Exploring the Drivers of Business Model Innovation: Insights From a Single-Case Study in Agribusiness

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Abstract: Business model innovation has become a crucial factor for firms to remain competitive and achieve sustained success in today's rapidly changing business environment. The concept of business model innovation involves fundamentally changing the way a firm creates, delivers, and captures value, with the aim of creating value for the customer and capturing value for the company. However, despite its importance, the factors that drive firms to innovate their business models are not well understood and often assumed to be driven solely by profit. To address this gap in understanding, this research aims to examine the drivers of business model innovation in firms. Through a review of existing literature and a single case study, the study will explore the motivations and pressures that lead firms to seek new business models, as well as the internal and external factors that influence their ability to successfully implement these innovations. The case study will provide a deeper insight into the real-world complexities of business model innovation and will shed light on the practical considerations and challenges that firms faced in this process. The findings of this study will contribute to a deeper understanding of the drivers of business model innovation. By exploring the strategic, organizational, and external factors that influence the decision to innovate, this study will provide a more nuanced view of the complex process of business model innovation. In conclusion, this research will contribute to the existing literature and provide a practical example of a firm looking to stay ahead of the curve and maintain a competitive advantage.

Key-words Business Model Innovation; Case-study; Agroindustry; Drivers; Strategic innovation; Value creation

1. Introduction

In the rapidly changing business environment, business model innovation has become crucial for businesses to maintain their competitiveness and achieve long-term success (Carayannis, et al, 2015; Chang and Matsumoto, 2022; Foss and Saebi, 2017; Santa-Maria, 2022). In an environment where technology, customer expectations, and market conditions are always changing, businesses must adjust their strategies and develop new methods to create and capture value (Hanelt et al, 2021; Schoemaker, 2018; Shams et al, 2021). To generate value for the consumer and capture value for the business, business model innovation entails fundamentally altering how firms create, deliver, and capture value (Teece, 2010; Amit and Zott, 2001; Zott et al, 2011).

Business model innovation is becoming increasingly important (Amit and Zott, 2001, 2012; Foss and Saebi, 2017), yet its driving elements are little understood (Bock, 2012; Schoemaker et al, 2018). While profit is frequently regarded as the primary motivator, there are other factors that inspire businesses to pursue new business models.

According to the literature on business model innovation, it may be viewed as an architecture for creating, distributing, and capturing value (Teece, 2010). However, the process of business model innovation is complex, and many companies encounter difficulties while attempting to innovate.

Previous research has identified motivations of business model innovation, such as the need to enter new markets, boost productivity, or benefit from new technologies. Businesses are also motivated to create new business models by organizational factors like shifts in leadership or corporate culture as well as external reasons like market conditions or client demands.

To successfully implement new business models and reap their advantages, companies must, however, get through both internal and external obstacles. Employee resistance to change, a lack of resources or knowledge, or the difficulty of unifying diverse organizational parts under a new model are a few examples of internal difficulties. Competition, governmental constraints, or a lack of customer demand are examples of external problems.

The purpose of this study is to investigate the motivations and forces that drive businesses to create novel business models, as well as the internal and external factors that affect these organizations' capacity to put these innovations into practice. It will examine prior research and present a case study that suggests the real-world
difficulties and worries that companies have while trying to reinvent their business models. Through an analysis of the strategic, internal, external and network factors (Ujwary-Gil and Potocz, 2020) that influence the decision to innovate, this study will offer a more nuanced understanding of the complex process of business model innovation.

The results of this study will be helpful to managers and executives who wish to comprehend the factors that lead to the development of new business models as well as to academics and researchers who wish to investigate the complexities of this quickly evolving area of business strategy.

2. Literature review

Although the origin of the business model concept is believed to stem from corporate practice (George and Bock, 2011; Lecocq et al, 2010), the business model concept only gained traction in recent years, as noted by Spieth et al (2014), Chang and Matsumoto (2022) and Pitelis (2022). In the 1990s, researchers in Strategy and Entrepreneurship began constructing and applying a more comprehensive description of a corporation’s business processes and how they link to create value (Zott et al, 2011).

Several factors have been identified by the literature on business model innovation that drive firms to explore new business models.

2.1 Strategic drivers

Among the strategic drivers are the desire to expand into new markets, the need to increase efficiency or the opportunity to leverage new technologies. Business model innovation can assist companies in breaking into new markets by creating fresh value propositions and revenue sources (Chesbrough, 2010), by focusing on underdeveloped markets or developing new client groups, business model innovation can be utilized to break into new markets (Johnson et al, 2008), and can aid companies in breaking into new markets by creating distribution channels or establishing powerful alliances (Osterwalder et al, 2005; Ujwary-Gil and Potocz, 2020). Business model innovation, according to Zott and Amit (2010), can assist companies in expanding into new markets by utilizing their resources and competencies to develop new goods and services. Since businesses are driven to improve operations, save costs, and satisfy changing client needs in a constantly shifting business environment, increased efficiency has previously been cited as one of the drivers of business model innovation (Chesbrough, 2010; Foss and Saebi, 2017; Zhang et al 2021). In this situation, businesses can optimize resource allocation and enhance procedures to cut costs and boost productivity (Teece, 2010). The potential to use new technologies is cited as a key driver of business model innovation (Chesbrough, 2010; Teece, 2010). While Zott et al (2011) contend that new technologies can present chances for businesses to construct new business models, Foss and Saebi (2017) point out that they can help businesses develop new value propositions or access new markets.

2.2 Organizational drivers

Organizational drivers include shifts in leadership, corporate culture, or the adoption of new procedures and systems (Kafetzopoulos, 2021; Oliveira-Dias et al, 2022; Zhao et al, 2019). Changes in leadership can be a significant catalyst for the development of new business models. Strong leaders may help to drive change and make sure that their firms remain competitive in a fast-changing business environment by introducing new insights, developing a vision for the future, and encouraging an innovation culture. According to Foss and Saebi (2017), leadership is a key factor in business model innovation. Overall, these studies indicate that alterations in leadership can be a significant driver for new business model development. Strong leaders may help to drive change and make sure that their firms remain competitive in a fast-changing business environment by introducing new insights, developing a vision for the future, and encouraging an innovation culture.

2.3 External drivers

Finally, external drivers include modifications to the economy, governmental policies, or consumer demands and expectations. These factors are crucial for motivating businesses to investigate new business models and innovate in ways that can keep them competitive in the fast-paced business world of today.

According to several authors (Gassmann et al, 2014; Chesbrough, 2010; Zott et al 2011; Foss and Saebi, 2017; Teece, 2010; Zhang, 2023), modifications in the state of the market can be a significant driver for business model innovation. According to these sources, businesses may be compelled to innovate their business models to stay
competitive as market conditions change due to things like shifting customer preferences or the introduction of new technology. For instance, Gassmann et al (2014) stated how market upheavals might make businesses rethink their company strategies and Chesbrough (2010) points out that when businesses are confronted with fresh difficulties, shifting market conditions might present possibilities for business model innovation. They contend that as enterprises must navigate a complex legal environment in order to access outside knowledge and resources, government restrictions can significantly influence business models for open innovation. Businesses attempt to adjust to new regulatory requirements and abide by evolving standards, governmental regulations may serve as a catalyst for business model innovation. In their 2010 article, Zott and Amit underline the significance of taking regulatory considerations into account while developing new business models, particularly in highly regulated sectors like the healthcare and telecoms. Legislative reforms can foster innovation and open up new market opportunities. However, laws may also prevent businesses from testing out novel business strategies or upending the status quo. Government laws, according to Amit and Zott (2012), can both present difficulties and possibilities for business model innovation since they need businesses to negotiate complicated regulatory frameworks in order to develop new value propositions and revenue streams.

3. Methodology

A single-case study was selected as a valid research method as the focus is on a single unit of analysis, in this situation, a multinational corporation acting in agroindustry and food sector. The aim is to understand in-depth the phenomenon under investigation. The case under investigation was based on theoretical selection rather than statistical reasons (Glaser and Strauss, 1967, Pettigrew, 1988).

A case study in agribusiness is a particularly interesting case to study drivers for business model innovation because the industry is often characterized by a high level of complexity and a wide range of interrelated factors. Agribusiness companies are subject to a variety of external pressures, including changing market conditions, environmental factors, and regulatory changes, as well as internal pressures such as the need to optimize production processes and increase efficiencies. Furthermore, agribusiness firms are often involved in complex supply chains that require close coordination with other actors, including suppliers, distributors, and retailers. Given the multifaceted nature of agribusiness, studying drivers for business model innovation in this industry can provide valuable insights into the challenges and opportunities that firms face when attempting to innovate their business models. Additionally, we found a highly dynamic and technological sector, in which innovation is sparsely investigated and misperception of general population and a sector with a rich trail of history and maturity. The decision to select this specific sector and corporation for our case study was driven by the primary factor of needing to achieve a rapid product-market fit.

Acknowledging limitations on a single case study as (1) generalization (2) subjectivity (3) external validity (4) significant resources and (5) limited scope, a single-case method was selected as allows in-depth examination of this case, which can lead to a rich understanding of the phenomenon. The method allowed researchers to collect detailed and comprehensive data, which provides a holistic view of the case. The case can contribute to the development of theories in the business model innovation field, as it provides rich and detailed data to support or challenge existing theories.

3.1 Case sampling and data collection

Following the single case study strategy (Ozcan et al, 2017; Yin, 2018), we employed a variety of data sources to obtain detailed and nuanced insights, which supported the development of empirical theory from field data. To explore and discover new information, we employed multiple stages of data collection, building on initial insights and interpretations to improve our understanding of the data and emerging theories (Corbin and Strauss, 2015). To conduct this case study, we employed a qualitative research approach that included multiple data collection methods. From June 2022 to March 2023, a total of 10 months were spent doing the study. Fieldwork, archival research, and interviews were the approaches used to obtain the data. To collect information, we mainly used qualitative interviews (Kvale and Brinkmann, 2009). With the help of this method, we were able to collect extensive and detailed data for analysis. We conducted a total of 16 hours of interviews with key stakeholders: 2 interviews with the CEO, 1 with the Marketing Director, 2 with the New Products Manager and 1 with the Production Responsible. The interviews were conducted in-person or through Zoom platform and were transcribed for analysis. More than 20 internal and external company documents, such as product lists, company presentations (including a report from June 2022), annual reports for the firm (2005-2022) and the RAR group (2019-2022), and other pertinent files, like e-mails, were gathered. For insights, these documents were read
through and examined. To better understand their operations and manufacturing procedures, we conducted a field visit to the company’s warehouse and factory. An in-depth grasp of the business’s operations and innovative processes was made possible thanks in large part to this visit.

Thematic analysis was used to examine the information gathered from the interviews, document analysis, and field visit. In order to acquire insights into the company’s operations, difficulties, and strategies, we found recurring themes and patterns across the data. All participants were made aware of the study’s goal and given the opportunity to give their consent in order to uphold ethical standards.

3.2 Data analysis

We used thematic analysis, a technique for extracting patterns and themes from qualitative data. As advised by Braun and Clarke (2006), we used an iterative and methodical strategy to make sure that our analysis was rigorous and reliable. To ensure accuracy and consistency in our interpretation of the data, we went through several steps of data coding and theme identification.

Open coding was the first step in our data analysis, during which we looked at each item of data (interview transcripts and archival documents) to find the initial codes and themes. We later went over and improved these early codes to create more conceptual and abstract themes that could be used throughout the full dataset.

Triangulation and reflexivity were two of the procedures we used to assure the validity and reliability of our findings. These actions aided in raising the reliability of our conclusions and raising the overall standard of our study.

This led to the development of a preliminary framework that revealed different drivers, both internal and external, that have influenced the company’s innovation over several years. In the subsequent rounds of interviews, we aimed to expand and clarify the emerging concepts while also identifying any interrelationships between categories and constructs. As the interviews progressed, we compared and contrasted the preliminary findings with the existing literature on business model innovation drivers, which helped to complement and validate our emerging interpretations. Additionally, we drew on secondary data to verify, validate, and complement the interview findings. Finally, we integrated the emerging categories into an overarching theoretical framework and conducted a final round of focused coding to ensure that we had explored all the emerging categories and achieved data saturation (Saldaña, 2021). The resulting framework is presented in Figure 1.

![Figure 1: Coding structure](image-url)
3.3 The case

3.3.1 Group history

Vitacress, is an European fresh produce supplier, specialized in watercress, salads, and fresh herbs. It was established in Hampshire, UK in 1951 by Malcolm Isaac, who started growing freshwater watercress in the UK in the 1970s. However, due to limited production capacity, and after a visit to Algarve in 1981, it started to experiment watercress production in this Portuguese region. Algarve’s fertile soils and unique climate proved to be ideal also for baby leaf production, and it started to be a complement to the English production. Vitacress started its operation in Portugal in 1981, with a 15-hectare production site in Almancil, Quinta do Lago. The business in Algarve was successful, and they quickly began exporting to England. In few years they started to package products which facilitated the hygiene and transportation. Then the package was seen as a differentiating factor. Besides hygiene and convenience, it was possible to differentiate a product that was a commodity before. In 2003, they established new facilities, including a washing warehouse, which further improved hygiene and transportation processes.

3.3.2 The market and competition

Most of the competitors operate under white label branding (supermarket/distribution brands originally imitating existing products). Some other players operate under brand products. The business model of the competitors revolves around fulfilling the customer’s demands, which is something that Vitacress has invested in and experimented with extensively. As a result, the internal perception is that the competition was originally merely imitating and following Vitacress’s lead (nowadays is also innovating). The Spanish market is five times larger than the Portuguese market, which encourages the brand to innovate and expand into Spain. Presently, Vitacress holds 15% of the market share, and it is a relevant supplier for the supermarket brands. The differentiation from competitors comes in multiple ways: expertise on baby leaf products (vs. cut vegetables - perish faster); service provided; quality and innovation. Other competitors, known for their innovation, however, there is the client perception that their products may be of lower quality.

3.3.3 Innovation

![Figure 2: Business Model Innovation throughout the history of the company](image)

From a purely agricultural company to one that stands out from the competition - become a branded company, client driven and focused on the market needs. It has a commitment to continue to improve and find solutions for daily life and differentiate itself in the offer of vegetables, make salads easier to use - increase salad consumption and increase convenience.

The company embodies an innovative mindset, with a customer focus and a commitment to best practices in their fields. They strive to be responsible innovators, continuously testing new products. In 2008 it is launched
the “ready-to-eat” category (washed salads, washed vegetables and Wok meals) and the “Complete meals” category (ready to serve meal - salads with protein) is launched in 2018.

In 2022, they introduced 447 new or modified references (for new or existing products). Introducing new product categories is crucial for building trust with their B2B customers, which requires new packaging and branding to accompany the product launch. Overall, the company’s commitment to innovation seems evident in their various initiatives, partnerships, and product offerings.

Their unique European climate provides an advantage in producing the freshest, tastiest, and healthiest product possible. The company’s washed and packaged product offers several advantages, including hygiene, ease of transport, product differentiation, and preservation. Ultimately, their main goal is to provide consumers with a convenient, identifiable, and high-quality product that meets their needs and exceeds their expectations.

Vitacress operates with agility in their daily activities, given that the product has a limited shelf life. They face a tight window of 4 to 5 days to harvest the product, which leaves them with only 1-2 days to wash, pack, and deliver to customers. With such a short operating chain, they need to be agile and respond promptly to unexpected situations, such as weather variations, other challenges that affect crop in the field.

Fortunately, the company seem to have the support of their customers, such as supermarket chains, who are willing to take risks and invest in new products and solutions. Moreover, customers are open to testing these new products in the market.

4. Findings/analysis

Business model innovation is a critical aspect of organizational strategy and growth. The case of Vitacress, an agribusiness corporation, several key themes and patterns emerged in the analysis of their business model innovation (Figure 1).

Our empirical analysis focused on exploring and capturing the process that complex environment firm undertakes when it innovates its business model in a moderate dynamic environment (Ghezzi and Cavallo, 2020). According to our findings, this business innovation process is driven by Efficiency needs, Customer value, and Risk management. In this section, we provide a detailed description of our findings.

4.1 Efficiency

Agribusiness company Vitacress innovated its business model to boost production and organizational effectiveness. The business was able to discover and eliminate inefficiencies, minimize waste, and maximize resource allocation by implementing novel packaging and streamlining operations. This made transportation easier and reduced costs, which increased convenience for the business and its customers. Additionally, the company’s goods and services were delivered faster and with higher quality, which increased customer satisfaction and loyalty.
satisfaction and loyalty as well as sales and profits. The company's pursuit of nimble and adaptive practices contributed to its ability to maintain competitiveness in a business climate that was changing quickly. According to the research, efficiency is a key component in the creation of new business models since it enables companies to reduce costs, boost productivity, and react swiftly to market and customer demand changes. In order to keep ahead of the competition, it stressed how crucial it is to give priority to efficiency and adopt flexible and responsive processes.

4.2 Customer value

Vitacress' dedication to enhancing internal efficiency on a constant basis fuels innovation, expansion, and the delivery of value to stakeholders and customers. The company did this by introducing less perishable goods like baby leaves, expanding its product lines through crop rotation, and providing cleaned and bagged goods for the convenience and hygiene of its customers. In order to comprehend consumer needs and assess potential product concepts, Vitacress also placed a strong emphasis on direct client interaction and market research. This aided the business in encouraging customer education, diversity, and innovation. For instance, the demand for quick and wholesome meal options led to the creation of the ready-to-eat line. In summary, sustained internal efficiency improvement can promote innovation, business expansion, and deliver benefits to stakeholders and customers. Vitacress did it by creating new products, retaining customer engagement, and introducing new product lines that satisfy consumer wants while still being competitive in the market.

4.3 Risk management

Managing risk is a key internal driver of business model innovation, as corporations continuously prioritize risk management, including market risk and operational risk such as crop, handling, and transportation risks. Businesses can lessen the likelihood of mistakes, defects, and other issues that could result in monetary losses or reputational damage by prioritizing efficiency and finding and removing inefficiencies in their processes.

Product diversification is a technique that can satisfy customer needs, boost sales, and manage operational risk by reducing risk. Introducing new products allowed Vitacress to implement crop rotation, which allowed, for instance, decreased the likelihood that crops would fail due to weather, pests, or mildew.

A continuous and everyday innovation attitude was ingrained throughout the company as a result of its innovation culture, which was used to both foster innovation and control risks. The company differentiated itself through product innovation, which assisted it in standing out in both domestic and foreign markets, to manage market risk and deal with competition that frequently copies inventive items.

In summary, organizations prioritize risk management through efficiency, product diversification, and innovation. Risk management is a fundamental internal driver of business model innovation. The company Vitacress serves as an illustration of how to use these internal impulses to reduce operational risks and set apart through product innovation. Corporations may manage risks and maintain competitiveness in dynamic and competitive marketplaces by fostering an innovation culture and continuously enhancing operations and goods.

5. Conclusion

Efficiency, customer value, and risk management have all been discussed as drivers of business model innovation in this study. Because it enables businesses to save costs, boost productivity, and boost their competitiveness in the market, improving internal efficiency is a major factor in business model innovation. Another key factor is increasing customer value, which enables businesses to add value for their clients, foster client loyalty, and spur revenue development. A major force behind business model innovation, risk management enables organizations to avoid losses in revenue, harm to their reputations, and other undesirable outcomes.

Overall, the drivers of business model innovation are closely interrelated, as improving internal efficiency can help corporations to increase customer value and manage risk, while creating value for the customer can help corporations to improve efficiency and manage risk. Therefore, it is important for corporations to focus on these drivers in order to drive innovation and growth, while delivering value to their customers and stakeholders.

Moving forward, further research is needed to explore the specific strategies and approaches that corporations can use to effectively leverage these drivers of business model innovation. By doing so, corporations can continue to drive innovation, remain competitive, and create value for all stakeholders.
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