An organised response to change

Expert in corporate strategy and international business, Professor Xavier Martin discusses his wide-ranging research to help businesses innovate, and he describes the recognition he has received in his efforts towards achieving successful change.

Can you begin by outlining your professional background?

After obtaining my PhD in Business Administration from the University of Michigan, USA, I became a faculty member at New York University’s Stern School of Business and Columbia University’s Graduate School of Business. Today, I am Professor of Strategy, International Business and Innovation; Deputy Head of the Department of Management; and co-founder of the Center for Innovation Research, at Tilburg University in the Netherlands.

What is the principal focus of your research?

My research examines how corporate strategies, interfirm relationships and knowledge-based assets affect each other and jointly affect firm performance. More recently, I have been focusing on organisational models – how can they be adapted to fit evolving technology and needs? What are the consequences?

Can you elaborate on this most recent research? What do you hope to achieve with your current project?

This groundbreaking research examines how organisations renew their ‘business model’, i.e. the way the organisation relates to others and delivers value. As social changes and economic competition render previous models obsolete, organisations increasingly need to question their model. Yet, the process and conditions for their transformation are difficult to research because they are often confounded with changes in a firm’s strategy and position in the marketplace. Using qualitative and quantitative methods, we demonstrate the mechanisms for successful change in two key sectors: water authorities and the videogame industry.

Building successful business models

Researchers from Tilburg University are developing novel organisational model solutions to help businesses and other organisations remain relevant in the face of change.

EVERY ORGANISATION HAS a model – a template of how it interacts with its customers, suppliers and stakeholders. For corporate enterprises, this is often referred to as a business model. Unlike these static models, the world is changing; society and the economy are constantly evolving. These changes have a large impact on businesses and other organisations,
in many cases rendering their models obsolete. To successfully adapt, organisations must be dynamic, altering their model in terms of what they offer and how they operate. However, agreeing to such change is often difficult, and implementing it is a major and risky undertaking.

Dr Xavier Martin, Professor of Strategy, International Business and Innovation at Tilburg University, researches organisational models, their value and how new models can be developed. Alongside PhD student Koen van den Oever, he is investigating their performance in the Netherlands and beyond.

Martin is focusing on two prominent sectors: water authorities and the videogame industry. These two sectors are high priorities for the Dutch Government, and they offer opportunities to learn lessons generalisable to other organisations and countries. Using mixed methods, the team is studying causes and processes of obsolescence and adaptation, examining under what circumstances organisations collaborate in response, and assessing how these partnerships affect the successful development of a new model. The outcomes of this research will benefit academia by generating new knowledge on organisational models and will aid businesses and other organisations by increasing the value and relevance of their offerings.

EXAMINING HOW CHANGE IS INITIATED

In the water authority sector, Martin and van den Oever assessed the decision making processes surrounding organisational model change, an interesting and underexplored problem. To add detail to this picture, they compared two different types of change: boundary contraction – where an activity is outsourced – and boundary expansion, where a new activity is added to the existing portfolio of an organisation.

Based on studies of four key decision making processes, they found that the process of organisational model change differs in an interesting way from existing ideas about organisational change. For example, middle management plays an important role in adaptation and deploys original tactics to enable the change process. Moreover, the solution depends on the type and cause of resistance within the institution – in other words, why does a part of the organisation believe that change will be harmful?

Delving deeper into this question, the duo revealed that different sources of resistance are present in different types of organisational adaptations. Where the institution faces shrinkage, upper management are reluctant to change the existing model, while when presented with opportunities to expand, they are reluctant to do something new. This distinction is subtle but important, and it has consequences that structure the entire decision making process.

2006 saw technological development prompting videogame publishers to reorganise their transactions with customers.

FROM PHYSICAL TO DIGITAL DISTRIBUTION

Percentage of publishers per business model

- D-20
- 20-40
- 40-60
- 60-80
- 80-100

2005 2006 2007 2008 2009 2010 2011 2012

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WHY CHANGE?

In a related strand of research, Martin and van den Oever have assessed business models in the videogame industry, with a focus on the determinants of change. Over time, the match between the business model, the firm’s characteristics and its environment may decline. For an organisation to survive, therefore, it must alter its business model. The researchers studied the decisions preceding this change, determining which factors influence a firm’s likelihood to adopt a new business model. The study – one of the first to analyse business model decision making using a large empirical sample – was based on the global videogame industry from 2006-12.

Martin and van den Oever’s analysis uncovered that a large array of factors influence the tendency of a firm to alter its business model, including past performance and the firm’s market position. Martin therefore advocates that future studies of business model dynamics should consider both internal and external factors. When considered alongside recent macroeconomic changes, the paper’s findings strongly suggest that additional research on business model adaptation is needed.

SUCCESSFUL TRANSFORMATION

Martin and van den Oever’s past research endeavours have shed new light on how organisational models are adapted and transformed, and they are currently examining the timing, completeness and eventual success of organisational model adaptations and transformations. These activities not only contributed to scarce academic literature in this field, but will also help companies and other organisations facing obsolescence to innovate their way out of it, developing models that will work in their new environment and open novel growth opportunities.

Are there any you are especially proud of?

I received two prestigious awards at the onset of my career: the Richard N Farmer Best Dissertation Award from the Academy of International Business, and the Best International Paper Award from the Academy of Management. These awards demonstrated that my work was of high quality and offered new insights. Subsequently, I received the Haynes Prize for Best Paper from the Academy of International Business, which is a prominent mid-career award. In recent years, I have been pleased to receive various paper and conference awards that recognise the quality of research conducted with current and former PhD students.