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# Challenging the Enterprises' Business Model: helping entrepreneurs to understand and interpret opportunities and threats

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Christopher J Brown\* and Diane Proudlove

University of Hertfordshire, de Havilland Campus, College Lane, St Albans, Hertfordshire  
AL10 9AB, United Kingdom.

E-mail: [c.3.brown@herts.ac.uk](mailto:c.3.brown@herts.ac.uk)

\* Corresponding author

**Abstract:** This research article explores the challenges for start-up and early-stage SMEs in understanding business problems and the potential solutions.

**Keywords:** Business Models, Innovation Systems, Sensemaking and Business Value

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## Introduction

Enterprises are presented with ever increasing challenges regarding marketplace uncertainty and ambiguity. They face competitive pressures from local and international sources, their competitors are constantly tweaking products and services to jostle ahead of them, and their customers expect responsiveness and innovativeness to their expressed and latent needs. The enterprises' very success, and survival, depends on their ability to change their business, market and product strategies to fit these challenges.

Underlying these business, market and product strategies is the enterprises' business model. Simply, business models are an organisation's understanding and interpretation of how they currently, and in the future, achieve their revenue and profit streams. These business models, used by the senior management and employees, are often based on outdated perspectives of both how the marketplace works and the changing business and customer values expected by their demanding stakeholders. In SMEs the creation, development and creative deconstruction of business models is most often driven by the founding entrepreneur, or subsequent corporate entrepreneurs brought in to provide professional management of these rapidly growing businesses.

Interestingly, more recent research has strongly linked entrepreneurs' mindset, or mental models (Zahra, Korri et al. 2005), associated with the challenges to the enterprise, with their drivers for innovation and changes in their enterprises' business models. Certainly research has identified the potential value changes, business and customer, that can often facilitate the construction and deconstruction of business value-based innovations (Munive-Hernandez, Dewhurst et al. 2004), and then reflecting these in their overall business processes.

This paper discusses the research study, undertaken by the authors, to explore the link between entrepreneurs' understanding and interpretation of business opportunities and threats, and the potential influence in challenging their mindset business model. The paper begins by discussing the two broad approaches to modelling enterprise strategies and the resulting integrated business models: innovation and process orientations.

## The Business Model: two perspectives

Business model (BM) research has highlighted the link between the innovation and business model changes (Pateli and Giaglis 2005). If viable and sustainable business models are critical for business performance, then understanding and interpreting the internal and external marketplace and mapping this against the enterprises' competencies, capabilities and overall product/service offerings is essential. The challenge for enterprises is the approach taken in reviewing their business models, and the challenge in BM change. Creating or changing the BM is a risky strategy. Depending on the level of risk aversion enterprises focus on one of two strategies: an innovation orientated approach of radically creating an entirely new BM, or

choosing an improvement type strategy which is less risky and extends or renews the existing strategy and BM.

These two approaches to understanding business models, their creation, development and creative deconstruction are discussed in the following two sub-sections.

### *The Business Model: the Innovation orientated*

An innovation-orientated approach to business model analysis is a very systematic examination of the 'creative factory' of an enterprise's product or service development pipeline (Pateli and Giaglis 2005). Understanding and evaluating the enterprises' innovation systems to create, develop and deliver products and services directly provides both financial and non-financial metrics (Pohlmann, Gebhardt et al. 2005). Innovation can deliver 'first mover advantage' and sustainable competitive advantage, but it relies entirely on applied creativity, and therefore highly innovative and creative cultural environments (Khandwalla 2006). For enterprises that have conservative or bureaucratic cultures this can represent a significant mindset change: this can be a challenge.

These mindset changes originate from the different stakeholders re-evaluation of the business model, and specifically its ability to sustain a viable revenue and profit stream. What are these challenges and how do they potentially impact on the sustainability, and viability, of the business model?

**Innovative Leadership** large and small enterprises globally are aware of the opportunities and threats represented by today's uncertain and ambiguous marketplaces (Cravens 1998), but their current mindsets are unable to create the new dialectical synthesis required to change. The inevitable dialectical synthesis, combination of seemingly opposing forces, required to identify opportunities and threats within the marketplace highlights key issues:

- a focus on clear market identification (Weinstein 2006);
- challenging the existing mindset segmentation of customers/consumers – understand and interpret their perspectives;

**Market and Business Legitimization** are the means by which enterprises attempt to improve their economic performance with the act of stimulating radical and incremental innovation (Gilbert, Ahrweiler et al. 2007). Research (Calia, Guerrini et al. 2007) has focused on the increased resources these technological innovation networks provide, but not on the opportunities presented for:

- challenging individuals' mindsets on product idea creativity and innovation, particularly the identification of viable marketplaces;
- increasingly, technological and radical innovation come at a very high cost, therefore the ability to identify viable marketplaces and appropriate business models providing sustainable and profitable revenue streams is critical.

**Knowledge Management** is the litmus test of an organisation's success for creating new products and services, and ultimately sustaining revenue and profit streams (Pohlmann, Gebhardt et al. 2005). Research on innovation processes establishes a positive relationship between innovation and enterprise performance (Galanakis 2006). However, these studies on innovation process look at the mechanisms behind the processing of innovative ideas to product launch, not the mindset perspectives that helped develop and sustain an appropriate innovation system. To explore this, organisations must challenge the mindsets upon which these innovation systems were first created, mostly by evaluating the dialectical synthesis associated with its primary goals:

- to challenge the resource mindsets surrounding product-focused and organisational competencies;
- the leadership style of entrepreneurs and followers and respond appropriately to the external drivers (Pina e Cunha, da Cunha et al. 2001);

These three innovation drivers effectively become the enterprise's innovation strategy for a new business model, but importantly the model is missing one important element: what is the full economic cost of implementing the changes? For this the authors used a second business model, the process orientated perspective.

### The Business Model: Process-oriented

The process-orientated business model approach to analysing business environments (internal and external) is not new, nor is there much agreement on the approach to take. But at least there is a core agreement based on the theory of economic development (Schumpeter and Opie 1934), that value is created from the unique combinations of resources with the intention of producing innovations that position it within the broader value creation network (Morris, Schindehutte et al. 2005). These value creation networks utilise the competence developments of the different partners, internal and external resources, to create and deliver new customer value (Berghman, Matthyssens et al. 2006).

These value-based systems have inputs, processes and outputs. The EFQM model (Robinson, Carrillo et al. 2005; Rusjan 2005) is often used to show the interconnectivity of market drivers, customer value-adding business processes and Key Performance Indicators (KPIs). This business process model has been selected here to illustrate the common approaches and attributes of this process-orientated perspective, see table 2 below.

The overall process-orientated business model identifies the interrelating value-creating, development and delivery stages by which enterprises achieve their long-term sustained revenue and profit streams by re-evaluating the specific value-adding components of the EFQM model, and the challenges faced:

|                                   |   |
|-----------------------------------|---|
| <b>Leadership</b>                 | more often than not, perpetuates the status quo, it is easier to maintain the same course, the products and services, than it is to re-examine, and re-engineer existing management processes (Hamel 2006). Whether participative, transactional or transformational leadership styles are adopted existing business models are rarely abandoned completely, most new leaders pick up from where the last left it, often making the same mistakes regarding assumed business, market and customer values. Very few have the time or motivation to challenge the underlying business model, and instead spend their time working at operational levels to control costs; |
| <b>People</b>                     | are the pivotal competencies and expertise around which current and future products & services are based, yet professional training development programmes are increasingly cutback (Rajadhyaksha 2005). At the same time employees are focusing on the opportunities for professional development, enhancing their value to the organisation, and their future employability within the wider employment community. Yet very few businesses have even engaged in the task of marrying current competency mapping to future business needs (Guimaraes, Borges-Andrade et al. 2001);   |
| <b>Policy &amp; Strategy</b>      | Considerable time and effect is often put into the business, marketing and product planning stages (Miller and Cardinal 1994) of either new product developments, or the annual assessment of previous, current and future prospects;   |
| <b>Partnerships and Resources</b> | Significantly the most important decision that enterprises have to take to enable them to progress projects and programmes and change their futures. Few enterprises have an explicit strategy regarding the means by which they openly facilitate organisational learning, and clearly partnerships and networking are a significant vehicle by which these can be stimulated (Gilbert, Ahrweiler et al. 2007);  |
| <b>Processes</b>                  | are the result of experiential learning; they reflect successes and failures of the business. They are also a cognitive framework by which organisations  |

formerly learn and evolve a changing shared mental model of their company, their market and their customers (Sinkula, Baker et al. 1997). Information acquisition and dissemination is the engine driving this process ;

**Key Performance Results** Considerable tools and metrics now exist to provide very detailed performance metrics. This data is incredibly valuable for monitoring and controlling existing actions plans, and the effectiveness of these activities (Morgan, Clark et al. 2002). However, the challenge for enterprises is to create, develop and deliver performance results that provide, succinctly, the information absolutely essential for determining the effectiveness of the current business model, and helping to identify where perhaps the business model is no longer performing.

**Innovation and Learning** Perhaps the most important element of our process-orientated business model, yet the one that is almost always at the bottom of the priority list when it comes to resource allocation and mobilisation. Very few organisations explicitly manage their innovation processes, or understand the intricate demands and issues associated with effective organisational learning (Dougherty 1992). Understanding, interpretation and sense-making are the three core skills that underpin effective innovation systems and learning processes, yet very few enterprises audit or facilitate this skills-building.

Evaluating the business model from the process-oriented approach aligns the processes to the known market drivers, establishing clear road-mapping for all functional roles to understand their part of the overall value-orientation strategy. However, this can only deal with what's known, previously experienced and learnt; it is poor at adjusting for uncertain and ambiguous market environments.

The next section identifies the broad research aims, and importantly the initial research questions used in the interviews to explore entrepreneurs' approaches to business opportunity and threats analysis.

### **Exploring Entrepreneurs' Perception of their Existing Business Model**

The research study set out to explore the entrepreneurs' approach to the evaluation of business opportunities and threats, and any subsequent changes needed to their mindset business model. They were asked five basic questions on how their business reacted to business opportunities and threats, and specifically how they evaluated these and any subsequent changes they might make in their business model. The five questions were reasonably generic and applied to product and service-based organisations large and small:

1. Describe your existing business model?
2. What type of business opportunities and threats do you face each year?
3. How do these opportunities and threats challenge your existing business model?
4. How do you evaluate these opportunities and threats?
5. What are the critical factors determining a positive outcome?

The next section discusses the research methodology used.

### **Research Strategy**

The research design was based on an exploratory strategy collecting data from two sources, using two methods: the first, a literature review; the second, twelve semi-structured interviews examining the perceptions of entrepreneurs concerning the link between business opportunities and threats, and their mindset business models.

A small sample of SME entrepreneurs were selected, based on three principal criteria: they had direct control of the enterprises resources and were the principal entrepreneur; their respective businesses were well established and they had an initial mindset business model; and lastly, they had the desire to grow their enterprises. As such this sample should provide information-rich case material (Patton and Patton 1990). As Patton (199, pp 169) observed: "Information-rich cases are those in which one can learn a great deal about

issues of central importance to the purpose of the research”. These six entrepreneurs were randomly chosen from UK industry, some coming from manufacturing enterprises and others from the service sector.

Content analysis was used on the transcripts from the interviews. Nvivo software, a Nu\*dist type qualitative analysis software package, was used to help organise, code and provide statistical data on the resulting axial and core codes. A key concern was the validity of the content analysis, therefore considerable weighting was given to the latent sense-making the entrepreneurs put on their actions and subsequent understanding, rather than just the superficial interpretation of the literal content.

## Evaluating Business Models: an Entrepreneurs’ Perspective

The research study conducted interviews with twelve entrepreneurs from a selection of product- and service-oriented enterprises. Initial analysis of these entrepreneurs’ transcripts suggested two important steps associated with the evaluation of business opportunities and threats, and the subsequent impact on their mindset business models:

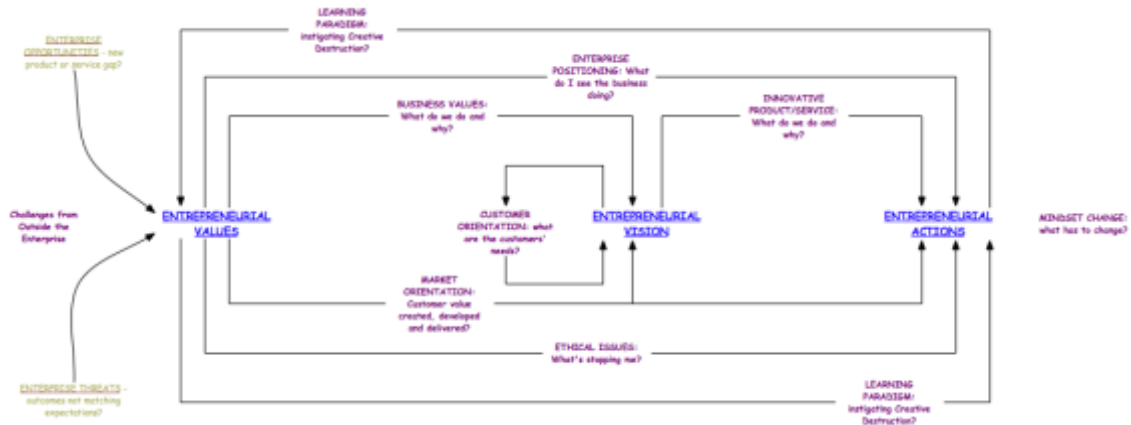
- The first, was a re-evaluation of the entrepreneurs values and purpose, and as a consequence that of the enterprise;
- The second was the potential changes to the entrepreneurs’ mindset BM, supporting both the enterprises’ innovation orientation and its more systematic process model that creates, develops and delivers the enterprises’ value propositions.

Each of these is explored further in the next two sub-sections.

### Changing Entrepreneurial Values and Purpose

Research into the link between entrepreneurship and innovation processes (McFadzean, O’Loughlin et al. 2005; Shaw, O’Loughlin et al. 2005) has mapped, in considerable detail, the role and activities of entrepreneurs in changing innovation processes. These models assume a stability in the overall business model that will allow these processes and innovation management approaches time to assimilate, understand and change. Increasingly SMEs operate in marketplaces that dramatically change over months. Entrepreneurial orientation is not in question, but the speed at which a BM changes is, and hence the exploration of entrepreneurs’ initiation of change in SMEs, a valuable lesson that larger organisations may be forced to adopt. Entrepreneurial literature (Brazeal 1996) processes many steps and stages by which they challenge the status quo, but few of these show the experiential learning as a constantly evolving cycle by which they adjust to external and internal factors.

**FIGURE 1: Entrepreneurs’ values and purpose – challenges and changes**



Identified in these entrepreneurial values and purpose, mapped above, were three interrelated themes challenging the entrepreneurs’ values, beliefs and future actions:

### Entrepreneurial Values

The entrepreneurs’ values are constantly being challenged externally by the business opportunities and threats arriving at the enterprise’s door every day. These opportunities and threats push the entrepreneurs to challenge, encourage and examine three interrelated value drivers of the enterprise:

- **Customer orientation:** is the enterprise meeting the customers' expressed and latent needs?
- **Market orientation:** is the enterprise building a range of differentiated products or services by which to separate it from the competition?
- **Enterprise Values:** are the underlying value propositions driving market, product and brand strategies.

### **Entrepreneurial Vision**

The entrepreneurs' vision, as a consequence of the challenges to their entrepreneurial values, does change and the consequence of this change is that they need to make other changes:

- **Enterprise Positioning:** how does the enterprises' position 'Fit' with these changes, does it need to change what it does, how it does it and the underlying value propositions?
- **Innovative Products/Services:** what should they do and why?

### **Entrepreneurial Actions**

The entrepreneurs' actions reflect the overall change in their mental model of the enterprise and its 'Fit' to the marketplace. As a consequence, there are perceived changes in the enterprise's underlying business model:

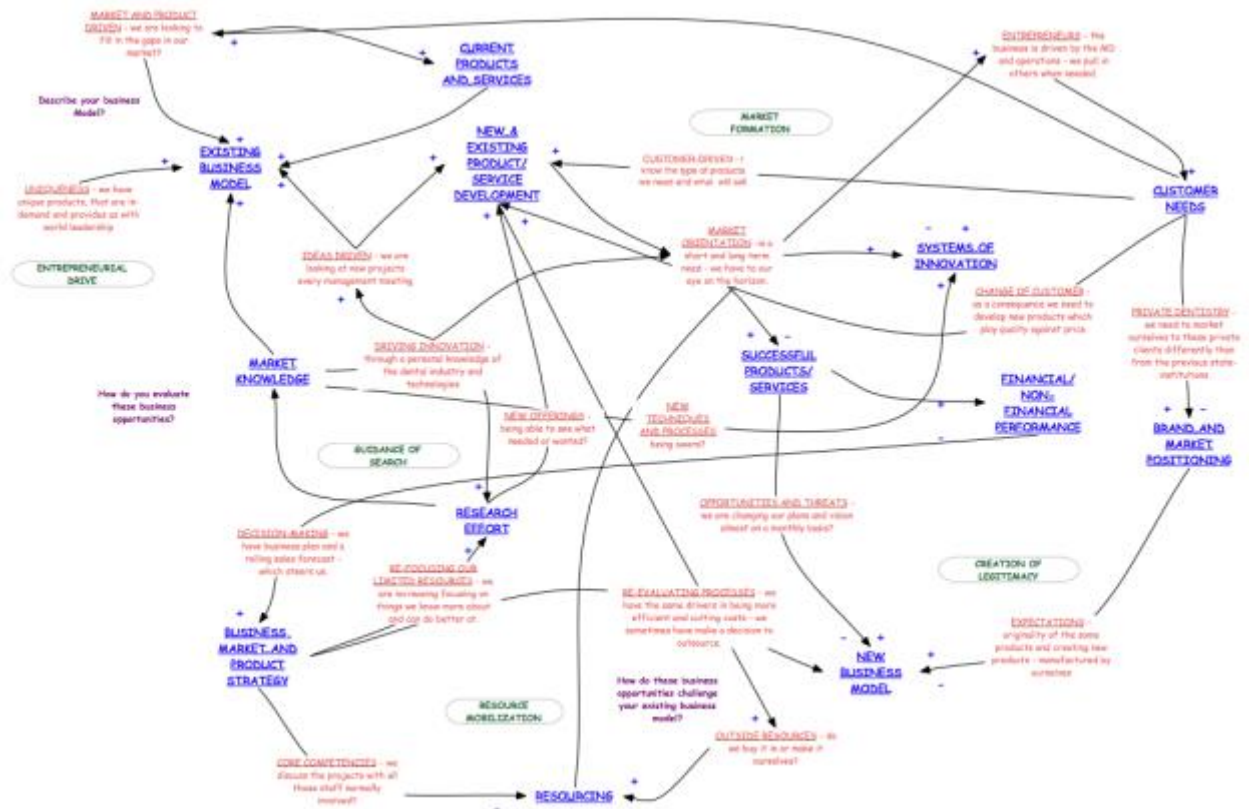
- **Current Business Model:** is the enterprise meeting the stakeholders' expressed and latent needs?
- **'New' Business Model:** is the entrepreneurs' understanding of how the enterprise should operate, to respond better to opportunities and threats.

The changes in the entrepreneurs' values and purpose drive a change in their mental model of the enterprise, more specifically the underlying mindset business model. The understanding and interpretation that entrepreneurs use to create, develop and destroy the enterprises' business model is explored in the next section.

### *Emergent Mindset Changes to the Underlying Business Model*

Certainly the research on the link between entrepreneurship and innovation (McFadzean, O'Loughlin et al. 2005; Shaw, O'Loughlin et al. 2005) has identified the important entrepreneurial input to the process of change. The resulting innovation processes are often complex and prohibitively expensive in resources and time to suit the SME marketplace. Lean innovation (Rothwell 1994) may present an offering to speed up developmental time and decrease costs, but in reality they are still too targeted towards medium to large organisations operating in marketplaces where they have established a market position and the marketplace is relatively stable. Entrepreneurs' mental models of the internal and external environment must challenge the enterprises' underlying value and purpose, their innovation systems and the underlying business model supporting its operation and survival, this is reflected in figure 2. below:

**FIGURE 2: Mindset Business Model – Linking value changes to the Business Model Synthesis**



The analysis and exploration of the interview transcripts for broad themes, by which these entrepreneurs re-assessed their mental models of the enterprise and the potential changes in the supporting business model, resulted in six broad interrelated themes:

**ENTREPRENEURIAL INITIATION**

Ultimately it was the entrepreneur who initiated change because of the challenges associated with his assessment of the enterprises’ values and purposes:

- **Values:** Its not very surprising that entrepreneurs talk first and foremost about their value propositions, and especially how these are challenged by the current business opportunities and threats:  
 “Innovative world leader in our field”

“Unique in the UK”

“Go above and beyond client expectations”

Research(Thomke and von Hippel 2002) suggests that resolving conflicts between customer and business value is fundamental to business models.

- **Vision:** Operational excellence and success focus on entrepreneurial leadership (Darling and Beebe 2007), unsurprisingly, the author’s research suggested that vision directs their values and activities:  
 “Seek the big break”

“Originality: constantly reinvent to stay ahead of the competition”

“Fill the gaps – identify new territories and new products”

But these vision perspectives are very much driven by the entrepreneurs personality (Chapman

2000), and this suggests that entrepreneur type and enterprise performance are very much linked.

- **Entrepreneurial Actions:** Entrepreneurial actions are the critical pathways to the creation, development and creative destruction of sustainable business models, our entrepreneurs were no different to thousands of others focused on gaining the all important competitive advantages and improved performances:

“Use technological advantages – be better, faster, more efficient”

“Be competitive or create new markets”

“Take advantage of the market position to diversify and exploit opportunities”

“Seek easy ways to add value to the business of our clients and their clients”

These entrepreneurial actions may strengthen the existing mindset business model the entrepreneur has for his enterprise and the environment, or it may stimulate differing levels of innovation. [More research is needed regarding what stimulates the successive stages of this mindset business model analysis and evaluation?]

## **KNOWLEDGE AND EXPERTISE**

Two important factors emerged consistently among the entrepreneurs regarding the very early stage evaluation of business opportunities and threats and potential changes to their mindset business model, and these were:

- **Assessing expertise:** often associated with external networking to help the enterprise collaborate and develop future strategic partners by which new products and services could be created, developed and delivered in a timely manner:

“If we haven’t got someone we start looking at how to get them”

“I’ll take the samples to the best dealers, get their feedback about whether they are the kind of products the market will accept and, if so, those retailers help understand what the market will pay”

“I typically discuss the issues with a close advisor who effectively acts as a non executive director”

After assessing the need to change the business model, identifying the new knowledge needs of the enterprise is the second most important issue facing entrepreneurs.

- **Managing Information:** Accessing the relevant information needed to make the all important decisions on where to look and what to seek, requires an understanding of the key information categories and the means of acquiring and disseminating it:

“We win business by using our relationships to get information about what our competitors are doing”

“We have one problem with the sample size, we need a larger sample to be able to feel comfortable about the data”

“We are always systematic ..... we analyse to death and then we act”

Entrepreneurs are looking to develop or modify their external innovation systems – the sources of knowledge and information they have already developed, that previously have helped them to where they are today.

## **LEADING THE SEARCH**



Where was the innovative leadership to come from? What would be used to understand the rationale for innovation:

- **Innovative leadership:** leadership and innovation are very much linked to business performance (Topalian 2000), but little has been researched on the longer-term impact of entrepreneurs on innovative leadership. The authors' findings suggest that innovative leadership is uppermost in most entrepreneurs minds, but few think further than the next 9 – 12 months:

“Passionate about what I am doing...offer companies USPs which enable us to stand out whilst we create opportunities for them”

“Vital you make proactive positive decisions”

“Constantly assessing the validity of the things you have done and put in place”

The insights these entrepreneurs (Dutta and Crossan 2005) have concerning the means by which to create, develop and deliver new customer-valued products and services, drive all subsequent actions. This innovative leadership is still highly subjective, based mostly on a belief in the true potential of the undertaking.

- **Road-mapping:** holds considerable value for entrepreneurs and enterprises in knowledge management, and then of course make decisions on a more up-to-date perspective of the enterprises' options and strategies. Our entrepreneurs either formally or informally utilise road-mapping as a means to both analyse the problems, and communicate to others on potential strategies:

“Either use the technological advantage to produce a product better, faster and more efficiently or, if the level of investment is prohibitive, make the decision to outsource”

“Make decisions based on where you see the brand sitting price wise and work back from there to satisfy the distribution chain...if it becomes apparent that cost and retail price don't meet we won't go with it”

“It has to be commercially viable; there isn't any cost analysis done as such but if I can see a good return on my time and resources I will go with it”

Yet, another area where entrepreneurs often feel they could do more, and benefit from it.

## MARKET IDENTIFICATION AND SEGMENTATION

Identifying the market for the proposed product or service concept, and then the targets' mindsets:

- **Market identity:** new market creation is a search and selection process, but turning them from a theoretical perspective into firm reality takes a variety of exploratory strategies (Sarasvathy and Dew 2005). Entrepreneurs are well aware of the importance of the interactional approach to building markets; they are masters to varying degrees:

“We have had to find a number of new approaches to the way we market our products because instead of marketing to state owned organisations we are selling higher priced alternatives to private organisations”

“What really appealed was the opportunity for volume and repeat business so I focus on these targets “

“Our clients vary from SMEs to Blue chip organisations such as Hewlett Packard and NHS trusts: they are looking for a quality standard but invariably need so much more”

The entrepreneurs interactions with their perspective stakeholders effectively creates new

markets, markets which are established based on commitments made by both parties, the customer and the stakeholder.

- **Market Segmentation:**

“We keep an eye on the domestic market as people have reduced spending ...an alternative is to have a product which is more expensive initially but lasts longer and is cost effective”

“All decisions are made at head offices of the target companies so will send them complimentary products and then do a follow up”

“We target the large scale projects because that eliminates many of the smaller companies who are unable to finance, insure and bond such schemes”

## **MOBILIZING RESOURCES**

Two very important issues challenging the viability of the product or service concept, and with which entrepreneurs are concerned:

- **Team development:** is a very challenging issue for most entrepreneurs, yet because of the nature of these fast-growing businesses, they attract a certain type of individual who is not looking for security but instead professional development (Friedman and Phillips 2004). This is reflected in the some of the entrepreneurs concerns about engaging their team members, and changing the roles of these people, both to facilitate future innovation and creativity, and provide a challenging environment by which to achieve team commitment:

“We do an internal culture audit: how do we conduct business and are there any gaps between this and the expectations of the PPPs.... We must have commitment and motivation from the team”

“You have to change everything from the way management works in the business to people’s roles to the way infrastructure works”

“Management time is taken up with HR or Health and Safety – that’s two areas we have decided to outsource to independent consultants so management can focus on the things they know more about and do better”

An increasing part of the drivers in team learning is freeing off time for teams to create and develop their own networks, using internal and external resources, and to outsource activities that don’t add business, market or product value.

- **Financial and Non-financial support systems:** can be an enabler, and barrier, to innovation, increasingly entrepreneurs are starting to look at these support systems, not purely from their financial delivery perspective, but on their potential impact on the creativity and innovation process:

“We produce a rolling 12 month cashflow forecast”

“Annually the whole business is reviewed and the Heads of Cost examined; we question where we can improve and where we can be more efficient”

“We have had a network installed so that staff can access central files and introduced software to give us a more accurate pipeline on where the business is at, as it develops”

“My husband is helping me out with the finances and some marketing and I also have an administrator who works part time”

Finance is a central factor in the internal stimulus for innovation, if funding is not available to invest in potential market opportunities, to free-up time for innovators within the organization to explore technological, operational or product innovations, then innovation is being stifled.

## LEGITIMIZING THE NEW BUSINESS MODEL

Who is going to support and sponsor the changes, and what is required for the creative destruction stage:

**Advocating Processes:** entrepreneurs may be the “Godfather” in their respective enterprises, capable of wielding the leadership and resources to bring to bear on the specific opportunity or threat, but they are not the only gatekeepers. Various gatekeepers were identified by the entrepreneur as essential for the future success of the product and service concepts:

“You learn to prioritise as you get to know your business”

“We need to identify essential internal and external resources critical to the success of the project”

The identification, recruitment and nurturing of these gatekeepers are pivotal to the advocacy process of legitimizing the future business model.

- **Creative Destruction:** often the greatest challenge to the entrepreneurs’ mindset business model is their ability and willingness to re-invent and re-engineer their respective enterprises (Gibb 2002). Interestingly, the entrepreneurs all felt a need to challenge the status quo, if not always the commitment to change their business model:

“Some projects take a lot of research. We may not have time at the point at which we need to make a decision to get this information, so we may go ahead and then find things are more onerous and question our original decision. The decision was legitimised by the original process but that doesn’t preclude our ability to subsequently withdraw”

“You can’t afford to stand still in this market: if you have something good someone will copy it and the copy artists kill you with price”

“Looking for the break that will allow me to change the business model and employ a full time salesperson”

Risk aversion and level of confidence in the evaluation and analysis of these business opportunities and threats, provides an important factor in an entrepreneurs overall willingness to instigate this final and important ‘creative destruction’ stage.

## Conclusions and Managerial Implications

The initial findings of this research study suggest a hierarchical approach by entrepreneurs in assessing the influence of business opportunities and threats on their mindset business model, and subsequent changes in the underlying business processes:

### Entrepreneurial Values and Purpose

Entrepreneurs’ deliberate on the potential impact of business opportunities and threats on their own values, vision and actions. As a consequence of this deliberation they either undertake a re-evaluation of their mindset business model, discussed below, or not;

### Mindset Business Model

Entrepreneurs’ having revised their values and the purposes associated with the existing business model undertake to challenge the underlying premise by which it was originally constructed. They re-evaluate:

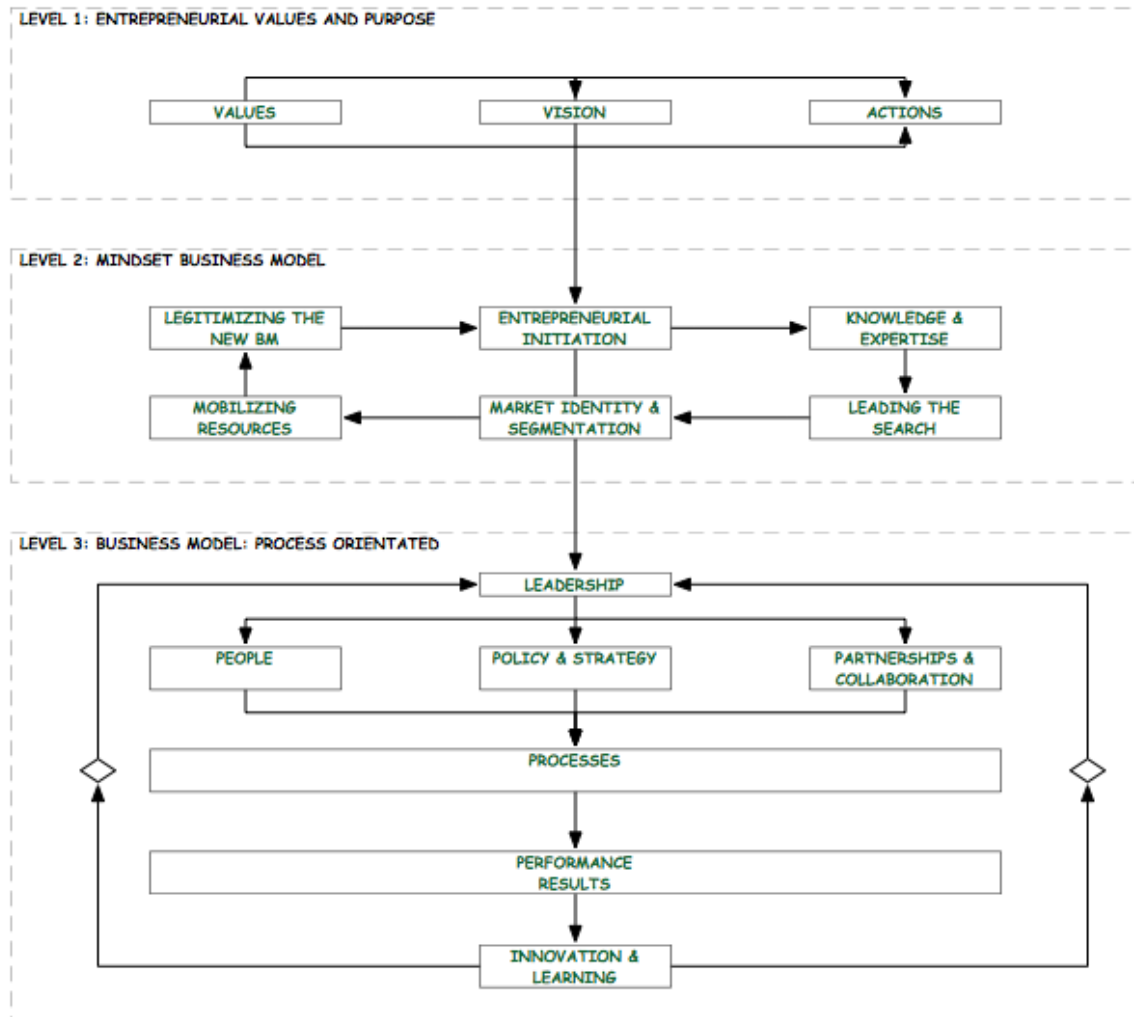
- its values and purpose;
- the knowledge and expertise needs;
- what is guiding the search;
- market identification and segmentation;
- issues of resource mobilization;
- the legitimization of the new business model.

## Changing the Business Process

the entrepreneurs' then delegate this new business model to their managers to operationalise, and provide repeat delivery.

This three-level hierarchical approach has a degree of synergy with other research on the links between corporate entrepreneurship and innovation systems (McFadzean, O'Loughlin et al. 2005; Shaw, O'Loughlin et al. 2005), and innovation systems and business model changes (Pateli and Giaglis 2005). See figure 3., below:

**FIGURE 3: Three-level Hierarchical Approach to Understanding and Interpreting Enterprise Challenges**



Reviewing the learning process by which entrepreneurs rationalise the analysis and evaluation of these business opportunities and threats, their potential influence on the enterprise, and therefore any subsequent changes in the underlying business process models, does fit with the 4I framework of organizational learning (Crossan 1999). Entrepreneurs exhibit these four stages of learning:

- Intuiting:** recognition of an opportunity and threat, and its possibilities to change things positively or negatively. For entrepreneurs' this happens at the initial Level 1 stage, of evaluating and validating their vales and purposes, and therefore those of the enterprise;
- Interpreting:** the explaining of this insight to oneself. Again part of the Level 1 stage of learning;
- Integrating:** developing a shared understanding and potential collective action to realize the full potential of the business opportunity and threat. This corresponds to the Level 2 stage for the entrepreneur, when their values and purpose change, they instigate a

mindset business model re-evaluation, and start to bring people and tools in to legitimize the potential product and service changes;

**Institutionalising:** the development of a rationalized business, existing or new, by which to sustain collective actions. Lastly, the entrepreneurs will delegate the task of operationalizing the new business model to their trusted managers, level 3.

### **Future Research**

The initial findings from the research study provide an emergent learning framework that could help other enterprises analysis and evaluate their own opportunities and threats. The potential value of this as both a tool and also a sense-making exercise warrants further study. There are three factors that do need further research: entrepreneurial types, organizational resources (in particular, the evaluation of the different gatekeepers and their relative power within the enterprise), and marketplace dynamics. The authors have already engaged on the next part of this research which is to conduct a research survey using the emergent learning framework.

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