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## **Developmental Paper BAM2019**

### **Title**

The relationship between not-for-profit business models and strategic organisational change

### **Summary**

This paper outlines some initial findings from a research that explores the relationship between business models and organisational change in not-for-profit organisations, specifically how business model analysis leads to new organisational strategies and supports the transition to a new organisational structure. The research uses the multiple case study approach drawing on documentary and empirical data, for example, in the form of interviews with senior executive level (ex) employees and (non) participant observation. The paper offers some insights into WWF's change process and how it linked the design of its new business model to its organisational change process.

### **Track**

20: Organisational Transformation, Change and Development

### **Word Count (excluding tables and references)**

2'067 (plus title, summary, track, word count, plan on paper development and authors)

1'786 (body of paper)

### **How you plan to develop the paper prior to the conference**

The researchers are currently conducting interviews at WWF and the second case study. This will be ongoing until the end of June 2019, with coding and analysis until August 2019. This allows the researchers to present preliminary results of both case studies at the conference.

Comments and feedback are invited on all aspects of the research, from input into the literature and study design through to tentative findings and conclusions. These can then be incorporated in the research and write-up of the two presented case studies, and in the research process of the third case study.

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## **Introduction**

The aim of this research is to increase the knowledge of not-for-profit business models, by exploring the relationship between business model and organisational change, and how business model analysis leads to new organisational strategies and supports the transition process to a new organisational structure within not-for-profit organisations.

Traditionally, the business model was used as a tool to analyse existing business models and describe new ones (Osterwalder, 2004; Doz and Kosonen, 2010). It is rarely used to determine an organisation's change process (De Reuver, Bouwman and Haaker, 2013). The combination of changing business models with its related organisational change is a relatively unexplored area (Foss and Saebi, 2015). Appelbaum et al. (2018) argue that the change from one to another business model involves an organisational change, with some authors stating that the business model approach could contribute to this change process (Basile and Faraci, 2015; Ritter and Lettl, 2018).

There was, among not-for-profits, a common misperception that as they were not businesses, they did not have a business model (Kaplan, 2012), or not a clearly defined one (Foster, Kim and Christiansen, 2009). Yet, every organisation has one, as they create, deliver and capture value (Kaplan, 2012; Osterwalder and Pigneur, 2010). Hence, the concept of business model is perceived to be applicable to every organisation (Osterwalder and Pigneur, 2010; Vives and Svejnova, 2011). All organisations need to continuously reconsider their business models, as the dynamic external environment does not permanently guarantee successful performance (Spieth, Schneckenberg and Matzler, 2016). This has gained acceptance in the not-for-profit sector (International Civil Society Centre, 2016).

## **Literature review**

### **Business models**

Although research into business models has increased since 1995 (Zott et al., 2011), the literature is fragmented, with no definite agreement on what constitutes a business model (Massa, Tucci and Afuah, 2017). The research presented in this paper uses the following definition: A business model describes "... *the rationale of how an organisation creates, delivers, and captures value*", Osterwalder & Pigneur (2010, p. 14). The business model can have different functions, such as: understanding the organisation (Casadesus-Masanell and Ricart, 2010), acting as a management instrument (Osterwalder, 2004), as a blueprint (Demil and Lecocq, 2010), supporting transformations (Demil and Lecocq, 2010), communicating (Shafer, Smith and Linder, 2005), as well as, providing a general description of how an organisation creates and captures value (Baden-Fuller and Morgan, 2010).

Teece (2010) links business models to the vision of senior management, as an organisation's business model reflects their hypothesis of the customers, the state of the market and how the organisation should react to this. Consequently, when senior management change their hypothesis, the organisation's business model needs to change (Saebi, Lien and Foss, 2017), leading to organisational change.

### **Business model and organisational change**

One major change of an organisation's business model is by business model innovation. This is described by Wirtz, Götzel and Daiser (2016) as the design of a new business model in the market, accompanied by an adjustment of the value proposition and/or value constellation with the aim of securing a sustainable competitive advantage. Business model innovation is often associated with a disruption in the market (Saebi, Lien and Foss, 2017). An organisation's business model change can be less dramatic than business model innovation. Change can be discreet, for example when a business model adapts (business model adaptation) as a result to a change in the external environment (Saebi, Lien and Foss, 2017). A change can also be gradual, an evolution of the business model, which is more internally-initiated "... *a fine tuning process involving voluntary and emergent changes in and between permanently linked core components*" (Demil and Lecocq, 2010, p. 227).

Implementing a business model change requires an organisation to conduct a successful organisational change (Appelbaum et al., 2018). Studies have shown that many organisational change projects fail or are not sustainable in the long-term (Appelbaum et al., 2018). This impacts the implementation of the organisation's new business model. Therefore, it is important for the business model research to link more with the organisational change and change management research streams, and work on the research gap of how organisations can transition to a new business model (De Reuver, Bouwman and Haaker, 2013).

Not-for-profit organisations, like any other organisation, change over time. There have been extensive reorganisations of not-for-profits over the past few years (International Civil Society Centre, 2013). One trigger for a changing business model is the changing external environment, for example, political disruptions, changes in the traditional not-for-profit organisation's intermediary role, entry of new players, new ways of working (International Civil Society Centre, 2013), changing technology, interconnection of global problems (Bond, 2015) and reduced funding (Kaplan, 2012). Another explanation is the teleology organisational development theory of Van de Ven and Poole (1995). This states the development of an organisation proceeds towards a goal or an end state with the need to change arising when the organisation needs to adjust its course to reach this identified end state. Laurett and Ferreira (2018) highlight the need for not-for-profit organisations to adapt and engage in new strategies, practices and innovative methods. The environment for both for-profits and non-profits is forever changing, hence business models require constant observation (Euchner and Ganguly, 2014).

In all of this, one can observe the link between business model and organisational change. A point highlighted by Appelbaum et al. (2018) who recommends further research on this relationship. Focussing on not-for-profit organisations combines the expertise of the researchers and supports business research of not-for-profit organisations, as recommended by Schwenger, Straub and Borzillo (2014).

## **Methodology**

The explorative case study was considered the most appropriate research methodology due to the limited studies combining business model and organisational change (Appelbaum et al., 2018), and limited public knowledge of not-for-profit business models (McCambridge, 2018). Explorative case studies aim for an in-depth contextual understanding (Saunders, Lewis and Thornhill, 2016) and generation of rich and empirical descriptions (Yin, 2009) for the development of theory (Saunders, Lewis and Thornhill, 2016).

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The World Wide Fund For Nature (WWF) is the primary case study. In 2014 WWF started its change process to become a 21<sup>st</sup> century organisation and transform the way they work (WWF, 2016). The researchers were able to collect case study data between 2014-2018, as one of the researchers was a member of working groups established during the organisational transition process (as both participant and non-participant observer). Data collection included internal organisational documents between 2014-2016 and external publications between 2014-2018.

In addition to the primary case study, two additional case studies are being researched. These case study organisations have undergone or are undergoing an examination of their business model and an organisational change process. A limited number of case studies enables deep understanding of the organisations, the change processes and contextual environments.

During the first phase of the research, the researchers developed a business model framework to enable analysis of a not-for-profit organisation's business model. This business model framework was tested on seven case studies and is being used for the in-depth analysis of the earlier mentioned three case studies.

During 2017-2018 a literature review of the different research streams: business model, business model change, not-for-profit and organisational change management, was conducted. In addition to academic literature, the researchers also used grey literature, for example, reports from expert organisations. During this period, the data from the primary case study was (re-) examined, coded, and analysed. The case study research is combined with documentary and archival research.

The researchers are currently conducting semi-structured interviews with current and former employees of WWF and at the second case study (an international not-for-profit women's peace organisation). The interviewees are senior executives that possess strategic insight of the organisation and the change process.

The data analysis follows the flow of activities as defined by Miles, Huberman and Saldana (2014) with data collection, data condensation, data display and drawing/verifying conclusions. The coding of the data started with a list of a priori codes based on existing theory and literature and the researchers own knowledge, which can be later supplemented by other codes.

### **Preliminary findings and discussion**

The preliminary findings are based on the documentary research of the WWF case study and data collected when one of the researchers was an observer during the organisation's change process.

WWF's organisational change process was structured in a manner that development and approval (from the organisation's governing bodies) of the new business model was the first step. This was followed by the development of strategies for the global conservation programmes and simultaneous development of the organisational model of the programme offices and restructuring of the organisation's secretariat (to align with the changed global organisational business model). WWF's changing business model was communicated to all staff throughout the transition process affording them the opportunity to make the link between these changes. The process of design and approval of the organisation's new business model took place between 2014-2016, while the subsequent strategy-forming and organisational change process occurred between 2015-2018.

WWF does not seem to be unique in terms of how it orchestrated its transition. Basile and Faraci (2015) state that configurations of the organisation's business model involve interactions between the various business model framework elements and its organisational alignment. The changes in the organisation were related and linked to the change in their business model (WWF, 2017) therefore WWF considered this to be a single change process.

The major factor for the initiation of WWF's change process was as a response to external environmental influences (WWF, 2018), rather than to develop a new disruptive business model. One can, hence, conclude that the organisation went through a business model adaptation process as defined by Saebi, Lien and Foss (2017). Given the current pace of societal, technological, and environmental changes, international non-profits, like other organisations, need to reassess the validity of their strategies and structures more frequently and remain open to organisational change. (International Civil Society Centre, 2016). WWF is trying to incorporate this element in its new organisational model. In addition, WWF is also working to include innovation, the ability to incubate new ideas and take them to scale, within its structure (WWF, 2016). In short, the organisation is aiming to move towards continual business model evolution, by constantly fine tuning its business model and related organisational strategies and structures.

## **Conclusions**

This research explores the relationship between business model and organisational change, and how business model analysis leads not-for-profit organisations to new organisational strategies and supports their transition to a new organisational structure. Whilst findings are limited at this stage, some insight has been gained on the relation between organisational business model change, and subsequent organisational change process. As the interviews and subsequent coding and analysis continue, further findings will become apparent and will be shared at the BAM conference in September 2019.

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