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Aligning Multiple Stakeholder Value Propositions: the challenge of new companies committed to scaling early and rapidly

Welcome to the April issue of the Technology Innovation Management Review. We invite your comments on the articles in this issue as well as suggestions for future article topics and issue themes.

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Overview

The Technology Innovation Management Review (TIM Review) provides insights about the issues and emerging trends relevant to launching and growing technology businesses. The TIM Review focuses on the theories, strategies, and tools that help small and large technology companies succeed.

Our readers are looking for practical ideas they can apply within their own organizations. The TIM Review brings together diverse viewpoints —from academics, entrepreneurs, companies of all sizes, the public sector, the community sector, and others —to bridge the gap between theory and practice. In particular, we focus on the topics of technology and global entrepreneurship in small and large companies.

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Editorial: Aligning Multiple Stakeholder Value Propositions: the challenge of new companies committed to scaling early and rapidly

Guest Editors: Tony Bailetti, Christian Keen & Stoyan Tanev

Welcome to the April issue of the Technology Innovation Management Review. The Value Proposition (VP) development practices of a company are an expression of the most fundamental organizing principles of its business (Webster, 2002). It has been defined as "a strategic tool facilitating communication of an organization's ability to share resources and offer a superior value package to targeted customers" (Payne et al., 2017). At the same time, the concept has been often used casually and applied in a trivial fashion rather than in a more strategic, rigorous and actionable manner. According to Eggert et al. (2020), "despite its frequent mention in the business and academic press, the value proposition concept remains poorly understood and executed".

The present special issue focusses on discussing some of the challenges of VP development in new companies committed to scale early and rapidly. The reason to focus on new scaling firms is twofold. First, most new firms are facing the scale up challenge. This is especially true for Canada where a recent report by the Toronto Board of Trade has recently pointed out that "Canada is a terrific start-up nation but a dismal failure as a scale-up nation" (Crane, 2019). Second, most of the extant research examines the context of established companies. However, the reality faced by new companies committed to scale is quite different because of the challenges they face in engaging with external resource owners to access, combine, deploy and align internal and external resources, they need to operate across borders, innovate relentlessly, adopt emerging artificial intelligence (AI) and digital technologies as part of their scaling mechanisms, and negotiate with investors to enable the execution of capital investment programs that could help them meeting their scaling objectives (Bailetti et al., 2020). Thus, new scaling companies need to adopt an explicit multiple stakeholder perspective on VP development and explore how AI resources and digital capabilities can help them enhance the scaling potential of their VPs. In other words, the context of such companies offers an opportunity for both - further advancement of VP research and shaping practical actionable insights for executive managers focusing on business scale-up.

We are particularly grateful to Prof. **Adrian Payne** and **Pennie Frow** who have agreed to answer our questions as part of an interview titled: Discussing value proposition research in the context of new companies committed to scale early and rapidly.

Payne & Frow emphasize that the term VP was originally conceived as a proposition for customers and it is clearly indigenous to marketing. It is only later that the concept has been adopted in other disciplinary areas such as human resource management (through the concept of the employee VP), business strategy (as a component of the business model), and in the context of shareholder relationship management. According to Payne and Frow VPs can be shaped in more implicit rather than explicit ways, but frequently, existing explicit company VPs do not meet the established research criteria for strong and resonant VPs. At the same time, some companies can be extremely successful with implicit or informal VPs.

For these two leadings scholars in the field of VPs, the context of new companies committed to scale early and rapidly is clearly a special case and an area of considerable research interest which deserves serious attention. The ecosystem perspective is one focal perspective that can be adopted in addressing the VP practices of new scaling firms. Considering how VPs in one level of the ecosystem impact all other levels offers a powerful approach to examining the VP process. An ecosystem perspective helps also in conceptualizing how tensions between the key stakeholders and the business scaling objectives of a company can be successfully managed.

Payne and Frow highlight several current research priorities: a) the nature and extent of VP adoption across industry and at different stages of enterprise development; b) the impact of VPs on customer perceptions; c) the impact of brand reputation and customer relationships on the success of VPs; d) how VPs stimulate innovation and co-creation between organizations and their customers; e) best in class practices for identifying functional/cross-functional mechanisms that will encourage the development of superior VPs; f) the impact of VPs on the effectiveness of marketing strategy implementation.

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Their key messages for practitioners are as follows. They should: (a) put more efforts into understanding the complex managerial tasks of identifying designing, developing, and operationalizing VPs; (b) assess the appropriate level of VP granularity - at the firm level, at a specific stakeholder segment or individual customer level; (c) determine where responsibility lies within the firm for VP development and implementation; and d) allocate appropriate resources and ensure monitoring by top management.

The article by **Hakanen** and **Wolff**, Managing the Mobility-as-a-Service disruption: How to align the value propositions of key ecosystem players, focuses on the emerging Mobility-as-a-Service (MaaS) sector as an example of an industry context where the shaping of new VPs requires an alignment between established players and new entrants. According to them, the study of MaaS ecosystems is still in its infancy, and there are many open questions on how local authorities could support their emergence. One of the challenges, which is of high relevance for the special issue, refers to the ways of decomposing the focal offering of the MaaS ecosystem into complementary VPs for the key players of the industry. The article presents the results of a constructive design research project which builds on interviews with a leading MaaS provider and some of its key stakeholders representing national and local authorities in four European cities. The findings indicate the need to balance a shared desire to disrupt the conventional ways of offering mobility services against the reluctance to overturn the industry's public and private incumbents. The authors propose a co-design framework including five steps focusing on shaping MaaS ecosystems by managing the strategic interaction between local authorities and various players in the mobility ecosystem. In addition, the article builds on ecosystem research insights to emphasize the need for the alignment of the VPs the multiple stakeholders involved in the process. The study suggests that the shaping of reciprocal VPs by key stakeholders in the mobility sector provides a prominent empirical context for future ecosystem research.

The article **Yat Ming Ooi** and **Kenneth Husted**, Framing stakeholders' value propositions: A wicked problem lens, adopts a wicked problem lens to explore the specificity of the challenges faced by firms mediating seemingly contradictory value propositions. The authors use two dimensions from wicked problem research domain - complexity and complicatedness - to study seven technology ventures from Australia and New Zealand. They categorize the types of configurations of the stakeholder value propositions used by these firms in their scaling-up process, suggesting that the challenge of mediating conflicting value propositions can manifest itself in two types - complicated configurations of value propositions and complex configurations of propositions. Complicated propositions are thorny, but with structures and processes in place, they can be addressed adequately. Contrarily, complex propositions consist of too many unknowns and require firms to co-learn with stakeholders to derive outcomes that ai malignment with other stakeholders' propositions and scaling-up objectives. Thus, the key message for both scholars and practitioners is that they need to examine first the degree of wickedness and the type of the VPs, before they focus on considering their mutual alignment as well as their potential alignment to firms' scaling objectives.

The article by **Prabaharan, Bliemel** and **Tanev**, Value Proposition Misalignment and the Failure to Become Born-Global, summarizes the results of an inductive study that explores the factors that affect the failure of new and innovative firms to achieve born-global status. According to the authors, born-global studies could be characterized by a survivorship bias and paint a favourable picture of how innovative and well-funded new ventures internationalize early. To counter this bias, the authors focus on innovative ventures that expressed very early their intentions to become born global but failed to do so. The findings reveal that such new ventures fail in two ways. Either they underestimate the need to tailor an aligned portfolio of value propositions and over-extend their efforts across too many markets, a pattern called "baby born-global". Or, they over-commit to one market at a time, thus limiting their capacity to develop value propositions to similar markets, a pattern called "micro multinational." Thus, the theory that could emerge from this paper is that firms are likely to fail to achieve born-global status if they commit too many resources to a very limited number of international markets or under-commit resources across too many markets. Instead, a more balanced portfolio of markets, VPs, and investments therein would likely be more fruitful. It was also found that a common barrier for the firms in the study was a

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reluctance to reallocate resources from the domestic market towards international markets to avoid falling into these not-quite born-global ruts. In this sense, they suffered from a twofold problem - first, trying mechanically to "copy paste" a domestic customer VP to an international market context and, second, not investing in, allocating or mismanaging the resources necessary to align their customer VP to the VPs of their key cross-border stakeholders. The study highlights how a firm's VP development practices, global managerial vision and proactiveness can be essential in facilitating their strategic global expansion.

The TIM Review currently has a Call for Papers on the website for a special edition on "Distributed Ledger Technologies and Smart Digital Economies" (June 2021). For future issues, we invite general submissions of articles on technology entrepreneurship, innovation management, and other topics relevant to launching and scaling technology companies, and for solving practical business problems in emerging domains. Please contact us with potential article ideas and submissions, or proposals for future special issues.

Tony Bailetti
Christian Keen &
Stoyan Tanev
Guest Editors

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Interview: Discussing Value Proposition Research in the Context of New Companies Committed to Scaling Early and Rapidly

Adrian Payne, Pennie Frow, Stoyan Tanev

> *"Considering that value propositions in one level of a business ecosystem can impact all other levels offers a powerful approach to examining the value proposition process."*
>
> Adrian Payne & Pennie Frow

Introduction by Stoyan Tanev

Value proposition (VP) development has become the subject of growing research interest in the last 20 years. The number of research studies has grown especially in the last 5 years, including several recent review papers summarizing key developments and identifying directions of future research (Goldring, 2017; Eggert et al., 2018; Bailetti et al., 2020; Payne et al., 2020). In addition, the VP concept has successfully joined the vocabulary of business practitioners and entrepreneurs. This should not come as a surprise because the term was introduced in 1983 by Michael Lanning in a practitioner context, within an internally circulated McKinsey Staff Paper (Lanning & Michaels, 1988).

Interestingly, the VP concept can be associated with a peculiar paradox. According to Webster (2002), a "value proposition" is a company's single most important organizing principle. At the same time, the concept has been often used casually and applied in a trivial fashion, rather than in a more strategic, rigorous, and actionable manner. Thus, "businesses often formulate them [VPs] as promises to customers, hoping to influence attitudes and behavior, but then fail to take those promises seriously" (Lanning, 2020). According to Eggert et al. (2020), "despite its frequent mention in the business and academic press, the value proposition concept remains poorly understood and executed".

The objective of the present special issue is to contribute to unfolding some of the challenges of VP development by new companies committed to scaling early and rapidly. Why focus on such companies? The answer is twofold. First, most new firms are facing a scale-up challenge. This challenge is not unique to a specific country or geographical region, but is especially relevant in Canada where, for example, a recent report by the Toronto Board of Trade pointed out that, "Canada is a terrific start-up nation but a dismal failure as a scale-up nation" (Crane, 2019). Second, most of the extant research examines the context of established companies, rather than new companies committed to scaling. The usual focus is thus on communicating the ways to reconfigure resources owned by external partners and other preferred stakeholders for the sake of maximizing value captured by a focal company and its customers.

However, the reality faced by new companies committed to scaling is quite different. In addition to the challenges that such companies face in engaging with external resource owners to access, combine, deploy, and align internal and external resources, they need to operate across borders, innovate relentlessly, and be ready to adopt emerging artificial intelligence (AI), and other digital technologies as part of their scaling mechanisms, as well as negotiate with investors to enable the execution of capital investment programs that could help them meet their scaling objectives (Bailetti et al., 2020). Thus, new companies that wish to scale early and rapidly need to acquire VP development capabilities that go beyond those required by companies with moderate growth objectives. They need to adopt an explicit multiple stakeholder perspective on VP development, as well as explore how AI resources and digital capabilities can help them enhance the scaling potential of their VPs. In this sense, the context of such companies offers an opportunity for both further advancing VP research and

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shaping practical actionable insights for executive managers of new companies committed to scaling early and rapidly.

The focus of the special issue opens some contemporary questions about the extent to which existing research has already addressed some of the issues associated with new scaling companies. This is the reason behind the idea of interviewing two scholars who have significantly contributed to the advancement of VP research in the last 20 years, Dr. Adrian Payne, Professor of Marketing at the University of New South Wales, and Dr. Pennie Frow, Professor of Marketing Management and Strategy in the University of Sydney Business School, Australia. A search in the Web of Science academic database shows that since 2008 they have co-authored more than a dozen articles in highly respected academic journals. Such publication activity shows a systematic engagement with VP research focusing on many important issues such as: value co-creation through resource sharing and integration (Payne et al., 2008; Storbacka et al., 2012; Frow et al., 2016), multiple stakeholder and service ecosystem perspectives on VP development (Frow & Payne, 2011; Ballantyne et al., 2011; Frow et al., 2014; Frow et al., 2016), enhancing the development of a VP through the deconstruction of VPs of exemplar companies (Payne & Frow 2014), specifics of the VP concept and its implementation in a business-to-business (B2B) context (Eggert et al., 2018; Payne et al., 2020), the emergence, development, and application of the VP concept in marketing (Payne et al., 2017), and the role of VPs as market-shaping devices (Nenonen et al., 2020).

Interview with Adrian Payne and Pennie Frow

Tanev: The format of our interview will be a bit unusual since it is with two different interviewees at the same time. So, we will just ask the questions and let Professors Payne and Frow choose how to reply.

Question: How did your cooperation start and to what extent did VP research play a role in your scientific cooperation?

Payne and Frow: Our cooperation commenced in the 1990s in the UK when Adrian was Professor of Marketing at Cranfield University and Pennie was a Visiting Fellow at Cranfield University and a Senior Consultant in the Cranfield Marketing Planning Centre. We shared a common view that much research in marketing has little practical application, and that more scholarly research should focus on being practical, relevant, and applied. Our joint research initially looked at a range of strategic marketing issues including developing a segmented service strategy, integrating employee, customer, and shareholder value through an enterprise performance model, relationship value management, multichannel integration, co-creation and most recently, market shaping. Adrian started thinking more deeply about the VP concept when a McKinsey colleague shared Michael Lanning's unpublished article from the McKinsey Staff Papers series. We agreed this was a really important topic for investigation and incorporated a consideration of value propositions into several our subsequent books and journal articles. About 10 years ago we started publishing a series of articles on VPs in a range of journals, including *Industrial Marketing Management, European Marketing Journal,* and the *Journal of Services Management*. Further work followed in the Journal of the Academy of Marketing Science, with subsequent articles appearing in Industrial Marketing Management. We collaborated with various scholars, including Andreas Eggert, Lena Steinhoff, Kaj Storbacka, Suvi Nenonen, David Ballantyne, and Richard Vary. These thought leaders have had a major influence on our joint work.

Tanev: You recently co-edited a special issue in the Industrial Marketing Management Journal (together with A. Eggert and L. Steinhoff) that focused on "Understanding and managing customer value propositions". In the Editorial, you pointed out that the customer VP emerged from within the field of marketing and was not borrowed from other disciplines. You wrote: "While adjacent academic disciplines such as human resource management have adopted the value proposition concept and conceptualized e.g. the employer value propositions, the customer value proposition remains at the heart of the marketing discipline. Indeed, no other academic discipline investigates the customer value proposition as one of its key constructs" (Eggert et al., 2020). One can feel an understandable marketing disciplinary "pride" in this statement.

Question: *Can we see the ongoing adoption of the concept by other business disciplines – human resource management, supply chain management, investor*

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relations, business model innovation – as a sign of its practical potential and value?

Payne and Frow: Shelby Hunt, in a recent article in AMS Review (Hunt, 2020), noted that the intellectual health of marketing needs indigenous theory development. However, he argued that the discipline of marketing, almost exclusively, uses concepts and theories from other disciplines and applies them to research and marketing practices. The concept of a "customer value proposition" is indigenous to marketing. The term "value proposition" was originally conceived as a proposition for customers, thus, in our view, it clearly comes from marketing.

Since then, as you point out, the concept has been adopted in several other disciplinary areas. The concept has mainly been applied in human resource management through the concept of an "employee value proposition", and in the field of strategy as a component of the business model. We are also starting to see some emerging literature on shareholder value propositions. However, the VP concept clearly has application to all key stakeholders of a business, as we pointed out in our article in the European Journal of Marketing a decade ago (Frow & Payne, 2011). We believe that the existing and emerging work on VPs highlights the practical potential and value of the concept across different stakeholder groups. As marketing borrows heavily from other disciplines, we believe it is perfectly appropriate for other disciplines to also borrow from marketing. Cross-functional thinking needs to be embedded more deeply in both business and academia generally.

Tanev: Almost every serious publication on VPs points out that the concept remains poorly understood and executed. Some scholars see it as just one of the building blocks in business model frameworks. Others see it as belonging to the realm of a company's overall business strategy, which requires effectuating a specific busines model (Onetti et al., 2012).

Question: How can you explain the paradox of the coexistence of both a great interest in and poor understating of the same concept? Can we find one of the sources of misunderstanding exactly in the multiplicity of its applicability contexts?

Payne and Frow: Michael Lanning, one of the originators of the concept, whilst working at McKinsey and through his subsequent consulting experience to the present time, has confirmed just how poorly understood and executed the concept is. Our work and that of many others concur with this finding. It seems it is just too easy for managers to throw the concept around in a casual manner, almost like a buzzword, and not consider it seriously enough.

The fact is that every enterprise has a VP for customers, otherwise they would not be in business. However, it appears that company VPs are much more likely to be implicit rather than explicit. If they are explicit, such VPs can often be compared with motherhood statements typically made in connection with mission statements. Existing enterprise-level VPs that are made explicit frequently do not meet the tests suggested in the literature for strong and resonant VPs.

However, this is not to suggest that only companies with formally articulated and written VPs may become highly successful. Some companies can be extremely successful with merely implicit or informal VPs. Our 2014 article in the European Journal of Marketing (Payne & Frow, 2014) discussed the case of Shouldice Hospital, an organization described by some as one of the best service companies in the world. At the time of writing, they had not produced a formal written VP, yet their VP to customers was recognized and clearly understood, largely through word-of-mouth and cultural understanding.

Lack of recognition about the real importance and value of VPs, together with the complexity and effort required to develop a VP, at least partially explains this paradox. Whilst the processes of value design assessment, value quantification, value communication, value documentation, and value verification can themselves be quite complex (Payne et al., 2020), they are easier to address in business markets than consumer markets where value quantification is more subjective.

Tanev: The topic of the present special issue focuses on new companies committed to scaling early and rapidly. The context requires a multiple stakeholder perspective on VP development that brings in questions about the alignment between various VPs, as well as alignment between the portfolio of VPs and a company's scaling objectives.

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Question: Do you find this context distinctive enough to the extent that it would require a different approach to VP development?

Payne and Frow: The context of new companies committed to scaling at an early stage and continuing to do this at a rapid rate is clearly a special case and also an area of considerable current research interest. To date, relatively little work has been done in this area, hence the importance of this Special Issue.

New companies at an early stage of development are frequently in a state of flux and rapid growth. Such companies experiencing substantive growth may be product-focused and can be internally-oriented. Effectual and co-creative approaches would seem appropriate in this context (Payne et al., 2008, Reuber et al. 2016).

Hopefully, VPs account for the complexities of scaling up quickly. In particular, IT systems need to be "industrialized", so they do not fall over as scale is increased, just as supply and demand need continual balancing.

Tanev: You are among the first to emphasize the need for adopting a multiple stakeholder perspective on VP development (Ballantyne et al., 2011; Frow & Payne, 2011). You have also suggested a specific service ecosystem perspective (Frow et al., 2014; Frow et al., 2016), pointing out opportunities for going beyond traditional enterprise–stakeholder views. Other scholars have also used the "ecosystem" construct to discuss how to shape VPs. According to Adner (2017), ecosystems should provide "the alignment structure of the multilateral set of partners that need to interact in order for a focal value proposition to materialize".

Question: What is the best way to describe the interacting multiplicity of actors involved in the value creation process? If the "ecosystem" construct is the most suitable way of doing that, which "ecosystem" concept could be most appropriate? To what extent does the choice of a specific ecosystem concept affect the process of VP development?

Payne and Frow: We believe that the ecosystem perspective is simply one focal perspective that can be adopted. We think the perspective being adopted hinges around the perspective of the specific stakeholder being considered.

Ecosystems are very complex, and as recent marketing literature suggests, the topic is still embryonic in terms of its development with respect to understanding the applications to / implications for marketing systems. However, considering that VPs in one level of a business ecosystem can impact all other levels offers a powerful approach to examining the VP process. This perspective also highlights how developing a VP that addresses one actor can have implications for all other actors in the ecosystem.

Question: Given the multiplicity of actors and VPs in an ecosystem perspective, how do you conceptualize the alignment between actors, VPs, and the overall business objective of a company?

Payne and Frow: We use an ecosystem perspective of VPs to explain how and why VPs adapt and change, as each actor proposes and receives VPs within a company. Using an ecosystem perspective suggests how the tensions that arise between actors and the business objectives of a company can be successfully managed. Each actor in an ecosystem offers a reciprocal VP, whereby the company and actor mutually adapt to each others' goals. Unless ecosystem actors and the company are mutually satisfied by what is offered and what is received, the relationship will be fractured. As each actor may have quite different goals and perspectives of a VP, using an ecosystem approach suggests how tensions can be better managed. What is good for a business must also be good for other stakeholders, otherwise its VP cannot be sustained. We thus see VPs in a business ecosystem as constantly emerging, adapting, and responding in the context of various actors involved.

Question: How would you define the key priorities for future VP research?

Payne and Frow: Despite recent interest in VP research, this is still a nascent area. There are thus many aspects involving VPs that require further investigation. In a recent article we outlined 37 specific questions to investigate under nine broad headings (Payne et al., 2017). We would highlight several key priorities: the type and extent of VP adoption across industries and at various stages of enterprise development, VPs and their impact on customer perceptions, how brand reputation and customer relationships impact the success of VPs,

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how VPs stimulate innovation and co-creation between organizations and their customers, best in class practices for identifying functional/cross-functional mechanisms will that encourage the develop of superior VPs, and the impact of VPs on the effectiveness of marketing strategy implementation. This shows that much work of real managerial value remains to be done!

Question: Based on your current research wisdom, what would be your key message to practitioners with respect to their VP development practices?

Payne and Frow: Our key message for practitioners would be: (a) put effort into understanding the complex managerial task of identifying designing, developing, and operationalizing VPs, (b) assess the appropriate level of VP granularity, that is, can the VP be focused at a company level, should a more nuanced and targeted focus on specific segments be adopted, or is it appropriate to develop VPs at the individual customer level (for example, for major B2B customers)?, and (c) determine where responsibility lies within the company for VP development and implementation in order to allocate appropriate resources and ensure monitoring by top management. Our recent article (Payne et al., 2020) adopts clear and practical guidelines for managers regarding an organization's VP development practices.

Summary by Tanev: Expressing my deep gratitude to professors Adrian Payne and Pennie Frow for their cooperation, I can highlight some of the key points of this interview as follows.

- The term VP was originally conceived as a proposition for customers and it is clearly indigenous to marketing. However, existing and emerging VPs research highlights the practical potential and value of the concept across different stakeholder groups.

- Managers should restrict throwing the VP concept around in a casual manner, and not considering it seriously enough.

- VPs can be shaped in both implicit and explicit ways. Many existing explicit company VPs do not meet the established research criteria for strong and resonant VPs. At the same time, some companies can be extremely successful with implicit or informal VPs.

- The context of new companies committed to scaling early and rapidly is clearly a special case and an area of considerable research interest which deserves serious attention.

- The ecosystem perspective is simply one focal perspective that can be adopted in addressing the VP practices of new scaling firms.

- Considering how VPs in one level of the ecosystem impact all other levels offers a powerful approach to examining the VP process.

- An ecosystem perspective helps in conceptualizing how tensions between the key stakeholders and the business scaling objectives of a company can be successfully managed.

- Practitioners should:

  - put efforts into understanding the complex managerial tasks of identifying designing, developing, and operationalizing VPs

  - assess the appropriate level of VP granularity —the firm level, specific stakeholder segment or individual customer level

  - determine where responsibility lies within the firm for VP development and implementation

  - allocate appropriate resources and ensure monitoring by top management.

- Scholars interested in VP research could consult the recent article by Payne et al. (2017) outlining 37 open research questions organized under nine broad headings.

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Interview: Discussing Value Proposition Research in the Context of New Companies Committed to Scaling Early and Rapidly

Adrian Payne, Pennie Frow, Stoyan Tanev

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Adrian Payne is Professor of Marketing at the University of New South Wales. He is a frequent keynote speaker at public and in-company seminars and conferences around the world. He has practical experience in marketing, market research, corporate planning and general management. His previous appointments include positions such as Chief Executive for a manufacturing company. He has also held senior company appointments in strategic planning and marketing, working in the IT, financial services professional services, telecom, and utilities sectors. He has also worked with government departments. Professor Payne's research has appeared in a wide range of journals, including the *Journal of Marketing, Journal of the Academy of Marketing Science, Industrial Marketing Management, Marketing Theory, European Journal of Marketing, British Journal of Management, Journal of Strategic Marketing, International Journal of Bank Marketing, Australasian Journal of Marketing, Journal of International Business Studies, Long Range Planning, Scandinavian Journal of Management, Décision Marketing, Australian Psychologist, European Management Journal, Human Relations, Business Horizons, Journal of General Management, Journal of Business Strategy, Journal of Management Consulting*, etc. Adrian Payne is the author of fourteen books including the first text to be published on Relationship Marketing. He has run many workshops and executive programmes in CRM, Marketing Strategy, Customer Retention and Services Marketing, as well as lectured at over twenty leading academic institutions around the world including: Darden School, University of Virginia; Northwestern University; INSEAD; IMD; London Business School; Oxford University; and Cambridge University.

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Managing the Disruption of Mobility Services: How to align the value propositions of key ecosystem players

Joel Wolff and Esko Hakanen

> *"Over the past 20 years we've gotten very good at predicting whether a major new technology will supplant an older one—but we are still terrible at predicting when that substitution will take place."*
>
> Ron Adner & Rahul Kapoor (2016)

Many industries nowadays are facing drastic changes that enable and require new forms of interdependencies that facilitate complex ecosystems of interconnected actors. This paper investigates such a transformation facing the mobility sector, as user-centric bundles of mobility services are being introduced and compiled, by referring to the Mobility-as-a-Service (MaaS) concept. In the process, new value propositions arise that call for aligning the established players with new entrants. The implementation of MaaS is still in its infancy, and many open questions remain about how local authorities should support its emergence. One key challenge relates to decomposing the focal offering of the MaaS ecosystem into complementary value propositions for key players in the industry. This paper presents the results of a constructive design research project, building on interviews with a leading MaaS provider, as well as stakeholders representing national and local authorities in four European cities. The findings emphasize the need to balance a shared desire to disrupt conventional ways of offering mobility services against reluctance to overturn the industry's public and private incumbents. The co-design framework that results serves to summarize five steps that enable MaaS by guiding strategic interaction between local authorities and various players in the mobility ecosystem. In addition, the article builds on ecosystem research insights and emphasizes the need to align value propositions among multiple stakeholders. The study suggests that the mobility sector provides a prominent empirical context for future ecosystem research.

Introduction

The mobility sector is one of the industry sectors that faces growing pressure to adapt to a changing society by implementing new solutions. Factors such as urbanization, digitalization, and climate change have led to increasing political and social demands for new means to develop automotive technology, rethink the established mobility solutions, and reduce emissions. For example, the European Commission declared their commitment to address these challenges and achieve more sustainable mobility and transport by boosting multimodal transport in the European Green Deal (European Commission, 2019). A key component in this transformation is the concept of Mobility-as-a-Service (MaaS), which is expected to substitute conventional mobility services with more efficient, resilient, and less polluting technologies (Smith et al., 2020). MaaS has become an umbrella term for a bundle of services that grant users "access to a range of mobility services including public transport and commercial services such as car hire or taxi" (Pangbourne et al., 2020). While the overall concept is widely appreciated and expected to scale rapidly, many questions remain about how MaaS should be governed, and how policies and regulations may be utilized for desired results.

The underlying premise of MaaS is enticing, albeit challenging. One can argue that offering personal mobility as a modular service follows a similar line of

development as where a specific functionality is provided as a scalable service. People and firms rely on such offerings for music or video streaming (for example, Spotify or Netflix), telecom access, or cloud computing (Venters & Whitley, 2012), and even for demanding industrial solutions; a famous example being Rolls-Royce's power-by-the-hour concept (Neely, 2008). However, these previous examples often relied on the actions of one focal operator. In turn, MaaS implementation may prove to be considerably more challenging in operation, as the envisioned service bundle relies on multiple components, which are produced, controlled, and offered by different providers. Moreover, the forerunners of MaaS likely need investments that may turn into enabling technologies for later, more profitable complementary offerings (see Teece, 2018). Similar to the telecom market, where wireless networks have surpassed traditional landline services, the end-user may remain completely oblivious about the intricate processes and infrastructures that are enabling the current transformation.

The focal value proposition of MaaS relies on investments in complementary offerings, along with modular interaction between independent organizations without full hierarchical control. Shaped by a common focal offering, MaaS essentially defines an ecosystem (Adner, 2017; Jacobides et al., 2018; Kapoor, 2018; Shipilov & Gawer, 2020). To realize the focal offering requires several mutually supporting, firm-level value propositions (VPs) among diverse stakeholders that need to be aligned in a way that supports the overall ecosystem objective (Eggert et al., 2018; Bailetti et al., 2020).

The mobility market is populated and regulated by local or national authorities that might hope for the emergence of a MaaS ecosystem, but which are at the same time adamant that new entrants will not disrupt their continuing role or power. This duality can cause confusion among local authorities concerning the correct regulative policies or rules for enabling MaaS. While parties may agree on the focal offering of MaaS as a more user-friendly, adaptable personal mobility solution that will augment or even replace the current, state-controlled public transportation services, no agreement has yet been reached on who should lead the disruption of urban mobility or what rules should mediate the process. Since prior successes in managing disruptions are rare (Gans, 2016), it remains unknown how to balance the consequences of opening the market while at the same time coping with the conflicting interests it generates. Thus, the objective of this paper is to investigate how to manage the disruption of an ecosystem by aligning its new focal offering with the value propositions of conventional market players.

This study provides a threefold contribution. First, the paper clarifies the emerging concept of MaaS by focusing on its focal offering to the end user and role in aligning complementary VPs based on various modular components. Second, it presents a co-design framework to guide local authorities when implementing MaaS, providing a starting point for developing, designing, and facilitating MaaS solutions in local contexts. Third, the article contributes to the emerging ecosystem literature with an illustrative example of how an ecosystem's focal offering (Adner, 2017; Kapoor, 2018) relies on aligning the contributions of multiple external stakeholders (Bailetti et al., 2020), and also demonstrates why the MaaS concept can provide a particularly fertile ground for advancing ecosystem research.

The paper consists of four sections. First, we present the study's conceptual background with a specific emphasis on clarifying the MaaS concept and its impact as a disruptor of conventional mobility services. Then we present the study's methodological approach. Next, the findings section demonstrates the co-design process, its stages and outcomes, to clarify the path for creating the MaaS co-design framework. Last, the paper demonstrates the relevance of the framework and discusses the overall contribution to theoretical discussions underlying the study.

Theoretical insights from existing literature

This paper's theoretical foundation builds on the intersection of three topics: ecosystems, disruptive innovation, and socio-technical system design. First, we present the principles of ecosystem research, focusing on disruptive innovation and the role of value propositions in this context. Then, we address the key principles of MaaS, contrasting the concept with more conventional approaches to mobility services. Last, we explore the challenges of designing a controlled disruption of a mobility ecosystem.

Disruptive innovation in an ecosystem context

We view the starting point of an ecosystem as a focal

offering that is co-developed by a group of actors who have become bound together by the non-redeployability of their collective investments (Adner, 2017; Jacobides et al., 2018; Shipilov & Gawer, 2020). In contrast with more traditional organizational networks and alliances, ecosystems do not rely on formal agreements or collaboration structures, but rather build on complementary offerings and symbiotic relationships (Kapoor, 2018; Shipilov & Gawer, 2020). The focal offering is often rather abstract, increasing the need for more explicit descriptions that outline the ecosystem's VP and benefits for individual stakeholders (Bailetti et al., 2020). Ecosystems are open for competition and, thus, technological development may see old and new solutions rivaling head-to-head in the same environment (Adner & Kapoor, 2016). If and when a new technology can surpass the previous one seems to depend on complex tradeoffs and competitive dynamics regarding, for example, the ecosystem's emergence versus extension (Adner & Kapoor, 2016), gaining support from complementary providers (Ozalp et al., 2018), or lower price versus higher quality (Christensen et al., 2015). However, starting from Moore's seminal article (1993), ecosystem research has implied a trend that could change or surpass existing means of conducting business (Jacobides et al., 2018; Ozalp et al., 2018; Rajala et al., 2018), potentially disrupting any industry.

According to Christensen's original definition, the VP of a disruptive innovation targets low-end user groups (whom industry incumbents have neglected). It is driven by a new entrant with smaller resources, which gradually advances as the new alternative begins to reach the mainstream customers (Christensen et al., 2015; Christensen, 1997). Disruptive firms often introduce new actors and reconfigure existing activities (Amit & Zott, 2012), producing an unprecedented offering compared to industry incumbents. The disruptor's actions can also spark newfound resilience and performance improvements among incumbents, leading to a long period of coexistence between the new and old technologies (Adner & Kapoor, 2016). Thus, a central task during ecosystem disruption is to reduce uncertainty between various participants by clarifying strategies and actions for adapting to the disruption (Eggert et al., 2018; Snihur et al., 2018; Bailetti et al., 2020). The complexities, dynamics, nested hierarchies, and interdependencies of an ecosystem (Massa et al., 2018) limit the understanding of potential disruptions. For example, it remains unclear what the specific activities are, and who the actors are that will become disrupted in MaaS development (see Gans, 2016).

The value proposition of MaaS in urban mobility ecosystems

It is frequently implied that MaaS solutions will disrupt the mobility market and facilitate a new mobility ecosystem (Hensher et al., 2020). The flexibility of user-centric personal mobility solutions, which are often seen as the fundamental value proposition of MaaS, offer multiple long-term benefits: for example, decreasing the need for privately owned vehicles, alleviating traffic congestion, and reducing greenhouse gas emissions (MaaS Alliance, 2017; Hensher et al., 2020). MaaS solutions rely on technological innovations that enable more user-friendly interfaces to access, find, and combine different transport services into a comprehensive, intelligent mobility service system (Heikkilä, 2014; MaaS Alliance, 2017). The MaaS ecosystem depends on an array of separate groups of actors, including local authorities, transport, and infrastructure providers, who all work to fulfill part of what is needed for MaaS services to function effectively (Arias-Molinares & García-Palomares, 2020; Hensher et al., 2020). Thus, a considerable challenge exists for aligning VPs among multiple stakeholders that contribute to the value creation process (Eggert et al., 2018; Bailetti et al., 2020)

The envisioned MaaS solutions differ in many ways from conventional approaches for offering mobility services and thus require authorities to consider regulatory policies. Figure 1 illustrates how these differences are manifested in the user VP, focusing on the "communication of an organization's ability to share resources and offer a superior value package to targeted customer" (Payne et al., 2017). On the left-hand side, conventional mobility services often benefit from a clear division of roles and responsibilities, highlighting the mobility provider's role. For example, suppose a railroad company operating trains defines the available services and sells tickets via their ticketing booths to these lines. In that case, the customer may interact with only one company for their trip (illustrated in yellow on the left-hand side). Essentially, the VP of a conventional mobility

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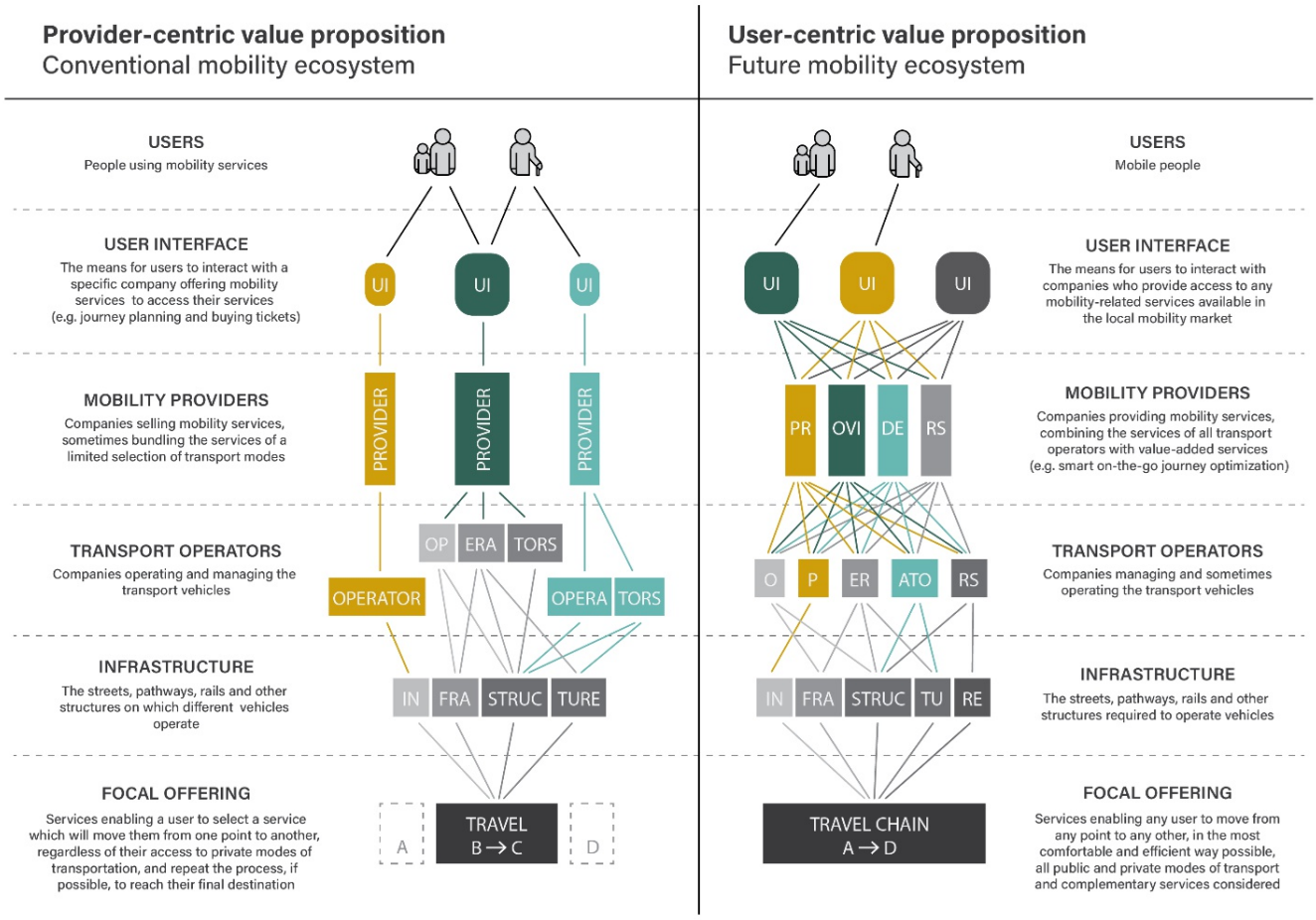

Figure 1. Illustration of the difference in how users access value propositions offered in a conventional mobility ecosystem (left) compared to a future MaaS ecosystem (right). The purpose of the illustrated service chain is to enable users (top) to travel from one point to another. The layers in between represent the chain of functional levels that users are in direct contact with when accessing the service's value proposition. The colors signify single actors, often engaged on several functional levels.

provider is simply travel from point B to C, which constitutes only one part of the entire door-to-door journey typically traveled. However, the customer most often needs to interact with multiple providers and operators on a longer journey, by repeating the process of accessing information, buying tickets, and using a physical transport service.

On the right-hand side, the same setting is portrayed in a MaaS environment. While the underlying structure might be much more complex, the user interface may still appear simpler and easier to use because it builds on modular and complementary offerings. Since the value proposition is not a single trip but rather the whole travel chain, the customer might only interact with one party to plan, purchase, and access mobility. Such implementation requires efficient means for simultaneously exchanging data between multiple actors and, therefore, relies on common application programming interface (API) standards to provide the complete service to users. As such, the VP of a MaaS operator (who provides a bundle of services to the end user) defines the focal offering of an emergent ecosystem (Adner, 2017; Kapoor, 2018).

The technological infrastructure for MaaS enables new complementary offerings from external stakeholders (Teece, 2018). While this creates multiple opportunities

to improve the VP for customers (Bailetti et al., 2020), it also increases the setting's complexity, as the boundaries, roles, and responsibilities between the different elements become unclear (Massa et al., 2018). Also, in the urban mobility context, the investments typically rely on public funding, the incumbent operators may be publicly subsidized organizations, and the actions are often shaped by intricated legislation and regulation. Due to these complexities, MaaS implementation requires a careful reconsideration of multiple elements associated with the design of a socio-technical system.

Designing a controlled disruption of the mobility ecosystem

In the past decade, design practice and research have gained popularity in modeling socio-technical systems and transition processes to support local governance (Hyysalo et al., 2019; Whicher & Crick, 2019). By definition, socio-technical change involves interrelated changes to existing technologies, structures, tasks, and people (Leavitt, 1964), which in recent years has often been sparked by the advent of new digital technologies (Tilson et al., 2010; Nambisan, 2017). Design research has shown that co-design is an effective way to increase coherence among multiple, interrelated components, as well as multiple stakeholders (Hyysalo et al., 2019). The co-design process is often facilitated through intermediate designs (for example, design games, workshops, and other models) that guide ideation and analysis among divergent participant perspectives to solve high complexity challenges. The purpose of these intermediate designs is not to provide a complete solution, but rather to support complex problem solving through multiple rounds of iterations (Koskinen et al., 2011; Hyysalo et al., 2019). These iterations help to understand different systemic constraints and influences, as well as appreciate the design task simultaneously as a process and outcome (Garud et al., 2008).

The MaaS concept is associated with the disruption of the current mobility market (Hensher et al., 2020). Like any disruptive technology, it faces conflicting interests and attempts to retain the status quo in the market (Adner & Kapoor, 2016). Similarly, local authorities face the dual problem of keeping conventional mobility services fully operational, while at the same time actively opening the market to greater competition to facilitate new services and operators. As regulative authorities, they are adamant about retaining control of the system, while facing the challenge of disrupting the socio-technical regime without shifting the locus of power. Some provisional ideas have been presented (MaaS Alliance, 2017; Hensher et al., 2020; Smith et al., 2020), but many unresolved questions remain on how MaaS should be designed, supported, and regulated.

Research method and process for constructing an intermediate design

This research derives from an iterative constructive design research process (Koskinen et al., 2011), supported by qualitative data collection and analysis (Ketokivi & Choi, 2014). The primary data collection was conducted among officials of local authorities in four major cities across Europe, which we from now on refer to as South, West, Central, and North. Also, representatives of governmental organizations and a leading provider of multimodal MaaS solutions, experienced in developing regulations operations for one of the cities, were interviewed to gain an in-depth view of needs from the supplier's and local government's points of view. These data were used in an iterative design process to develop an intermediate design applicable to enabling the emergence of a local MaaS ecosystem (see Hyysalo et al., 2019). Additionally, the iteration enabled abductive analysis of the data (Dubois & Gadde, 2002, 2014) aimed at theory elaboration (Ketokivi & Choi, 2014). The work conducted led to a framework that could be used by governing authorities to enable the development of efficient MaaS services within their local or regional markets.

Design as a qualitative research method

Research related to any form of design can be described as "design research" (Muratovski, 2016). The purpose of constructive design research (CDR) is often to construct something tangible (Koskinen et al., 2011). In this research, the tangible construction was an artifact to be used in a real-life situation with local authorities to support decision-making for regulating MaaS. Accordingly, in CDR, the "construction —be it product, system, space or media-takes center place and becomes the key means in constructing knowledge" (Koskinen et al., 2011). Thus, the researchers' design iterations influence the process, questions, and knowledge that can be attained in the data collection and emphasizes the interaction between the researcher and the user (Whicher & Crick, 2019).

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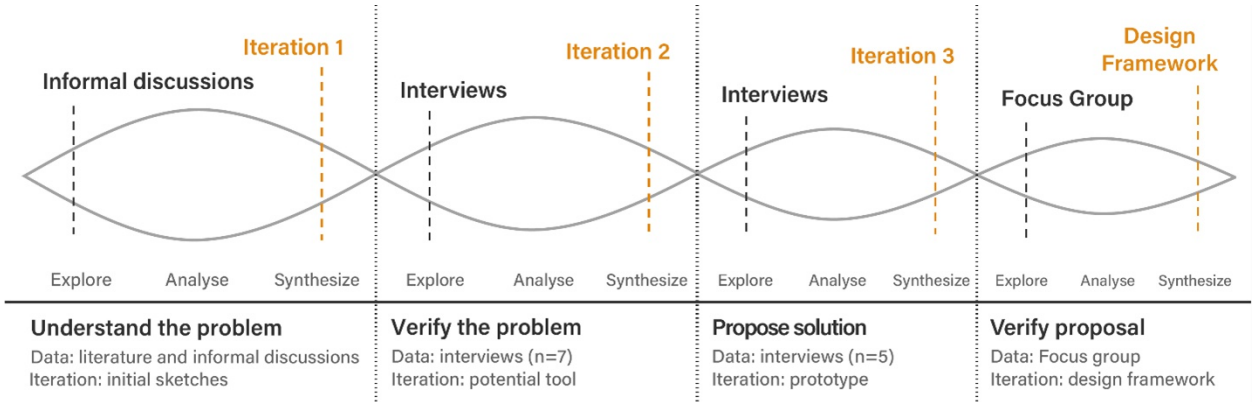

Figure 2. The iterative research process visualized in a simplified diagram to highlight divergent (field expanding) and convergent (field shrinking) thinking being dominant in specific parts of the iterative cycles. The segments of data collection are marked in dark green, while the iterations marked in orange are shown in Figure 3.

This design research process can be summarized in four significant segments of iterative progress, presented in Figure 2. The approach is an adaptation of the Double Diamond model, which illustrates a combination of divergent and convergent thinking as cycles of collecting and analyzing data, followed by directing the collected insights towards creating a solution (Design Council, 2007). The process resembles abductive data analysis principles that combine inductive and deductive reasoning through constant comparison of the accumulating empirical observations and the emerging theoretical framework (Dubois & Gadde, 2002, 2014).

Data collection and analysis

Our data collection followed the four stages illustrated in Figure 2. The research process began with informal discussions among key stakeholders and potential users of the resulting intermediate design. Such data collection is instrumental at the beginning of the design process to identify previously unidentified opportunities and refine the design hypothesis once the designer begins to comprehend what should be designed (Portigal, 2013). Subsequent data collection included semi-structured interviews with officials from different local authorities in four major cities across Europe (South, West, Central, and North), conducted in April and May 2020 (n=7). At this stage, the informants were civil servants, business representatives, and researchers, all of whom have participated in the development or study of MaaS services across Europe. The second round of interviews was conducted from June to August 2020 (n=5) with experts from governmental organizations that regulate MaaS and a private organization that provides MaaS services in one of the cities (North) to get an in-depth view of MaaS developments in a local context and from a provider's perspective.

The last stage of the design research process involved a focus group discussion in September 2020 to test the latest iteration of the design. The discussion was held with experts involved in several MaaS projects around Europe. The focus group method was chosen to enable a more candid discussion and encourage the participants to voice differing opinions (Wilkinson, 2004). The focus groups were held online, raising specific challenges, but also possibilities, such as greater participant convenience, or a sense of user anonymity (Stewart & Shamdasani, 2017). Following the feedback gained in the focus group, our designed framework was simplified and focused on the main setup. The findings from the analysis and subsequent design process follow next.

Summary of key insights derived from the constructive design research process

This research utilized an iterative design process where data were collected and analyzed at different stages during the project, as presented in Figure 2. Each bundle of data provided new findings, which contributed to show both a direction for reiterating designs and new questions to answer. The key findings that guided the design process will be presented correspondingly. Figure 3 illustrates the three iterations resulting from findings

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that arose during the design process (previously demonstrated in Figure 2).

First, the informal discussions indicated that local authorities were struggling to see the big picture of the MaaS value proposition and therefore tended to jump ahead of developments. In their effort to iron out precise details and needs, authorities often failed to recognize the broader implications of MaaS on the mobility ecosystem. These findings supported the initial assumption that a co-design method would be needed to guide local authorities in enabling MaaS in their local region. Gamified workshop tools (1st iteration in Figure 3) were ideated to provide a rough starting point for iterating a suitable method.

The interviews with city officials confirmed that the design method needs to accommodate drastically different challenges in different cities, based on the specific interests of the authorities and stakeholders, as well as prior activities. However, a few common concerns were shared by most interviewees. First, the need to maintain uninterrupted public transport operations has left little to no room for erroneous trials. Second, investment has been difficult to acquire due to high uncertainty regarding future returns, and the time and effort needed to facilitate the transformation. As a result, sufficient technological enablers in the ecosystem are not yet developed (for example, a common standard for application programming interfaces, APIs) to facilitate the development of modular components, such as buying tickets from multiple vendors for a journey. Third, the respondents felt that current public transportation providers must retain a dominant market position so that authorities maintain sufficient influence on the mobility sector. These findings indicate the need to agree and commit to a common cause among all stakeholders, although the question of funding remains unanswered. The second iteration (see Figure 3) revolved around building a shared understanding of changes and actions needed on a step by step basis.

The interviews with MaaS experts —who mainly operate in the North region —provided a reference point for the

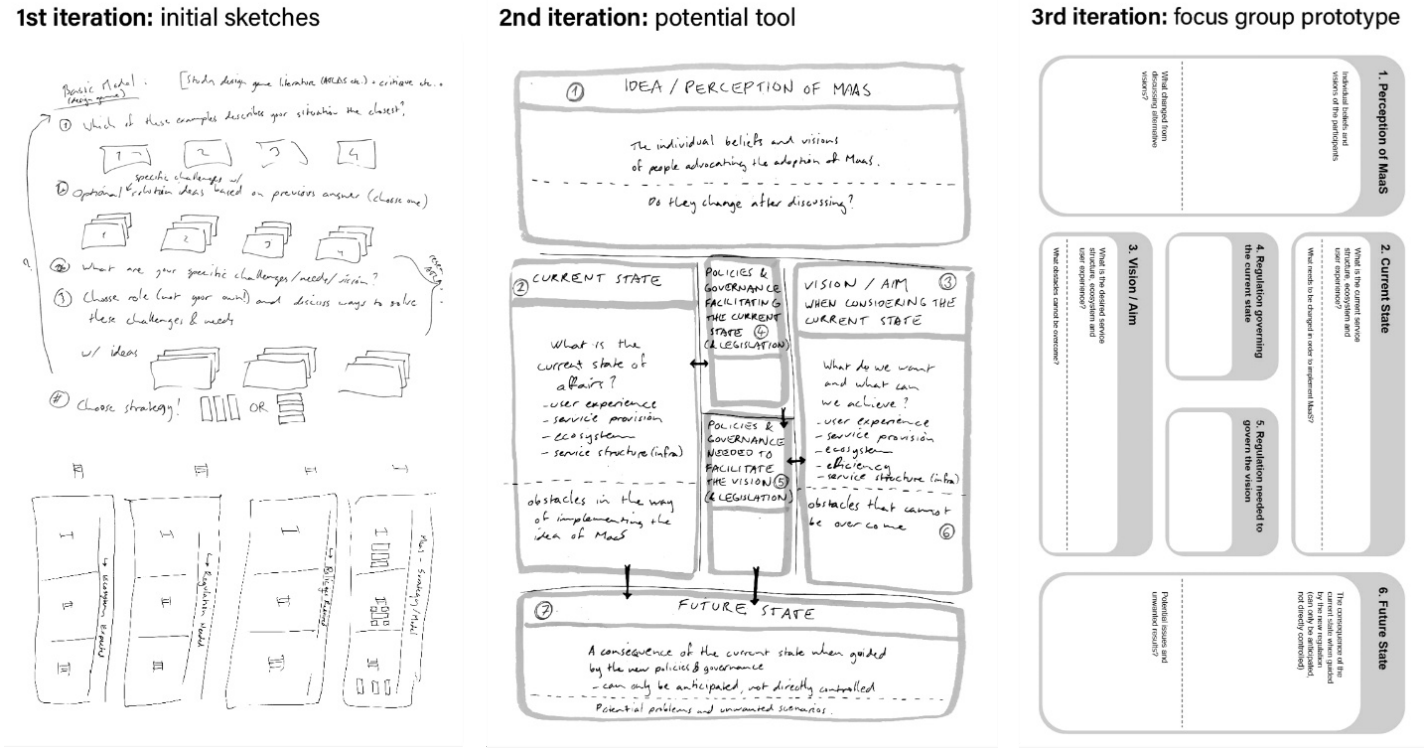

Figure 3. The most influential iterations at the end of each iterative cycle, as referred to in Figure 2, showing how the solution emerged in the focus group.

expectations regarding many of these challenges. However, none of the aforementioned challenges received clear answers, while many of them remain despite years of trying to get them to work. Instead, the interviewees added to the list of challenges in three essential areas. First, they showed that regulative attempts to force transformation have been highly inefficient due to the lack of self-interest and motivation among the actors. Instead, the informants highlighted the success of a city that took the opposite approach, relying on voluntary agreements, and achieved far more rapid expansion of MaaS services. Second, the profit margins within the sector have already been cut to a minimum, leaving little room for MaaS operators to compete with current industry prices. Third, existing regulation was to some extent seen as frequently obstructing the introduction of MaaS solutions. The demands to expand and connect to national and international MaaS systems have posed additional regulations on future development at the EU level. Since the MaaS ecosystem lacks a central coordinator, open communication through community seminars and forums was hailed as crucial. The third iteration (see Figure 3) clarified the model based on interviews during this stage.

Finally, the focus group discussion with MaaS experts across Europe revealed three more crucial aspects of enabling MaaS locally. First, the experts considered it vital that MaaS was founded on previously defined, comprehensive guidelines (for example, mobility strategies and policies) to reduce opposition. Second, while detailed mobility affairs in the local region — concerning everything from parking policies to taxation regulation —must be addressed separately and comprehensively, they have been overlooked. Third, the importance of regulation to enable MaaS has been overstated. Instead, the main focus should lie in aligning and guiding actions and developments between stakeholders. These findings allow the possibility of reframing the method, in order to introduce the co-design framework, which is presented next.

A co-design framework for MaaS policy development

The latest iteration of the presented design process is a co-design framework (Table 1). In it, we present five crucial steps for successfully implementing MaaS solutions initiated by a local authority. The sequence is not strict, as depending on the local situation, some steps may already have been targeted, while others may need to be adjusted to fit a previously unexpected context.

This study indicated that successful and rapid MaaS development depends on a motivated local authority to set a shared vision for various stakeholders. The first step therefore focuses on establishing broad interest and political backing for the needed transition. MaaS policies, we believe, should be integrated with broader mobility strategies, such as a sustainable urban mobility plan (Rupprecht Consult, 2019). Ultimately, this step aims to initiate mechanisms to engage multiple stakeholders and value propositions that are align with the shared vision of MaaS (Eggert et al., 2018: Bailetti et al., 2020).

Once a shared vision of future mobility services has been agreed upon, the second step evaluates preparedness for rapid MaaS adoption. Measures to deliver this include current infrastructure, available mobility services, parking policies, and transport provider willingness to collaborate. Existing tools useful for this stage may be the MaaS Readiness Level Indicators (Aaltonen, 2017) and MaaS Maturity Index (Goulding & Kamargianni, 2018). Mapping current actors and offered services provides an outlook of available resources and offerings in the ecosystem (Eggert et al., 2018), thereby facilitating new value propositions that link members directly to the shared vision.

The third step dissects the role of a local authority in enabling MaaS. Since value propositions are vital for facilitating investments and business transactions with external stakeholders (Bailetti et al., 2020), the MaaS strategy and preparedness are utilized to guide dialogue with relevant stakeholders. The goal is to define the role of relevant authorities in enabling the transition. The guided emergence of an ecosystem that can generate competitive MaaS services often depends on some changes to legislation and mutual agreements between partners involved. While ecosystems arise without the "grand designs of business leaders" (Shipilov & Gawer, 2020), policy decisions regarding MaaS often reflect the local administrative culture and willingness to collaborate among actors in the mobility ecosystem. Examples of tools that can assist in this type of work include the policy framework by Smith (2020) and studies on market access and competition in MaaS (VVA, 2019).

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Table 1. MaaS co-design framework intended to guide local authorities to co-creatively enable an efficient adoption of future mobility solutions in the local region.

Sequence	1 Strategy	2 Preparedness	3 Policies	4 Actions	5 Management
Purpose	Define how MaaS ties into the current urban mobility strategy and how the desired MaaS should function.	Measure the compatibility of current urban mobility to the requirements of the envisioned MaaS.	Define how local mobility should be governed and what changes are needed to current regulation regarding areas such as mobility, business, and taxes.	Define what actions are needed to achieve the goals previously defined. Define how the process should be supported and measured.	Define how the process is managed and the performance measured on a timely basis.
Examples of existing tools	Sustainable Urban Mobility Plan[1]	MaaS Readiness Level Indicators[2], MaaS Maturity Index[3]	Policy framework[4] by Smith (2020), MaaS development models[5]	N/A	N/A
Role in the value proposition alignment	Creating a shared vision among the multiple stakeholders.	Mapping current actors and services to align these with the shared vision.	Identifying the role of authorities as an external stakeholder guiding the actions.	Establishing interaction rules for business transactions to attract complementary investments.	Forming common targets and KPIs for implementing the shared vision.

Citations:

1 (Rupprecht Consult, 2019); 2 (Aaltonen, 2017); 3 (Goulding & Kamargianni, 2018) ; 4 (Smith, 2020); 5 (VVA, 2017)

The fourth step focuses on defining concrete actions and measures needed to achieve desired results. The measures go beyond regulatory incentives (for example, developing technologies, forming collective agreements, and attracting required investments). The purpose is to identify potential technological bottlenecks to enable members' compliance towards swift ecosystem expansion (Adner & Kapoor, 2016), while ensuring that external stakeholders can contribute to the ecosystem's user value proposition (Eggert et al., 2018; Kapoor, 2018).

A last step is needed to achieve the defined target and ensure that the required development keeps progressing. Ecosystem development requires modular offerings and aligned investments (Jacobides et al., 2018) that facilitate the discreet actions needed to realize an ecosystem's focal offering (Adner, 2017; Kapoor, 2018). It is crucial, therefore, that someone, be it a network or a chosen individual, is focused on overseeing development. By defining key performance indicators, the relevant authorities can measure the progress of ecosystem development and strengthen a collective vision of transformation that also braces to solve future, unforeseen issues.

Elaborating the MaaS ecosystem concept

The main contribution of this paper has been to clarify the MaaS concept as a complex mobility ecosystem. The envisioned future of MaaS services we presented relies on a focal offering (Adner, 2017; Kapoor, 2018) that enables user-friendly interfaces to access, find, and combine different transport services into a comprehensive, intelligent mobility service system. This vision requires many supporting actions and value propositions by various external stakeholders that need to be aligned accordingly (Eggert et al., 2018; Kapoor, 2018; Bailetti et al., 2020). Rather than offering an entirely new mobility service, MaaS instead provides a

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new channel for selling mobility services that can improve the ecosystem's overall efficiency. This setting exhibits challenges that are often associated with advancing general-purpose technologies, such as difficulties in monetization, along with questions on who should lead or pay for development costs (Teece, 2018). Thus, we believe the essential value proposition of a MaaS provider should be to align external, dispersed value propositions from multiple stakeholders into one clearly defined offering for users (Bailetti et al., 2020). Figure 1 illustrates this challenge: while people might agree about the main differences between old and new systems (that is, conventional mobility services and future MaaS solutions), there is still no generally agreed upon proper understanding of how to manage transition from old to new.

We also used practical examples provided by the MaaS context to elaborate on theoretical perspectives within the emerging ecosystem literature. To date, ecosystems have been defined through multiple stakeholders' collective vision, referred to as a focal value proposition or offering (Adner, 2017; Kapoor, 2018). Ultimately, an ecosystem becomes tied together by the non-redeployability of the stakeholders' collective investments elsewhere (Jacobides et al., 2018; Shipilov & Gawer, 2020). Past examples of ecosystem disruption involve strong focal organizations leading the change and often providing the technological platform to attract complementors (Adner & Kapoor, 2016; Ozalp et al., 2018; Teece, 2018).

The MaaS context provides a contrasting view of these past examples. Organizations leading the change in MaaS are often public authorities who do not provide a hub and spoke platform, or actively lead the development of new technologies. This raises concerns about whether or not they are having sufficient influence on the result. Instead, we suggest that the MaaS context represents a nested ecosystem (Bronfenbrenner, 1979) with complex interacting and overlapping structures. Public authorities set the principles, policies, and rules to guide the structures and the ecosystem's emergence. Interestingly, the city officials and public authorities in our study indicated a fear of being disrupted that is more commonly seen among private organizations (Gans, 2016). This article therefore suggests that the MaaS context can provide a particularly fertile ground for further contributions that can advance ecosystem research.

Conclusion

This article provided a contrasting overview of the potential structures for offering mobility services, including the value propositions they provide. Figure 1 illustrated future MaaS mobility solutions against more conventional mobility services. This comparison highlighted two things. First, it showed user-centric improvements in user interface and convenience for users. In conventional, provider-centric service transportation models, one access point (referred to as "user interface") usually gives access to a limited number of travel options that fail to cover an entire journey.

In comparison, we highlighted the focal offering of envisioned MaaS solutions to align and connect all attainable forms of mobility, with dispersed VPs of multiple external stakeholders integrated through a single access point. Typically, these are conceived as digital applications, including customizable route-planning, ticketing, and nimble rerouting, to name a few key functions. Second, it shows how efficiency changes between the two ecosystems. In conventional mobility ecosystems, efficiency has been improved from the provider perspective by bundling certain functions behind single actors within a certain organizational structure or operator. In contrast, future mobility ecosystems aim to optimize efficiency from a user perspective, thus promoting modularity, fragmentation, and complementary market offerings in an open ecosystem.

This study did not address the impact of an ecosystem's focal offering and aligned VPs on scaling the envisioned MaaS mobility ecosystem. As the ecosystem grows and develops through inputs from multiple key players, it calls for an increasingly challenging dynamic configuration of internal and external resources. Thus, we encourage future studies to address issues related to scaling of focal offerings and aligning VPs in digitally-driven MaaS ecosystems.

In addition, the findings showed that local authorities are adamant that they have control over the mobility services market and ecosystem for public transport and will also have it in the future. This requirement may result from the governing authorities' interest in maintaining sufficient control over the mobility services market. However, as technology advances and the

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mobility ecosystem changes, so too does the relationships between actors in it, which we believe in the example of MaaS calls for new ways of adopting and practicing control by authorities to manage the imminent disruption.

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Framing Multi-Stakeholder Value Propositions: A wicked problem lens

Yat Ming Ooi and Kenneth Husted

> *"The value of a thing is estimated from the advantages supposed to be derived from it, and depends very much upon time, place, and circumstances"*

E.P. Day
Day's Collacon: An encyclopaedia of prose quotations

Balancing various stakeholder (often contradictory) expectations creates tensions when developing value propositions for a new firm. Customers, funders, owners, and society-at-large often expect different value outcomes from a firm. They therefore have different motivations for being involved in the firm. These differences in value expectations are more strongly expressed in technology-based ventures, which often rely heavily on access to heterogeneous external resources such as capital, specialised knowledge, distribution, and service. In this paper, we use a wicked problem lens to explore specific challenges for companies to mediate seemingly contradictory propositions. We use two dimensions of wicked problems involving complexity and complicatedness, and conduct a secondary analysis of seven technology venture case studies from Australia and New Zealand. We then categorise the configuration types of these firms' stakeholder value propositions in the context of their scale-up process. We contribute to the value proposition and business model development research streams by suggesting that the challenge of mediating value propositions that conflict can manifest itself in four types of configurations: easy, complicated, complex and wicked. Complicated and complex propositions are thorny, but with structures and processes in place, they can be adequately addressed. On the other hand, wicked propositions consist of many unknowns and require firms to collaborate with stakeholders to derive outcomes that align company scaling objective with stakeholder value propositions.

Introduction

The value proposition (VP) concept increasingly attracts attention beyond the marketing domain (Eggert et al., 2020). Scholars and practitioners of business model innovation have highlighted the importance of VPs when designing various business model activities (Teece, 2010; Priem et al., 2018). More importantly, there is a growth in firms looking towards developing business practices that balance multiple outcomes. An example is the triple bottom line approach, which suggests that firms should aspire to achieve economic, ecological, and social outcomes (Hart, 1995; Kiel et al., 2017). Consequently, both new and established firms will increasingly consider how their business model can balance different stakeholders' conflicting needs (Scherer et al., 2013).

Various stakeholders can have conflicting expectations. For instance, there can be expectations to create products customers want, increase profits to maximise investor returns, produce what the co-founders think the market needs, and ensure business activities promote sustainability (Gladwin et al., 1995; Chesbrough & Rosenbloom, 2002; Liu et al., 2015; Loureiro et al., 2020). To avoid stifling tension between these seemingly opposing needs, a firm needs to create propositions that align stakeholder needs and expectations (Ballantyne et al., 2011; Bailetti et al., 2020). This alignment is even more crucial for new technology ventures, which operate in a highly dynamic environment, and often lack the resources and capabilities needed to manage the VP development and alignment process (Scherer et al., 2013).

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We suggest that by investigating VPs through the lens of "wicked problems" (Churchman, 1967), people can better understand the specific challenges caused by different configurations of multi-stakeholder propositions. By and large, wicked problems are complex and complicated (Andersson et al., 2014; Alford & Head, 2017). The terms "complex" and "complicated" are conceptually distinct, but often used interchangeably (Andersson et al., 2014; Kinni, 2017). "Complicatedness" is associated with a situation where most of the causes of a problem can be identified and addressed with additional learning (Kinni, 2017). This means that most times for complicatedness, the causal effects between problems and solutions are knowable (Snowden & Boone, 2007). On the other hand, "complexity" is characterised by the inability to identify the cause of a problem and predict accurate solutions required. In this case, the complex causal relationships between problems and solutions are mostly unknown (Manson, 2001; Dorst, 2015). Hence, while a multidimensional VP contains, amongst other components, the problems that a firm needs to solve, such a VP is bound to be more wicked when the problem component is highly complicated and complex (Andersson et al., 2014; Alford & Head, 2017).

In the paper that follows, we aim to contribute to the VP and business model research streams (Spieth et al., 2014) by categorising VPs based on their problem components, while highlighting specific challenges associated with VP configurations. To determine the types of propositions a firm engages in during the early and scaling-up stages of its life cycle, we conducted a secondary analysis on seven case studies from Australia and New Zealand (NZ). The case studies focus on technology start-ups at the growth (scaling up) and maturity stages of their business life cycle (Miller & Friesen, 1984). We found that complicated propositions are tricky, but can be addressed adequately with structures and processes in place. Contrarily, complex propositions consist of too many unknowns and require firms to co-learn with stakeholders to derive an outcome that aligns with other propositions and company scaling objectives. From these complicated and complex dimensions, we proposed four VP configurations and their implications.

Theoretical Background

Value proposition research insights

Research focusing on the VP concept has been growing and progressing steadily. Studies from the field of marketing provide fine-grained nuances on the various elements of a VP (Payne & Frow, 2014; Payne et al., 2017; Eggert et al., 2020). Furthermore, a visible shift has taken place towards adopting multiple stakeholder and co-creation perspectives when developing VPs (Frow & Payne, 2011). This shift displays an extension of the initial customer-focused perspective on VPs, reflecting the realisation that a company's value creation efforts require a holistic view that focuses on collaborative processes (Anderson et al., 2006; Frow et al., 2015; Eggert et al., 2018). Furthermore, stakeholder-based perspectives on VPs provide an alternative view for companies when considering the relationship between value, customer experiences, and business processes such as organisational learning in shaping and refining VPs (Payne et al., 2008).

This paper's research approach adopts the VP framework suggested by Johnson, Christensen, and Kagermann (2008) to define VPs as a company's promise to stakeholders (for example, customers, investors, partners) on the value that its products or services bring. Value is the benefit or advantage that stakeholders obtain from investing, collaborating, purchasing, and using a firm's products or services (Frow & Payne, 2011; Bohnsack & Pinkse, 2017; Priem et al., 2018; Bailetti et al., 2020). A firm communicates this value to stakeholders in the form of VPs and by reconfiguring its business strategy to reflect and deliver these VPs (Tantalo & Priem, 2016; Eggert et al., 2018; Lanning, 2020). VPs themselves are an essential component in business models (Johnson et al., 2008). In their study of technology-based spin-offs from Xerox, Chesbrough and Rosenbloom (2002) highlighted the centrality of VPs in technology firms' efforts to create value. They demonstrated how business models commonly revolve around specific VPs, as well as the significance of offering better linkages between value creation and capture processes.

Bohnsack and Pinkse (2017) examined how firms could reconfigure their VPs to appeal to various stakeholders at the operational level. The authors proposed that companies could employ compensating, enhancing, and coupling mechanisms to reconfigure their VPs. The reconfigured VP's focus is on showcasing, exploiting or mitigating the features of a firm's technology to stakeholders, such as investors, partners, customers, and users (Bohnsack & Pinkse, 2017). It was implied here that new VPs would require firms to reconfigure other related activities into their business model, such as focusing not only on their profits, but also on their

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value creation activities' environmental and social impacts (Kiel et al., 2017). Paying attention to a triple bottom line ensures that a firm operates effectively while aiming at long-term sustainability (Hart, 1995). Firms nowadays thus need to appease a more diverse group of stakeholders than ever before. Simultaneously aligning stakeholder VPs to business strategies has become essential (Scherer et al., 2013). This is not easy, however, especially for a company at the scaling-up stage of its life cycle. As new ventures are more likely to face technical, market, and social uncertainties (Reymen et al., 2017), a need arises to reframe company VPs to reflect the uncertainties and complexities associated with their business.

The 'problem' of aligning multi-stakeholder value propositions

Problem-solving theory suggests that problems with high degrees of complexity and complicatedness tend to be more challenging to solve and could be considered "wicked" (Simon, 1962; Andersson et al., 2014; Alford & Head, 2017). A common understanding holds that new ventures working closely with various stakeholders to develop mutually beneficial VPs is invariably a complex process. A myriad of stakeholders could be relevant, such as users, customers, suppliers, co-founders, venture capitalists, bankers, partners, and even family members (Moore, 1990). While "value" means different things to different stakeholders, similar stakeholders may sometimes also have disparate value expectations. What creates value for one stakeholder (for example, a customer), who will acquire a customised product and subsequent service to get a job done is unlikely to be aligned with the value of another stakeholder (for example, an investor), who might see a higher short-term return on investment as valuable instead. Thus, working with stakeholders that have seemingly different goals tends to increase a firm's difficulty to grasp and incorporate disparate stakeholder value interpretations (Stacey, 1995; Manson, 2001; Lyles, 2014). The existence of multiple interpretations of value by different stakeholders pivots toward complexity, and more complicated states involved with problem-solving (Simon, 1962; Newell & Simon, 1972; Lyles, 2014; Dorst, 2015).

In their Cynefin framework, Snowden and Boone (2007) delineated business problems into four categories: simple, complicated, complex, and chaotic. The decision-making process changes depending on the problem decision-makers are facing. In the context of developing VPs, research by Reymen et al. (2017) suggested that while new ventures create VPs for customers through iterative interactions with broader stakeholder groups, the company decisions are guided by effectuation. They focused on the resources available to new ventures now, rather than predicting what can be achieved. The common principle in these two studies was the notion that when decision-makers face complex and complicated problems laden with unpredictability, traditional systematic problem-solving processes that work for more simple problems would not work. We adopted the Cynefin framework's dimensions of complexity and complicatedness for this paper (outlined in Table 1) to examine the problem components of various stakeholder VPs that scaling companies need to address. Our aim was to provide these firms a better understanding of these propositions and ways of addressing them.

Table 1. Complex vs complicated characteristics

	Complex	**Complicated**
Solution	Unknown	Mostly known
Cause-effect	Causal effects between problem and solution unknown	Causal effects between problem and solution can be identified
Resource components	Utilising many resource (and knowledge) components known and unknown to the firm and those possessed by stakeholders	Utilising many resource (and knowledge) components that are known and unknown to the firm

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Methodology

Research into the VP concept is still an underdeveloped area. We believe it warrants a research approach that supports normative interpretations and the development of practical tools to apply in marketing and beyond (Frow & Payne, 2011; Payne et al., 2017; Eggert et al., 2020). Furthermore, previous research has not looked at categorising VPs based on complexity and complicatedness.

Our paper adopts a methodology that combines inductive top-down theorising (Shepherd & Sutcliffe, 2011) and directed content analysis (Hsieh & Shannon, 2005). This methodological choice allowed us to analyse the available evidence based on some predetermined dimensions. We took one current understandings of VPs into account while analysing evidence for their complex and complicated characteristics. As mentioned, a VP is conceptualised as a multidimensional concept that includes the customer problem new venture firms need to address during value creation (Johnson et al., 2008). Analysing the problem component of VPs using our proposed theoretical perspective helped in identifying specific configurations of VPs, and highlighted the challenges associated with various VP types (Mayer & Sparrowe, 2013).

Sample and data collection

The initial empirical context of this study was NZ companies going through a scaling-up process. The sample involved firms that had successfully scaled-up. Including such firms minimised time-lag effects, where there was a delay between implementing business practices and subsequent reporting of these practices. We established a list of potential companies, and one of the authors conducted preliminary screening of this initial list by searching in Katalyst Business, Kompass, and MarketLine databases. The objective of this screening process was to make a final selection of suitable companies for our study. During this process, the authors added two successful Australian companies with evidence of multi-stakeholder engagement. The final list included seven companies of various ages, operating in several industries, and adopting different technologies.

We collected data from secondary sources, analysed seven case studies, company websites, and news and magazine articles related to the chosen firms. We used Google search engine, ProQuest and Newztext databases to search for news and magazine articles. Our unit of analysis was company VPs. When VP statements were not explicitly labelled as propositions in the evidence, in such cases published descriptions and explanations of

Table 2. Sample

Company	Location	Technology	Industry	Founded
Cochlear	Australia	Hearing aid	Medical devices	1981
Smorgon Steel	Australia	Steel products	Manufacturing	2001
Buckley Systems (formerly Buckley Engineering)	New Zealand	Nuclear physics equipment silicon chip	Engineering	1968
Lanzatech	New Zealand	Carbon recycling	Clean energy	2005
Living Cell Technologies	New Zealand	Medical research	Biotechnology research	1987
PowerbyProxi	New Zealand	Wireless power	Power charging	2007
StretchSense Ltd	New Zealand	Sensors, wearable technology	Wearable electronics	2012

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how these companies create value for different stakeholders were used as a proxy.

Data analysis

We conducted content analysis using Nvivo 12. A computer-aided analysis allowed better organisation of coding schemes, as well as easier checking. We interpreted documented accounts of experiences and actions to handle stakeholder performance and value expectations as a way to represent VP characteristics. Although practitioners discuss VPs, actual propositional statements are not usually published by firms (Frow & Payne, 2011). As such, analysing documents showing how new ventures respond to stakeholder expectations can be valid as a proxy to analysing actual propositional statements (Bowen, 2009).

Since we were interested in categorising VPs based on their problem characteristics, we followed Saldaña's (2013) coding procedure and coded data in two cycles. In the first cycle, data were coded based on the dimensions of complex and complicated. Data not fitting these two preselected categories were coded separately as emerging themes to minimise researcher bias. In the second coding cycle, we employed pattern coding on the codes that do not fit into the two predetermined categories to identify additional characteristics of VPs that have emerged (Miles et al., 2014). We triangulated the coding schemes by searching for related characteristics in more than one data source (Miles et al., 2014; Patton, 2015). A single researcher conducted the two-stage data analysis process. Therefore, we thoroughly discussed the following:

- The accuracy of the coding scheme.
- The reliable inference of triangulated texts and their respective coding dimensions.
- The findings from our analysis and conclusions from these interpretations.

Findings

Our analysis revealed that the problem components of the seven companies' VPs fall on a spectrum anchored by "complex" and "complicated" dimensions. The problem characteristics that make up these two

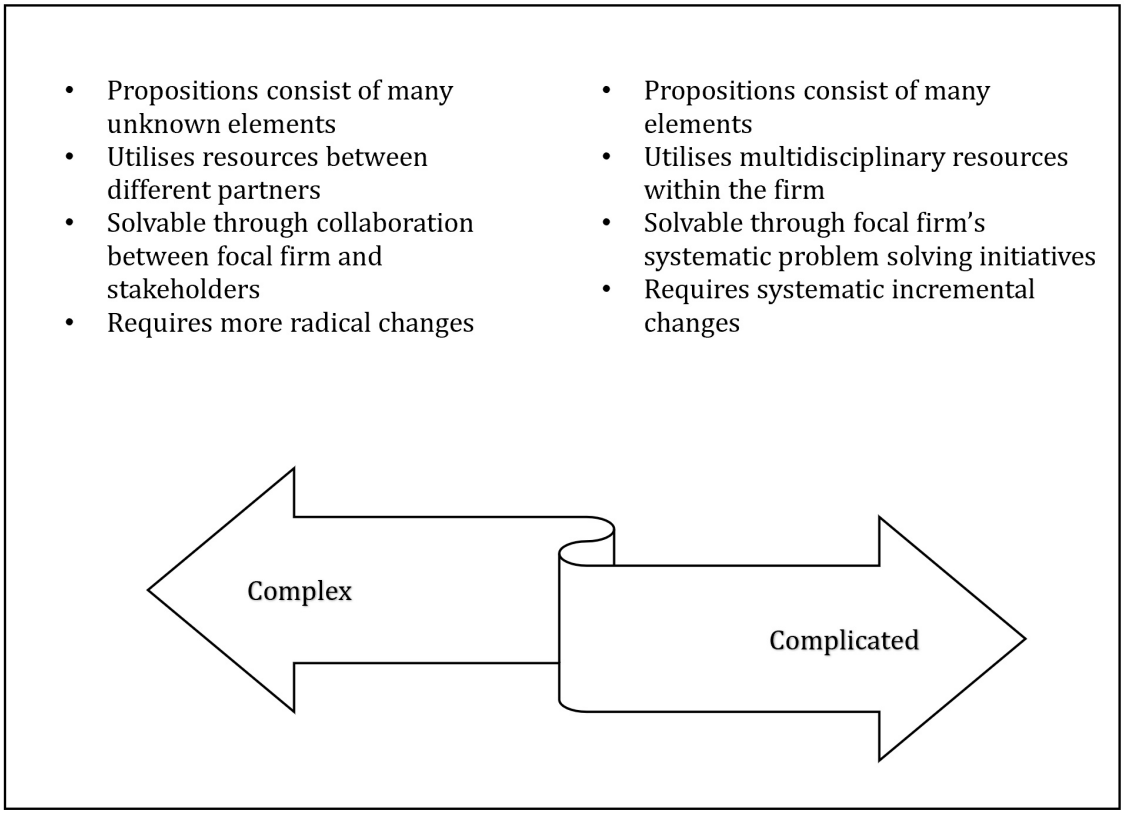

Figure 1. Complex and complicated dimensions of value propositions

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Table 3. Stakeholders and types of propositions derived from analysis

Stakeholders	Definition	Sample proposition	Companies
Business partner	Individual who invested in the company and played a role in the operations	Want the company to pursue activities that meet their expectations	Living Cell, PowerbyProxi
Collaborators	Individuals and organisations involved in joint development of products	Want to co-develop a product to meet its objectives using the focal company's technology and expertise	Buckley, LanzaTech, Living Cell, PowerbyProxi, Smorgon, StretchSense
Customers	Individuals and organisations purchasing the company's product	Want a product that meets their perceived value gained from using the product	All companies
End-user	Individuals and organisations who use the product, but did not pay for it	Want a product that brings them benefit, is easy to use and safe	Buckley, Cochlear, PowerbyProxi, StretchSense
Founder	Individuals who founded the company	Wants to pursue activities that meet their various goals	All companies
Industry/ Government	Industry groups and government with interest in the company's product	Want to ensure the product meets industry standards or regulate usage and adoption of the product	All companies
Investor	Individuals and organisations who invested in the company	Want a good return on their investments	All companies
Licensor	An organisation that licenses its intellectual property to the company	Wants to choose application areas for its intellectual property and a fee	PowerbyProxi

dimensions are presented in Figure 1. The companies were required to meet the expectations of various stakeholders (see Table 3). Overall, complex VPs were those requiring both technical and non-technical interdisciplinary knowledge. These propositions were characterised by high uncertainty and a company's lack of expertise in addressing them alone.

The need for interdisciplinary knowledge typically meant that firms needed to collaborate with various partners. For example, in 1997, Buckley Systems developed the world's first commercial applications of high-temperature superconductors. It collaborated with three other research and commercial organisations to design, build, and market the new technology. In comparison, complicated VPs consisted of less uncertain components, which a company could address, albeit needing more resources than relatively simple propositions. In the company Cochlear, for instance, experts in audiology believed they would be

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able to systematically address concerns about their hearing implant, through incremental research and development efforts.

Complex vs. complicated propositions

In addition to the above, three key distinctions arise between complex and complicated propositions. First, evidence showed stark contrast between complex and complicated propositions in the number of constituent elements underpinning these propositions. A complicated proposition was comprised of many different problem components, which were usually known to the case firms, but still relatively difficult to articulate. However, this characteristic was exacerbated in a complex proposition by the sheer amount of unknown problem components that were mostly interrelated.

When the company LanzaTech was searching for investors to scale-up its operations, an investor agreed to provide funding but required the firm to open research facilities in the United States. Although this proposition was complicated, LanzaTech met this request after systematically tackling the resource and legal requirements of setting-up facilities in the United States. In contrast, when PowerbyProxi entered into an agreement with an investor to develop its wireless slip ring for harvesting equipment, the situation was more complex. The relatively nascent technological expertise of PowerbyProxi at that time meant that many unknown variables could impact the company's success or failure in meeting the investor's needs.

Second, from our evidence, case firms employed various resources when addressing complex and complicated propositions. Given that complicated propositions consisted of different problem components, case firms were required to draw from multidisciplinary resources within the firm. Contrastingly, evidence showed that complex propositions required case firms to draw on resources from outside their boundaries. These firms collaborated closely with their partners to access resources held by these partners.

Cochlear frequently drew on research and development capabilities within the firm to design better implants in its quest to meet the demand for better hearing implants. For instance, its 22-channel implant and wearable speech processor was built on its first implant technology to incrementally change hearing implants, making them less intrusive to customers and easier for future upgrading. In contrast, Living Cell Technologies drew from partner research and market access capabilities when developing its NTCell for new application areas, such as Parkinson's and other neurological illnesses. The proposition to explore these new application areas was highly complex, involving new technical and non-technical resources. It focused on finding collaborators to provide the funds, complementary technical expertise, and the market knowledge Living Cell Technologies lacked.

Third, and relatedly, addressing these propositions followed a slightly different process. Disciplined, systematic problem-solving abilities were essential for firms to address the problem components in complicated propositions. Alternatively, complex propositions required firms to utilise their collaborative abilities more than problem-solving initiatives. For instance, when developing a body measurement product for its investor, StretchSense was given US$20 million, which it used to expand its research and production operations. Given that no product of this type existed at the time, StretchSense believed that it could build on its core technology, but that the process would be complicated. To address the complicated request, StretchSense systematically expanded its core technology to design and build the final product called ZoZoSuit. However, for Buckley Systems, even though it reinvested 20% of its profits into R&D annually, developing an alternative to copper wire for use in electromagnets required more than just problem-solving abilities. Instead, Buckley collaborated with organisations in industrial research and electromagnets to develop and commercialise a new technology to replace copper wires.

Framing value propositions

The findings on different problem characteristics between complex and complicated propositions showed that these were indeed different from one another. Hence, we used complexity and complicatedness dimensions to frame VPs, based on the problem components that firms were likely to face when scaling-up, as shown in in Figure 2. These types of VPs are outlined below with examples from the data collected.

• Easy proposition

Propositions here were low in problem complicatedness and complexity, where a firm would consider them as easy fixes. These could take the form of customer need

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for an improved product. For example, Smorgon Steel was able to address requests for customised products from customers easily. This ability was tied to its usage of electric arc furnaces in manufacturing, which allowed for manufacturing of non-standardised steel products with idiosyncratic specifications.

• Complicated proposition

Propositions here contained problem components that could be difficult to comprehend, or when addressing them required a company to draw on the multidisciplinary resources it possessed but was not considered as complex. As part of its expansion plan, Living Cell Technologies needed to address various investor and regulatory body propositions. These propositions were considered complicated as they required Living Cell Technologies to draw on multidisciplinary resources. For instance, to obtain a global manufacturing practice certification, it drew resources and knowledge in production. For certification by International Accreditation New Zealand (IANZ), it drew on its scientific and technical resources to ensure diagnostic laboratory and systems met IANZ standards.

• Complex proposition

Propositions here contained problem components that were highly complex but not considered overly complicated. This could occur when the elements of the proposition were unknown at first, but as these elements emerged, firms could address them easily. During PowerbyProxi's expansion, it partnered with John Deere to develop and build a rotating, wireless slip-ring to be fitted on John Deere's machinery and equipment. This proposition was complex for PowerbyProxi because John Deere required a 120-fold increase in charging capacity from PowerbyProxi's existing capacity of 2 watts. Despite the complexity and uncertainty surrounding this proposition, it was able to push through and provided a working prototype to John Deere within the stipulated 12-month timeframe.

• "Wicked" proposition

Propositions considered as "wicked" exhibited problem components with strong complexity that are also highly complicated. These have known and unknown problem components that are both interrelated and difficult to comprehend and address. Throughout LanzaTech's

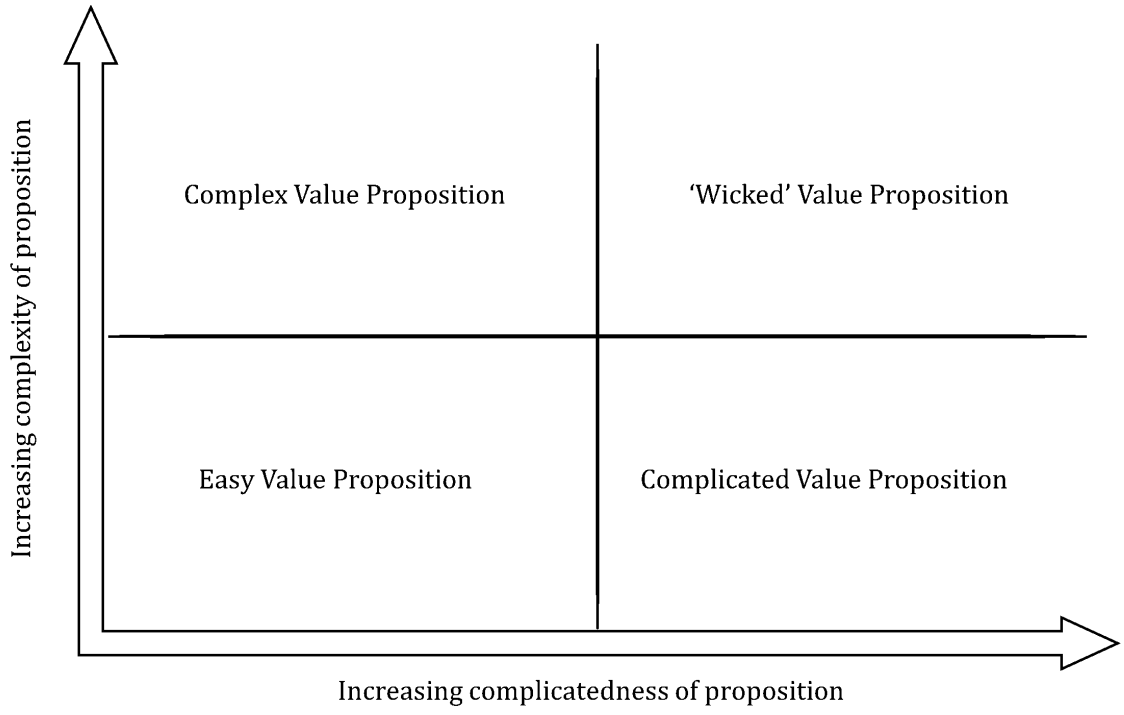

Figure 2. Framing value propositions through their problem components

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expansion, it faced several tough propositions from investors and collaborators. One such proposition, the building of a first testing plant for its microbe, was considered a wicked proposition. As part of a US-based investor's requirements, LanzaTech needed to build a testing plant as a commercial proof-of-concept for its microbe. This was a highly complex and complicated endeavour for LanzaTech as its microbe was only ever proven in a laboratory environment. Furthermore, the efficiency targets for LanzaTech set by the investor were almost impossible. The test plant thus failed to achieve its objectives.

Discussion

Our study contributes to VP and business model concepts by utilising complexity and problem-solving lenses to categorise propositions that a firm could face in its start-up, growth, and scale-up stages. In doing so, we answered recent calls (Spieth et al., 2014; Bailetti et al., 2020) to further illuminate the relationship between companies and their external stakeholders in creating and shaping VPs. Furthermore, the findings provide a precursor to studies examining causal linkages on how value is captured from strong VPs (Priem et al., 2018).

We argue that VPs are important elements underpinning a company's business model. These propositions are more than about just communicating a firm's value creation, delivery, and capture initiatives. They are also a firm's guide towards achieving sustainable growth. While we proposed four types of VPs above, based on various underlying problem components that a company could encounter, a business venture would almost likely be facing various propositions simultaneously. Thus, it becomes an issue when a start-up founding team tries to address and align these diverse stakeholder propositions.

When working with different stakeholders with seemingly contradictory goals, a company needs to create propositions that meet these stakeholders' wants. Our findings are in line with the literature (Tantalo & Priem, 2016) and show that although it is difficult for a firm to simultaneously create value for different stakeholders, including customers, partners, and even employees, it is not impossible. A proposition is considered a statement of value that a company offering provides to various stakeholders. A robust business model provides supportive activities and mechanisms to create, deliver, and capture value as stated in a company's VPs. Our findings show it is useful for a firm when developing and addressing VPs from different stakeholders to approach this process with a problem-solving approach.

One method to alleviate the balancing of diverse propositions is through collaboration. Extant research in industrial marketing that takes a service-dominant logic perspective proposes that VPs should be co-created with stakeholders such as customers (Payne et al., 2008; Frow et al., 2016). Co-creating VPs is useful because it brings together parties to co-develop relevant propositions through knowledge sharing. Despite co-creation being commonly linked to firm-customer relationships, the process is also useful when working with other stakeholders, such as suppliers, funders, and non-profit organisations (Ballantyne et al., 2011; Frow & Payne, 2011). Although working with stakeholders to co-create propositions means that a firm gains access to stakeholder knowledge, a degree of complexity remains to be addressed by the company, which arises from the market and technical uncertainties it faces. Hence, the alignment strategy needs to focus on supporting knowledge sharing between these different partners during the co-creation process.

This study was limited in scope as we categorised VPs based only on their problem components. We acknowledge that VPs consist of more than mere problems that require solving. Future studies could examine VPs by integrating the problem characteristics we identified with other proposition components. Furthermore, the VP configurations were derived only from an analysis of seven companies in Australia and New Zealand. We minimised this limitation given the scope by choosing companies operating in diverse industries. Future research could explore more widely the management and governance of various types of VPs from companies in other industries. Similarly, further studies could also investigate whether and how VPs change when a company moves through start-up and scaling-up stages.

Conclusion

Our study used a wicked problem perspective to analyse the value outcomes of seven organisations. We argued that addressing various stakeholder expectations when scaling-up requires reframing these expectations. Our analysis, using the dimensions of problem complexity and complicatedness, led us to propose four VPs: easy, complicated, complex, and wicked. Importantly, organisations should acknowledge the need to develop

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different VPs to meet diverse stakeholder expectations. The seven organisations we examined frequently turned to collaboration with investors and customers to address complex and wicked propositions. Collaboration was found to be beneficial when addressing complex and wicked propositions because it allows organisations to co-learn with stakeholders to facilitate and negotiate the alignment of expectations and scaling-up objectives.

We advise organisations to address straightforward propositions quickly by drawing on their existing knowledge base and expertise. Complicated propositions require organisations to access and recombine their internal multidisciplinary knowledge and expertise. Complex propositions call for single stakeholder collaborative arrangements as the organisation will need to draw on its stakeholder expertise to align expectations with its scaling-up objectives. Finally, wicked propositions warrant multi-stakeholder collaborative efforts to access and learn from stakeholder expertise.

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Value Proposition Misalignment and the Failure to Become a Born-Global Company

Roshana Prabaharan, Martin Bliemel, Stoyan Tanev

> *"Starting a company is like throwing yourself off a cliff and assembling an airplane on the way down."*
>
> Reid Hoffman

This inductive study explores factors by which some new and innovative firms try yet fail to achieve born-global status. Born-global studies have a survivorship bias, with errors of omission that paint a favourable picture of how innovative and well-funded new ventures internationalise. In this paper, we counter such biases by focussing on innovative ventures that expressed intentions to become born global but failed to do so. Our findings reveal that these new ventures fail in two ways. Either they underestimate the need to tailor a portfolio of value propositions and over-extend their efforts across too many markets, a pattern called "baby born-global". Or they over-commit to one market at a time, thus limiting their capacity to develop value propositions in similar markets, a pattern called "micro multinational".

Introduction

The born-global literature sits at the crossroads between the fields of entrepreneurship and international business. Early research characterised born-global firms by having rapidly internationalised, within a few years of their inception, as well as having generated a large proportion of revenue from foreign sales (for example, Chetty & Campbell-Hunt, 2004; Knight & Cavusgil, 2004). Since then, scholars have become sceptical of premature identification of "born-global" (Coviello, 2015), which has included a shift to studying how firms survive early internationalisation. This literature recognises the past characterisation of the internationalising process as a phase of nearly uncontrolled growth. Its emphasis on "survival" recognises the existence of failures, but still characterises internationalisation as being beyond the control of a company's founders, and thus likely also in at least some ways unplanned, where a firm's current set of transactions and value propositions (VPs) unintentionally gain a global appeal. Meanwhile, many founders proudly declare their intentions and plans to become global, making it difficult to distinguish between new ventures with genuine born-global intentions and plans versus those with only vague statements of intentions.

For those able to achieve legitimate born-global status, uncontrolled growth is a good problem to have. A common cause of failure is premature scaling (Marmer et al., 2011). Premature scaling is defined in the well-known Startup Genome Report as the "predominant form of inconsistency" whereby firms put the "product, team, financials and business model" dimensions of their business far ahead of or behind the "customer dimension" (Marmer et al., 2011). This speaks directly to placing an overemphasis only a sub-set of a firm's portfolio of VPs, without a coherent and scalable business model (Baletti & Tanev, 2020; Baletti et al., 2020). The coherence of a business model prior to scaling remains an overlooked component of the classic Business Model Canvas (Osterwalder & Pigneur 2009), and is only achieved if the VPs and their relationship to all relevant stakeholders are aligned in a way that creates value for the startup to capture (immediately or sometime in the future if it is not immediately cash flow positive).

It is clearly appealing to scale quickly and establish a position in global value chains as soon as possible, a process recently referred to as "blitzscaling" (Hoffman & Yeh, 2018; Kuratko et al., 2020). The reality however is that scaling too early often leads to failure because the

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investment in scaling cannot be recuperated quickly enough. Entering international markets adds complexity to a new venture's portfolio of VPs because each aspect of the business model is likely to require tailoring to specific new markets. We emphasise VPs here because the emergent literature on VPs distinguishes differentiated transactions that require an investment to develop and maintain an improved VP over time from standardised business transactions (Baletti & Tanev, 2020; Baletti et al., 2020). This qualitative emphasis on tailoring VPs is more holistic than the born-global literature's quantitative emphasis on studying the number of markets and proportion of sales exported.

Overall, decisions on how and when to scale are certainly not left to chance at the whims of external factors and are ideally considered early in a company's life. This article looks back at the very early days of firms to consider how they present themselves as being globally scalable. It likewise compares the historical business actions with their stated intentions. By focussing on not-yet-born-globals that have born-global intentions, we also aim to fill a gap in the born-global literature regarding failure to scale. This omission of failures and corresponding survivorship bias is a real concern for the international entrepreneurship field (noted as early as Aldrich & Wiedenmayer, 1993). This inductive study investigates why companies that express early global intentions to their funders have not been able to fulfil those intentions. In doing so, it enhances traditional born-global metrics, like markets and sales, with additional consideration of the effort and action required to manage the increasingly complex set of VPs.

This study begins by examining the literature on born-global firms, along with their failures. The methodology and findings section summarise the main research steps and the empirical analysis of four case studies of Australian-based firms that embarked on an internationalisation process with global intentions, yet have failed to achieve born-global status. Finally, we offer a framework and conceptual model that explains how this occurred. The conclusion provides a reflection on the value of the research findings.

Literature Review

Born-Globals

The born-global literature sits at the crossroad between the fields of entrepreneurship and international business. The term "born-global" was first coined in an article in *The McKinsey Quarterly* by Rennie (1993), which sought to describe manufacturing firms in Australia that began exporting 2 years after their inception, and that had acquired significant foreign sales.

Definitions in the core literature continued to sample on dependent variables, such as Knight and Cavusgil (2004) classified "born-globals" as the period from domestic establishment to initial foreign market entry, occuring in less than 3 years and with companies exporting at least 25% of their production. Similarly, Chetty and Campbell-Hunt (2004) defined them as "firms that began to internationalize within two years of their inception. In addition, 80% of their sales are in global markets".

Meanwhile, Oviatt and McDougall's (1994) seminal paper defined born-globals as a "business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries". The latter definition highlights the importance of a firm's intention to internationalise rather than its subsequent performance in global markets. The issue with defining a company based on its intentions is that intentions are easier to express and forge than is gaining actual market traction.

Modern born-global research further differentiates "born-globals" from "global startups", where the latter include globally distributed teams and markets (Coviello, 2015; Tanev 2017), enabled by the operation of online offices (a trend that is accelerated today by the spread of Covid-19). While global startups are interesting, here we focus on more conventional innovative new ventures and their globalisation efforts.

To understand how born-global firms can rapidly internationalise, scholars have investigated what factors are uniquely distinctive to these types of organisations (Knight & Cavusgil, 1996, 2004). Among others, factors such as "global technological competence, unique product development, quality focus, and leveraging foreign distributor competences" (Knight & Cavusgil, 2004, p.136) have been studied many times over. More recently, Coviello (2015) provided a thorough overview of the born-global literature, pointing out that, if one wants to study a born-global firm, then that firm should have been founded with the intent to serve global markets, that is, globalization should have been part of its founding intent.

In this paper, we focus on how founders with global intentions use their limited resources to develop VPs

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that are aligned with the global markets they are trying to access. Our emphasis on VPs recognises that goods and services aren't simply exported as is, but that the VP they embody needs to be tailored, which often requires adapting other parts of the business model (finding local overseas suppliers, distributors, partners, investors, professional service providers, employers, etc.).

Failure

"Success has many fathers, but failure is an orphan" (proverb, source uncertain).

Failure can happen at many levels. Failing to learn from individual mistakes can lead to more systematic failure and ultimately business failure. At the level of business failure, many studies have concluded financial shortfalls as being the cause of failure (Lussier, 1995; Balcaen & Ooghe, 2006; Pardo & Alfonso, 2017). Questions remain about causes of the financial shortfalls and their combination. Franco and Haase (2010) investigated how multiple internal and external factors combine towards business failure, stressing the effect of a combination of factors rather than attributing failure to one exclusive factor. In many cases, they found that failure factors arose in the development and growth stage, as opposed to during the creation stage. So, while new ventures may have found a means to survive in the short term, they may still fail at scaling or growing.

This creates a series of challenges for new ventures. First, to develop VPs and a business model that scales for a given market. If the VPs for a company are only efficient when fulfilled at a smaller scale, then scaling prematurely will kill the business. Secondly, even if fulfilling the VP is more efficient at a larger scale, entrepreneurs are at risk of over-investing in attempting to build for scale prior to realising the actual benefits of scaling. This is known as "premature scaling", where founders "overspend early on customer acquisition, hire too many employees, designate executive management too early, and focus too much on engineering at the expense of customer development" (Marmer et al., 2011). Thirdly, compounding the above risks, entrepreneurs sometimes seek internationalisation as a way to mitigate having an unsustainably small domestic market or in pursuit of growth. Internationalisation, however, requires adapting a business model to each new context (Onetti et al., 2012), and thus VPs for each stakeholder involved in the business model, including suppliers, distributors, recruiters, investors, employees, partners and more, not just customers. Scaling internationally, thus introduces several opportunities to develop appropriate VPs. Some of these stakeholder interactions may be transactional and do not involve jointly developing value propositions. At best, the lack of VPs can be a missed opportunity to create more value and may leave "money on the table". At worst, the relationships among stakeholders interact in a negative way. For example, one bad transactional relationship can hinder the available resources required to maintain other relationships. Challenges with one stakeholder type can have ripple effects across other VPs and stakeholders (Bliemel et al., 2014).

There are clearly several reasons and attributions for failure to internationalise. The many reasons for failure are nonetheless consistent with the premise that growth and success internationally are achieved by aligning the VPs of multiple stakeholders, including suppliers, distributors, employees, investors, service providers, and many more. To make a portfolio of VPs and stakeholders more manageable to explore, this study focusses on the very early days of new ventures, when founders are seeking government commercialisation funding. During this period, when there are few other stakeholders, company scalability can be primarily based on the company's particular scientific or technological intellectual property, while commitments to scale are still tentative.

Conceptual Gaps and Research Direction

The born-global literature displays a weakness in the lack of studies that identify why firms with pre-born-global characteristics fail to eventually attain born-global status as defined in the born-global literature. Coviello (2015) clarified that we "must distinguish between: (1) firms that are truly 'born' with the intent to serve multiple foreign markets quickly, and (2) firms that simply happen to export early". This effectively returns the conversation to a broader definition of international new ventures based on Oviatt and McDougall (1994), combined with an exploration of inhibitors to scaling (that is, sources of failure to internationalise). This weakness has been perpetuated in the born-global and international entrepreneurship literature for over two decades. The recent bibliometric analysis of research from 1994-2016 does not even once mention "failure" (Dzikowski, 2018). This gap between the reality for companies attempting to internationalise and what is written on the born-global topic by researchers in the field is alarming. It displays problems with survivorship bias (Aldrich & Wiedenmayer, 1993), which can lead to overly optimistic beliefs and incomplete theoretical models due to ignoring failure cases.

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Andersson and Wictor (2003) argued that although much of the born-global literature focuses on successes, "all entrepreneurs with a global vision do not succeed with their intentions". They therfore highlighted the need for more studies to focus on the nexus of intentions to scale along with born-global failure. This was later echoed by Ţurcan et al. (2010) who argue that a "challenge for the researchers is to minimise coverage bias by studying not only successful events but also events that deviate from what can be considered expected".

In the present study, we compare companies that started with similar pre-born-global conditions and intentions, but which did not lead to born-global outcomes. This study's broader research question is thus: *Why do firms with early global intentions fail to achieve born-global status?* More specifically, and rephrased in terms of a company's portfolio of VPs that requires investment to develop, align, maintain, and improve multiple VPs over time, our research question becomes: *For firms with born global intentions, what are the pathways by which their actions become misaligned from the proper development of their VPs?* To address this research question, we first explore each company's intentions to globalise early, followed by their choice of market entry mode. We interpret these intentions and choices through the lens of international entrepreneurial orientation before presenting our final framework.

Methodology

The context of this research is investigating Australian SMEs that have failed to achieve born-global status. For the last decade, the Australian economy has been consistently consisted of only 0.2% large employers, with between 6% — 6.4% of employers having 20-199 employees SMEs (Australian Bureau of Statistics 2012, 2020). This extremely skewed distribution reflects an economy that is dominated by oligopolies, surrounded by a plethora of small niche players. In oligopolies, the incumbent's position is rarely based on innovativeness. Meanwhile, for the sake of national job growth, innovation and wealth creation, democratically elected governments have a responsibility to cultivate more innovative and competitive mid-size SMEs by investing in a subset of scalable new ventures.

The study uses an inductive approach to theory building through a multiple-case approach (Eisenhardt, 1989). The first phase of the study involved disseminating an online questionnaire to 107 firms that were recipients of a Commercialisation Australia grant. The Commercialisation Australia program was a merit-based assistance program that ran from 2010 to 2014, where the Australian Federal Government offered "funding and resources to accelerate the business building process for Australian businesses, entrepreneurs, researchers and inventors looking to commercialise innovative intellectual property" (AusIndustry, 2010). Being a recipient of this grant constitutes a public signal of the company's growth intentions and potential value to stakeholders. VPs by applicants must implicitly create economic growth (including jobs, taxes, and exports), showcase Australian innovation, and inspire others to become high-growth SMEs.

Of the 107 firms that were invited to take part in the survey, 14 completed responses. From these 14 participants, 4 firms were selected for a Phase II case study analysis (see Table 1). To be included as a case study of a born-global failure, firms had to confirm that they had intentions to internationalise within 3 years of inception. This draws on the central tenet of Oviatt and McDougall's (1994) seminal definition of an international new venture, where from inception, a firm must seek to derive significant competitive advantage from the use of resources and sale of outputs in multiple countries. In addition to this initial intention, firms had to meet one or more of the following criteria to be included in Phase II of the study:

- It took longer than 3 years from inception for the company to enter its first international market (Knight & Cavusgil, 2004)
- The company derives less than 25% of its total revenue from foreign sales (Knight & Cavusgil, 2004)
- The company was active in less than ten countries outside of Australia and New Zealand (Chetty & Campbell-Hunt, 2004)

Semi-structured interviews were used as the main source of data collection, consistent with Eisenhardt and Graebner (2007). Interviews typically lasted from 35 minutes to 1 hour, and either took place in the firm's office or were conducted over the phone with key decision makers in the internationalisation process. In addition to the interview data and survey, findings were triangulated using company websites, follow-up emails and other secondary data, such as press releases.

We developed the propositions based on a qualitative analysis of the interviews following the general guidance by Gioia et al. (2012), and Strauss and Corbin's (1998),

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Table 1. Summary of Case Studies

	Firm A	Firm B	Firm C	Firm D
Number of founders	2	1	4	2
Year of incorporation	2005	2001	2005	2011
Industry	Infrastructure	Visualisation & Media	Telecommunications	Energy Management
Product &/or services	Software	Software, Consulting	Software	Hardware, Consulting
Number of employees	38	15	45	5
Previous independent business venture experience?	Yes	No	No	No
First entry into international markets	2013	2002	2010	2014
Initial goal of timeframe to internationalise	Within 3 years of inception	From inception	Within 2 years of inception	Within 3 years of inception
Time taken to internationalise	8 years	1 year	5 years	3 years
Entry mode	Green field investment	Exporting and licensing	Exporting	Exporting
Proportion of revenue from foreign sales	>50%	>5-10%	>10-20%	N/A. Revenue is project based & can range from 0% to 70% each year
Regions the firm has entered	North America	Asia, North America & Europe	United Kingdom & South-East Asia	Asia & United Kingdom

complemented by theoretical insights based on the literature. Due to the low incidence of observed failures due to survivorship bias, the qualitative analysis adds empirical richness to the propositions.

Analysis and Findings

Intention to Internationalise Rapidly: broader market vs. market niche-centred internationalisation process

It is important to distinguish whether the firms had authentic intentions to internationalise rapidly and allocated significant resources towards this goal, or if their intentions to scale were perhaps more symbolic. For Firm A and Firm C, the founders' intentions to internationalise were based on a conscious desire to build a company with scalability. The founders of Firm A had previously operated multiple companies, each with a barrier to its scalability, which led them to abandon these business models to pursue the next scalable business:

> *"So, this is my fourth or fifth business and every business I've gone 'It's got to be more scalable than*

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> *that'. So, every time I've always wanted to build a really big global business".* (Founder, Firm A)

For the founders of Firm B and Firm D, the main intention to globalise rapidly was to gain access to a larger customer base. This was primarily due to the constraints of Australia's comparably small market size, and near-agnosticism about which international market to expand into:

> *"The reality with Asia and China and even India is their population base… There's certainly a big market there! Again, the size of the market in the States is much bigger than our market here."* (Founder, Firm B)

> *"Australia's market is pretty small and defined and limited, and so going outside of Australia is really the only way you can expand the overall market."* (Founder, Firm D)

These findings support Bell et al. (2003), who argued that the intentions and objectives of traditional companies for internationalisation are driven by the need for survival in markets that are increasingly competitive globally, thus prompting a need to gain greater global market share. In juxtaposition to traditional firms, born-global firms usually internationalise by first seeking to gain first mover advantage and rapidly saturate a global niche market, ideally by optimally exploiting their networks and resources (analogous to effectuation theory). For three of the case studies (Firms A, B and D), the main intention to internationalise was more suited to traditional firm internationalisation than born-global niche strategies. These cases sought to —perhaps naively —gain more access to market share and generate more sales revenue without necessarily tailoring their value propositions to those markets. In contrast, born-global firms tend to focus their limited resources on purposefully developing products to exploit international niche markets. Thus, the interviews and literature confirm that a company's intention for internationalising is an important indicator of whether it is likely to achieve born-global success, contingent on whether it tailors those intentions to a niche market or aims for broader markets. This leads to our first proposition:

Proposition 1: New ventures are more likely to fail at achieving born-global status if their main intention for internationalising is to gain access to a broader and more diverse market base. Conversely, failure at becoming born-global is less likely with a more market niche-centred internationalisation process.

Choice of Entry Mode: low vs. high commitment entry modes

All company founders stated that they had intentions to internationalise within 3 years of inception. This section evaluates choice of market entry mode. Firm A entered the US market through a green field FDI. This mode was resource intensive for Firm A's US operations and exposed them to a higher risk of failure. Firm A derived two-thirds of its total profit from its operations in the United States, while deriving one-third of its revenue from its domestic operation. The firm perceived that the US market would be most receptive to the company's technology, and thus allocated most of its resources for internationalising to this country. This path to internationalisation supported the findings of Agarwal and Ramaswami (1992, p.20), who found that "exporting is found to be relatively low in high potential markets indicating that high return/high risk investment modes are better modes in such markets".

In comparison, Firm B, Firm C, and Firm D predominantly utilised a lower risk exporting or licensing model. Exporting is a low resource commitment mode of entry as a company does not have to contribute any of its equity to foreign operations, and is thus only bound by a contractual agreement at the product or service level, not the organisational level (Pan & Tse 2000). Exporting is more transactional and requires a simpler VP to distributors and their customers than establishing a joint venture or FDI. Exporting for these companies was associated with relatively low proportions of revenue from foreign sales, with Firm B deriving under ten percent and Firm C deriving between ten and twenty percent. Meanwhile, Firm D's proportion of foreign revenue was unpredictable, ranging from sixty to seventy percent in one year to zero percent in the next.

The companies that utilised a lower resource commitment mode (Firm B, Firm C, and Firm D) also operated in a wider array of geographic markets, varying from Asian markets to European markets. In juxtaposition, Firm A, utilised a higher resource commitment entry mode, and only served domestic and New Zealand clients through its domestic operations, as well as Canadian and American clients through its US operations. Taken together, these findings lead to our second proposition:

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Proposition 2: Resource constraints force firms with born-global intentions to choose between more transactional entry modes in pursuit of greater geographic scope versus higher commitment entry modes in pursuit of greater market traction in a very limited number of markets.

International Entrepreneurial Orientation

A general intention to become a born-global company differs from thoughtful consideration and actions to get there. The concept of "entrepreneurial orientation" is linked to a company's decision-making, as well as strategic orientation (Gerschewski et al., 2015). In reference to international entrepreneurial orientation, Knight and Cavusgil (2004) define it as "the firm's overall innovativeness and proactiveness in the pursuit of international markets. It is associated with innovativeness, managerial vision, and proactive competitive posture". One normative implication is that globalisation should not be left to happenstance and chance, but should rather be a deliberate process. To understand a company's international entrepreneurial orientation, it is important to assess its innovativeness, and the founder's managerial vision, as well as how proactive the firm has been in seeking success in international markets.

Innovativeness

To receive government funding through a Commercialisation Australia grant, companies had to demonstrate technological innovativeness. In their grant application, they had to explicitly state the type and level of innovation, including identifying relevant technical innovation and newness to one or more markets. The company founders also highlighted the importance that innovation and R&D played in developing their respective technologies. An example of this is the amount of time and resources the founder of Firm C dedicated to the developmental phase of the company's technology to ensure a strong market fit:

> *"When the company was incorporated, we spent at least two years in development before we had a service or a software that we could sell and people could use."* (Founder, Firm C)

Knight and Cavusgil (2004) found that "innovative processes that drive the development of superior, unique products appear particularly important to born-global success". Although employing innovative processes is one part of a scalable foundation to accelerate internationalisation, it is clear from this study that utilising innovative processes is an insufficient condition along for born-global success. All the firms included in this study could demonstrate the innovative nature of their products. However, none of these firms was able to translate it into becoming a born-global success.

Managerial Vision

All company founders had intentions to internationalise from early in the company's timeline. However, actual company actions conflicted with these stated intentions. All firms initially focused their attention on the domestic market due to the perceived risk of internationalising without a strong domestic market base. The founder of Firm A even mentioned that one of the drivers to eventually focus the firm's attention abroad was due to limited traction in the domestic market. For two out of the four firms (Firms B and D), the few export sales that did happen were largely opportunistic and client-driven as opposed to strategic efforts of market expansion on the company's behalf.

The companies in this study lacked conviction regarding their managerial vision to globalise rapidly. Current theory proposes that managerial motivations play a key role in the success or failure of born-globals (Knight & Cavusgil, 2005; Freeman & Cavusgil, 2007). This variation in behaviour was highlighted by Rialp et al. (2005), who found that "early entrepreneurial entry into foreign markets characterise born-globals while traditional exporters' key decision-makers generally tend to recognise opportunities in potential export markets on a more gradual basis and only after a stable market base has been achieved at home". While the company founders involved in this study claimed to have had intentions to rapidly globalise, their subsequent behaviour was more aligned with the actions of traditional exporters who take a more gradual path to internationalisation. This suggests they lacked concreteness and conviction in their vision of how to rapidly globalise.

Proactiveness

Proactiveness, in respect to international entrepreneurial orientation, refers to the expectancy and initiatives to pursue new opportunities in international markets through actively seeking market opportunities, as opposed to simply reacting to competitors (Freeman & Cavusgil, 2007). The founder of Firm A displayed a willingness to take risks and pursue opportunities that existed because of the perceived technological superiority of the company's offerings in the US market. After eight years of focusing predominantly on the domestic market for revenue generation, taking the

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initiative to present at a trade show in the United States triggered the founder's decision to pursue this market due to the positive reception the firm's technology received. This level of proactivity in seeking international markets only occurred after the founders had invested years to develop a scalable business model. The founder of Firm A stated that they were willing to set up physical operations in the US market because:

> *"I could just see the size of the market opportunity, [so] we had to move".* (Founder, Firm A)

While Firm A clearly focused on one international market (the United States), they were deliberately less proactive in pursuing further global markets.

In comparison, the other three firms were less proactive in their pursuit of international markets with all three dividing their attention between the domestic and international markets. Although these three firms (B, C, and D) were not proactive in their search for international opportunities, they were nevertheless able to react to widely differing global markets when opportunities emerged from their network.

Taken together, these observations regarding entrepreneurial orientation lead to our third proposition:

Proposition 3: New ventures are more likely to fail to achieve born-global status, regardless of their innovativeness, if they have an unspecified global managerial vision and do not proactively pursue global markets.

Discussion

Two general patterns emerge from the above combination of characteristics, both of which increase the chances of failure to achieve born-global status.

Over-committing resources

Firm A's internationalisation into the US market was a late but strategic decision made by the co-founders to achieve growth. Although the United States is not geographically proximate to their domestic market, a low psychic distance exists between the two countries. Psychic distance refers to "the distance between the home market and a foreign market, resulting from the perception of both cultural and business differences" (Evans & Mavondo, 2002). The similarity between the US market and the Australian market decreased the perceived risk of Firm A entering this specific market. Although the decision to enter the US market was based on strategic motives, as well as cultural similarities, the company's entry mode was still misaligned with even the Uppsala model.

The Uppsala model proposes that firms will minimise their risk through choosing low commitment entry modes (Johanson & Vahlne, 1977) prior to high commitment entry modes. Firm A's behaviour acts opposite to this theory's recommendation as the firm quickly pursued a high commitment mode through establishing green field FDI.

Market-seeking FDI can be appropriate "to produce products close to local markets" (Makino et al., 2002), including a clear VP for foreign customers, suppliers, distributors, partners, and investors. Market-seeking FDI is typical for multinational corporations for whom FDI is a relatively low commitment in relation to the scale of their existing operations. It is uncommon for new ventures. Firm A's internationalisation path drew on a market-seeking intention, but without substantial domestic operations. Firm A perceived that the market opportunity in the US was too large to dismiss due to the overwhelmingly positive reception the company's technology received there, leading to a more eclectic rationale (as per Dunning, 1993). As this firm combined the logic of the Uppsala model and Dunning's eclectic theory of international production (1993), it can be described as a "micro multinational". This is also consistent with Dimitratos et al.'s (2003) discussion on micro-multinationals. It offers a logic that adds depth to Proposition 2, as articulated in our fourth proposition:

Proposition 4: New ventures are more likely to fail to achieve born-global status if they over-commit resources to developing longer term VPs in only one international market.

Under commitment of resources

Born-globals are characterised by their ability to rapidly enter multiple markets. Firms B, C, and D were successful in the sense that they were able to internationalise into multiple markets quite early in their lifecycle (that is, within 5 years). However, all three firms failed to achieve substantial and continuous revenue growth in their respective international markets. The low market traction and narrow range of countries occurred because of limited marketing initiatives, which would have aided in raising awareness about the companies' product offerings, and tailoring their VPs to those markets. Although the company founders attributed their slow internationalisation to limited capital

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(consistent with Freeman et al., 2006), the generated foreign revenues remained insufficient to fuel further growth. The low returns were thus a kind of self-fulfilling prophecy. By under-investing what was needed to tailor and maintain value propositions specific to each market, their transactional approach gained some traction, but was insufficient to fund the investment required to yield more traction. These companies can therefore be described as "baby born-globals", as they succeeded in entering multiple global markets, but have still not achieved significant foreign sales.

By entering multiple markets with an undifferentiated value proposition, the companies also suffered from a lack of organisational learning through the process of entering one market before another. Weerawardena et al. (2007) noted the importance of market-focused learning capability in a born-global's successful rapid internationalisation. A company's market-focused learning capability refers to "the capacity of the firm, relative to its competitors, to acquire, disseminate, unlearn and integrate market information to create value activities" (Weerawardena et al. 2007). The companies we studied lacked the organisational slack to develop their market-focused learning capability. Due to limited attention from the founders, along with fragmentation across multiple markets, they were unable to interpret which activities they were performing well and which aspects of their operations were valuable to their customer base in each respective market. This logic adds further depth to Proposition 2, as articulated in our fifth proposition:

Proposition 5: New ventures are more likely to fail to achieve born-global status when they over-diversify, under-commit resources across too many markets, and enter each market using transactional relationships.

The failure thus appears to be largely due to the company's inhibited ability to learn from sequential market entry experiences, as well as a lack of investment in developing longer-term VPs.

Born-global Responsiveness Framework

These two patterns of commitment are visualised in Figure 1, to place them among the two other extreme patterns (of remaining a local firm and achieving born-global status). We developed Figure 1 by relating this study's findings to the core literature on internationalisation models, such as born-global rapid internationalisation, the Uppsala model of low-risk

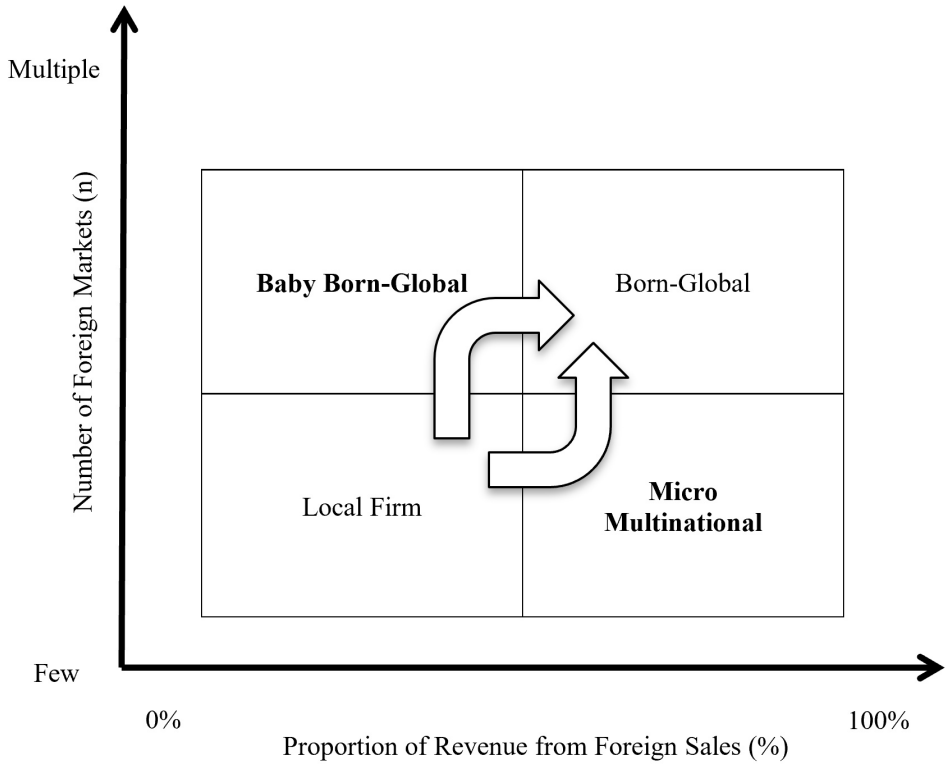

Figure 1. Firm Paths to Scale Global Market and Revenues

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internationalisation (Johanson & Vahlne, 1977), and Dunning's eclectic theory of international production by committing significant resources to each market (1993). The dimensions used to categorise firms are the criteria used to evaluate a firm's born-global status: the proportion of revenue from foreign sales (x-axis) and scope of foreign markets entered (y-axis).

A local firm (lower left quadrant) only generates sales in its domestic market, and as a result, has no international sales. In contrast, a born-global firm (upper right quadrant) derives a significant proportion of its total revenue from foreign sales and entering multiple markets, which span a range of geographic zones.

A "baby born-global" firm (upper left quadrant) enters multiple international markets within a short period from inception. These companies share many similar qualities with born-global firms. The firms fail to achieve born-global status because their resource allocation is still predominantly allocated to the domestic market, while the firm only generates a small proportion of total foreign revenue. In contrast, a "micro multinational" (lower right quadrant) takes a significant amount of time to attain sales in foreign markets. These firms follow the general logic of the Uppsala model, which proposes that companies should first focus on their home market before selectively entering international markets (Johanson & Vahlne, 1977). A slower process of increasing the number of markets is exacerbated when limited resources are fully committed to one market at a time, as with Dunning's (1993) eclectic theory of international production through FDI. Such a high commitment entry mode limits the resources available for a company to enter other global markets, leading into failure to achieve born-global status. If companies cannot secure a significant resource base to fuel their rapid globalisation, only a few viable options exist to survive and gradually grow: either by low commitment dabbling in multiple markets (leading to baby born-globals), or slowly sequencing the company's offerings into foreign markets, whether by gradually escalating commitments or jumping to FDI (leading to micro multinationals).

Development of a Conceptual Model

To visually conceptualise the sequence by which factors contribute to becoming a baby born-global or micro-multinational instead of a born-global, we provide Figure 2. This figure represents a conceptual model that integrates this study's findings with the extant literature on born-globals that rapidly internationalise, and more traditional models of internationalisation. Starting with general capital and resource constraints in the domestic market on the lower left, Figure 2 lays out the role of other factors, such as the intention (or orientation) to internationalise, constraints on internationalisation decisions, entry modes, and consequences. The overall outcome of these factors leads firms to becoming a baby born-global or a micro multinational.

Conclusion and Implications

The companies involved in this study had initial intentions to rapidly internationalise, but ultimately failed to achieve born-global status. This study developed propositions, along with a framework, and conceptual model to explain how this occurred. The main reasons included under-committing resources across multiple markets or over-committing resources to a single foreign market.

The companies we studied fitting these profiles were driven to internationalise because they perceived that entering international markets would significantly grow sales. One firm, which over-committed resources to internationalising through a micro-multinational mode, assumed that one international market had a higher knowledge and eagerness to embrace their product offering. This constrained their ability to experiment even more incrementally with other markets.

In contrast, the other firms involved in this study internationalised across multiple regions by reacting opportunistically via their networks following a baby born-global model. The firms failed in each case to achieve scalability by internationalising, and instead relied heavily on assuming their domestic VPs would transfer and scale in international markets. When we adopted the definition of VPs by Bailetti, Keen, and Tanev (2020), it reinforces why especially the baby born-globals failed to achieve significant revenues. This is because they adopted a transactional approach to entering new markets without sufficiently investing towards aligning their VPs to their customers, and to other key stakeholders across each market. The context of our study thus shows an opportunity to extend the relevance of Bailetti, Keen, and Tanev's insights (2020) by focusing on the specifics of born global firms. This extreme/unique form of new venture provides a context that highlights the need to theorise in terms of portfolios of VP.

The key contribution to theory that emerged from this paper is that companies are likely to fail to achieve born-

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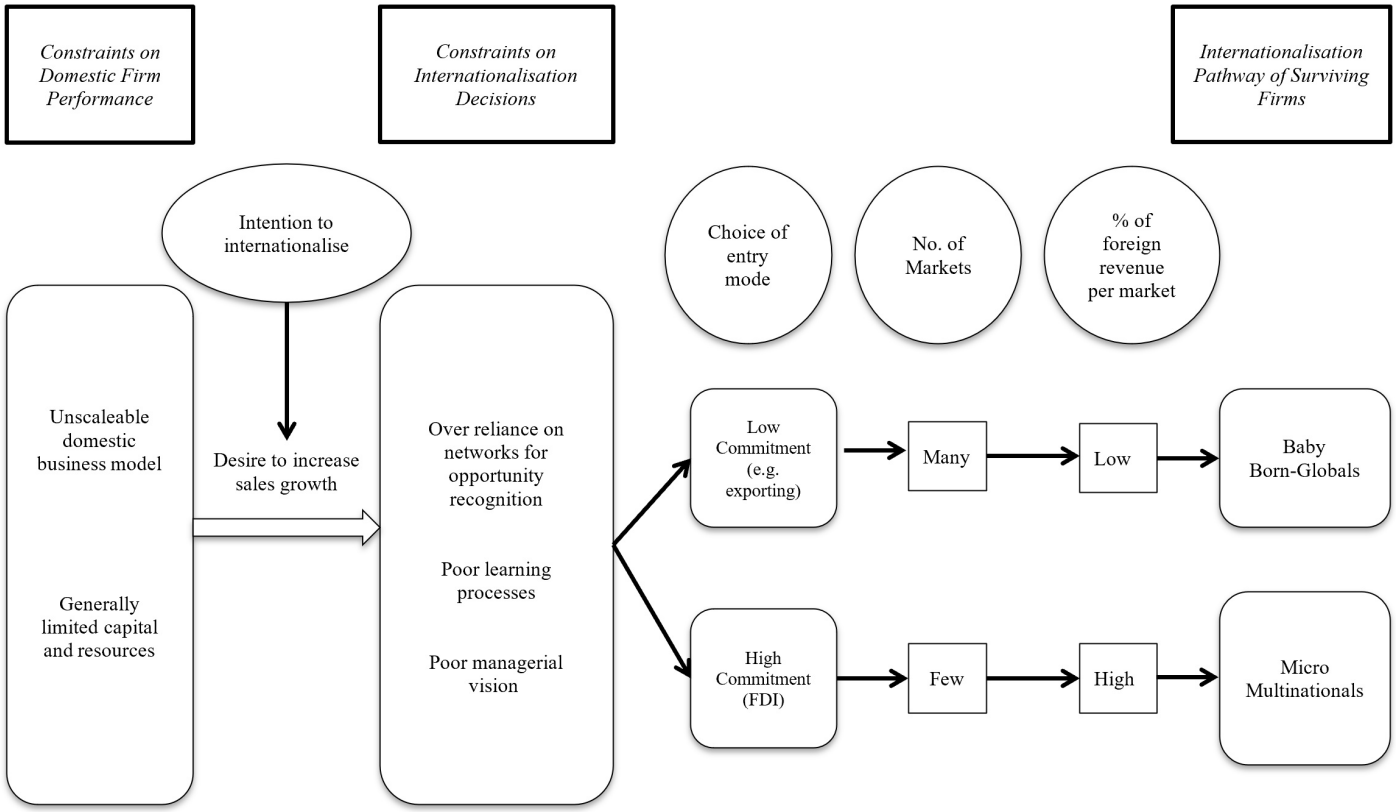

Figure 2. Constraints, decisions and consequences resulting in failure to achieve born-global status

global status if they commit too many resources to a very limited number of international markets or under-commit resources across too many markets. Instead, having a more balanced portfolio of markets, VPs, and investments would likely be more fruitful. A common barrier for companies in this study was a reluctance to reallocate resources from the domestic market towards international markets as a way to avoid falling into these "not-quite born-global" ruts. In this sense, they suffered from a twofold problem: first, they tried mechanically to "copy paste" a domestic customer VP onto an international market context, and, second, they didn't invest the resources necessary to align their customer VP to the VPs of their key cross-border stakeholders. This study thus highlighted how a firm's VP development practices, global managerial vision, and proactiveness can be essential in either facilitating or limiting strategic global expansion. The latter has clear implications for practice relating to training or education of managers and employees in developing more proactive and thoughtful globalisation strategies.

In brief, the implications for theory proposed in this paper recognise the resource constraints of SMEs when adapting them to internationalisation theories. The challenges posed by resource constraints are compounded by the aversion of some founders to proactively explore new markets, along with an inability to align their VPs in those markets. Managers likewise need to be aware of the role that their attitudes and motivations, timing, and business networks play in the internationalisation process, as well as how they could potentially fool themselves into believing that they can export products or services with minimal investment that advances beyond a transactional model.

One limitation of this study was that it was based on a case study method of data collection, which means it can only make a theoretical generalisation and not statistical generalisation (Eisenhardt et al., 2016). However, a theoretical generalisation on this topic still holds value in helping to make existing theories more refined and incisive (Eisendhardt & Graebner, 2007). Other limitations are that the study was based in an Australian context, including predominantly software firms (3 software firms and 1 energy solutions firm). Future research could be conducted using quantitative techniques to test the model in Figure 2. In addition, this

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study could be applied to other geographic zones and sectors to provide a cross-cultural and cross-sectoral comparison of born-global failures. These studies would assist in contributing to reduce survivorship bias in the born-global field (Aldrich & Wiedenmayer, 1993).

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