem’s health and evolution. That is why companies should make the decision of what role they play and understand the structure and dynamic of the ecosystem it is in and create the operation strategy in an ecosystem. (Iansiti & Levien 2002: 22, 40.) Moore (1998) notes that the future is unknown and companies should make new
logic strategies to manage with market and ecosystem creation. Companies must connect with power players and share the vision and together shape the future. Also business model literature is speaking on the importance of strategic choices and finding of new opportunities as well as competition. Business model literature has considered these aspects of strategic choices and role selection as well. For example Ahokangas and Myllykoski (2013) are saying that in business model creation and transformation process companies must explore and exploit opportunities and advantages in their business context. From the competition perspective, Smith, Binns and Tushman (2010) are seeing that complex business models can be the source of competitive advantage as well as McGrant (2010) sees business model as something to compete with. Strategy is vital for business model as e.g. Casadesus-Masanell and Ricard 2010 and Shafer et al. 2005 are saying that strategy is the plan and business model the tool to realize strategy in practise. Obviously can be assumed that business ecosystem is demonstrating the environment where company act, whereas business model literature is more or less giving conceptual tool how to do business in practice in this context.

Fast changes in business environment has affect that companies need to make fast decision in uncertain circumstances. Sharing the information and using it as a collective competence in whole business ecosystem is better option than that company operates alone. Information sharing is not easy task in business ecosystem and it can be seen as a challenge of the management. (Wallin 2009: 23). Daft (2010:149) explains that by coevolving the whole ecosystem can become stronger. Moore (1997: 12) explains that managers nowadays have taking cooperation more seriously that before. They have strengthened their key customer and supplier relationships and even works with their competitors. Business ecosystem and business model literatures have many similar elements. Companies should react to changes and take environment into consideration and make good decisions. Business model literature’s business model activity system perspective is speaking on behalf of interdependency in the activities to enable to adapt to environmental changes (Zott & Amit 2010). Peltoniemi and Vuori (2004) are encouraging companies also to adapt to the conditions may rise from outside, for example as a form of legislation or governmental restrictions or taxes.
Ecosystems as a whole may be robust, but new arrivals to the particular business niche in the ecosystems may be challenging. It can lead to problems, because of possible price competition and profit margin declining. Consumers get the good benefit from that, but for companies it is challenging because of declining margins. In that case, investing to new offers is difficult and it can stifle innovation, because company does not get enough profit to invest. Many business managers are facing challenges either in environment around them or because of invasion of company’s market territory. Even that the company’s business, products or services are excellence these issues may cause big harm to companies and business management need to response to these challenges. (Moore 1997: 3-4.) Smith et al. (2010) are highlighting that well-developed business model can be a competitive advantage. Therefore well-designed business model can help to adapt these challenges in business ecosystem environment.

Moore (1997: 5) explains also that downsizing the costs may be one response for challenges comes from company’s environment or increasing competition in company’s market territory, but just for a while. Costs should and could be cut down before the market collapse and the revenues falls. But Moore (1997: 5) warns that this as an ultimate response may destroy the company, because its morale may sinks, margins cannot go down forever and economies of scale are lost. Another reaction for those challenges is market creation, which may be longer solution that downsizing. Executives have understood that new innovations and searching of new growing market sectors or approaches are the way of moving forward. This has created new challenges to executives, because new market creation requires cooperation among many diverse contributors: making shared vision, forming alliance, negotiations and managing the complex relationships. One way to manage this new challenge is to make new supportive organization structure. (Moore 1997: 5.) Business ecosystem literature explains well possible environmental changes and the context businesses nowadays operate. But as Adner (2006) says, defining the business ecosystem and role in it is not enough; this kind of strategy is too explicit. Business model literature gives good contribution to this research area and goes further.
Obviously it is not a surprise that business model literature is speaking the importance to connect business model to its environment (Zott & Amit 2010; Osterwalder & Pigneur 2010: 200) and that business model needs the context where it operates (Ahokangas & Myllykoski 2013). Shafer et al. (2010) in their business model definition defines value network as an important asset. But this term, value network, could be easily replaced by the term of Business Ecosystem.
4 RESEARCH METHODOLOGY

This study report has been divided into two section; theory and case study reviews, and empirical research. In theoretical framework section two main research fields are studied and afterwards combined together. Business ecosystem and business model literatures and theories are presented in chapters 2 and 3. Chapter 4 concentrates to present research methodology in order to provide information how research is done as precise as possible so that research could be replicated and transparent. Chapter 5, research analysis, presents first Case company UPM shortly but accurate in order to provide needed data which can be reflected to previous theories and use as an example in transformation process. Secondly chapter 5 provides business model transformation process which is conducted from literature reviews; by combining business ecosystem and business model theories together. This business model transformation process is parallel reflected with Case company, UPM, in order to provide real live example for each phase of the transformation process.

This study uses case study and theory—building process as methods. Case studies can be both quantitative and qualitative (Ghauri 2004: 109). Case study method is useful in international business topics, in particular if the topic is relatively less known and researcher is aiming for theory-building type of research. (Ghauri 2004: 109.) Zikmund, Babin, Carr and Griffin (2013: 134) have defined quantitative and qualitative business research as follows:

Quantitative business research can be defined as business research that address research objectives through assessments that involve numerical measurement and analysis approach. Qualitative research is more apt to stand on its own in the sense that it requires less interpretation. (Zikmund et al. 2013: 134.)

It can be seeing important that researcher defines whether research uses quantitative or qualitative research methods or combines both methods. This research uses qualitative approach.

All information and material about research’s case study company, UPM, is public data and none of the information is gathered through other qualitative or quantitative methods. Reason for choose case study approach is simple; as Ghauri (2004: 109)
explains “A case study is both the process of learning about the case and the product of our learning”. The aim of the researcher is to get good understanding of the theories and building new theory for business model transformation. The usage of case company helps in this learning process. Through the case study method, by reflecting the case company to literature reviews and conducted business model transformation process, the whole research can be seeing getting more practical level contribution. Case company UPM is selected as it is big global company. Recent announcements by the company also shows that company is changing is business model and because of this it is good company to use as an example.

Eisenhardt (1989) states that theory-building research is applicable in normal sciences, where “theory-building process relies on past literature and empirical observation or experience as well as on the insight of the theorist to build incrementally more powerful theories”. This study report is aiming provide process for business model transformation from business ecosystem perspective; business ecosystem is presented as context business model operates. Through theory-building and case study methods, researcher was able to build new theory. Researcher relied on past literature to get new insight to theory-building. Case study was optimal method for this study, through real life implication validity and reliability of the research is also better. This study follows case study and theory—building methods in a good manner. Case study approach gives practical level contribution and theory-building from past literatures gives tool to conduct new theory for business model transformation.

Research started from theory framework building. Business Ecosystem and Business Model literature reviews were built while keeping in mind also two assumptions. These assumptions were done after reading and familiarizing with the research fields:

Assumption 1: Business model exists and operates in certain context or environment.

Assumption 2: Business model transformation should be done through well-defined process.
Assumption 1 gives the baseline for the research question. Author uses the approach where business ecosystem, the context, presents companies business environment. Business models can only exist in a certain context and therefore these two concepts, Business ecosystem and business model, were combined in this research.

Second assumption highlights and speaks on behalf of complexity in business model transformation and its characteristic as an evolving system. Hedman and Kalling (2003) research support this viewpoint. They have been proposing that process perspective should be involved to business models and that business models evolves over time. This research claim that business model transformation is not a fast process and therefore is should be divided into steps and form as a process. This assumption leads to the overall framework of business model transformation. Firstly the high-level transformation process is described. Secondly under each step of the process, tools have been set, which leads to the framework.

Through these assumptions literature review building was easier as the focus was precisely set. Those assumptions also represent the interest against the literatures. Only useful theories by different authors are reviewed in literature review section. This theory building took long time and required lots of reading, even that only some of the read articles were actually used and presented in the research. After setting up the main focus through assumptions, research question was set.

Second step is to study case company, case study review building was done through keeping mind assumptions. Only general information about UPM was collected as well as keeping the focus on strategic changes in case company and its industry and business environmental changes.

Third step is to conduct business model transformation process according to research question: Through what kind of process mature company can transform business model in the context of business ecosystem? This was done by combining business ecosystem and business model literature and through reflecting that to case company, UPM. After conduction this process research findings were concluded and research evaluated. Evaluation of the study in chapter 6.3 is done basing on qualitative research as well as theory-building and case study evaluation methods.
5 RESEARCH ANALYSIS

This chapter is aiming to conduct business model transformation process and framework from literature review section. Framework uses Case company, UPM, as an example in order to give practical level contribution. Chapter first presents case company.

5.1 Case company: UPM Kymmene Oyj.

It can easily be claimed that every Finnish knows UPM as a company because it has long history in Finnish forest industry and can be seen also as a milestone of Finland’s economy. UPM’s history starts already from 1870’s, when the group’s first mechanical pulp mill, paper mills and sawmills started operations. Through many acquisitions it started to widen and company has had many different names during its history. Nowadays it is known as a UPM Kymmene Oyj. “UPM was established in autumn 1995 when Kymmene Corporation and Repola Ltd and its subsidiary United Paper Mills Ltd announced their merger”. This new company, UPM Kymmene Oyj., started officially in 1st may 1996. (UPM History, 2012)

UPM is global operator. It has sales operations in 67 countries and production in 17 countries. UPM employs around 22,000 people. UPM’s current vision is to lead “the integration of bio and forest industries into a new sustainable and innovation-driven future”. It is approaching also to resource efficiency by creating more with less. Another element for the future is that UPM wants to strive to replace non-renewable materials with renewable, recyclable and low impact alternatives. Its purpose is value creation from renewable and recyclable materials; fibre-based, energy related and engineered materials businesses. (UPM- The Biofore Company 2013.)

Jussi Pesonen, CEO of UPM, announced in august 2013 that UPM will implement new business structure, which would sharpen operational focus and facilitate portfolio change and also make business more profitable. This new structure has been valid as of 1 November 2013. It’s previous business group structure was established at the end of year 2008. (UPM news 2013a.) With this new
transformation UPM focuses on growth initiatives outside Europe and in bio refining. (UPM Q2 RESULTS 2013.)

Previously UPM divides its businesses into six business areas: Energy, Pulp, Forest and Timber, Paper, Label and Plywood (UPM Businesses 2013). New Business structure established in November 2013, will divide businesses also into six business areas; UPM Biorefining, UPM Energy, UPM Raflatac, UPM Paper Asia, UPM paper Europe and UPM Plywood. Through this new simplified business structure UPM is expecting 200 M euros profit improvement impact. “Each business will implement a program with simplified business model and variable and fixed cost savings”. The full impact of this profit improvement program is expected by the end of 2014. (UPM Q2 RESULTS 2013.) From growth initiatives UPM is expecting 200 M euros contribution. UPM –Lappeenranta bio refinery is one of those initiatives. (UPM Q2 RESULTS 2013.) In the end of October 2013 UPM announced that it will outsource its transactional finance processes in order to drive significant improvements in cost and performance efficiency. (UPM news 2013b.) This obviously is one parts of UPM´s profit improvement program in its global finance functions.

In 2012 67 % of the sales came from paper business. Paper is currently biggest business area for UPM. See figure 5 next page. (UPM- The Biofore Company 2013.) But the strategy of UPM is to focus on growth businesses Energy, Biofuels, Pulp, Asian paper and label papers and Label. UPM is expecting that within 5-8 years 50% of the sales come from well-performing growth businesses. Mature businesses of UPM are paper Europe, Plywood and forest and timber. (UPM strategy and goals 2013.)
Figure 5. Sales by business in 2012. Adopted from UPM- The Biofore Company 2013 presentation.

UPM business environment has faced changes. Interim report Q2/2013 highlights that UPM growth businesses continued performing well, but that paper Europe has a weak quarter in second quarter of 2013; “Sales margins in European graphic papers and in exports from Europe were significantly lower than last year”. (UPM Q2 RESULTS 2013.)

Overall Paper and Pulp business has changed in Europe. “As the pulp and paper industry is in transformation in Europe there will be more cost cutting and streamlining. Investments will be made in energy efficiency” is highlighting Theresa Presas, Director General at Cepi (The Confederation of European Paper Industries), in Paper Industry world interview. In the very same interview Klaus Windhagen, Director General in VDP (German pulp and paper association), says and reassures:

The Chinese paper industry as the Chinese industry as such is growing with enormous rates, albeit the speed of growth has slowed down. So far Chinese paper exports do not affect the European markets in a substantial manner and the Chinese paper producers predominantly meet the domestic demand. Nevertheless the Chinese import huge volumes of recovered paper from Europe and have a noticeable effect on this market. (Paper industry world)

Obviously paper business is decreasing overall in Europe, but increasing in Asia. Same issue Jussi Pesonen, UPM CEO, is highlighting in YLE aamu-tv interview in
13.8.2013. In Europe and North-America demand of the paper is decreasing but in Asia and developing markets situation is vice versa. Pesonen says that overall in the world consumption of graphic paper is still 130 million tons a year and UPM is producing 10 million tons. Therefore he is noting that in the world there are still for long good markets in the paper business, but that it requires efficiency and competitiveness from companies. (YLE aamu-tv)

In European market the demand of the paper is 35 million tons a year and best companies can stay in the business, but it means strong competition. Pesonen is saying that in UPM the share in paper business will be less in the future, currently the share is around 60 %. The share will be less also because of the focus on the growth businesses; biofuels, renewable materials, pulp. To the question about European papers overcapacity he answer and believes that companies will focus of some specific areas of the paper business and that maybe through acquisitions the industry overall in Europe will remain well-performing. He says that the fact is that UPM paper will be different than it is now. He says that UPM will adapt itself to the changing paper business situation in Europa. (YLE aamu-tv.) In Paper Asia UPM performs better and is making also big investment. For example in China, Shagshu, UPM is building up new paper machine. (UPM Annual General Meeting 2013-presentation.)

One new business area of UPM is Biofuels. Biofuels have been around as long as cars have been. For example at the start of 20th century, Henry Ford already planned that his car would work with ethanol. Also the early diesel engines were shown to run with peanut oil. Biofuels are not state of art innovations only. For decades huge petroleum deposits kept the price of gasoline and diesel low, and biofuels were forgotten. But now oil prices have raised and also there’s big concern about global warming, this has led to the fact that biofuels has raised their popularity. Nowadays there exists various ways of using biofuels. In United States they are mixing gasoline with biofuel-ethanol. In Brasil they are using sugarcane to produce ethanol. In Europe they are using biodiesel made from palm-oil. (National Geographic 2012.)

It is notable to know also that the word biofuels is wider than just biofuels using in vehicles. Sun energy, wind, water etc. are also renewable energy sources.
UPM have noticed that biofuels demands are growing. For example, one estimation is that markets of biofuels will grow by 8-18% annually by 2020. UPM is starting to play in a totally new business area: Biofuels business. UPM is aiming to get a big share from the European market in the production of renewable, high-quality advanced biofuels. (UPM Biofuels, 2013) Notable thing is that UPM’s biofuels concept is based on non-food based materials. Raw materials UPM are using are mainly from energy wood such as logging residues, wood chips, stumps and bark. “Additional raw material potential comes from the utilization of industrial residues such as tall oil from sulfate pulp making.” (UPM Biofuels, 2013). One interesting point of this innovation is that it will decrease greenhouse gas emissions caused by traffic up to 80% in comparison to fossil fuels. (UPM Biofuels, 2013)

UPM is building the world’s first wood-based biodiesel producing biorefinery in Lappeenranta in southeastern Finland. This project has been already started and the refinery will start its production in 2014. “UPM’s biorefinery will have a production capacity of 100,000 tons a year. This equals to 120 million liters of biofuels.” (Interim report 3Q, 2012.) From this new growth business, UPM is expecting in the future a big share for its profit.

European Commission also sees potential and advance in UPM biorefining and has awarded UPM a grant of EUR 170 million for solid wood-based biorefinery (BTL) project in Strasbourg, France.

The EU’s NER300 programme (New Entrants Reserve) is funded by the sale of emission allowances to European companies. The programme is one of the key components of the political decisions targeted at reducing Europe’s carbon footprint. UPM biofuels reduce greenhouse gas emissions considerably compared to fossil transport fuels. (UPM News 2013c).

This obviously can be seen as a good sign for UPM.

5.2 Business model transformation process

As can be resulted from business ecosystem and business model literatures, business environment has changed and has led to the fact that companies must adapt to these
changes. Understanding of this new business environment and how to compete in there is vital. Company’s business model must be embedded to this new environment. This research study is providing process, how to transform company’s business model from business ecosystem perspective. Research is assuming that business ecosystem approach gives good tool to analyse business environment and represents the environment/context business model comes in the reality and where company competes against other companies business models. Zott and Amit (2010) are saying, strategy is vital for business model as it can define how product is done and provided to end user; through manufacturing, licensing etc. Different companies providing same product can provide it through very different business model.

Scaling of company’s business environment from business ecosystem perspective gives good starting point for defining strategy/ies and making decision how to move on in the business. This analysis is proposing that strategic choices rises from prerequisites of business ecosystem (environment/context) and strategic choice/s should be followed by business model which takes into consideration environment and chosen strategy/ies. Research uses business model activity-system perspective which supports well business model conceptualization. Also detailed made business model transformation process helps as transformation process is not easy and can cause resistance in the organization (Chesbrough 2007). Morgan and Page (2008) are noting that every business transformation program is unique.

Moore (1997: 15) explains that gathering the competitive advantage does not work any longer in nowadays coevolving business environment. The traditional framework, where industries consist of competitors, suppliers and customers, do not take in the consideration other actors such as complementary product producers or the infrastructure on which the company depends on or people. (Bloom & Dees 2008.) Moore (1997: 12-14) speaks about the end of industries. Nowadays executives need to bring together disparate business element to create new whole ecosystems, which can create new businesses and totally new industries. Sharing the information and using it as a collective competence in whole business ecosystem is better option than that company operates alone. Information sharing is not easy task in business ecosystem and it can be seen as a challenge of the management. (Wallin 2009: 23). Different strategic choices affects to business model (Zott & Amit 2010); company
can provide its product or service through different business model. Smith et al. (2010) are seeing business models as a competitive advantage and McGrant (2010) something to compete with. Moore (1997: 27-28) is noting that excellent business can fail just because of the environment around it. Obviously companies’ business models should be modified to match state of art business environment.

Chesbrough (2007) highlights that it is fundamental to think what to do with the existing business model, while company is building the new one while transforming company’s business model. One tricky task for management is how to manage new business model alongside with the existing one. The transformation process is not easy. Therefore transformation process is good to divide in steps, through defined transformation process in order to make transformation process simpler.

Next chapter will follow the path which demonstrates the business model transformation process through business ecosystem approach (see figure 6). Some phases of the process may go partly parallel. Sub-chapters will demonstrate what each of the process phases means in details. Case study, UPM, is used as an example for explaining how things can be seeing in practice in real case company. UPM is obviously transforming its business model structure. The process assumes that reasons for business model transformation has been analysed in details already before and therefore does not provide tools to find reasons why business model should be changed, even that the process analysis gives good starting points to note and find those reasons. In case of UPM can be seeing that in the background is the reason of market changes in paper business area.
5.2.1 Scaling business environment

The process of business model transformation starts with Scaling business environment. Competition is intensifying and in the same time it has become more unrecognizable to the business management. This has led to the point where excellent businesses can fail just because of its business environment around it. (Moore 1997: 3.) Daft (2010: 148) notifies that today’s successful companies develop relationship with many companies and travel also across the traditional business boundaries. Osterwalder and Pigneur (2010: 200) are reminding that organizations must constantly scan it’s environment. Understanding of the environment organization makes business with, helps defining and building up organization’s best possible business model. That is the reason why the transformation process starts from environmental scaling. This study report has studied business ecosystems as a context where business models come into reality. Therefore in this process phase, business ecosystem approach is used for scaling the environment, the context.
As a part of business model transformation process, environmental scaling is the starting point. But as business models must be learned overtime (McGrant 2010), the focus to be kept in the future (Ahokangas & Myllykoski 2013) and constantly scan the environment (Osterwalder & Pigneur 2010: 200), the whole transformation process can be seen as an open process which should be running all the time.

Table 4 in the next page is providing the tool to scale business environment. It is conducted from Moore (1997: 27) business ecosystem definition framework. Business ecosystem includes three main areas; core business, extended enterprise and extended business environment. Companies must analyse these aspects of its environment carefully, from the perspective of opportunities and advantages; what kind of opportunities and advantages can be found from there. Ahokangas and Myllykoski (2013) are using opportunity and advantage exploitation and exploration also as part of their business model creation and transformation framework which is presented in chapter 3.3. Therefore these approaches have been added to business environment scaling phase; but from the approach of exploration. Opportunity and advantages exploitations comes vital in later phases of this process.
Table 4. How to analyse business ecosystem environment.

<table>
<thead>
<tr>
<th>Environment</th>
<th>Consider these</th>
<th>Opportunities Exploration</th>
<th>Advantages Exploration</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core business</strong></td>
<td>Direct supplier</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Core contributors</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Distribution channel</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Extended enterprise</strong></td>
<td>Direct customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Supplier of complementary products and services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Customers of my customers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Suppliers of my suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Standards bodies</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Extended business environment</strong></td>
<td>Government agencies and other quasi-governmental regulatory organizations</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stakeholders, incl. investors, and owners, trade associations, labour unions</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Competing organizations having shared product and service attributes, business processes, and organizational arrangement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
This tool enables company to see its wider business environment and the context it is making business with and what kind of opportunities can be found and what kind of advantages these aspects may offer.

UPM has noticed that the demand of paper has decreased. This has led to the business model changes. UPM has announced that it will change its business model and the focus in the future will be elsewhere than in Paper business. Growth businesses such as biofuels, will in the future bring the bigger share for UPM.

Obviously UPM has scaled its business environment and found also new opportunities and advantages. As paper business decreases, it can be seeing led to the fact that UPM research and develop new products, what else they could do from paper or production residues, has become more vital. It has understood that demand of biofuels is creasing and has made a huge investment to start producing biodiesel from wood-based raw materials.

It is important to scale the environment as table 4 presents in order to know where company stands. But also explore new innovations outside of that, see even wider as UPM has done and found new business opportunities in new industry, biofuels, even that the raw material comes directly from the forest.

The first round of the process scales overall business environment, but after these first analysis and first round, company could do the same business ecosystem environment analysis per each business area.

5.2.2 Selection of the role in Business ecosystem

The first phase of the process helps to understand the context where company works. It is defining environment and scaling opportunities and advantages which are in the baseline for transforming current business model into the new one. Second phase is to define, what is the position company has in its context; to select and define its role in the context. Table 4 presented in previous sub-chapter helps also to find and decide the role. Companies should make the decision of what role they play and understand the structure and dynamic of the ecosystem it is in and create the
operation strategy in an ecosystem (Iansiti & Levien 2002: 22, 40). Moore (1998) notes that the future is unknown and companies should make new logic strategies to manage with market and ecosystem creation. The theory of business ecosystems helps defining the role. Company must consider business ecosystem role and define which of those it decides to play.

Keystone Company supports ecosystems’ productivity and diversity and can even decide ecosystem members, but it is important to understand that keystones limitations may also reduce ecosystem productivity. (Iansiti & Levien 2002:22-25, 44.) Leaders/firms can change and shape their own future and evolve in its ecosystems as they like (Moore 1998). Company should ask from itself; am I opportunity creator, innovator and do I provide possibilities also to others in my business environment? The business ecosystem analysis framework could in case of keystone include multiple business partner e.g. suppliers and customers as keystone player has wide network.

Niche players in business ecosystems make the mass of the total ecosystems and concentrates to do what they do. (Iansiti & Levien 2002:22-25, 44.) They concentrate to deliver some specific contribution to the ecosystem as a whole. Company to ask from itself: do I provide some one specific contribution to the total value; do I provide some part of the total value the end user gets?

Dominator in business ecosystems are the ones who try to take over the whole ecosystem by eliminating other player and causing harm for the ecosystem´s diversity and productivity. (Iansiti & Levien 2002:22-25, 44.) Company it ask from itself: Do I eliminate others to get more markets to myself? Do I want to make all by myself?

In the case of UPM, UPM can be seeing as a keystone player in its overall business environment. To the question am I opportunity creator, innovator and do I provide possibilities also to others in my business environment? UPM can answer yes. UPM is making cooperation with its stakeholders and that act can be seeing supporting the keystone role selection. Obviously UPM is big global player and is using wood in many different ways and provides multiple products. It is not contributing just one
part of the product, it is producing material itself which its customers can use in multiple ways. For example UPM Formi is new cellulose fibre reinforced plastic composite with high renewable material content. UPM’s customer can use it as a raw material in their own products and innovations e.g. kitchens and furnitures. (UPM ForMi 2013.)

Niche player role would not fit for UPM as well as keystone role. UPM has many products, customers and stakeholders, it is not focusing just contributing small share of the total value pie to the customer, and it is producing big part of that.

Also dominator role does not suit to UPM, it is not elimination others and limiting others capabilities.

UPM could also consider different business areas separately e.g. is UPM keystone in all its business areas. This study does not go into details per area, just overall picture is presented. Also business model dividing into activities (which will be demonstrated later on in sub-chapter 5.2.5) is vital for big global companies. Role in the context helps to divide actions into activities as it gives starting point and guiding to operations.

5.2.3 Defining strategy

After the selection of the role it is time to define strategy. Changes in new business world and challenges because of these changes have created management new questions how to make strategies (Moore 1997: 14-15.) Adner (2006) notes that one mistake managers normally make is that they plan out the full ecosystem. They pick their role in the ecosystem and create and defend their role in delivering an integrated product or service parts to the end customer. This way to manage, may forget the whole process, and think the ecosystems itself make the rest. This is too explicit strategy and can cause delays and challenges. Collaborating helps in succeeding in ecosystems. (Adner 2006.) Management should think the wider impact of decisions they make, how decision affects to the ecosystem as a whole? (Peltoniemi & Vuori 2004.) That is the reason why in this study, the process of business model transformation takes into consideration business ecosystem approach and wider the
process to start from scaling environment and ending up to dividing business model to practical real live activities to ensure that all defined strategies will be put into actions.

Bloom and Dees (2008) noted that researchers in strategic management field have focused on similarities between biological and economic systems and adopt the ecosystem strategy to use in organizational strategic choices. Zott et al. (2010), Shafer et al. (2005), Magretta (2002), Richardson (2008), Yip (2004) have been highlighting that strategy and business model are different concepts. Strategy can be seen as a plan and business model as a practical solution to implement it in reality (Casadesus-Masanell and Ricard; 2010; Shafer et al. 2005). This study uses business ecosystem roles as a background for defining strategy.

Keystone: “Keystone strategies provide an important service to an ecosystem by increasing its productivity, robustness and niche creation capabilities.” Keystones are connected hubs of the ecosystem and try to make the complex ecosystem simpler by creating productivity by connecting ecosystem participants together. (Iansiti & Leven 2002: 40, 43-44.) Iansiti and Leven (2002:44-47) encourage companies to keystone strategies with a long-term innovations and niche creations in the ecosystem. If company chooses keystone strategy it should be defined in terms of long-term innovations and creating niches also to other stakeholders in its environment.

Niches: The niche player strategy may focus on some specific services which ones the keystones in the ecosystem have created. They focus on things which directly support their niche strategy. (Iansiti & Leven 2002:47-48.) Niche player need to understand the risks of the ecosystem and their negotiation power. By focusing in the main activities and distinguish themselves, niche players can improve their own productivity and effectiveness. (Iansiti & Leven 2002:47-51) If niche player have a good strategy and specified in one context, they may be keystones of another ecosystem. If the niche has possibilities to grow and serve many functions and has a good expertise and focus, it may translate its strategy to keystone strategy. Even that many cryptic niche players are not visible to all ecosystems member; they have important impact to the ecosystem. (Iansiti & Leven 2002:52-53.)
Dominator strategy effects to the behaviour of ecosystems hubs and they try to take over the ecosystem by eliminating other. The target can be in own markets but also in other markets which they would like to dominate. For keep the dominator position, they need to invest to own internal R&D and make sure substitutes cannot be created to offer their customers better prices or functionality. (Iansiti & Levien 2002:44-47.)

In the first phase of the process, scaling business environment, opportunity and advantage exploration was used in order to find new opportunities or advantages from the context company makes business with. In this phase, defining the Strategy, Opportunity and advantage exploitation comes necessary. Ahokangas and Myllykoski (2013) in their transformation process claim that business model strategizing phase is related to exploration of advantage and exploitation of opportunity. But this study’s transformation process is claiming that opportunity and advantage exploitation comes vital in the very same phase, as in the first phase we explore those and in strategizing phase is the time to see how to exploit those.

If we have a look to Case Company, UPM, and what could be found from there from Strategy wise. Firstly, as was defined in previous phase, UPM can be seeing selecting Keystone role in its business context. The logical continuation is that Strategy follows Keystone strategy.

UPM has lately introduced its new business structure. Through this new simplified business structure UPM is expecting 200 M euros profit improvement impact. “Each business will implement a program with simplified business model and variable and fixed cost savings.” (UPM Q2 RESULTS 2013.) Secondly, the strategy of UPM is to focus on growth businesses Energy, Biofuels, Pulp, Asian paper and label papers and Label. UPM is expecting that within 5-8 years 50% of the sales come from well-performing growth businesses. Mature businesses of UPM are paper Europe, Plywood and forest and timber. (UPM strategy and goals 2013.) UPM is big global player and new investments for e.g. biorefining speaks on behalf of keystone actor. It is streamlining its business structure in order to make more with less. Outsourcing of some functions e.g. transactional finance processes can be seeing as one way forward to more efficient keystone strategy, where UPM sees itself as an opportunity creator.
and innovator by providing niches to others as well and by concentrating core functions and outsourcing some other operations. Nothing seems to speak on behalf of that UPM is a niche or dominator company.

Richardson (2008) notes that strategy frameworks go just part way toward strategy implementation; to link theory into activities. He is proposing that business model concept can be used for strategy formulation and execution. Therefore the next step in transformation process is defining the business model in details.

5.2.4 Defining Business model

Logical step after selecting the role and defining of business strategy is to define business model; to demonstrate the strategy in more practical way. This process phase goes partly parallel with next step, dividing business model into activities, but these two steps are explained separately. In this chapter the focus is on putting strategy into practical business model in higher level.

To start from roles and strategy is the best way to see how business model can be built around those. In this study report we have defined that case company UPM is Keystone player and strategy follows this role selection. Therefore in this report and in this phase we will concentrate how business model could be built from keystone perspective.

Moore (1997: 5) explains that downsizing the costs may be one response for challenges comes from company’s environment or increasing competition in company’s market territory, but just for a while. Another reaction for those challenges is market creation, which may be longer solution than downsizing. Executives have understood that new innovations and searching of new growing market sectors or approaches are the way of moving forward. One way to manage this new challenge is also to build new supportive organization structure. (Moore 1997: 5.) If we take a look to our case company, Moore’s advices of how to respond to challenges can be found from the case company case. UPM has announced several downsizing plans e.g. in paper business area and cost saving programs, which can be seeing raising from environmental changes e.g. paper business decreasing in
European markets. But as Moore (1997:5) highlights this works just for a while, companies should make longer term solutions such as market creation as well. UPM has also invests a lot to new market creation and innovations. One good example is the investment to biofuels and biorefinery building in Lappeenranta, Finland as well as new paper machine building in China and other investments in growth business areas.

These facts also follows nicely Moore’s cycle of investment and return, which is in the heart of successful business ecosystem; profits (which comes from the returns) are invested to both core offers innovation and capacity as well as to investment in the business ecosystem. UPM does not just invest to its current core offer and business Paper which is conducting still in year 2012 67 % of its sales, but also UPM invests to new product innovations and forestry ecosystem overall by innovating new products and concentrating growth businesses and toward Biofore Company. (See figure 7.)

**Figure 7. Virtuous cycle of investment and return of UPM**
The strategy of UPM is to focus on growth businesses Energy, Biofuels, Pulp, Asian paper and label papers and Label. UPM is expecting that within 5-8 years 50 % of the sales come from well-performing growth businesses. Mature businesses of UPM are paper Europe, Plywood and forest and timber. (UPM strategy and goals 2013.) When this strategy is applied in the business model, can be think that in UPM case business model means the structure; how UPM has divided its business areas and what main targets of those are. Detailed level business model plan will be done in next phase where business model will be divided into more practical activities.

In this phase of the transformation process need to be defined how strategy can be put into business model. If we split UPM strategy, two main thing can be found:

1) Focus on growth businesses (and conduct from those 50 % profit within 5-8 year).
2) In mature businesses efficient operating.

Shafer et al. (2005) state that company might have several business models e.g. one for each strategic choice company has done. Business models can be seen also as a tool for analysing, implementing and communicating strategic choices. If we divide UPM’s first strategy part into business model, it can start from defining business structure. As UPM has do it, divided into two; growth and mature businesses. Each of these business areas has their own defined main targets to reach and each business area will divide those targets into activity system which will be demonstrated in next phase. Overall company business model will give guidelines how to implement strategy in a practice.

Shafer et al. (2005) notes that value creation and capture are vital terms of business model. Value creation and capturing value refers to the fundamental business performance where organizations must create value and capture some of that value back and do that by differentiate way to stay into business and compete in the competition environment. Therefore for example in UPM case strategy includes some expectations and how and from where to receive value. For example the profit expectation for growth businesses has been set and efficiency in mature business can
be seeing meaning cost savings and value capturing through that. This can be seeing as a way UPM is creating and capturing value efficiently.

5.2.5 Dividing business model into activities

While thinking business model from business ecosystems perspective it can be assumed that player in business ecosystem having certain strategy must also implement and divide that strategy into business model and further into activities, which would give practical steps for doing business in business ecosystem/s.

Richardson (2008) states that “a well-designed business model defines and organizes the activities of the firm to execute the strategy”. Therefore in this phase of company’s transformation process defined strategy will be divided detailed activities by using strategy and high level business model as a background. This study report has demonstrated business model activity system theories one from Zott and Amit (2010) and another from Onetti et al. (2012). By taking elements and inspirations from both frameworks, the tool for dividing strategy into activities is presented in this chapter (see table 5).

The framework of Zott and Amit (2010) and Onetti et al. (2012) have similar elements. Zott and Amit (2010) speak about design elements (content, structure and governance) and Onetti et al. (2012) have used terms focus, locus and modus, but the logic behind those is very similar. In this study report framework by Onetti et al. (2012) is used as for the author it is simpler and more concrete framework. This framework is lightly modified in order to add strategy perspective into it and demonstrates case UPM in it but in the high level (see table 5). Focus, refers to the selection of activities on which the company’s efforts are concentrated. Focus decision also concerns the allocation of company resources to different activities. Decisions such as where to invest and from where to divest are good example of those. Onetti et al (2012) are highlighting that every company has value-chain and therefore business model activities also determines the span of the value chain. By Locus is referred to the location where different activities of the companies are located. Decision, on which geographical area or industrial clusters individual activities are carried out, need to be decide and this decision need to make in each.
activity the company has chosen to focus. Modus is referring to the relationship with other players and organizational boundaries. It is also about deciding which activities are managed in-house or outsourced. Also how to approach the activity as there are many options available and in case of outsourcing; who to select what kind of contract to build long or short term. Also the decision on how to entry to market is essential, business model decision. (Onetti et al. 2012.)

UPM overall is obviously transforming its business model. It has recently announced many changes in its business such as Business structure changes, cost saving program and decision to outsource its transactional finance processes. Also CEO of UPM, Jussi Pesonen, in YLE Aamu-TV have told that the future of UPM will be different. The reason for these requirements of change can be seeing easily raising from changes in business environment; good example is that the demand of paper has change radically because of technology.

UPM is an old mature company which has been operating in forestry business long time. Doz and Kosonen (2010) state that one reason why businesses fail is because they keep doing what they have always been doing and therefore fall to rigidity in their business model. Maybe UPM has understood that the key to stay into business is to think out of the box and renew its business. UPM can be seeing moving from M-form company to the E-form company structure. M-form companies are focusing in two main things: core market and core operations. Goal is to manage operations, grown the revenues and live long. E-form companies instead are focusing in market and industry creation and trying to find opportunities in the “white space”. M-form companies tries to gather all possible control to itself while E-form companies does not want to control that much. E-form companies try to capture other power players by giving a desirable vision which other players wants to be part of. (Moore 1998.) Even that UPM is producing a lot of its products itself, can be anyway claimed that it is moving toward not that controlling operating way. It is outsourcing some of its function as finance transactional operations and focusing on providing its core products and it is also harmonizing its businesses in order to be more productive. This can be seeing as a step forward state of art business model. Also open cooperation with organizations such as VTT can be seeing as a step forward.
The table 5 provides a conceptual tool to divide strategy into activities. UPMs strategy can be divided in the high level into two:

1) Focus on growth businesses (and conduct from those 50 % profit within 5-8 year).
2) In mature businesses efficient operating.

These can be divided further into activities. In UPM case these can be divided based on new business structure. In strategy 1 biorefining etc. and in strategy 2 paper Europe. These activities and business areas must be afterwards defined through terms of Focus, Locus and Modus. This can be seeing really high level business model activity system, but as UPM is major company it could use the same tool in each business area and divide those areas into smaller strategies or aims/objectives and even further into activities and making a decision in focus, locus and modus elements.
<table>
<thead>
<tr>
<th>STRATEGY</th>
<th>ACTIVITY</th>
<th>FOCUS</th>
<th>LOCUS</th>
<th>MODUS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategy 1</strong>&lt;br&gt;Focus on Growth Businesses</td>
<td>Biofuels</td>
<td>To get big share from Europe Market in the production of renewable, high-quality advanced biofuels.</td>
<td>In European markets, production at the moment in Lappeenranta</td>
<td>Own productions Raw materials in-house and from out-side</td>
</tr>
<tr>
<td><strong>Strategy 2</strong>&lt;br&gt;Efficiency in mature businesses</td>
<td>Paper Asia</td>
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<td>Paper Europa</td>
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<tr>
<td><strong>Other Global functions</strong></td>
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If we take a look into the framework and analyse one activity/business area through the terms; let’s take as an example biofuels, which we have been handling also in case company presentation. Biofuels is part of UPM strategy to focus on growth businesses and one activity in this. Decision of focus, locus and modus could be as follows.

- **Focus:** as stated in UPM biofuels website "UPM is aiming to get big share from Europe Market in the production of renewable, high-quality advanced biofuels." (UPM Biofuels, 2013.) Therefore the focus can been defined as producing renewable, high-quality advanced biofuels in Europe.
- **Locus:** Obviously markets UPM is aiming are in Europe but locus can also mean the location of production, in UPM case Lappeenranta biorefinery. In table 5 for biofuels locus is defined: markets in Europe and production currently in Lappeenranta.

- **Modus:** As stated earlier, UPM is building up its own biorefinery in Lappeenranta. Therefore can be said that production is in-house operation, but as UPM is using as a raw material for example energy wood and tall oil, can be assumed that some of this raw material comes from UPM but also from outside.

The Business Model Framework of UPM (Table 5) consist of Strategies divided further, but also in the same level as strategies other global functions have been added. Companies has also supporting function as Finance, HR and IT, and those are valuable to present in the framework as well.

But as biorefining is really new business area of UPM and as business models can be something to compete with and not communicated detailed outside, only assumptions of UPM business model/s’ can be done. Therefore also adding detailed information to the Table 5 is quite challenging. Only high level assumption is relevant to add and just as an example.

This framework can be used to build up a new business model as well as writing down existing business model. As a part of company’s transformation process this framework helps dividing further defined changes in existing business model. To define activities to be done in order to make changes.

This Framework gives useful toolbox for company’s business model transformation in practical level. After this analysis, starts the real implementation of business
model. This toolbox gives the starting point. Next chapter will discuss about pros and cons of this framework and its usability in more details.
6 CONCLUSION AND DISCUSSION

This is final chapter of the research and will present research findings as well as evaluate the research. Future research topics are presented in chapter 6.4. Firstly answer to the research question is given.

6.1 Through what kind of process mature company can transform business model in the context of business ecosystem?

Before answering to the research question, it is good to go through two assumptions were set in the beginning of the research. These assumptions were set in order to keep the focus and construct the transformation process framework. Below these assumptions are clarified. These assumptions also present research findings from the literature.

Assumption 1: Business model exists and operates in certain context or environment.

The business context in this study has been business ecosystem which needs to be taken into considerations while making and defining transformation process as well as company’s business model. This assumption was done basing on Ahokangas and Myllykoski’s (2013) research. The precise dialog relating to how business model is connected to its environment has been presented in chapter 3.2.

Assumption 2: Business model transformation should be done through well-defined process.

This assumption was done because it makes sense to describe transformation through a process. Which is also according to Hedman and Kalling (2003) obvious perspective for business model transformation. Also some researchers have been describing transformation through a process model e.g. Ahokangas and Myllykoski (2013). Therefore also this research question includes both perspectives; context and process. Also the answer to the research question includes these perspectives.
The research question of this research has been formed as: *Through what kind of process mature company can transform business model in the context of business ecosystem?* In order to answer that question this study report investigated two main topics; Business ecosystem and Business model. Chapter 5.2 conducted those topics together and reflected findings to Case Company. Through that Business transformation process was set.

Transformation process includes 5 phases. (See figure 8).

![Figure 8. Business model transformation through business ecosystem approach](image-url)

Next each of these phases will be shortly presented. Framework presents also the key findings of the research and is the answer to the research question. On top of this high level business model transformation process one additional framework has been added; framework how to divide business model into activities.

1) Define current Business Ecosystem Environment

   ➔ Process starts from scaling current business environment and through finding opportunities and advantages from there; in which direction to
move. Through the scaling process company understands its current business ecosystem environment, which helps afterwards company to define and transform business model.

2) Define Role in Business Ecosystem

Meaning that after scaling the current business environment, company can define its role according to Business ecosystem roles. Role can be defined for each business area of the company separately e.g. in case of major company with multiple product/service or just one role. Role helps company to define its position in the environment. Onetti et al. (2012) state that business model defines also the role a company chooses to play within the network. According to this it is obvious that company’s role in the business ecosystem is very essential for business model and therefore should be taken into consideration while transforming organizations business model.

3) Define Strategy according to the role in Business Ecosystem

Strategy will follow business ecosystem role. Each role in business ecosystem has different strategy. Strategy can be seeing as a plan which guides company for making correct decisions and activities. Strategy needs to be carefully made and it should take into consideration long and short term cause-and-effect relationship as well. What does the strategic decision mean in business ecosystem as a whole and what is the impact?

4) Define Business Model according to Business Ecosystem strategy

Business model can be seeing as realized strategy. After defining of Strategy, company should think what this strategy means in practice. In this phase high level business model will be created; to plan and implement strategy into organization e.g. organization structure.

5) Divide Business Model into Activities; Activity System

After the high level business model has been set, that model should be divided into activity system through comprehensive tool e.g. the one has
been demonstrated in chapter 5.2.5. As Mason and Spring (2011) are stating, business model can be understood as a frames for action.

*Answer to the research question is:* Mature company can transform its business model in the context of business ecosystem through well-designed transformation process which is presented in figure 8.

### 6.2 Theoretical and managerial implications

During the research it was interesting to notice that business models as well as business ecosystems were quite widely studied but only several articles relating to this study report’s research topic were found. Therefore this study obviously give good contribution to this research field as it combines these two theories together in general and provides good baseline for future research topics in similar research field. Purpose of this chapter is to reflect research finding to previous theories presented in literature review section.

If we evaluate Business ecosystem literature review on the perspective how usable and valuable it is for this research; how good contribution theories actually give. Business ecosystem is used in this research to present context where Business model actually operates. Business ecosystem structure and roles present well current business environment and context where businesses compete. From author point of view business ecosystem literature gives good contribution to business model transformation process. Especially Moore’s (1997: 27) definition of business ecosystem served well the phase 1 in the process, where current business ecosystem environment is scaled. Moore’s (1997:27) definition is formed differently in order to use it as a tool for this analysis. The definition give really valuable baseline for this purpose, but needed some additional perspective. Inspired by the research of Ahokangas and Myllykoski (2013), perspectives of opportunity and advantage exploration has been added to this environment scaling framework. These elements gives valuable, wider, perspective to define the environment and find new opportunities and advantages from that environment, not only defining where the company currently stands.
The theory of business ecosystem structure and roles by Iansiti and Levien (2002: 40-53) gave also valuable contribution to this research. Transformation process’s phases 2 and 3 are basing on this theory. This approach helps to understand and define company’s role in business ecosystem and afterwards the strategy. This theory give good contribution in the selection of the role and how the strategy has to be defined basing on the role in business ecosystem. Through this theory also the importance of the symbiosis between companies/player in the business environment can be understood better. Companies cannot operate anymore without taking in the consideration other companies in their business environment. Also the research by Peltoniemi and Vuori (2004) gives good contribution while it provides the approach to understand what it means been part of business ecosystem and what it requires; adaptation and co-evolution as an example. This research by Peltoniemi and Vuori (2004) mainly give for the author support against the decision to select business ecosystem to be used as a context and how important it is to understand the business ecosystem while transforming the business model.

Business model definitions by many authors give valuable information what business model actually is and what is the difference between business model and strategy. Through this dialog, author was able to define what is meant by business model. Without good understanding of business models in general, it would have been impossible to conduct valuable and credible business model transformation process. In Business model literature section also two activity based frameworks were presented, in order to see how business model can be seen through the lenses of activities; how business model can be divided into activities. One framework by Zott and Amit (2010) has been presented and another by Onetti et al (2012). Both of these theories/frameworks gave their contribution to business model transformation framework. However those framework was not used as such because of the reason that author found some limitations on those. If we see frameworks through the lens of practicality, the framework by Zott and Amit (2010) does not give really practical level solution for business model activity system; it seems to be too high level and difficult to implement in practice. It might give good starting point for activity system; what kind of matters to think. This research was aiming to conduct practical framework and therefore this framework did not give baseline for this study, ideas only. Another framework, by Onetti et al. (2012) has more practical approach for
activity systems, but still can be seeing really high level framework. This framework gave the baseline for phase 5; business model dividing into activities, which is presented in chapter 5.2.5. To this framework strategy perspective has been added in order to see from where activities come from.

From managerial implication point of view, this framework offers beneficial information and practical level solutions for companies which are planning business model transformation. The process framework with analysis tools of each phase gives good starting point. In order to get transformation actually implemented, company needs good baseline, time and good analysis in each phase. As changes, which business model transformation is, may cause resistance among employees, the whole process is recommended to do carefully. Companies always should consider their own needs. As Morgan and Page (2008) are noting, every business transformation program is unique. Framework is still presented as a really high level and may be trigger than it looks like, in reality this process takes time. Each phase takes time which needs to be carefully validated before company can make the decision when transformation will be started and estimated to be completed.

Overall can be said that previous studies gave good contribution for this research. Previous business ecosystem literature served well this study; it gave as such good contribution. But this research gives also new insight for usability of business ecosystem theories as a context because it combines it to another research field; business model. Business model literature gave good ideas for building conducted framework, but none of the previous theories served as such this framework. From author point of view previous theories of business models lacks hands-on level solution to describe business model or even further to divide business model into activities. The framework produced in this research gives more hands-on level solution for business model transformation process. However the process description itself is not enough when using produced framework, it should first been studied. Each phase need to be evaluated first. This study report also provided tools for that in each phase.

Case company usage in analysis phase gave also its own contribution as through the case company, real life examples were possible to give.
6.3 Evaluation of the study

Eisenhardt (1989) states that “a strong theory-building research yields good theory (that is, parsimonious, testable, and logically coherent theory) which emerges at the end, not beginning, of the study.” She also argues that theory-building research can be evaluated in terms if theory is “good”. If theory is parsimonious, testable, and logically coherent, it can be seeing as a good theory. Golafshani (2003) notes that validity in quantitative research refers to validity of measurements of the research, whether measurements have been done accurate as well as whether research actually measures what it was intended to measure. Reliability in quantitative research refers whether results are replicable. But these definitions of validity and reliability may not be applicable in qualitative research. Therefore Golafshani (2003) have noticed that in qualitative research these terms are not used separately, instead terms credibility, transferability, and trustworthiness are used. Therefore this report will be evaluated through terms of credibility, transferability, trustworthiness and whether provided “new” theory is “good”.

This research started by setting preliminary research questions. Through reading and familiarizing to the main topics, research question formed to its final form. Also assumptions were formed in early state of the research process. Case study, to which theory was reflected, gave good empirical contribution to the research. Through the research analysis the new business model transformation process was formed. This new theory definitely emerged at the end of the study. It also can be seen testable and logically coherent new theory/framework.

The literature review part of the study can be seeing credible, transferable and trustworthy as the used materials are relatively new as well as high quality as articles used were published in good journals. If we evaluate whether provided new theory is good, can be answered yes as well. Eisenhardt (1989) suggests that it is good to compare emergent frame to case in order to assess how well or poorly it fits with case data. Idea is that researcher compares constantly theory and data. This can be seeing measuring the goodness of the theory. Therefore in this research two assumptions were set in order to help comparing theory to case company data. Through this process and method, researcher was able to conduct transformation
process. Findings were done in good manner and through well applied research methods.

In the research analysis section some limitations can be found. Material related to Case study company UPM was published data only, no other methods as interview or such were used to collect information about the company. A reason for this decision lays in the research topic. Topic, business model transformation process, can be seeing as a high level information and also the aim of the study was more or less to provide conceptual tool for business model transformation process and to use case study just as an example, where to reflect the process in general level. Research aimed to theory-building. In order to make precise analysis of UPM’s assumed business model transformation, richer databases would be needed, including cooperation with company’s representative.

6.4 Suggestions for future research

Aim of this chapter is to provide future research topics, which are rising from research. This research has been studying the process how to transform business model, but did not touch the topic why companies want to transform their business models; what are the reasons. It is vital to understand the reasons why organizations decide to transform their business models or the reasons why they must change their business model. Firstly could be claimed that changes in business environment have caused requirements for change. For example Moore (1997: 5) explains that downsizing the costs may be one response for challenges comes from company’s environment or from increasing competition in company’s market territory, but just for a while. Another reaction for those challenges is market creation, which may be longer solution that downsizing. Executives have understood that new innovations and searching of new growing market sectors or approaches are the way of moving forward. One way to manage this new challenge is to make new supportive organization structure. (Moore 1997: 5.) According to this, pressure for business model transformation may rise from environmental challenges or from increasing competition in company’s market territory. Maybe sometimes businesses sees new opportunities in the environment and therefore changes their business model, maybe by starting to act in totally new business areas. This could be also good future
research topic, to see further what forces push companies for business model changes from environmental perspective.

In theory section we touched a bit the topic that companies may compete through business models and that innovative business model can be the tool to differentiate from competitors. This topic has been researched already, but for example how to transform existing business model to the one company can compete better with or to the one is totally different than in industry in general? Business models can be seeing to be nowadays something to compete with, especially in complex and fast changing industry such as gaming industry. How to make business different than others and get competitive advantage from that?

Good continuation for this research would be also to investigate further how the transformation process works in practice, how precisely the process could be implemented and what are risks and advantages from each phase. This study also concentrated major companies transformation process, another approach to same topic would be to study how small and medium sized companies do their business model transformations and compare that to the framework presented in this study.
REFERENCES


