

**New ventures in emerging industries:
Approaches to business model development**

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Abstract

It is well known that ventures in emerging markets are confronted with uncertainty (on the level of the technology as well as the market) complicating the upfront identification of viable business models. Market signals and technical tests may afterwards reveal information that was unknown or uncertain at the outset. As a result, most initial selections of business models by new businesses are re(de)defined later on. This observation directs our attention to the question *how new ventures in emerging industries characterized by uncertainty approach the issue of business model development*, a topic which has received limited attention in the literature so far.

In a first part of the paper, we outline the theoretical background of our research with respect to business models and their development in circumstances of uncertainty. We find that (a) previous entrepreneurship research has demonstrated that – under uncertainty - ventures either commit to a specific business model, or adapt it by making stepwise, sequential changes, (b) these identified approaches of ventures to business model development are less numerous than what can be expected based on literature outside the entrepreneurship scope, and (c) there is no clarity in entrepreneurship literature about the appropriateness of causation/planning versus effectuation/action for business model development under uncertainty.

Given that we want to explore how new ventures in emerging industries characterised by uncertainty approach business model development, we adopt an in-depth case study approach. We retrospectively study and analyze five new ventures. The main selection criterion is that they were all initially confronted with uncertainty regarding their business model. Based on event analysis of these five case studies, we identify different patterns in the way ventures develop their business model. Our most important finding is that commitment and sequential experimentation are not the only development patterns. More specifically, we identify a third approach to business model development, namely simultaneous experimentation with a range of business models. We see that ventures initially develop a portfolio of business model experiments. Over time, they filter out the most promising ones, until they arrive at a viable business model.

Firstly, this finding adds to the existing literature on approaches to business model development (which – as explained above – only distinguishes between two approaches, namely commitment and sequential experimentation). We explain in detail how simultaneous experimentation with a range of

business models differs from these two approaches. Secondly, since simultaneous experimentation with a range of business models is very successful for the ventures in our study, this also challenges traditional investment models pushing ventures to focus on the development of one single business model. Thirdly, whereas existing literature juxtaposes experimentation and planning, our case studies show that these are not necessarily opposites. The ventures that simultaneously experiment with a range of business models, do this in a conscious, planned way. They even explicitly plan for it in their initial business plans. Our work hence also adds insight into existing research on effectuation/bricolage versus planning/causation. Whereas existing research disagrees on whether or not experimentation/bricolage is more appropriate than planning under uncertainty, we propose that a combination of planning and experimentation is feasible and may even be preferable under uncertainty.