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THE ROLE OF BUSINESS MODEL INNOVATION IN THE COMMERCIALIZATION STRATEGIES IN SMEs.

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Abstract of the Master's Thesis

Title: The Role of Business Model Innovation in the Commercialization Strategies in SMEs

Abstract

Commercialization of products is an essential process for a firm in the course of value delivery. It is sometimes seen as a yardstick used in measuring the performance of the firm in the market as well as the revenue generating capacity of a firm. Premised on this, it is pertinent to ask how a successful commercialization strategy is being planned and executed by a firm. So, this research is hinged on the role of business model (innovation) in the commercialization strategies in SMEs.

The present study is then focused on how business model innovation contributes to the successful commercialization of products in SMEs and for this reason, a framework is introduced that explains the roles of open innovation, the business environment and product reconfiguration as inherent in the path to success in the market by SMEs. Hence, the framework is further anchored on the use of both inflows and outflows of knowledge or technologies by SMEs in product reconfiguration with the basic aim of commercialization of same successfully in the market. It should be borne in mind that a business model describes the rational a firm will use to make revenue in the process of value delivery and when the business model seems to be ineffective, a replacement comes in. In this wise, business model innovation is the replacement of an existing business model of a firm. Business model innovation will consequently evolve the means of product reconfiguration for a firm in the attempt to re-create and re-deliver value to its customers.

It follows therefore that business model innovation will aid the renewal of an existing product through reconfiguration in order to re-create, re-capture and re-deliver value in the market. In this line, the commercialization of products in the open market requires business model innovation to succeed. The open innovation environment therefore serves as the harbinger through which the innovation of a business model may take place by availing the firm the opportunity to collaborate and share ideas or technologies with others as opposed to the closed innovation attempt.

This study, which is done empirically, aims at contributing theoretically and managerially to helping firms understand the nature of their business model and recognize lapses inherent therein for renewal. More so, it will also serve as an avenue for managers to be more equipped in understanding their existing business model and to detect and benefit from the use of new and incipient technologies. The study has been carried out based on the use of empirical data collected from two case companies in Finland and Nigeria thereby producing a reliable result on the role of business model innovation in the commercialization strategies in SMEs and also demonstrating the importance of business model innovation in the internationalization exertion of SMEs.

Keywords: Business Model, Business Model Innovation, Commercialization, Open Innovation and Internationalization.
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1 INTRODUCTION

1.1 Background and motivation for research

The world has become a global village. Businesses all over the world are not left out of this trend and its impacts. While some businesses are recording high rate of success, increased revenue, expansion and growth some are struggling to stamp their marks in the ever competitive markets worldwide. It is therefore not difficult to come to a conclusion that some business ventures hardly see the light of the day in our ever (growing) competitive world. Small and medium sized enterprises (SMEs) are included in the growing list of business ventures not faring well. The reason for this according to Bowen et al. (2009) might be connected to some negative perceptions towards these SMEs in some developing economies of the world.

However, this is noted to be an entirely different concept in the Western world especially in the Nordic countries where the issue of strategy always comes first when firms are seeking directions for business activities. In contrast, many moribund business concerns are littered all over the places in Africa with tales of woes and inability to make profits, expand and grow. It is reported to be so bad to the extent that three out of five businesses died just few months into their inception in Kenya (Kenya National Bureau of Statistics, 2007).

As mentioned earlier on, it seems that the rate of the flourishing SMEs in Europe and most especially in the Nordic region with Finland not being an exception, Nordic Growth Entrepreneurship Review (NGER 2012). The positive rate of flourishing SMEs in Finland and their strategies has been one of the motivating factors behind this work in order to uncover the myth surrounding the failure of some other SMEs in thriving especially in the developing world.

In the developing world it also seems that, a handful of SMEs’ approach to product/service oriented activities is tailored as a closed (internal) attempt to deliver offering in the market place. Their internal research and development (R&D) seems to be the de facto source of innovation and whose success can be regarded as cloudy sometimes. As a matter of fact, it is not uncommon to note that the management of
some firms (in the developing countries) take lightly what business modelling, networking, collaboration involving partners are all about in their operational directions or they do not pay attention to them at all. Also tied to the above explanations is the issue of inability to plan and poor financial background (Longenecker, et al, 2006). All mentioned above are however noted to contrast sharply with the prevalent situation among businesses in Finland on one hand and the rest of the Nordic countries on the other hand, where it has been an enviable tale of success stories here and there. The questions then arise about the business environment (in the developed and developing countries) as enabling or inhibiting factors towards the success of SMEs in the commercialization process of their products and services. What is it that is being done differently in these contrasting economies of the world? How are SMEs in the developed countries able to outperform those of the developing ones?

The quest for answers in understanding the reasons tied to the high performance of some firms in the developed world (like Finland as focus in this study) has shown that strategy is the key (Kaplan et al. 2001) as well as the prevalent of a conducive business environment. The influence of a good business environment in Finland is noted in the performance of SMEs measured on their share of value added which totaled about 57% and number of employees totaling about 62.8% for 2012 (SBA facts sheet 2013). In essence, it seems that the effects of a conducive business environment in the developed world have enabled SMEs to excel in products commercialization when juxtaposed with those in some African countries where same could not be said of the business environment. This explains why some SMEs may not always succeed in the commercialization of their products.

In this wise, there is more to starting a business venture and navigating towards making profits with innovations without giving consideration to the enabling environment. Firms have to be strategic in value creation, capture and delivery in order to satisfy the market and make customers come back for more. Consequently, the attendant results of these are noted to be the expansion of business activities thereby encouraging growth and to some extent, internationalization.

It therefore came to light that in the course of being strategic, firms must make concerted efforts to adhere to the provisions of their business models and the
subsequent changes if they are to reap from the positive side of products commercialization.

The essence of this work is not being hung on the failure attributed to some SMEs in the developing world when compared with those of the Nordic countries but on the factors that have made it happen for those in the Nordic region, especially Finland. This could be traced to the role of the innovative business model in force in the commercialization strategies of these SMEs in Finland and the enabling business environment. At this juncture, it should be mentioned that this study will also focus on the comparative analysis between Finland and Nigeria.

It is a common knowledge that innovation is becoming democratic (King & Lakhani 2013: 41) thereby paving the way for joint efforts by firms, universities, researchers to “unite” and penetrate the market to deliver value with a sound product. This collaboration is then seen to be behind the success stories of some innovative ideas for new products or services in the market. In fact, ideas are not confined to anyone; firms or a single entity and so innovation is likened to the division of labor (Chesbrough 2007) where idea generation for products and services has become “a paradigm that assumes that firms can and should use external ideas and internal ideas on the path to the market” (Chesbrough 2003). It should be noted that this process is made possible through the business model with emphasis placed on value creation and capture for products (Chesbrough 2003).

There have been occasions where the ideas generated and the innovative business model have positively helped in the commercialization of the products/services e.g. the Xerox case in the United States (Chesbrough 2007). In this view, I then became fascinated with the ways ideas for new products are being generated “democratically” (Chesbrough 2003) via collaboration and how business models are being opened up/innovated for this democratization to eventually lead to the successful commercialization of products.

Accordingly, the business model and its innovation are noted to be a part of the key elements used in the commercialization of products by SMEs (Chesbrough 2003) in the developed world. It is premised on these that the desire to research and analyze the role of business model innovation (BMI) in SMEs in the commercialization of
strategies in the open innovation context was ignited. A point of interest is whether this could be applied to the developing countries as this study aims to find out.

1.2 Aims and the objectives of the research

The significance of this thesis is premised on exploring the gaps noticed in earlier research work on commercialization of products via business model and to go further by examining the applicability of business model innovation in the commercialization activities of two SMEs in trying to re-configure their offerings. The operations of the two SMEs in question will analysed from the international angles. The challenges and strategies will be examined to close up the gaps noticed in earlier research works. Therefore, the study will be anchored on two important concepts in international business management: business model innovation and commercialization in an open innovation (OI) context.

It is aimed that the proposed study will enable the companies (being studied) to see the effects of a business model innovation in product commercialization with use of OI and, consequently tap into this in their quest to re-create, re-capture and re-deliver value in their different countries. In doing this, it will enable the company to re-structure to accommodate external inputs/inflow to innovate their business model. In this direction, the external idea generating scheme will open up partnership avenues for the two firms and afford both the opportunity to learn from each other especially in different operational environment. In all, the research, by the time it is concluded, will have thrown more light on the effects of the role a business model innovation on small and medium firms with the use of external collaboration and contribution in order to commercialize products profitably.

Previously, many research works have been published on business models, collaboration, business eco-system, invention, innovation, networking, management of technology and the likes- all aimed at defining the next way forward strategically for business enterprises / firms. Some previous research works have suggested that a business model is developed to assist companies and managers of those companies make future predictions (Lambert 2006) of the market reaction to new products or
services. Others also see the business model theory as needed in conceptualising (Hedman and Kalling 2003) thereby paving the way for (Osterwalder, Pigneur et al. 2005) to come up with the elements and the nine building blocks of a business model.

The nine building blocks of a business model have been agreed by scholars including Osterwalder, Pigneur et al. (2005), among other things, been effective in able to innovate a business and consequently give the business a pillar to hold on to. The nine building blocks are value proposition, customer segment, distribution channel, customer relationship, key resources, key activities, key partnerships, revenue streams and the cost structure.

Mention must also be made of the fact some researchers have also added that a business model is just a notion in the business circles that points to methods a firm will use to do business (Linder and Cantrell 2000). While others argue that it solves a business puzzle, by defining the link between what it takes to strategize by a firm and processes for carrying out this business strategy (Osterwalder, Pigneur et al. 2005). Agreeing with all above Chesbrough (2010) states that a business model will afford companies the opportunities to commercialize new ideas and technologies.

Consequent upon this, it is observed that earlier research works have yielded fruits in throwing light on a business model as a plan executed by a firm to spawn revenue and get profits from its operations. However, some scholars have also pointed out that a business model is not sufficient enough in defining the extent to which commercialization of existing products would thrive in the market (Chesbrough 2003). Also linked to this fact is that a BM defined as “the rationale of how an organisation creates, delivers, and capture value” (Osterwalder, Pigneur et al. 2009) may not have adequately demonstrated how the reconfiguration of an existing product (for revenue purposes) may take place in an environment characterized by the inflow and outflow of knowledge (Chesbrough 2003). This gap has led to the examination of the role and the use of a dynamic and structured business model innovation in commercialization of products/ strategies by two SMEs in Finland and Nigeria. A business model innovation avails the company the opportunity to re-configure their products for commercialization by taken into consideration the OI context. These will be the focus of this work.
Equally of importance in this study are the previous works on open innovation to which some scholars have agreed that companies in their commercialization processes based on a BMI (Chesbrough 2009). Previous research work have been in the direction of vertical integration model (Chesbrough 2009) where a firm’s internal research and development (R&D) reigns supreme and this is otherwise known as closed innovation. Closed innovation assumes that a firm can do it alone but as Håkansson and Snehota (2006) posited “no firm is an island” and that sums up the need to have effective collaboration in the commercialization of products. The results of this gap led into the birth of open innovation which this study will explain in due course.

1.3 The Scope and research questions

Premised on the introduction above, this work will have as its main goal the analyses of how SMEs will reconfigure their business models to commercialize products in the market. This is because most businesses want to commercialize their offerings successfully in order to grow, expand and internationalize.

In this light, this work will also be aimed at establishing how SMEs will re-configure a current product via a business model innovation. This approach will be hinged on the open innovation (OI) environment where collaboration reigns supreme for SMEs when trying to commercialize products. The suitability of OI in a firm’s bid to commercialize a product is examined and analyzed based on the business environment in the developed and developing countries using the enabling and the inhibiting factors as yardsticks. In this wise, a business model innovation will (BMI) essentially be the fundamental weapon at a firm’s disposal in achieving this as explained further by Chesbrough and Rosenbloom (2006) that a business model innovation “unlocks the latent value from a technology”.

The major pre-occupation of a firm should be how to make money, operate and survive by connecting a product to the market (Lehtimaki et al. 2013). Consequently, mention must also be made that firms and their managers often find this challenging when bringing a product to the market thereby confining their commercialization activity to
the minimum level which therefore affects the profitability and the life span of such firms.

Consequent upon this, this work will be anchored on the link between a BMI in the commercialization of products in the open innovation (OI) context. This work will also shed light on how a company will use the BMI to satisfy the future market needs via interconnectedness with partners, customers, suppliers and vendors (Amit & Zott, 2012).

In this light, this work aims to throw more light on the theoretical contribution of the business model innovation, commercialization and open innovation in introduction of products into the market by two firms across the international borders. It will also examine how firms will use their resources to complement those of other partners in the process of reviving their products and creating new value in the market. This is summed up below:

Figure 1: Theoretical scope of the study
This apart, it will also strive to demonstrate the practicality of the above concepts in value creation for the two firms because business model innovation is now considered to be a suitable alternative for product innovation (Amit & Zott, 2012). In the light of the above revelations, the main research question in this work will be:

*How will a firm utilize business model innovation so as to commercially revive an existing product?*

In answering the main research question above, attempts are further made to break this into two sub questions in order to showcase the role of business model innovation in drawing up strategies for a firm to re-configure its offerings. The role of open innovation and commercialization activities will surface as basis for the two sub questions. The two sub questions will then be:

Sub-question 1: *What is the impact of business environment on SMEs striving to carve a niche in product re-configuration?*

Sub-question 2: *How will product re-configuration help in the commercialization activities for SMEs?*

### 1.4 Definition of key concepts

In order to fully understand what several terms and concepts that will be used in this work denote, it is important to shed more light on these by doing a detailed explanation of these concepts. It should be borne in mind that managers are always tasked with the processes of how to move a firm forward in order achieve an enviable position of increasing revenue growth and improved profit margin (Amit & Zott, 2012). To generate revenue a firm must hatch a process or strategy to do so and this explains the introduction and the subsequent of the business model by a firm. Accordingly, business model has been described as “*what a firm will do to make money*” (Osterwalder and Pigneur 2005). It also describes the process of value creation, capturing and delivery by a firm (Osterwalder and Pigneur 2005). As explained earlier, a business model
comprises of nine building blocks and all the nine blocks can then be summed up as the four pillars of a business (Osterwalder, Pigneur et al. 2005) and illustrated below

<table>
<thead>
<tr>
<th>Pillar</th>
<th>Business Model Block</th>
</tr>
</thead>
<tbody>
<tr>
<td>The product</td>
<td>Value proposition</td>
</tr>
<tr>
<td></td>
<td>Customer segment</td>
</tr>
<tr>
<td>The customer</td>
<td>Distribution channel</td>
</tr>
<tr>
<td></td>
<td>Customer relationship</td>
</tr>
<tr>
<td></td>
<td>Key resources</td>
</tr>
<tr>
<td>Infrastructure Management</td>
<td>Key activities</td>
</tr>
<tr>
<td></td>
<td>Key partnerships</td>
</tr>
<tr>
<td>Financial aspects</td>
<td>Revenue streams</td>
</tr>
<tr>
<td></td>
<td>Cost structure</td>
</tr>
</tbody>
</table>

Table 1: The nine building blocks (Osterwalder, Pigneur et al. 2005).

When the business model of a firm is not compliant with the envisioned results based on non-performance from one or other aspects of the building blocks, then it calls for fine-tuning. The most desirable way to go about this is to have an innovative business model which represents “the new way of creating, delivering and capturing value” (Osterwalder, 2010). Business model innovation has been defined by Amit and Zott (2012) as the “adding of new activities, linking activities in novel ways or changing which ways party performs an activity”. Business model innovation has been further described as the improvement on the existing business model of a firm (Chesbrough 2007). This improvement is carried out in order to create avenues to sustain and innovate the original business model. Furthermore, business model innovation also
describes “the leadership gap” (Chesbough 2007) in a firm to avail the managers of the firm an improved involvement in the value creation activities.

Based on the above, some scholars have also argued that a business model innovation “Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals” (Chesbrough 2009) in the course of bringing new ideas and technologies into the market for profits. In all a business model innovation should clearly map out how the innovating company aims to open the door to yielding revenues from dormant ideas by “finding new ways to organize and new ways to serve and create markets”( Wintjes 2006).

Open Innovation (OI) is another concept that requires further explanation as well. Open innovation is defined as the use both internal and external technology (outside of the company) to develop and deliver products or services (Chesbrough, 2003). In this wise, OI involves several key elements which includes networking, collaborating, research and development (R&D) to mention but a few. Internal and external paths to the market (Chesbrough, 2006) are the pillars on which the open innovation theory is hinged. As a matter of fact, it is assumed that the use of internal and external ideas will in no small measure assist a firm in the building of a business model innovation that will help in the growth of their technology by exploiting business opportunities (Amit and Zott 2011).

The last but not the least is the commercialization process which is explained as the process that allows for a new product/service to be brought into the market to yield revenue. Commercialization can be strategic based on all activities woven around it in the course of bringing a product to the market as it entails sales and marketing, distribution channels, licensing (Kollmer et al. 2004) as well as after sales service to mention but a few. Commercialization will be given prominence and discussed extensively in this study in seeking to explain how a business model innovation will function in product reconfiguration for firms and thereby generating more revenue.
1.5 Methodology

The purpose of this research is to examine how product reconfiguration, through an innovative business model, will take place in the commercialization process in SMEs. This will be further examined from the context of open innovation which avails firms the opportunity to use both internal and external efforts (technologies) in value creation and delivery as opposed to the traditional vertical integration model (closed) internal R&D approach. It will also explain how these firms will use the business model innovation to commercialize current products in order to generate revenue and grow.

To answer the research question, qualitative research method is chosen premised on the fact that it uses the natural setting as the source of data. The researcher attempts to observe, describe and interpret settings as they are, maintaining what Patton calls an "empathic neutrality" (Patton 1990). It is an approach that does not seek to quantify data but rather use inductive analysis. Based on Patton’s above, this study will attempt to observe and record analysis under research without bias via induction and deduction which will pave the way for what is true and, or what is false in the thesis. Observation and logics will be used to draw up the conclusion of the research.

The research approach of this work will be objective because it will review many points of views regarding the business model innovation and commercialization of products in SMEs and this is done to understand the methods the firms under study will build / innovate their business models with the use of external inputs. The empirical aspect of this study will be structured to cover how the SMEs being studied will commercialize a reconfigured product and taking into consideration the impacts of the business environment in both the developed and the developing economies where the case companies have been selected.

Hinged on the fact that the research questions intend to find out how a firm will use a business model innovation to commercialize an existing product or to re-configure its offerings successfully in an open innovation scenario. Then, an appropriate research method aimed to resolve this will be the use of a case study method.
In this wise, the study will be based on two SMEs from a developed economy and a developing economy to understand better the roles and effects of the BMI in their commercialization of products. An empirical finding with respect to commercialization and business model innovation in OI are thereafter drawn up. Thus data will be collected in both countries, processed and analysed to reach a conclusion on the subject matter. This will involve interviews, reports, questionnaires, observations as well as company reports, online sources, journals and books in related fields of endeavour.

1.6 Research structure

This study will be divided into six chapters with the first introducing the topic in question and the motivational factors that have engendered the study. The next chapter will have its search light beamed on the business environment of this study. Chapter three will be on the theoretical framework and based on this, there will be three main theoretical concepts that will form the theoretical framework for the proposed thesis: the commercialization, the business model innovation and open innovation concepts.

The OI framework will be combined with both the business model innovation and the commercialization literature in seeking to explain why external knowledge is indeed a spice in a firm’s attempt to create, capture and deliver value in the market. This will be hinged on the business environment where the enabling and inhibiting factors are considered. Chapter four discusses the methodology that involves data collection from two companies with one coming across the border and the subsequent analysis of the data. Chapter five will demonstrate the research findings that are themed on the theoretical framework of the study. Consequent upon this, the last chapter will point out the managerial implications, research limitations and suggestions for further study that are then presented to draw the curtain on the chapter. This is further depicted below:
Figure 2: The organization of the study
2 THE BUSINESS ENVIRONMENT

It essential to analyse the influence of the business environment for SMEs before delving into the theoretical understanding of commercialization, business model innovation and open innovation. This is aimed at elucidating on the functions of BMI as a strategy for commercialization of existing products by SMEs. It is however essential to point out the influence of the environment as one the essential and enabling factors that determine the extent a business will go in deciding the success / failure of the processes mentioned above. Also, the business environment could also be an inhibiting factor for a BMI and the attendant commercialization process. In this wise, this chapter will examine and make comparison of how these processes function in the developed countries and those of the developing ones. This is with a view to shedding light on how SMEs operate differently in the developing and the developed countries and the impact of the environment on their commercialization processes.

2.1.1 Business Model innovation in SMEs in developed countries

According to the recent EU legislation on enterprise (2013), conducive business environment is very essential for both entrepreneurs and SMEs as the direct opposite of this may be a business chaos. Creating and sustaining a business is challenging (EU legislation on enterprise 2013) and that explains why it also essential for SMEs to have a functional business model. When the BM is not yielding the desired effects, reconfiguration comes in to reshape the product offering on one hand and the entire business on the other.

Business model innovation is one (and the most essential) of the five types of innovation (Schumpeter 1934) and it is the search for new logics (Amit and Zott 2001) in order to generate better revenue for the firm. For a BMI to be a success for SMEs, the enabling environment plays a crucial role and this makes the business and the product more attractive to the market.

In some of Europe’s developed countries (like Finland), easy access to government support and funding is a factor that enables an SME to reposition themselves and their
products in the market. According to the EU legislation on enterprise (2013), SMEs account for almost 99% of European businesses and their impact and sizes cannot be underestimated in the European economies and these have endeared them support (legislatively) and financially from their various governments. One of such governmental institutions that support innovation and SMEs in Finland is the Finnish Funding Agency for Technology and Innovation (Tekes) which supports innovative efforts to the tune of about 600 million euros annually (Nger 2012).

Accordingly, SMEs in Finland are able to turn around their business model in order to re-create and re-deliver better offering on their products in the market place because of easy access to funding. To support this, a total of about 3.6% of the Finnish GDP was invested into R&D funding of business enterprises in 2012 by Tekes (Tekes 2014).

Another factor noted to have contributed successfully to the enabling factor of the business model and its innovation, for commercialization processes, in the developed world is the competitive business environment (Tekes 2014). According to the World Economic Forum’s Global Competitiveness report (2013-2014), Finland is noted to have been placed in the third position as one of the most competitive countries for doing business in the world. Nordic Growth Entrepreneurship Review (Nger 2012) attributed the prevailing business atmosphere to the nonexistence / minimal bureaucratic tendencies but marked with a very stable and competitive economy which has encouraged the growth and transformation of many SMEs in the Nordic region.

In furtherance of the above, tax incentives given SMEs in some developed countries create a favourable climate for business to continue on a good scale when selling products. In Finland, tax incentives are offered to private investors (business angels) investing in the equity of SMEs (NGER 2012), and this is an added advantage to SMEs as more funds means the reconfiguration of products for commercialization in the OI will actually be easier in attracting good collaborative efforts. Additionally, the annual R&D tax credits of about 200 million euros in fiscal cost (Nger 2012) being made available to SMEs in Finland to support their operational activities in their teething period acts a supplement for innovation to be effected in their business model.
All said, the effects of a favourable business environment in the developed countries such as Finland are also hinged on the simplification of company laws (EU reports on enterprise 2013) which have made collaboration, and openness lessen the burden of SMEs trying to achieve economic growth through their offerings locally and internationally. In this view, SMEs are said to be the backbone of the British economy (Rowe 2008) based on the friendly business environment. In contrast, same could not be said of the business environment in the developing countries as we shall be examining this in the next sub-chapter.

2.1.2 Business Model Innovation in SMEs in Developing countries

From the previous chapter, the influence of a conducive business environment is discussed as being one of the enabling factors that support business model innovation and its attendant successful commercialization of products in SMEs in the developed economies such as Finland. This sub chapter will highlight the case with developing economies especially some African countries in order to pave way for proper understanding of the product commercialization process when a BMI is in force.

SMEs play a key role in the economic growth of many African countries (Nyang’ori 2010) as they are the main source of employment (Nyang’ori 2010) with a contribution of well over 50% of African employment and the gross domestic product (Okafor 2006). In spite of this, data from the Kenyan National Bureau of Statics (2007) indicate that three out of five SMEs businesses go awry a few months after initial operation and this is traceable to the prevalent business environment which is adjudged non conducive enough (Nyang’ori 2010).

Another factor that inhibits the business environment in the developing economies includes the lack of access to technology (House et al. 1991) which acts as a stumbling block to effective communication and information. This reduces the extent of their operational activities by cutting short their knowledge about market in and around their environment. Additionally, lack of infrastructure (Bokea, Dondo and Mutiso 1999) impedes the business environment for these SMEs as the importance of good road
network, constant electricity supply, standard telecommunication facilities, water etc. are essential but epileptic thereby curtailing their commercialization processes.

Reinforcing the above, Amyx (2005) note the attitude of people and their negative acuity as another element obstructing the business environment for SMEs to trade. People negatively believe that products from these SMEs are inferior with low quality when juxtaposed with those from the Western world. It is also noted that government support for these SMEs is nothing to write home about to create a soft landing for them amidst the corrupt practises (Nyang’ori 2010) which is prevalent in government circles. While Longenecker et al. (2006) also traces another inhibiting factor to poor management, financing difficulties and improper planning on the part of these SMEs as factors obstructing their ability to excel in some circumstances.

From the foregoing, despite the shortcomings occasioned by the business environment in the developing economies SMEs are the major agent of economic growth and the largest employer of labour (Mead 1998) as they do also in the developed world. It is on this basis that the role of BMI in the commercialization strategies are being examined to solve the grey areas in their strategy.
3 THEORETICAL FRAMEWORK

Based on the discussion of the preceding chapter, there is no doubt that the influence of the business environment is essential in determining the future direction of firms when attempting to re-create and deliver value in the market through the reconfiguration of their existing products. The enabling and inhibiting factors of the business environment are yardsticks used in measuring the role of a business model innovation in the commercialization process of SMEs in renewing an existing products.

In this light, and for proper understanding of array of opportunities and threats a firm may face in value creation activities, this chapter will focus on the review of the literature of the key notions being used in this study: business model innovation, open innovation and commercialization. The chapter will also throw light on the links among the theories with reference to the commercialization of products in SMEs. The focal point of this study is to examine the role of the BMI in the commercialization of products by SMEs with regards to the operating business environment and so the key theories are listed as follows: commercialization, business model innovation, open innovation as well as the operating and, or business environment.

This study addresses mainly product reconfiguration in SMEs and so all the aforementioned theories will be explained better and also be used as a framework to guide our understanding of the main research question. The framework will then be used in conjunction with the empirical research conducted in this study. The figure below captures the scope of the theoretical frame work of this study:
3.1 COMMERCIALIZATION

Hitherto, scholars have at different times agreed that the success or failure, in the market, of products by SMEs is an intricate aspect of their survival methods (Kajanus et al. 2012) because of the processes revolving around it. These processes such as resources as well as the influence of some external actions that are essentially involved when products are being introduced to the market are noted to be unstable because of the level of competitiveness of the market and its enabling environment.

It has also been noted in some quarters that our world is dynamic and the trend in the dynamism that has characterized our world will continue due to the effects of globalization which has also engendered technological advancement and innovative activities. Additionally, openness, as a process, is changing innovative activities as well as commercialization efforts of SMEs. This in turn has led to a series of increased business developments, the birth of many business concerns/ firms and consequently the creation of goods and services for consumption (Beck 2000).
Based on these, some scholastic endeavours have been uncovered to be about the much desired economic growth (Audretsch 2004). Towards this, scholars including (Jolly 1997) have written about commercialization of goods and services as the core thing needed in the process to get the economy moving with reference to the creation and exploitation of products “needed to stimulate productive capacity and ensuring global business success” (Kozmetzky et al. 2004). So, to “unlock the latent value from a technology” (Chesbrough 2010) in order for a product to realize and serve its full potentials benefits to customers in the market, an effective commercialization process has to be in force (Ford & Saren 2001).

Commercialization is a process (Dodgson 2000) which is “an essential element of the management of technological innovation” (Dodgson 2000). It is also referred to as an avenue through which an investment in technological innovation are well managed right from the conception period to the stages of germination of ideas (Kajanus et al. 2012). Commercialization process is dubbed by scholars as important in the course of bringing products to the market because it determines the survival and the future business orientation of firms. Some scholastic works have even posited that commercialization is acknowledged as an important feature “of national and regional innovation policies” (Clarysse et al. 2005).

It is an important process in the business as it determines if a business venture will survive and also acts as an avenue through which some benefits such as profits and market share of a firm are examined. In a nutshell, commercialization involves the turning around of a product for profit. In other words it entails the introduction of a new product or an existing one into the market.

Commercialization process includes sales and promotion among others and this is guided by the business model of a firm which kick-start efforts to bring the product into the market. Also, openness process eases the business model innovation which may have a direct or indirect effects on commercialization. Commercialization is a vital element of this study when taken into consideration the fact that SMEs will want develop and actualize strategies aimed at innovating their business model in order to fully re-configure an existing product for profitability. The only way out is to have
effective commercialization strategies in order to be able to deliver the value already created and captured in the product for the prospective consumers.

Towards this, scholars have noted the importance of strategies in the commercialization efforts of SMEs to achieve profitability in their business directions because commercialization presents complex challenges (Kajanus et al. 2012). To defeat these, managers and entrepreneurs will have to ensure the creation and exploration of strategic commercialization in their firms to bring forth productive capacity and global business success (Kozmetzky et al. 2004). The next sub chapter will highlight and discuss these strategies further.

3.1.1 Essence of Commercialization

The failure of a new or old product to fare well in the market could be traced to commercialization mistakes or clumsy commercialization approaches/strategies. It is in this light that some scholars (Kajanus et al. 2012) have strongly argued that commercialization is essential for SMEs despite the multifaceted challenges encountered in the process. Additionally, it must be mentioned that for firms to succeed in the market commercialization must be given the utmost priority and the attention it deserves so that the market is served as effectively as possible with quality products.

Further to the above, it has been demonstrated, in the nineties, that a good manufacturing quality (Nevens 2001) is marked as one of the key elements that would give firms an edge competitively in the market and so also will commercialization determine the success or otherwise of a business entity (Nevens 2001).

In this light, commercialization will afford the top managers of an organization the ability to set goals and priorities for the firms and act on them accordingly in order to improve the position of the firm in the market and that has been backed up by scholars like (Nevens 2001) who agrees that “executives should be interventionist; they should feel free to meddle in the commercialization process” of any given firm. Despite being essential, commercialization process necessitates strategies to achieve goals of a firm.
The next sub-chapter will be devoted to methods employable by a firm when getting set for commercialization.

3.1.2 Commercialization in SMEs

To understand how SMEs will drive their products into the market via a viable commercialization process, there is then the need to explore the strategies used when this is being done. Commercialization refers to a series of options (The National institute of Standards and Technology, 1998) which a firm uses when driving a product in to the market after production or when products are being re-configured via a BMI. These strategies are usually determined by a series of factors taken by managers and management of a business.

It then needs to be stressed that a firm must be willing to conduct an internal audit to determine the avenues for commercialization. Amongst several things, in the course of the in-house audit for commercialization, the future of the firm’s R&D must be considered, the willingness to share the control of the firm with both the internal and external stakeholders, the future of the of the firm, whether to license or franchise are all to be given a strong scrutiny in this process.

It is in this light that researchers have carefully argued about strategies to guide a firm into evolving profitable marketing strategies when commercializing (Audretsch 2004) to pave ways for economic success and growth and to realize the benefits of a product (Andrew & Sirkin 2003).Commercialization on the part of SMEs may take the following avenues licensing, direct sales, distribution agents, foreign direct investment (FDI), alliance/cooperation, as well as company spin-offs (The National institute of Standards and Technology, 1998), merger/acquisition and last but not the least, the reconfiguration of a business model.

Commercialization takes many forms but prominently is the granting of permission/right of an intellectual property rights or technology to others (larger and bigger) firms for compensation and which is referred to as licensing. It is a process that involves the licensee to undertake (commercially), sales, marketing, distribution and to a large
extent manufacturing. This then affords the licensee the chances of entering into a new market. While this may be ideal and strategic in a commercialization drive, an alliance or cooperation may also afford a commercializing firm the opportunities to forge ahead with other firms in the process of capturing the market with new products. It is a process that happens when a firm is not keen on assuming certain business functions thereby forming a strategic alliance with other business entities for the purpose of marketing and commercialization.

In other words an alliance for commercialization purposes involves teaming with a partner and, or a mutual understanding with a firm in the process of bringing a product to the market. An alliance for commercial purposes on the part of SMEs are said to be on the increase (Adams et al. 1995) because it affords the parties the opportunity to interact and forge ahead in the attempts to capture and deliver value for customers in the market.

Spin-off as a method used by SMEs to commercialize products involves a process through which a firm may de-centralize some of its operational activities for the purpose of sale or distribution of products. It is a bid used in re-conquering the market firms as a firm may decide to spin off a certain department into a subsidiary and run separately from the rest of the firm in order to re-capture the market, deliver value and make profits. This may not be the best option in strategizing for commercial purposes as it sometimes leads to job losses but may pave the chance for s firm to have a dedicated spin-off in position for driving the profitability of the business and ensure economic growth of same. An example of a spin-off is further depicted below:
Additionally, mention must be of the importance of openness in the commercialization drive of SMEs. Open innovation means that SMEs can explore their networks by cooperating with other firms, institutions and even, government agencies to exploit the commercialization of their products. In this wise, cooperation with other establishments, firms or institutions may put the SMEs on a sound path to the market.
With openness comes the reconfiguration of the business model to “search for new logics” (Amit and Zott, 2001, Teece, 2010, and Markides et al. 2010). In this wise a reconfigured business model will propel a greater force (Amit and Zott, 2011) in the commercialization drive of SMEs in the open innovation context while trying to re-define new ways for value proposition by a firm and generate revenue.

Business model innovation in the OI environment will be given attention in the next chapter of this study based on its importance in the search for new directions by SMEs in commercializing. However, some scholars have concurred that the road to successful commercialization of products by firms is often marked by challenges (Kajanus et al. 2012). These have subsequently made it a difficult to realize the full potentials of a product vis-a-vis the market. The main challenges are highlighted and discussed below.

3.1.3 Challenges

As enumerated in the course of this study, commercialization is indispensable in the survival drive of a firm in the competitive market and has also been described as salient in a firm’s attempt to grow. The road to commercialization of products might not that be smooth for firms premised on challenges here and there which have often attracted the manager’s attention as commercialization might be a cog in the wheel of progress of the firm.

Firms may embark on different activities in their operation in a bid to deliver and capture the market and the wherewithal to ensure these activities may be limited. So, resource constraint for R&D and marketing (Siu & Bao, 2008) has been identified as the number one hurdle facing a firm in their commercialization drive. A firm faced with limited resources is handicapped on the extent to which its products can be marketed as (Heydebreck et al. 2000) put it “limited financial backing” reduces the “the scope and the timeframe” for commercialization activities.

In furtherance of the above, is the fact the human resources count as another major factor in the commercialization process of a firm. Where this is limited there is the
tendency for a firm’s inability to properly articulate and plan its marketing mix in order to bring products to the market. Human resources will afford the firm the chances to clearly document their strength, weaknesses, opportunities and threats (North et al, 2001) in the business environment when juxtaposed with others. In addition to the above, networking is noted as another main challenge faced when firms are making attempts to commercialize.

A firm should be able to draw on the inflow of knowledge or technology from its network in the OI environment in their marketing arrangements for distribution of products. Firms often face difficulties in establishing avenues for sales, marketing and distribution processes of their products as this entails a complex structure that includes having a sales force and the subsequent management of this sales force. Linked to the above is the lack of the use of external support services in the business environment (Teece, 2007). Inbound support from the OI environment may determine the level of resources to compliment commercialization processes and even serve as a pointer to opening the gate of internationalization.

Internationalization is another growing challenge being faced by a firm in their commercialization efforts. Every firm aspire to grow and expand beyond the local barriers by having their presence felt internationally in order to garner more revenue and become a big player (Bell et al. 2004). This may happen with a veritable commercialization process which tells whether to establish a foreign direct investment, subsidiary, international sales office for products in the international scene. To strategize on this commercially is one of the challenges being faced by SMEs when trying to test the international business environment.

In this light, the business model of a firm may answer the question about the readiness and the quest for commercialization on the part of the firm as this study will attempt to demonstrate. A firm without an articulate and a strategic business model risks losing it all in the competitive market. This then showcases the need for a firm to have its business model innovated in order to scale the challenges of commercialization and as Chesbrough (2010) puts it “a mediocre technology pursued within a great business model may be more valuable that a great technology exploited via a mediocre business model.”
model. As explained above, the role of business model innovation in the commercialization process of a firm may not be underestimated and this could be successful in the open innovation environment (OI). OI plays a central role in the commercialization drive of a firm and in this light, the next chapter of this study examines the theories surrounding open innovation. Additionally, efforts will be made to find out its essence and the role being played in the commercialization strategies of SMEs when introducing a product to the market.
3.2 OPEN INNOVATION

As concluded in the last chapter, one of the commercialization strategies that can open the door for expansion, growth, internationalization and revenue generating capabilities, via the business model innovation, for SMEs is the open innovation environment. This is understood to be how firms make use of internal and external ideas (Chesbrough 2006) to commercialize products or innovation. Recent researches have indicated that idea generation in an open innovation environment will complement efforts being made by firms to build and sustain its competitive advantage (Chesbrough 2010) based on an innovated business model. In this light, this section of the study will explore and shed light on theories of open innovation and its relevance in commercializing products. Further attempts will also be made in this section to elucidate on how SMEs will function with the use of a BMI, with regards to commercialization strategies, in an open innovation context.

3.2.1 The emergence of Open Innovation

Prior to the advent of the globalized environment, firms are confined to internal activities when commercializing products and this has been described by some scholars, like Chesbrough, (2003) as vertical integration or closed approach. These entail the process by which a firm’s own research and development (R&D) will be at the forefront of product and customer development as well as the initiation and execution of commercialization strategies all aimed at fully satisfying the market. Accordingly, it is an arrangement where “internal R&D activities lead to internally developed products that are then distributed by a firm” (ibid). This is also regarded as “traditional” approach (ibid.) as it functions to “leverage internal research and the design capabilities to innovate” (Gianiodis et. al 2010) in firms.

Consequent on the above, scholars have effortlessly tried to unravel the stories behind the evolvement of the open innovation context (Gianiodis et. al 2010) and which have been tied to increased globalization activities occasioned by social differences in our changing environment. According to Gianiodis et al. (2010), the effects of “transaction cost economics, governance structure, search capability, learning theory” and others
have been used by many scholars to trace the emergence of OI and its diverse elements which have suggested that knowledge inflows and outflows may and should be the key used by SMEs aiming for successful commercial outcomes in their product dispensation. In some quarters, it has also been posited that the untold hardship of global recession has forced some companies to become familiar with, and seize the opportunity provided, by external knowledge in an open innovation to sustain their competitive advantage in the market globally (Abulrub et al. 2012).

In a similar vein, the emergence of open innovation could be traced to the activities of firms trying to increase customer base through the delivery of value and value co-creation when customers are actively involved in R&D through their inputs externally in an environment devoid of closed innovation. The representation below shows the closed innovation process whereby all starts internally with a firm and also ends internally until the product is pushed into the market commercially for launching. All aimed by a firm at being the first to offer a particular product in the market. It points out the progress in a firm’s R&D where some projects are stopped and others certified for further works prior to be launched in the market. This is the “closed” (Chesbrough 2003a) process as projects enter and exit in one direction.

![Diagram of closed innovation system](image)

Figure 5: A closed Innovation system (adapted from Chesbrough 2003a:3)
As mentioned earlier on in this study, the globalized world has enable some firms to change their entire process to accommodate the use of external elements – which includes people, universities, intellectual property, ideas etc.- to innovate their business model one hand and the entire business on the other. This is further represented below as adapted from Chesbrough (2003).

In essence, the open innovation model emerged to lessen the burden on firms trying to tackle the cumbersome innovation process on their own. According to Chesbrough (2006) “true innovation no longer comes from the top down and from the core out, but rather from the bottom up and from the fringe of the organization to the core”. This suggests that many ideas are not fully nurtured to blossom by firms as many will fall by the wayside in the process of development and the subsequent commercialization. Open Innovation model then emerged to light up the path for firms to unearth how to
combine features of a product together in such a way that it would be hard to conjure under integration (Masanell 2010).

In this light, the open innovation model is regarded by scholars (Chesbrough, Masanell et al. 2010) as a process in direct response to the then prevalent internal R&D structure of many firms. It is a process that allows ideas to come from others in various disciplines in order to access the market profitably, Chesbrough (2003) also traced the antecedent of OI model to the outcome of the presence of high labour mobility, active venture capital, numerous start-ups, and importance granted to universities. These have all been used to prioritize the essence of the OI model. Open innovation process may be a premise on which business model innovation can be anchored to thrive successfully in product commercialization as efforts in this wise may not be limited to an individual firm alone. The next sub chapter will deal extensively on OI and its relevance in the commercialization activities of SMEs.

3.2.2 Open Innovation and its relevance

It has been positively argued by some scholars that for firms to expand and remain relevant in the market, they will have to work on their innovation processes (Drucker, 1988). This is anchored on the fact that innovation is main key for firms desiring growth (Christensen, 1997). The innovation processes, its management and how to innovate (Ibid) have also been discovered to be sources of concern to firms in the process of development and commercializing products to create business value (Ibid). This is hinged on the prevalent closed innovation or the internal R&D which has been described as “no longer the invaluable strategic assets that it used to be” (Chesbrough 2003). This then occasioned the “shift” (Chesbrough 2003) in the methods used by firms to create ideas and bring new ideas to the market for profits.

Previously, firms relied heavily on the managers dictating and controlling the pace (internally) when it comes to innovation processes is discarded to draw upon the theory and processes of open innovation. Accordingly, (Chesbrough 2003a) describes the “shift” as the “change” brought about when firms employ the use of external
knowledge to retain their competitiveness in the market thereby ensuring the maximization of the much needed profits.

As highlighted in the previous sub chapter open innovation provides the most sought answer to the closed innovation process used by firms when engaging in product development and the subsequent commercialization. Many theories have sprung up to define the open innovation context but this has been so far elucidated upon by Chesbrough (2003) when he posits that “OI is the use of purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation respectively”. In addition, OI is regarded as “architectures and systems” (Chesbrough 2003) that will need to be supported by a frame to achieve its desired goals and objectives. In this direction, the frame to support these “architectures and systems” has been uncovered as the business models. To capture and deliver value better in the market, a business model may be innovated by firms in order to have a reconfigured products for the general acceptance in an OI environment.

The main idea of OI is that projects can be initiated internally or externally from manifold sources with the aid of contributory technological inputs which can come in at any stages of the projects embarked upon by the firm. Additionally, products could also go to the market through avenues like spin-offs and licensing (Chesbrough 2003) as enumerated earlier on in this study. It is hinged on the fact that there are numerous ways that ideas can be used to penetrate into a path and also numerous ways that same ideas can also be used to flow into the market. The main brain behind the OI concept, Henry Chesbrough (2003a) posits that OI is fast “becoming a paradigm that connects research from various parts of management sciences” based on the fact that most firms now see it as a frame upon which their business model innovation can be rested in the attempt to commercialize products in the market.

The OI has been further agreed by scholars to now have extended scopes when being applied (Piller & Walcher, 2006) as compared to when it was first propounded by Chesbrough (2003). In this direction, managers need to be versatile in the management of new approaches in R&D to keep abreast of developments in the external walls outside of their firms. In the light of all the above, it is noted that open innovation
foundation in companies is pillared on the following framework: external factors, internal factors and strategies and as pointed out by Chesbrough and Crowther (2006) OI is predicated upon the existence of in-bound and out-bound knowledge. Furthermore, in OI, it must be added that, new product ideas can also come from the suppliers and not only from corporate organizations. OI is founded on the basis that ideas for products development can come from outside of an individual to complement the firm’s internal efforts but not to generate a substitute (Manceau et al. 2012).

The study will focus on the in-bound knowledge and how this will be used by the companies under study by having their business model innovated. Since commencement, the open innovation model is acclaimed, by scholars, (including Chesbrough, 2006) to be changing the process products development and the consequent face-lifting of commercialization process. Effectively, firms may have been benefitting from these on their paths to expansion and ‘growth. In this light, its relevance should be not be under-emphasized as it invigorates innovation by putting together different attempts from manifold companies (but with similar orientation) and thus leading to increased productivity through which a better value is created and delivered to the consumers in the market.

In furtherance of the above, the relevance of a reconfigured business model by firms, through the use of both inbound and outbound ideas, in the OI environment is highly essential because all the core activities of firms are anchored on it. In fact OI plays a central role in the business model innovation as it affords businesses the opportunities of securing the “best and brightest” skills externally (Chesbrough 2003). This is indicative of the fact that firms, in the process of commercialization of products, may find it useful to cooperate with other sectors externally by innovating their business model to accommodate these useful external skills and ideas to re-capture and deliver value in the market.

Moreover, Motzek (2007) identifies the relevance of OI as being a stimulant for firms with similar operations to come together and share knowledge that are aimed at increasing the market share of their products with a viable commercialization process. Such firms may readily tackle challenges associated with marketing and
commercialization of products in the market through the establishment of a sister company that will handle sales and distribution of the parents company’s products

In a similar vein, the relevance of open innovation in businesses, especially in the SMEs, centres on the activities of managers who are the cynosure of all eyes. They are charged with making changes in the firms and consolidating on these changes in order to ensure that the future activities of the firms are well planned and articulated. So, OI will afford the managers more avenues to have more control on the innovation processes of the firms through the sharing of knowledge (Manceau et al. 2012). At this juncture, the ways in which OI will help managers and the firms to function effectively with the use of an innovated business model will examined in the next sub-chapter.

3.2.3 Product Reconfiguration in the Open Innovation Ambient

As previously mentioned in the course of this study, a business model innovation will avail the firms (notably SMEs being studied) re-configuration methods of their existing products in order to capture value in the market. This is done so firms can build on their competitive advantage in a bid to out-perform their competitors in the market thereby creating avenues for profitability, expansion and possibly, internationalization. For firms, it is not only about having an innovated business model in value capture that matters rather about how to put the innovated business model to use and how to capitalize on its gains. To successfully commercialize their products through a re-configured business model, firms have to find ways of creating an enabling environment to achieve this.

Based on the previous enumeration here, open innovation (OI) will afford firms the opportunity to have their re-configured business model set out to work as it is a process that allows for collaboration among firms - and network of companies and competencies - (Manceau et al. 2012) with reference to innovation as well as product commercialization. OI theory is further hinged on the strategy that the bringing in of an external knowledge into a firm will in no small measure complement the efforts of the firm in question to be more efficient in their quest to create and capture value
(Manceau et al. 2012). On the other hand, via open innovation a company can also afford the opportunities to put its internal ideas outside.

In the light of the above, a business model innovation will serve well in the OI scene to help a firm identify its market segment. Through collaboration will some external firms, a firm can be afforded the opportunity of making a clear demarcation of whom its products are best suited for, where they are and how to reach them. This is based on the fact, which is corroborated by (Abulrub & Lee, 2012), that OI may lead a firm to outsource its marketing functions to other firms which are bound together via collaborative efforts. This will then lead a firm to establishing the users whom are to be served and how to deliver the firm’s offering to them. It must be added that (Abulrub & Lee, 2012) also agree that open innovation may encourage change in the way a company maximizes profits by collaborating with external interests.

To ensure this, a reconfigured business model (BMI) in OI environment will set out the modes and modalities firms (SMEs in this study) will tread in making sure products that are not going to do well in the market are dropped while the ones with bright commercial future are earmarked for further developments. This brings to fore the logic about BMI been a source of experiments for products (Sosna et al. 2010) before commercialization and what OI will have done is to hasten the process by creating the enabling environment where adequate and proper market research are conducted before product launch.

In this regards, in the open innovation environment, based on the envisaged collaborative efforts of firms in attracting external ideas towards the commercialization process of products, a business model innovation will re-define the structure of the value chain that is essential by the firms to create and distribute their offering in the market. This will also establish all the necessary corresponding resources that should be put in place to sustain the firm’s position in this direction. This practise is corroborated by Shapiro and Varian (1999) by positing that “openness fosters adoption and feeds network effects, improving user value created”.
It should be added as well that openness for SMEs in the process of product commercialization will enable the innovated business model (of SMEs) to mark clearly where they stand in the value network picture. A re-energized business model should identify and define the firm’s rivals and those that can complement their production efforts while at the same time indicating supply and customers network. Accordingly, Chesbrough (2003a) argues that there will be the rise of intermediaries who are then involved in every stages of commercialization efforts of the firms in the markets as occasioned innovation openness.

In furtherance of the above, openness in the commercial drive of a firm (SMEs in this study) will mean that the business model innovation will no longer be focussed on a single business entity as they can now be “networked, interlinked and shared by multiple actors” (Palo 2014). OI will create the enabling environment for the business model innovation, occasioned by networking and sharing by multiple actors, to exploit the prospects created to develop and consolidate on them for effective commercial purposes.

In all and premised on the theoretical understanding, a business model innovation will achieve the feat of re-configuring revenue generating tool for a firm in the OI environment as the use of both inbound and outbound ideas beyond the confines of the firm will have structured the “to-do well” products of the firm. In this, the firm can actually pay more attention and resources to product(s) identified as been potentially and commercially viable in the market. The use of spin-offs and licensing have also been argued by scholars (Gianiodis et al. 2010) to scale down resources and help in product development and commercialization while also paving the avenues for the firm to expand and work better on their innovation activities. The next sub-chapter will be devoted to the business model innovation process and the central role played in the commercialization procedure of firms hinged on the operating environment.
3.3 BUSINESS MODEL INNOVATION

Every firm aims to be successful in the market. Success in business is interpretable in many directions: revenue growth, expansion and internationalization to mention but a few. The big puzzle then is how a firm will drive towards the road of success and, this has remained contentious in many aspects but which will be addressed in this study.

In this wise, the commercialization of products is very important for a firm in order to capture and deliver value in the market. Scholars have noted that firms invest heavily in R&D and the processes for bringing products into the market (Chesbrough 2011) without due consideration to avenues to turn around the business models to achieve revenue flow and growth. A business model innovation is highly essential in this direction and accordingly, it is ideally important for a firm to evolve the means to have their business model fine-tuned.

A business model innovation (BMI) is adapted essentially by managers to innovate their businesses and to turn around their firms in order to curtail the effects of unpredictable external business environment (Sosna, et al.2010). As noted by Massa and Tucci (2013) the reconfiguration of a business model is becoming essentially important in the study of innovations and commercialization by firms and consequently helps firms in developing and promoting products in two ways. Massa & Tucci (2013) argue that a BMI will function in “allowing managers and entrepreneurs to connect innovative products and technologies to a realized output in a market” and secondly, may be “a source of innovation in and of itself”

Premised on the above, the next sub-chapter will be dedicated to the emergence and the development of business models innovation. This is because an understanding of a business model innovation will be incomplete without due and proper consideration to its emergence. In this vein, attempts will be made to shed more light on the development of business models (BM) and consequently business model innovation (BMI) and the explanation of their role and relevance in strategies for commercialization by SMEs follows thereafter.
3.3.1 The emergence and the development of business model innovation

The business model (BM) came to be in the 1990s with the birth of IT oriented businesses (Stähler 2002) have since then gained wider recognition and prominence. Nowadays, it is more connected to strategies in several firms with different orientations other than the internet start-ups ones. Business model has been described as the “model” (Palo 2014) on which the future of a firm rests. It is therefore regarded as the model of a business that is currently in practise and that of a business scheduled for the future (Stähler 2002) because it provides an insight into the direction of what a future business will look like.

Differently however, some scholars have argued that a business model contains in all totality what a firm’s value proposition being offered the customers and ways to capture and deliver this value. It is understood that a firm and the customers are brought together by the product and so, a business model will highlight and give the description of the product that a firm is offering in the market (Stähler 2002).

Timmers (1998) agrees and compares a business model to an architectural piece which shows the design for the product/service and the information thread that also includes actors and their roles, the description what of what benefit will accrue to business actors and the description for all the sources of revenue. He states further that a BM will show how a firm will generate revenues and the benefits to be derived from partners in the course of value creating processes. Supporting this, Hamel (2000) postulates that a business model is a concept in practise and contains four major components: core strategy, strategic resources, and customer interface and value network. While (Amit and Zott 2000) opine a business model to be ”the configuration of the components of transactions designed to exploit business opportunities” and thereby taking care of service/product which is being exchanged as well as all the parties that are involved in the course of the exchange.

In all, it is noted that a business model could not be divorced from the economic trends of the firms that have been in existence for several years (Teece 2010) but now with emphasis being laid on what is delivered/offered to the customers from which
revenues are being generated. Reinforcing this, (Osterwalder & Pigneur, 2010) argue that a business model not only transform a firm / industries but indirectly transforming the civil society as well. Similarly, Chesbrough and Rosenbloom (2002) simply see a business model as “the architecture of the revenue” that guides a firm to its profit logic avenue.

In some quarters, however, a business model is regarded as conceptual (Afuah & Tucci 2001) because it states what a business will do and not only what it describes. This means that a BM not only show how a firm intends to create value but how to deliver and capture value as well.

While some scholars have also captioned it as narratives (Magaretta 2002) some argue that it is “systemic” and “holistic” in defining the future of a firm and organize the activities for its value creating system (Massa & Tucci, 2014). In as much as it has been agreed that the main essence of a business model is to identify “how do we make money in business” and “who is the customer and what does the customer value” (Magaretta 2002) then the development of the composition of a BM came to light. According to Osterwalder & Pigne (2013), the most efficient way to describe a business model is through its four main areas of customers, the offering, infrastructure management, and financial viability. These four main areas describe:

a) Value proposition which addresses the benefits or value the customer and partners will gain from the business model as the stakeholders.
b) The bridge between the firm and the customer is established as the product/service being offered which must address the value being offered
c) The infrastructure management represents how the value promised the customers will be created and in this form the market design (which market and which not to serve) is taken into consideration.
d) The financial viability describes from which different sources the firm will generate revenue and this is important as it points out the length the business will go and its viability.

In Furtherance of the above, (Osterwalder & Pigne, 2013) evolved the nine building blocks of a business model canvass to give a wider description of the four main areas of a business model already described above. These blocks consist of the customers,
value proposition, channels, customer relationship, revenue stream, the resources, activities, partnership and the last but not the least, the cost structure.

According to Osterwalder (ibid.) the business model canvass centres on the value proposition which details what the value a firm is offering and ways to offer this value. It also described as unique value proposition which defines what and why a firm is offering is different from those of its competitors. This then brings to the fore why the product is worth paying for. Of utmost important are the customers who are targeted by the unique offering of the product and according to Osterwalder (ibid.), customers are segmented based on the appeal of the unique value proposition of the offering. The next block of the canvass pertains to the channels through which distribution is carried out. Accordingly, the channels serve as a bridge bringing the unique value proposition to the customers already targeted.

Another essential building block of the business model is the customer relationship which according to Osterwalder (ibid.) is the communication aspect between the firm and the customers which is aimed at establishing a bond between them. This leads to the next component of the building blocks which is the resources through which the firm aims to use in creating, capturing and delivering of the value in the market. In this regard, human resources are essentially important in the value configuration drive of the firm. The next block, the sixth one, key activity, is the firm’s ability to consolidate on the value creation implementation at all times which may not be divorced from the efforts of the key resources.

Partnership comes next and this explains the links, connections, collaboration etc. the firm will establish with other firms alike as well as suppliers and other institutions that will make the value creation a success. This will enable the firm in question to tap into its relationship within the network to deliver its offering effectively. Morris et al. (2005) suggests that partnership focusses on the interaction and relationship among the players in the value creation activities of the firm. According to Osterwalder (ibid.) the revenue stream of the business model highlights how the firm will make money based on its value offer in the market. While the last component, the cost structure,
provides details on all the costs to be incurred by the firm in the value creation, capture and delivery processes of the firm.

The business model canvass and its nine building blocks are represented below:

**Figure 7: The business model canvass (adapted from Osterwalder & Pigneur 2008)**

In the light of the above and bearing in mind the existing literature work on the business model, the substance and classification of a business model is summed up below in order to provide a gainful insight into the introduction of a business model innovation (BMI) literature.
Figure 8: The business model and the questions that we can ask with it (Adapted from Palo 2014)
From the discussions on business model so far (which have been concluded to serve two weighty primary functions of value creation and value capture), it can be deduced that scholars are united in their efforts in pointing out that a business model “is not just about technology anymore” (Chesbrough 2007) rather about how a firm will innovate its business model. The use of a business model framework will then come in handy in guiding a firm and its management in scrutinizing the workability of its current business model (and to make adjustments if any) in trying to define the way forward. Consequently, a reconfigured business model will avail the managers of a firm the opportunity turn around the business by planning and taking steps aimed at integrating the innovation process of the firm with its business model (Chesbrough & Rosenbloom 2007).

It is of importance that turning around an existing business model of a firm will still involve the management knowing what exactly to innovate by creating a logic to understand, examine and improve on the current business model. In essence, managers must be tasked and encouraged with all the needed resources and materials to reconfigure the business model of any given firm. Why then a business model innovation? The answer to the question draws up the issue of understanding the process in which a business model innovation will take shape. Scholars (the likes of Chesbrough & Rosenbloom, 2009) are unanimous in pointing out that the commercialization of new technologies (products) and ideas by firms via their business models is becoming too cumbersome, time-consuming and expensive.

Effectively, this will mean that the firm must reduce on its investments in R&D and create a roadmap to innovate their business models to allow for flexibility and the capability to make the desired change happen. This will only happen when a firm shifts focus and allow the business models to be a driving force for innovation (Massa & Tucci 2013).

In this vein, a business model innovation is “the designing –i.e., creating, implementing and validating- a new BM and suggests that the process of BMI differs if an existing BM is already in place vis-à-vis when it is not” (Massa & Tucci 2013). Accordingly, Massa and Tucci agree further that business model innovation’s
emergence is tied to the “to the scale and speed” at which it is being used to transform the industries one hand, and the society on other. So, a business model becomes innovative when a firm is able to match up its core competence to opportunities that are abound in the market to give it a competitive advantage over other firms in order to ward off competition. This is echoed by Chesbrough (2007) when he reinforced that a business model innovation “is the reconfiguration of existing BMs” to capture value at its utmost best.

In fact, the essence of a BMI in helping or re-configuring a firm to out-perform others (in value creation) thereby generating more revenue and growth is further hinged by (Chesbrough, 2010) on the principle that “a mediocre technology pursued within a great business model may be more valuable that a great technology exploited via a mediocre business model”. This assertion then underscores the importance of experimentation and effectuation in the BMI process and this will be discussed later in the course of this study. In a nutshell, a business model innovation is a new way to organize business in order to make it sustainable and establishing a competitive advantage over others (Masanell et al.2010). In the next sub chapter, attempts will be made to explain how a business model innovation will function in the process of organizing and re configuring products.

3.3.2 Differences between a business model and business model innovation

For clarity in the course of this study, attempts are made in this sub-chapter to distinguish between a business model and business model innovation with regards to product commercialization by SMEs. A business model refers to ways businesses will operate to capture value (Massa & Tucci 2013) and this also points to the systemic approaches businesses will use to coordinate its structure of activities in the course of creating value (Massa & Tucci 2013).

Agreeing with this definition, Zott et al., (2011) defines a BM as being broad and flexible when creating value while Chesbrough & Rosenbloom (2002) view a BM as “a manipulable device that mediates between technology and economic value
creation”. Succinctly put a BM model “describes the rationale of how an organization creates, delivers and captures value” (Osterwalder, Pigneur et al. 2005).

In contrast to all above is the business model innovation which is the process used by established businesses to “renew their existing business models to counter threats to their continued ability to create value for their stakeholders and /or to capture sufficient value for themselves” (Sosna et al. 2010). Business model innovation is also defined as a changed to the already existing BM (Chesbrough & Rosenbloom 2007) while (Masanell et al. 2010) buttresses this definition by positing that BMI represents the new methods established by an established firm to spawn revenue and mark out the value propositions for suppliers, customers etc.

In this light, we believe that a BM sets out what a firm will do to create and deliver value whilst making revenue in sharp contrast to a BMI which defines how a BM will be re-configured to deliver a better value and revenue. BMI comes to force after a firm’s BM is failing or the logics there are not effective any longer to generate revenue (Chesbrough 2007).

3.3.3 The Functions of Business Model Innovation

In some quarters, some scholars like (Sosna et al. 2010) have posited that challenges being faced by some firms in their operations (in both local and international environments) will go a long way in putting a negative mark on their income and subsequent profits due to the failure to innovate their business model. In this vein, BMI has been regarded as the force behind the success stories of many firms and so, how a BMI functions to achieve this feat will be discussed further here.

The unpredictable business environment faced by managers in the course of drawing up plans for commercialization of products has necessitated the need for these managers to be abreast of this development by being equipped with strategies to overcome the inhibiting business environment. While newly established firms may have to go to the drawing board to chart a new course, the established ones need to re-invigorate their business model to adjust to organizational structures in order to
develop their unique core competencies (Sosna et al. 2010) in order to survive in the competitive scene and garner their share of the market. In this wise, to remain relevant and therefore commercialize in the market, a continued innovation of business model is important for the firm. In this regards, business model innovation is essentially useful and important in the commercialization progress of a firm.

Business model innovation will then function as an experiment for a firm seeking long term relevance in the market. A “trial-and-error” learning avenues prior to conceptualization and implementation (Sosna et al. 2010) of strategies for commercialization. This has been argued (Velamuri et al. 2010) to be potent in a BMI because its experimental use will afford the firm opportunities to “revise, adapt and fine tune” (Sosna et al. 2010) their products commercialization logics to achieve success in the market and ward off competitors to the barest minimum. For a successful product commercialization to be in place, literary pieces have argued in favour of planning, testing and re-testing of the business model until the most appropriate one useful for successful product commercialization could be found. In the process of experimenting the business model, feedback from the market is essential for the firm so that managers can adapt and re-shape the directions of their strategies.

Baden-Fuller (1994) buttresses this further that to avoid an old fashioned business model a firm needs to experiment and observe the responsive market trends and re-configure the business model by innovating it. He argues further that the BMI may serve as an avenue for internationalization for the firm as they will have tested their BM and have it “replicated into foreign markets under contextual constraints” (Baden-Fuller 1994). Learning from experiments is what a BMI will function to achieve for a firm whose activities are becoming moribund. A firm is reckoned to be able to swim out of this troubled waters of stagnation by constant adaptation and low cost experimentation of their business model which offers them the chances of seeing their mistakes and evaluating it.

Learning for experimentation is not confined to a department alone but to all departments and managers. Chesbrough (2010) buttresses the submission that business model innovation will function to allow managers to experiment their logics in the
commercialization process by “constructing maps of business models, to clarify the processes underlying them, which then allows them to become a source of experiments considering alternate combinations of the processes”. They should be able to work as a team and share information useful to all in the experimentation process.

In all, business model innovation functions experimentally to evaluate and adapt a kind of learning approach (Sosna et al. 2010) to ease up commercialization strategies of a firm. It is a process that will allow managers of a business to work to retain actions that are results oriented for the business whilst discarding the ones that will not work (Argyris 1988). Business model innovation may be used to describe the path for internationalization on the part of the firm as the next sub chapter aims to explain.

3.3.4 Business model innovation as a frame for internationalization

A reconfigured business model will help an organization to fine-tune their commercialization procedures and strategies in the process of trying to spawn revenue from their products locally and internationally. These actions are however hinged on the managers’ ability to re-focus and re-energize any ailing plans or actions to achieve these and, this may also not be divorced from the activities of external players outside of the company. In this context, frames for action have been defined as ways of reaching an agreement and the means to execute this agreement in a group or business concern (Benford & Snow 2000) and also as “an action or a practise of creating” frames (Benford & Snow 2000). “Frame” Merriam-Webster.com. 2014. http://www.merriam-webster.com (8 March 2014) is defined as “a plan, shape, construct or a new method of achieving their purpose”.

In addition to the above, and in order to understand frames as a set of action which propel a firm or a group to act to bring a plan to reality, frames should also be understood as “collective actions aimed to mobilize” (Palo 2014) and pave ways for collective understanding in solving a task. These frames, according to Beunza & Garud (2007), will help in the mensuration of a firm and what it has to offer in the market.
In this wise, an innovated business model may be an avenue for a firm to go international via a revamped product targeted for market performance. According to Palo (2014), business models can be used to frame actions and consequently reviving an existing business model to pave ways in which the framing of BMI will add to, or delete the actions of a firm in the market when creating value. While framing actions, business model innovation may be used in piloting a firm on methods employable in selling product outside of the local market into the international ones. BMI which is defined as “goal directed” (Benford &Snow 2000) in solving a specific task. In furtherance of the above, the process of framing via the BMI will “consist of activities that frame problems, or opportunities, solutions and actions” (Palo 2014).

Based on the above, when seeking to enter the international market a firm will avail itself the opportunities created in its innovated business model to work on areas such as business environment in the envisaged international market. This is hinged on the fact the BMI will have generated the opportunities, clarifications and the ways to approach these markets with the product (Palo 2014). The identification of how business are conducted in the developed and the developing world will have been mapped out in the provisions of an innovated business model. Take customer segments and attitude in the developing world is not noted to be quite different from those of the developed ones with products rated excellent in contrast to those of the developing ones (Nyang ‘ori 2010). Tied to this, BMI also describes the commercialization activities of the firm and a firm going international will profit from the identification of avenues to be used as described in BMI. Such provision may demand internationalization through foreign direct investments, licensing or spin-offs as BMI will have created the frame via opportunity and the necessary actions (Palo 2014) towards these directions.

The business model innovation as a frame for action in the commercialization strategies of a firm may guide the internationalization determinations which may be woven around unique performance by a firm and the managerial directions. It will involve being articulate and precise in drawing up strategies, action plans and coordinating the efforts of the actors and these plans in ensuring that the required
offerings are delivered in the market place towards the commercialization of the product in the international market.

To realize these when commercializing internationally, it is common these days, for firms to seek the collaboration involving external knowledge and resources to complement firms’ own resources and this is only achievable in the open innovation (OI) environment. The use of internal and external knowledge in the commercialization strategies of any SMEs cannot be under-emphasized and this will be discussed in full length in the next chapter of this study.

3.4 Interim Conclusion

Previously in this study, it has been established that nearly all firm wants to grow, expand and operate at a scalable level. Positive efforts to attain these may also lead to internationalization activities on the part of the firms. It is also, however, stressed that firm’s growth and expansion is defined by the ability to create, capture and deliver value (on their product) in the market. Effective commercialization strategies then appear to be the avenues through which a firm is able to deliver value to customers in the market. This is however not an area that can be dabbled into by firms anyhow as “getting good at commercialization takes discipline – not inspiration” (Nevens, 2001).

In this wise, we agree that there have to be strategies for the commercialization process to be smooth, effective and profit oriented.

One of the effective strategies employable (by SMEs) as concluded upon in this study is the business model innovation through which commercialization is enabled effectively. A business model innovation will create the opportunity for the firm to have their strategies as well as product re-configured in the attempts to reach for greater heights in the market and as Amit and Zott (2012) put it a BMI will create a new market for firms and, or allow them to fashion out and harvest on new opportunities in an existing market. In the course of having their business model innovated to capture customer needs and the activities to help capture those needs, we
propose that collaboration and the use of external ideas are essential commercialization strategies available for SMEs.

This brings to fore the open innovation process which has been defined by many a numerous scholar like Chesbrough (2003) to be a model that firms should employ ideas externally and internally on their paths to the market. OI has also been agreed by some scholars to be a “collaborative innovation / shared or distributed innovation” (Manceau et al. 2012) and the very opposite of internalized R&D operated by some firms. Essentially, effects of globalization have occasioned the drive by many firms to stand up firmly their product and customer development activities to capture value and remain profitable.

By and large, we have been able to establish that the role played by the business model innovation in the commercialization strategies of SMEs are not measurable and these cannot be done in isolation and that is why the open innovation theory and practise becomes a useful strategy. In sum, it is noted that commercialization processes on the part of a firm will be the opportunity for expansion, revenue generation and envisaged internationalization. This process is however anchored on the ambient of open innovation that generates the use of inbound and outbound technologies and idea for the renewal of existing products to be effected by the firm. This is a course referred to as business model innovation.

The next chapter of this work will seek to validate these premises upon which the theoretical framework of this study are based and an Oulu based construction company (SMEs) will be used to analyse our efforts to point out the roles of BMI in the commercialization strategies of SMEs.
4 METHODOLOGY

Premised on the research question guiding the theoretical framework of this study as emphasized in chapters 2.1 to 2.3 which calls for in-depth description, assessment and evaluation of reality. The methodological approach of this study will be that of a case study as it will avail the study the real-world data collection for further analyses. The investigation will be anchored on the role of business model innovation in the commercialization activities of the case companies. It is on this premise that the research method being used will open up areas that will allow for a critical but deep assessment, and its consequent generation of enough data in order to be able to provide answers for the research questions sufficiently.

Accordingly, Bradshaw & Wallace (1991) led credence to the use of the case study approach as useful and appropriate in producing the much needed data for this study. This is also supported by Feagin, Orum & Sjoberg (1991) who all agreed that a case study methodology is suitable when an all-inclusive analysis is being conducted comprehensively.

Essentially, a case study research is not and it is different from sampling research (Tellis 1997) and so, it is noted that a framework is founded on manifold sources of data aimed at bringing out the viewpoint of participants which will be evaluated with the real-world scenario. This has paved the way for the use of a case study in order to practically evaluate our research questions and see the deviation. In the light of this revelation and in order to evaluate the role of business model innovation in the commercialization efforts of SMEs, the methodology will follow the recommendation of Yin (1994) which is founded on four stages named below:

1. Design the case study,
2. Conduct the case study,
3. Analyse the case study evidence, and
4. Develop the conclusions, recommendations and implications.

The above mentioned four stages by Yin (1994) will avail us the opportunity to design and conduct the case study woven around two SMEs in the developed economy,
Finland and the developing one, Nigeria. This will be the case of identifying the practises in the developed economies and making a comparative analysis with those the developing economies. This approach will be suitable for this study based on the qualitative way to be used in gathering data aimed at showing the inter-relationship (as well as points of departure) between the BMI and commercialization process in the case companies from the developed and the developing economies. A detailed investigation is done in Finland and Nigeria to provide answers to the research question with the use of the existing theories connected to this study.

In the course of the third stage, the role of business model innovation in commercialization strategies would be analysed and comparison made and the last stage wraps up with conclusion and way forward. It is based on the above that we intend to answer “how” and “why” (Yin 1994) business model innovation may be the strategic key in opening the door for commercialization and internationalization efforts of the two SMEs under study in an OI environment.

4.1 Design of the study

According to Yin (1994) a research design, founded on qualitative means, is logically tied to sequences spanning from the empirical data collected, research questions to the concluding aspect of the study. Qualitatively, it involves a holistic approach to the research subject by studying an occurrence in its context. It empirically involves data collection, analysis and its subsequent interpretation and it is the opposite of quantitative method where theories are tested. In this wise, a qualitative case study will avail us the opportunity to validate the data available and collected based on interviews, observation and the likes.

In fact, some researchers have argued in favour of a single case study (Siggelkow 2007) premised on its solid and persuasive illuminations but for this study two case companies were selected internationally in order to examine the cross border elements of the research questions. In sum, this research will shed more light (extensively) on the phenomenon in question and provide answers to these phenomenon with a view to gaining a new but clearer insight of the same phenomenon. This is because the case
study approach validates phenomenon from manifold angles that spans a period of
time and extending to international frontiers of varied factors (Ghauri 2004) and this
is reinforced by Yin (2003) when he posits that: “a case study is an empirical enquiry
that investigates a contemporary phenomenon within its real-life context, especially
when the boundaries between phenomenon and context are not clearly evident”.

4.2 The Conduct of Study

The data collection from the two case companies was executed both primarily and
secondarily from within the companies via interviews (face-to-face), email, online (via
Skype), telephone calls and numerous web sources. Primarily and for the conduct of
these interviews, some management staff of these case companies (herein referred to
as Alpha and Beta for the case of confidentiality) were interviewed semi-structurally
(Yin 2003). The interviews were conducted over a period of two months due to the
tight schedule of the CEO of company Alpha – who was always out of Finland- and
the lukewarm attitude of the staffers of Beta Company to release company details or
grant interviews.

Though the interviews were conducted over a period of time, the questions set for the
interviews allowed rooms for expatiation and reasonable counter questions from both
the interviewees and the interviewer. This was with a view to evolving a multi-faceted
approach and answers towards the research questions and the elements of the study as
a whole as raised in the theoretical frame work of the study. The questions were
anchored on three parts which defined the companies’ situation before, now and the
future. These examined the business model before now and now, and how and when
this will be innovated in the future to revive ailing products. The second part of the
questionnaire examined the commercialization strategies in the areas of coordination,
execution and challenges faced by the case companies while the last part centred on
business model innovation and the imminence of collaboration in the OI environment.
It should be mentioned that the data collected from the companies was analysed
qualitatively and juxtaposing it with main frame of the theoretical framework already
discussed in the course of this work in chapters 2.1 to 2.4.
The first selected case company, herein referred to as Alpha in Finland, is a medium sized family owned Construction Company operating mainly in Oulu and its environs for the past eighteen years. They are into construction of affordable family housing accommodation for the residents of Oulu region and its environs like Jääli, Kuusamo and Pudasjärvi. The firm has about 30 employees of different trades blessed with sound professional backgrounds while only five out of these staff members receive salary form the firm. The firm is also blessed with more than twenty different types of construction professionals while over a hundred staffers are indirectly employed on the field. The average estimated turnover for the firm in the current financial year is put at around fifteen million Euros indicating that the firm is growing at around 40-50%. The revenue for the current fiscal year stands at about fifteen million Euros representing an increase of almost 50% when tabled against that of last year.

Accordingly, the business model for Alpha centres on providing unique family housing units for residents of Oulu region and its environs. They build housing units which are perfect for the appearance of the owners in a unique fashion. As pointed out before, a business model is a process through which a firm gets to point A from point B to remain relevant and fulfilled in the discharge of their core competences. Business model also describes firm’s process of creation of value in product/ service delivery for customers in the market. With the case company Alpha, their customer segment includes clients with higher level of education between the ages of 25 to 45 and with children between 0 to 2 years old.

Alpha’s selection is based on its business model and its core competence of rendering affordable service/delivery in the realm of building affordable houses for upwardly mobile young men and women who patronize the company with their own house designs. Their business model is centred on being able to provide efficient and cheap solutions for housing needs.

With regards to the second selected case company, herein referred to as Beta, it is also a medium sized family owned business enterprise based in Oshogbo, and has been operating in the plastic (and allied products) manufacturing industry for a little over 22 years. The case company Beta, manufactures plastic items like water pipes used in
plumbing works, bowl, plastic kettles, plastic toys for children, plastic pipes for electrical conduit work for housing needs and etc. The company employs well over one hundred and fifty staff directly and some thirty casual workers at some point when needed. The company’s profit after tax stood at well over four million naira in the 2011 financial year where the annual turnover for last financial year has not been very impressive in the realm of over fourteen million naira. The business model for case company Beta centres on collaborating with big time construction giants to supply the some plumbing and electrical materials used in the construction of buildings. The company also singled out primary and high schools for the supply of plastic chairs and desks used by pupils. Their main customer segments are the building contractors/companies, individual retailers, as well as government and private schools for the supply of plastic chairs and desks, bowls etc. While the company is also making efforts to expand sales of products to West African countries of Burkina Faso, Mali and Niger. The company’s revenue comes mainly from within the country form the sales of plastic items to individual retailers, schools, construction companies, government corporations and contractors.

Internal R&D has been the only source of product development and planning where there seems to be no demarcation of duties in this department with regards to sales and marketing functions. The company’s efforts at building a good customer relationship is in the area of buy now and pay later which seems not to have been auguring well based on defaults on the part of some customers. The cost structure is mainly on salaries and overheads which include procuring petrol for electric generating set and its services and the purchase of chemicals and other allied raw materials. The regular maintenance of the bore water supply facilities also falls under their cost structure.

Having identified the case companies as mentioned above, and were found suitable for this study, hinged on their almost complementary areas of operation, and lull in business activities of that one in the developing economy. The role of business model innovation in the commercialization strategies was consequently investigated in the two to avail the study insight into two different business environments. In this light, acquisition of primary data through interviews, telephone and Skype calls as well as emails were conducted in order to pave way for the provision of answers to the research
questions through the theoretical framework of this study. The questions for the interview are included in appendices 1 and 2 whilst the list of respondents and the length of each interview conducted are summed up below in table 8.

Table 3. Respondents and length of each interviews.

<table>
<thead>
<tr>
<th>Case Company</th>
<th>Interviewee</th>
<th>Method</th>
<th>Length</th>
<th>Date</th>
<th>Other sources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpha</td>
<td>CEO</td>
<td>Face to face</td>
<td>20 minutes</td>
<td>21/3/2014</td>
<td>Internet /web pages</td>
</tr>
<tr>
<td>Alpha</td>
<td>CEO</td>
<td>Skype &amp; Phone</td>
<td>32 minutes</td>
<td>01/4/2014</td>
<td>Annual reports &amp; other related materials provided in a portable storage drive by the firm for this study.</td>
</tr>
<tr>
<td>Beta</td>
<td>GM</td>
<td>Phone</td>
<td>15 minutes</td>
<td>02/4/2014</td>
<td>Skype &amp; local Newspaper reports</td>
</tr>
<tr>
<td>Beta</td>
<td>GM</td>
<td>Email</td>
<td>NA</td>
<td>March/April</td>
<td></td>
</tr>
</tbody>
</table>
5 ANALYSIS

In the light of the revelations in the previous chapter where the case companies and their areas of operation were introduced as being in the business of construction of residential houses and plastic manufacturing, coupled with the design and the conduct of the case study already enumerated previously as well. The analysis in this chapter will be premised on observations and investigations conducted on these companies through interviews which were primarily the data sources. The data collection was done deductively and from multiple sources in order for triangulation of data (Denzin 1978, Soy 1997) to take shape. This was aimed at connecting the theoretical frame work with to the main research question of this work and to offer answers to cloudy areas (Yin 2009).

Therefore, in order to check the validity of the main ideas of our theoretical frame as elucidated upon in chapters 2.1 to 2.4, the strong connection between these theories and the data collected were applied in this part of the study. All the seven stages of validation of qualitative research (thematizing, designing, interviewing, transcribing, analysing, verifying and reporting) as posited by Kvale (1996) will have also been accommodated in this study.

In this direction, the paths of business model innovation, in the commercialization processes of these case companies were investigated. This was done to accommodate the effects of the open innovation environment in highlighting the salient issues relating to the re-configuration of an existing product in these companies. This aspect of the study remains crucial, time conscious but pretty difficult based on the overall examination of the collected data empirically and its juxtaposition with the theoretical construct in order to validate answers to our research questions.

5.1 Analysis for Business Model Innovation

In an environment where the business model of a firm seems to be inactive the rejuvenation of an existing products may bail out firms from lull in business activity occasioned by a failed business model. The business model innovation will avail a firm
to have transformational growth of an existing product and this is done in conjunction with a conducive business environment. Premised on this, the four key elements of a business model innovation (customer value proposition, resources, processes and profit formula) were investigated in the two case companies (Alpha and Beta) in this study and the undermentioned came to light.

With reference to case company Alpha, the business model centres on the customers with the construction of (better products) top end family housing units for couples and not for individuals and also not for the low income group and these segments according to the CEO are:

“What we have been working on for the past 8 to years”.

The business model also centres on being unique by erecting houses “that look their owners”.

This, again, according the CEO of Alpha is:

“To move people away from the town housing (omakotitalo) without any financial situation into their own houses because town housing is not the solution”.

To be different from the rest of the builders, Alpha sets aside “transparency, flexibility and customers first” as their focal point of services and the value proposition in Oulu region and its environs as detailed in their business model and this means the houses they build come with:

“Sliding plastic door from the outside, led lightning, glass fibre lightning and good looking sauna”.

Regarding the resources, internally, Alpha has skilled professionals in the area of six key managers that are in charge of development and housing sales, purchasing, administration and billing, changes in Client and apartment sales, technical and the president/ chief operating officer and also about twenty in-house personnel. They also
count on the experience of other members of the family (most especially the founder of the company who doubles up as the current CEO’s father). Since it is a family business, nearly all members of the family’s added input matters so far it is in the right direction of taking the firm to the next level desirably. Externally, sub-contracting remains another vital asset employed in their value creation efforts. The actual execution of contractual obligation to the customers in the area of erection of building and other alloyed aspects are contracted out in order to have an efficient delivery of the “promise” to the same customers. However, sub-contracting activities remain under constant supervision internally by Alpha in order not to “give away” the project as the CEO claimed that:

“The quality control goes out of the window the moment you sub-contract”.

That explains why internal staff at Alpha do key construction activities in order not to derail on the products being built for sale to the customers. It follows therefore that the commercialization process is handled internally by the “department of housing sales” internally in order to ensure that the value to be derived by the prospective customers is not altered with respect to the customised housing scheme.

On customer channels and relationship, Alpha aims to get the customers closer to them and involve them in the value creation activities in the course of the construction. This action on the part of company (Alpha) entails the reconfiguration of the existing product in order to satisfy the customers in the value delivery process. This entails the customers drawing up plans for their would-be houses from many sources (architectural firms, individuals, institutions etc.) outside of the company and bringing the designs to the company or submitting through the company’s website for the company to evaluate, cost and work on. The relationship with the customers and the channel established with them by involving them in product design has enabled the company to re-asses and re-direct the commercialization process in the market as more customers are becoming fascinated with idea of designing and furnishing their own would-be houses and actually have a feel of what the houses would be and look like (both the interior and exterior) online. The CEO of Alpha sums it up as:
“Customers are able to go online to design their own houses in 3D, furnish it and ask questions and see extra costs to be incurred”.

It is also stated further that this is made possible with the use of a special software from another company based in Oulu which partners with Alpha in their value creation and delivery drive. The cost structure for Alpha stems out of all the labour costs and the activities involved in the direct supervision of all the sub-contracted obligations in the housing project. The team Alpha explained that the customers buy their own land from the city council and they only put the structure on it. The main source of revenue is from what the customers pay and supportive efforts of organisations available in the business environments (like the Finnish funding agent for innovation) towards the provision of a high level customer service.

From the foregoing, it can be clearly deducted that Alpha’s product reconfiguration process is fairly pronounced with the involvement, collaboration and support from external stakeholders like the customers, governmental institutions as well as other individual firms. It is however subjected to modifications at will as the direction of the company dictates because it is a family business with no enshrined

“Internal rules on modification of direction/activities” as the CEO pointed out.

Accordingly, Amit and Zott (2012) agree that executives of firms need to know a lot about their business model and its subsequent innovation in order to achieve revenue growth and better profit margin in value creation for their products. This seems not to be slightly applied by Alpha based on lull experienced by the business in recent times which the CEO buttresses by saying that:

“The market has been going down since 2008”.

Despite the lull in the business activities, it is admitted by the CEO that the firm is growing and this growth has not helped the firm in coping with the envisaged customer satisfaction processes planned for in the business model. So, information processing
has become too numerous to handle and coupled with the fact that the firm admits to handling most of the sales activities internally.

From the foregoing, it is evident that the commercialization processes of Alpha have been partly handled internally and, in the open with efforts, involvement and collaboration with the customers and some other partners like individuals, organisations and firms. It is however clear that the commercialization processes are also based on goodwill, location of the residences and customer service but not on entirely on the provisions of the business model. On goodwill, the CEO offered that each satisfied customers will always tell others and the company is amazed at the extent this recommendation has been working for them.

On location, this according to the CEO of Alpha means location (good residential areas where houses are to be built) attract customers to them and as they are then given the freedom to design the houses with their architects while Alpha builds. In the light of the foregoing, business model innovation has become inevitable for a more articulate commercialization of products to take place.

With the other case company herein referred to as Beta, the provision of business model is a clear departure from that of Alpha and as the General Manager explains:

“We planned towards serving the state in which we are located and then look forward to the neighbouring states with our products and perhaps the North West African countries of Burkina Faso and Niger Republics. But we actually can’t tell how that will happen for now”.

On the above statement, the provisions of the business model of Beta are almost geared towards the internationalization of the company through the commercialization of their plastic products. The company is reputed to be efficient in the sales of plastic and allied products in the state where it is based and some other neighbouring states as well. The company is in the midst of changing focus of their value delivery by cooperating with external bodies, in their attempt to reconfigure their offering in the local and international market, thereby paving the way for internationalization.
On the avenues for internationalization via product revamping, it is noted that the unique value proposition of Bet, as stated by the company, is directed towards making life more meaningful to their customers by taking care of their everyday household needs plastic-wise.

For Beta, products like plastic pipes used in water supply to homes, offices and public facilities, plastic buckets, bowls, plastic toys for children etc. are some of the products being manufactured by them. Their customers have been segmented to include individuals and government agencies. The individuals, which include the end users and retailers, are given priority over the government establishments. The General Manager claims further that:

“Initially, we targeted some state government owned agencies and schools based on personal connection between the owner of the company and some top government functionaries but it did not turn out palatable because there have been an increase in the number of individuals building personal houses locally and also local farms springing up. So, we re-directed our focus on those groups and it has been a success story so far”.

From the above, it is deducted that the case company Beta intended to open up its business model to accommodate external input, from individual customers and government, towards commercialization but being hindered by bureaucracies and lukewarm attitude of the individual customers/retailers. Noted in this direction is the business environment that has not worked favourably on the side of company Beta. The prevailing business environment has been a cog in the wheel of commercialization progress of the company. The bond between the customers and the company is not strong enough due to the inability of the company to reach them often due to poor communication network, poor and inaccessible road network and the unreliable electric power supply. Premised on this, the company has not been to carry out some of the mapped out strategies in their business model and coupled with financial constraints which the GM buttressed thus:
“Many financial institutions have been approached for financial supports to enable us execute some novel activities in the firm for old and new customers but conditions being tabled before us are difficult to be met and in cases where we could meet them, it could incapacitate us because of the interest rate”

However, and in spite of the aforementioned, as with the case with Alpha, Beta also relies on recommendation, referrals, credible products and attestation from satisfied customers as the means of building a strong customer relationship. He added that:

“Those that have bought and used our products tell others and for us that is enough”

Still on customers, the commercialization of products by Beta centres on direct selling which includes advertisements and radio jingles are being used to get across to customers. Other direct selling methods being used include banners and handbills as channels to reach customers but these have been described as un-professional because of the recent government legislation banning indiscriminate use of handbills, posters and banners in public places. The revenue is derived from sales of products and from the annual fees suppliers pay to register with them prior to being accepted to supply raw materials. The main cost is on wages, loan servicing, rents, power generation and transportation of finished products and cost of procuring raw materials. As the GM puts it:

“Electricity fluctuation and surge is killing our business because we pay a lot to get diesel to power the electric generators, service the generators and to run the office”

On resources, Beta sometimes relies on expert ideas from India on ways to be production efficient. The company also relies heavily on the internal staff members who are only trained to handle machineries only when they have been employed. It is observed that on the job-training are offered to staffers. The GM handles human resources as well as overseeing the sales network. On partnership for value creation and delivery, as previously analysed, Beta sometimes sponsors on local radio stations to create awareness of their products. To reduce waste in production and to focus more on the demand at hand in a bid to ensure that the core activities are executed well, Beta
has built an alliance with their suppliers so that “just in time” strategy is used. This the GM claimed:

“We only receive supplies of raw materials from our suppliers when demand in the market occasions it. It is not economical storing those items till when demand or business improves. Now there is a lull and we don’t take supplies”.

In this light, mention must be made that both case companies Alpha and Beta operate a business model which has enable them to create, capture and deliver offerings to their customers. Their commercialization processes are not well pronounced based on the in-house arrangements being operated and the inability of these two companies to distinguish between sales and commercialization. Beta is affected more based on lack of skills for international trade, market access restriction, skilled manpower shortage outdated technology and the inability to draw from the wealth of experience of successful partners as key partners. However, it is deducted from the data gathered that Alpha is not currently thinking about expanding to the international fronts but to stabilize on satisfying the Finnish market.

Having analysed the state of the products of both case companies Alpha and Beta with reference to the theoretical construct of this study, the next sub heading will focus on the analysis of the process of commercializing the reconfigured products in the two companies and the influence of their business environments on this process.

5.2 Business model Innovation as a commercialization process

According to Amit and Zott (2012) an innovated business model will essentially “add new activities for a business, link activities in a different way and re-organize which party implements an activity”. With reference to case company Alpha, the main product is the construction of residential houses not for low income group but for the middle class and above. In order to successfully sell more houses and improve on the revenue earning scheme, the company is re-structuring their business model and reviving their value creation and delivery activities.
To achieve the re-organization of the business model, Alpha is adding two new activities into its value creation process and these according to the CEO are:

“Home automation and location factor”.

The two new activities mentioned above are to be used in taking the company to a new height by selling more houses than before. It is also noted that these two new activities in the re-configured business model are drawn from the open environment as made possible by the favourable business environment prevailing in Finland where there is little or no hindrance to technological facilities.

On “home automation” as an avenue to successful commercialization on the part of company Alpha, the CEO reinforces this better by positing that:

“The safety of our customers is a top priority for us”.

Still on home automation, company Alpha aims to innovate the lightning system in the product to save customers money, energy and to be eco-friendly. The added features to the existing products are inducted to be in the areas of thermal heating control, extra security and oxygen supply so that these could be remotely controlled or timed controlled to switch on and off as desired by the customers. Smart housing scheme is observed to be a clear area of departure from their existing business model which they aim to put in the market for customers to see what they can offer better than their competitors. It is strongly noted that this is being done with cooperative efforts of other firms situated in the different parts of the region and outside of the region where they are situated.

With location as an added advantage to commercialization process to the firm, the CEO says:

“Location is the key”.
The company will use the construction of residences in the “top-end” areas of the region to attract more customers. The idea, according to the CEO is to build houses in places where competition will be drawn to the barest minimum. Locational factor draws more customers to the firm and the CEO says further that:

“The strategy is to construct houses in good and favourable locations as we don’t intend to build in areas where competitors are building and selling 20% cheaper than us”.

It is observed that Alpha’s method is to be unique from the competitors who according to the CEO are selling:

“At very low prices” and

“Are building just very basic homes and are making profits of 15 to 20% better than us”

To consolidate on this, it is observed that the company, Alpha as a brand, often draws more customers’ patronage to the company and thus is established further by the company:

“One of our sub-contractors called me to say his daughter was going to buy a house but didn’t know the location yet. But when I asked the father (the sub-contractor) where, he said the daughter told him she will buy from us”.

In this light, it is also observed that improved customer service and efficient sales personnel/methods are also the vital keys being revived in order for the company to spawn more revenue through the reconfigured business model that has paved way for more efficient commercialization process of products. Buttressing this, the CEO says:

“We are ten years ahead of our competitors with regards to good customer service and we see ourselves as being one hundred years ahead of them soon though it is difficult for them to admit”.

In this regard, location, revived customer service (team) and home automation are all an essential ingredient being used to commercialize by company Alpha and this is done with collaborative efforts of external stakeholders that include the customers, ICT companies, suppliers and other sub-contracting firms. Coupled with this is the involvement of the customers in co-creation of value being offered by the case company Alpha and as the CEO once again puts it:

“We don’t design anymore, we give the customers empty shell and they design while we build to their taste and input”.

It is also observed that the contribution of the business environment has, in no small measure, aided the effective implementation of these factors based on trust that Alpha will provide durable and qualitative product and the ease with which effective information is received and disseminated.

Based on the previous discussion in chapters 2.2 to 2.2.4, a business model is a firm’s approach on how to create revenue at a minimal cost while at the same focussing on value creation and capturing activities of the firm to ensure this (Gambardella et al. 2010). From this, when a firm generates more income than the revenue, it means it is making the conceptualized profits in the business model. The onus is therefore on the firm to ensure the sustenance of this to stay ahead of competitors by the continued delivery of relevance value to the customers (Gambardella et al. 2010). When the opposite becomes prevalent in this concept, then the firm may have to “adopt a novel approach to commercialize its underlying assets” (Gambardella et al. 2010). On the part of the case company Beta, the openness process is deducted to be playing a greater role on the company’s push to reconfigure the products for successful commercialization.

The above represents the situation for the case company Beta, as deducted in the course of the empirical study. The company’s main product is plastic materials and revenue from this has been reported to be dwindling as the business environment of the firm has not been conducive enough in the recent years. From the interview with GM of the firm it is noted that:
“Political instability in the form of frequent changes in government and policies has not put the firm on a stable revenue generating position”.

According to Schumpeter (1934), for a firm to survive an economic lull in business there is the need for the firm to re-strategize and display an entrepreneurial orientation and this involves the creation of new opportunities or capitalizing on the existing ones to perform better. Such is the case with Beta in trying to curtail the unsavoury business environment that has been inhibiting its production and commercialization strategies.

It is observed that patronage of the company’s various products comes from supplies made to the government and its corporations. Frequent change in government negates the provision of the business model leaving the firm to start from the drawing board again. This contrasts sharply with the position of case company Alpha (in the developed economy) with little or no ties at all to governmental patronage rather than support of the government.

Still on the customer, Beta also positioned its products towards individuals from the firm actually took off and stabilized over the recent years until the drop in the purchasing power of these individuals occasioned by the economic recess in the country which reduced demands for their products. From the interview, it is observed that Beta has noted the increase in the construction of new buildings that include, schools, hotels, churches etc. and which the GM offers:

“In this state, the neighbouring states and the country as a whole, new infrastructures are springing up everywhere with respect to churches, private schools, hotels and others. Our firm is now trying to re-direct our sales efforts towards those”.

Accordingly, it is also drawn up from the GM that to revive the existing product, three areas of the business model have to be re-positioned for effective commercialization process of the firm. The three areas seen in this regards are the resources, partners and the customers. With resources, it is seen that Beta will use human resources better than before and this is observed from the area of marketing.
For transformation of the sales activities, Beta want to ensure the recruitment and incorporation of marketing executives in its key resources to ensure direct contact with customers and the scouting for new infrastructures springing up and the firm tabling a good proposal towards the supply of both plumbing and electric pipes for the identified construction works. For effective reconfiguration of the resources, the firm is observed to have proposed to draw up personnel for marketing activities from the state Polytechnic as it is hoped it will afford the students of marketing the opportunity to be attached to the firm for the one-year compulsory internship scheme of the institution.

Accordingly, and as implied by the GM of Beta, collaboration with the state Polytechnic may mean an effective avenue for the firm to tap into the needed in-bound human resources from the open environment to pave way for value delivery process and the subsequent enhanced commercialization activities. Such is the case with use of the marketing executives from the state Polytechnic. As previously highlighted, the partnering activity for Beta centres on the institution of a higher learning in the state, building contractors and financial institutions. To sell well and expand internationally, Beta’s attempt to reenergize its business model centres on partnership which is observed to be dying. It is seen that by partnering with the financial institution to combat the erratic power supply to boost production and to concentrate more on the promise to the market is a step towards improved value delivery:

“New and bigger electricity generating plants imported from Europe or China will put our power problems to rest and banks’ rescue in the aspect is essential. We are working on something already with them.”. Beta.

Collaborative relationship (Chaston et al. 2012) with partners mentioned above is seen from the activities of the case company Beta to exploit access to new knowledge and to re-strategize the commercialization process to curb the harsh conditions (Chesbrough 2007) prevailing in the market for their products.

From the foregoing and according to Chesbrough (2003) “Every company has a business model, whether they articulate it or not. At its heart, a business model
performs two important functions: value creation and value capture”. These sum it up for the two case companies (Alpha and Beta) selected for research in this study. Notably, is the fact that the business model for the two are not officially enshrined but each department has separated functions under the umbrella of the CEO (Alpha) and the GM(Beta) in ensuring the value creation, capture and delivery process. The lapses therein and coupled with the business environment have worked against these provisions. The end result is the turning around of the business model to revive their separate but existing products for the market. This is deducted not have been done in isolation but in the open where external knowledge and resources are poised to enable an added value to their offering to the customers. Consequently. Each of these case companies has been effective with collaborative resources drawn from the open as avenues to strategize and pave the paths for effective commercialization of their products. In effect, the need to have their products properly reconfigured surfaced as a being a strategic cure for non-effective and moribund commercialization strategies.
6 DISCUSSION AND CONCLUSION

This chapter centres on the conclusion of the theoretical and empirical discussion of this study in order to provide answers to the main research question and sub-questions. This will be hinged on the results of the analysed empirical data collected from the two case companies already discussed in the course of this study and the theoretical framework. In this wise, the previous appraisal will lead to answering of the main research question. Additionally, the theoretical and managerial implications of this study will be illustrated as well as some limitations of this study and the areas for further research also suggested.

6.1 Reflections on the Theoretical and Empirical findings

The purpose of this study was to investigate the role of business model innovation in the commercialization strategies of two SMEs that cut across international boundaries (between a developed country and a developing one) with reference to the use of both inbound and external ideas/technologies in the open environment. According to Anthony (2012) innovation is no longer being centred on the production of goods and services nowadays but on the effective process a business model will use to leverage a firm’s core competence with value delivery. More importantly is the adoption of “open” approach which avails firms the opportunity to consolidate on value delivery and commercialization process through the “exchange of knowledge, resources or capability with external partners” (Gianiodis et al. 2010). Premised on the above reflections the research question asked as follows:

*How will a firm utilize business model innovation so as to commercially revive an existing product?*

To understand this, it is important to state that a business model “*describes the rationale of how an organization creates, delivers and captures value*” (Osterwalder & Pigneur 2009). It also answers the questions: “Whom do we serve?”, “How do we provide it?”, and “What do we provide?”, “How do we differentiate and sustain advantage” and “How do we make money?” (Lowe et al 2007). When the answers to
these questions through a firm’s product (in the market) are not yielding as projected then a replacement comes in the form of an innovated business model. A business model innovation “improves the performance of a business model” (Donald et al. 2004) and also serves as a process for a firm to make available or replace products / offerings to customers that may not have been previously made available to them. In a nutshell, it is the reconfiguration of products to the customers.

The above illustrate the situation with the two case companies selected for this study and being referred to as Alpha and Beta. From the literature review, it is seen that firms whose products may not have been performing to the desired levels as projected in the business model may take a new course of having them re-aligned or revived by innovating their business model. A business model innovation may take several processes in a firm’s efforts to commercialize its products amongst which is the identification of the gap in the existing business model and working towards replacing or revitalizing it. However, chiefly amongst avenues a firm may use to innovate their business model is to draw on the use of external technologies or ideas to complement their own internal efforts.

This is the open innovation model that allows for collaboration on the part of firms in value creation and delivery processes. With the closed approach or internalized R&D, and coupled with technological advancement in most business quarters, firms often face stiff competition when commercializing products/ service offering as all their commercialization efforts which include marketing and distribution are done from within the firm.

It is on these premises that scholars like Chesbrough and Rosenbloom advance the open innovation process to avail firms the opportunities to collaborate and share with other firms ideas/technologies aimed at reviving the performance of their products in the market. As Chesbrough (2003) posits further that the use of both inflows and outflows of knowledge by firms will speed up the reconfiguration process of a product thereby creating the path for commercialization of same product as well as expanding the market reach. According, it is also seen that to ensure the success of a reconfigured products, (human) resources need to be well equipped to brace up with challenges
faced in collaboration with external partners in the OI environment as it has also been uncovered that OI “is no longer a source of competitive advantage but has become a competitive necessity” (Chesbrough et al. 2006).

From the foregoing, it is noted that the renewal of an existing product by firms to successfully commercialize same through an innovated business model requires external inputs, from the OI model which has been described as a “paradigm shift from closed to open” (Chesbrough et al.2006). However, a business model innovation geared towards the commercialization of products in the open innovation environment depends on the prevalent business environment to succeed and this leads us to the next sub-question of this study:

*What is the impact of business environment on SMEs striving to carve a niche in product re-configuration?*

From the theoretical point of view and the empirical data gathered on the two case companies, for SMEs to survive any turbulence in their business operations the operating environment is important. It is noted that the business environment in the developed economies makes it easier for SMEs to be successful in the process of trying to revitalize their products for commercialization than what obtains in the developing economies. Factors attributed to a conducive business environment in the developed world include various legislations put in place to check unhealthy practices but to promote efficiency on the parts of these SMEs and to which our case company in Finland is no exception. The case with Alpha is anchored on an environment characterized with the availability of the needed resources (human, financial, institutions and quality products) that all form a part of the attempts to gain the customers’ confidence by improving efficiently on the products being offered in the market.

Both private and governmental financial support are seen as a key factor enabling SMEs to turn around their business operation with ease thereby ensuring that these firms don’t renege on their value creation and delivery processes. One of such institutions in Finland supported innovative efforts of businesses with about 600
million Euros in 2012 (Ng 2012). Once the environment is favorable with little or no hindrance, coupled with proper infrastructure (like communication and advanced technology), a business is then able to count on the positive response of the customers which could be traced to trust. On the other hand, a non-conducive business environment characterized by lack of infrastructure and too much bureaucracy may bar the efforts of a firm when innovating their business model for commercialization purposes. Such is the case with our case company Beta that operates from a developing economies where lukewarm attitude and negative perception on the part of the customers and government alike has been inhibiting their process of product reconfiguration. The inability to gather much needed support and partnership (traced to erratic supply of resources, obsolete methods and technology) impedes the process of product reconfiguration for the firm. This brings us to the next sub-question of the study which was posed as follows:

*How will product re-configuration help in the commercialization activities for SMEs?*

Previously in this study, we have been able to establish that a business model describes what a firm will do and how a firm will make money (and probably to grow) and expand beyond the local business terrain. This is done through the products being put in the market for sale and the value the customers see and enjoy in the products which helps a firm to retain those customers. In this light, when the customers are not getting the estimated worth of the products, it puts the firm in jeopardized position in the market (competitively) on one hand and with the customers on the other. So, when a business model is no longer “unlocking the latent value from a product” (Chesbrough and Rosenbloom 2002) then there is the possibility to identify the gaps in the business model and reconfigure those to re-capture and re-deliver value for commercialization.

Reconfiguration entails making the value proposition more attractive to the customers (Chesbrough and Rosenbloom 2002) and in this light, the situation with the selected case companies as deducted from the empirical studies calls for the use of both inflows and outflows of ideas and technology to avail the two business ventures better commercialization strategies. Once the core competence of the firm has been established, the idea is that product reconfiguration will open up collaborative avenues
for the firms when commercializing and with an added advantage of improving on their hitherto (obsolete) commercialization processes. It is seen that it will also afford the firm the opportunity to do proper channelization with reference to sales and marketing departments on whether to do direct sales or to establish a spin-off dedicated wholly to commercial activities of the firms.

In all, the reconfiguration of products is an evaluation avenue for firms to identify the areas of lull in product development and to work on closing the identified gaps occasioned by this lull in order to re-position their products for customers and consequently retaining them and warding off competition.

6.2 Validity and Reliability

In this study, the collection of data was done through face-to-face interviews, telephone calls and emails as primary sources of information on the two case companies selected for research. The aim is to validate the theoretical construct of the study through substantiation (Eisenhardt 1989) with the main actors of the companies and this is give readers of the study the opportunity to form their opinions on the collected data. In this light, the research questions drafted were simplified to pave way for additional questions as fallouts from the main questions to avail the study the chances of a wider source of evidence. However, the long distance and the time-constraint impede the execution of a more all-encompassing interview and discussions especially on the part of the case company Beta which is situated in a West African country of Nigeria. Same also goes for the case company Alpha and the CEO (who happens to be the only one who speaks and writes English language fluently) but who always had tight and busy travelling schedule. These affected the flow when conducting interviews to gather essential data.

In furtherance of the above, the indifference of the GM of the case company Beta to release some essential details in the course of the interview also bound the frame of the research and this could be tied up to the negative perception employed by some business ventures in the developing economies of the world when areas for improvement of their business activities are being researched on. Additionally,
language barrier experienced on data made available by company Alpha did little in the collection of data used although translation took place but the originality of data may have been affected. All points to availability of poor data used for the study which may have an impact on the validity of the theoretical construct as well.

In conclusion, despite the deficiencies encountered in the data generation for the study, the research still fulfilled the tenets of the theoretical standpoint in establishing the role played by business model innovation in the commercialization of products by SMEs. Meanwhile, on the basis of empirical stance, the need for further data collection is essential in order to justify and seal the weight and dependability of the results. This is especially true of the case company Beta where it has been difficult to gather information related to the revenue, resources and cost structure in their business model.

6.3 Theoretical and Managerial Implications

The execution of the research is hinged on the heart of the empirical study which is also tied to the results of the interviews collected from the senior staff members of the two case companies selected. As a result of this, the research queries the role of business model innovation in the commercialization strategies of two SMEs across the national frontiers in order to see how a reconfigured product will re-arrest customers’ attention in the market by taking into consideration the varied business environment. In this light, the concept used offers durable managerial implications which the firms need to take into consideration in the course of their future business directions.

Therefore, a firm needs to equip the managers to understand their current business model. A business model can be made great and productive when managers understood perfectly all the aspects of the “nine building blocks” (Osterwalder & Pigneur 2004) and know when changes are required in order to achieve remarkable growth for the company. On the other hand, managers should also know when changes should be made to the current business model in relation to trends in the market for their products. In the absence of all mentioned above, the managerial staff should be to decide when to re-invent or re-align the business model according to the dictate of the market, consumers, business environment or competitors.
Another step is that the firm should be able to create the ambient conducive enough for the managers to identify and capitalize on new and emerging technology (Johnson et al. 2009) in order to consolidate on their value creation activities in the market. This could be the determination of when to use inbound technology to compliment the internal R&D structure of the firm. They should also be encouraged to team up and learn to share information that could help various departments of a firm and unite them all under one umbrella seeking to deliver the firm profitably in the market.

From the theoretical standpoint, the results of the research are in tune with the theoretical framework of the study which placed emphasis on the role of business model innovation as an avenue for commercialization processes by SMEs and using the open innovation process as an ambient to establish that. Based on the position of Johnson et al. (2008), a business model needs to be articulated in order to show signals of, when or when not, to re-invent it to allow the consolidation of a firm’s value creation logic for its customers. Such is the case with the two case companies studied in this research whose products’ revitalizing strategies have paved way for new efforts to commercialize same in a collaborative environment.

Additionally, it is of interest to see the varieties in the business environment of the selected case companies when seeking for external knowledge useful for commercialization of their products which the research work highlighted. The factors that worked for one case company served as the inhibiting factor for the other company in the product reconfiguration strategies in a bid to commercialize. The essence therefore is that the influence of the open innovation is too numerous to be under-emphasized by firms striving to carve a niche in the competitive markets.

Based on the searchlight beamed on the influence of business model innovation in the strategies for commercialization by SMEs, future theoretical research could be directed on the key (human) resources needed to innovate the business model as Chesbrough and Rosenbloom (2002) pointed out that organizational processes must also change to complement innovation in the business model. Linked to this is the fact that further studies could also be aimed at a clear separation of roles of managers of a firm (which is not clearly the case with our two selected companies) in the process to
accomplish and deliver a worthwhile business model for the firm (Chesbrough 2010). It is understood theoretically that a business model innovation will be the avenue to achieve this and this is reinforced by Chesbrough (2010):

“The search for new business model [may mean] extended co-existence between current and new models. Knowing when to shift resources [towards] the latter is a delicate balancing”.

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8 APPENDIX

Interview questions:

- Could you tell me more on (the activities) and about your company?
- How many departments are there in your company and what are their functions?
- How would you define and describe the business model of your company?
- Talking of the value proposition of your company in your Business Model: what is unique about it?
- What do you consider as your key activities in your business model aimed to deliver value in the market?
- Would you like to define your revenue sources as highlighted in your business model?
- Are there parts in your business model that have not lived up to expectations as projected?
- What does commercialization of products mean to your company?
- What are your current commercialization processes?
- What are your commercialization strategies?
- What are the challenges faced by your company in the process of commercialization?
- Is commercialization a top priority for the management of your company?
- How do you coordinate commercialization process in your firm?
- Would your firm consider innovating their business model?
- What aspects of your business model would consider for innovation?
- Would your firm consider innovating their business model commercially to revive an existing product?
- How does your R&D function now?
- Any challenges facing your R&D?
- What do you think of openness in the course of innovating your business model?
- Would your company consider collaboration in the course of having their business model innovated?
• Would you consider using external knowledge or technology to maintain the competitiveness of your company?
• Would be in-bound or out-bound for you?
• Would you consider cooperating with external partners like customers, suppliers, universities etc. in the course product re-configuration to capture and deliver value in the market?
• What would then be the impact of open innovation for you in your commercialization strategies?
• How would business model innovation then help in your commercialization strategies based on open innovation?
• Have your company been collaborating with others to commercialize products?
• How and what are the effects?
• What would you say of the operating environment for your business?