Understanding New Business Model Addition and Incumbent Performance Change

By

Dr Sungwook Min
California State University, Long Beach, USA

Date: Monday, 17 January 2011
Time: 2:30 p.m. - 4:00 p.m.
Venue: M802

All interested are welcome
Understanding New Business Model Addition and Incumbent Performance Change

Abstract

Not all incumbents perform better after adding a new business model, which raises the question, under what conditions does new business model addition improve incumbent performance? Extending the innovation literature, the authors develop a contingent alignment framework for analyzing changes in incumbent performance. After identifying two types of incumbent assets, complementary and conflicting, they highlight the influence of two types of managerial action—timing and organizational mode of the addition — that act as enablers for incumbent performance change. The proposed contingent alignment thesis states that incumbent performance after new business model addition should improve when the incumbent firm exhibits agility (i.e., aligns complementary assets with early addition of the model) and adaptation (i.e., aligns conflicting assets with addition of the model as an autonomous business unit). To test these hypotheses, the authors analyze a ten-year time series of 513 observations associated with 56 publicly traded, physical-store-based retailers that added online retailing as a new business model. Most of the test results supported the hypotheses.

Dr Sungwook Min earned his Ph.D. from Purdue University. His research interest includes survival of market pioneers, new product survival in high-technology markets, and business model creation and innovation. His research papers appear in top marketing journals - Journal of Marketing and Journal of Marketing Research - as well as in Journal of Management. He is currently Associate Head of Marketing Department in California State University, Long Beach.