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# INVITED PAPER

## The role of leadership in business model innovation: a case of an entrepreneurial firm from India

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### Abstract

**Purpose** – The purpose of this paper is to explore the relationship between leadership and business model innovation (BMI) in an entrepreneurial firm. From the literature, it was found that the role of a leader in BMI was unexplored. A research framework was created which was the replication of the model created showing the relationship between leadership and innovation.

**Design/methodology/approach** – The qualitative single in-depth case study was used to understand the effects of leadership in BMI. The case of an entrepreneurial firm in the graphic and animation education sector from India was chosen to test the research framework. The leader of Xplora Design Skools was observed closely, and he was interviewed multiple times.

**Findings** – From the analysis, it was clear that, in this organization, the leader was a trigger for BMI through creating and influencing creativity and innovation in the organization. This case also shows that he was making tangible contribution to the work being done and motivating his employees. These initiatives show his influence on the process or execution of BMI.

**Originality/value** – This is the first study explores the role of a leader in BMI in an entrepreneurial firm in emerging economy contexts like India.

**Keywords** Leadership, Entrepreneurship, Emerging economy, Business model innovation

**Paper type** Research paper

### Introduction

Business model innovation (BMI) has been extensively studied by management researchers and practitioners over the last two decades. BMI is an extension of the business model (BM) but includes questions and concepts that are beyond the traditional BM literature. Though many articles covered BM comparatively, very few articles focusing on BMI have been published in peer reviewed journals (Foss and Saebi, 2016). Mostly researchers (Achtenhagen *et al.*, 2013; Aspara *et al.*, 2013; Demil and Lecocq, 2010; Deshler and Smith, 2011; Dmitriev *et al.*, 2014; Doz and Kosonen, 2010; Dunford *et al.*, 2010; Enkel and Mezger, 2013; Frankenberger *et al.*, 2013; Günzel and Holm, 2013; Khanagha *et al.*, 2014; Moingeon and Lehmann-Ortega, 2010; Mezger, 2014; Pynnonen *et al.*, 2012; Sosna *et al.*, 2010) focused on BMI as a process and attempted to understand the importance of capabilities, leadership and learning mechanism (Foss and Saebi, 2016). The recent review paper of Foss and Saebi (2016) mentions that only the paper authored by Achtenhagen *et al.* (2013) out of the 150 peer reviewed papers focuses on leadership in BMI, and only 2 papers were found in the reference list which discussed leadership. Out of these two, one discusses how BMI creates leadership for firms rather than about the role of a leader in the BMI process.



In our literature review, we found only seven studies that talked about the role of a leader or a CEO in BMI. So, it is clearly evident that researchers have not paid attention to the role of a leadership in BMI, and it is an under-researched area. Foss and Saebi (2016) argued the importance of studying what facilitates and hinders BMI in entrepreneurial firms in the review paper on the rise of entrepreneurship and BMI literature. It is also observed that very few studies focus on emerging economy contexts, and it requires the attention of researchers to study emerging economies (Lee *et al.*, 2012). This paper focuses on understanding the role of leadership in BMI. Using the framework created from innovation, the strategy literature and a single case study of an entrepreneurial venture in the multimedia education sector from an emerging economy, India, the paper explores the following questions:

*RQ1.* How does a leader or a CEO affect the BMI?

*RQ2.* How does a leader or a CEO contribute in initialization and continuation of BMI?

In this research, a deductive approach of case-study method was selected and the entrepreneurial multimedia venture from India and its new BMI in design education were studied. The founder who is a CEO of a firm was also observed closely. The findings from the case give interesting insights. The case study explains the role of a leader in starting or initiating BMI in an entrepreneurial firm and the leader's very high involvement in execution and continuation of developing BMI. The paper has made multiple contributions, first, it focuses on the under research stream of process of BMI as suggested by Foss and Saebi (2016). Theoretically, for the first time, it explains how, where and why a leader gets involved in the BMI process. Empirically, it explains, using a single case of an entrepreneurial firm in the emerging market of India, the role of leadership in BMI.

The rest of the paper is organized as follows. The first section is literature review on BM and BMI, the second section is on developing a research framework, the third section is on research methodology, the fourth section is on analysis and findings, the fifth section is on discussion and implication and the last section is limitations, future research and conclusion.

## Literature review

### *Business model*

Every company has a BM, whether they articulate it or not. According to Mitchell and Coles (2004, p. 15), "A business model is the combination of who, what, when, how and how much an organization uses to provide its goods and services and develop resources to continue its efforts." Santos *et al.* (2009, p. 11) defined BM as a "configuration of activities of the organizational units that perform those activities both within and outside the firm designed to create value in the production" (and delivery of a specific product/market set). Chesbrough (2007) identified two important functions of a BM: value creation and value capture. Value creation includes a series of activities, from procuring raw materials to satisfying the final consumer, which creates a net value in terms of new product and service. Value capture includes a series of activities for development and operations. Chesbrough (2007) listed six different functions of a BM: articulating of the value proposition; identifying a useful market segment; defining the structure of the value chain and determining the complementary assets; specifying the revenue generation mechanism; positioning the firm within the value network; and formulating the competitive advantage. Hwang and Christensen (2008) categorized BMs into three types: solution shops, value-adding process businesses and facilitated user networks. Solution shops like law firms, advertising agencies, consulting firms and R&D organizations diagnose and solve unstructured problems. Value-adding process businesses transform inputs of resources into outputs for creating a value. User networks have the same people buy and sell and deliver and receive things to and from each other. Santos *et al.* (2009) identified four interrelated components in a BM: activities, organizational units, relational and

transactional linkages and governance mechanisms. They further stated that these four components help organizations create value proposition or create a product and service for customers, so they can use them effectively, conveniently and affordably.

Johnson *et al.* (2008) explained a framework which is called a Four-Box Model that focuses on customer value proposition, the profit formula, key processes and key resources. The company arranges and allocates tangible and intangible resources and creates value proposition for customers. The company also performs processes for creating value proposition. In turn, the company generates a profit formula. He divided this profit formula into four buckets: revenue model, cost structure, margin model and resource velocity. Sekhar Tankhiwale (2009) on similar lines described a BM which creates an organization's value proposition to various markets and customers. It also considers capabilities, partner network (supply chain) and distribution channels required for creating, marketing and delivering this value. A BM not only considers revenue generation mechanism but also takes care of managing cost structure effectively. He identified nine components of a BM – core capabilities, partner network, value configuration, value proposition, cost structure, customer relationship, distribution channel, target customers and revenue stream. Core capabilities, partner network and value configuration are supply side components which affect cost structure and value proposition. Demand side components are customer relationship, distribution channel and target customers which affect value proposition as well as revenue stream of firms. According to Coleman (2009), new BM requires two capabilities, first developing innovating structures and processes and, second, creating workplace cultures for fostering the capability to build effective relationships. Hence, it is clear that many researchers define BM differently and explain different dimensions and aspects of BM connecting with different theoretical lenses.

#### *Business model innovation*

According to Mitchell and Coles (2004), BMI is a novel replacement of the existing BM that provides product or service offerings to customers and end users that were not previously available. Marcides (1997, 1998, 2006) defined BMI as the redefinition of existing product, service or process and the process of providing and marketing to customers. On similar lines, Santos *et al.* (2009) considered BMI a reconfiguration of activities in the existing BM of a firm that is new to the product/service market in which the firm competes. In Coleman (2009), a BM tries to create a value to the current and potential customers by combining activities undertaken by the organization, its partners and suppliers (Davis and Spekman, 2004). Mitchell and Coles (2004) stated that BMI often finds ways to provide new benefits at lower costs, enhancing circumstances for themselves while providing more for their customers. It creates these benefits through adding complementary products and services that build on what you already provide, learn from best practice experiences and share the lessons with customers, combine solutions to help customers grow the market faster, adjusting prices to encourage more purchases, fixed price for unlimited entry, prices that lower operating costs, and cost reductions. These actions also stimulate growth, help lower costs and improve service, help customers find their own lower cost improvements.

According to Santos *et al.* (2009), BMI is not discoveries and considering that it depends on technological innovation is a mistake. It is also not a new product or market introduction. BMI is a new strategic path for a Free Standing Business (BFS) as well as a unit residing multi-business corporation (BUC). The only cost of BMI is the cost of organizational change, not investing in new product/service, R&D, technology acquisition, etc. So, BMI is less expensive and less risky.

They further stated that BMI involves four forms of reconfiguration activities: relinking, repartitioning, relocating and reactivating. Relinking is an alteration in the connections between organizational units currently performing activities. Repartitioning is an alteration in the physical, cultural and institutional boundaries of the organizational units currently

performing activities. Relocating is an alteration in the (physical, cultural and institutional) distance between organizational units currently performing activities. Reactivating is altering the set of activities that constitute the current BM of the firm. According to Santos *et al.* (2009), a conducive corporation encourages BMI to emerge from and within its business units. Koen *et al.* (2011) classified BMI in technology along three dimensions: technology, value network and financial hurdle rate. Technology is further subdivided into three sub-categories – incremental, architectural and radical technological innovation. Value network is also divided into three categories: existing value network, new value network to the incumbent with the existing customers who are not yet customers and new value network to the incumbent but with new non-consumers. The financial hurdle rate is categorized into two sub-categories: existing financial hurdle rate and lower than normal financial hurdle rate. Sánchez and Ricart (2010) found that BMI is achieved through combining, integrating and leveraging both internal resources with eco-system capabilities and resources to create new opportunities. It is important to develop socio-economic system to create a value in low income markets. According to Desai and Mahadik (2011), the BMI or differentiation in terms of BM could help firms achieve higher returns compared to their competitors in mature industries in which having differentiation strategy is difficult to achieve.

Agoraki *et al.* (2011) examined BMI; its effect on firm performance outcomes has intrigued many researchers. They also examined internal and external environments and their mediating effect on firm performance. Individual- and organizational-level variables were considered to measure the internal environment, and country-level variables were considered to measure the external environment. Agoraki *et al.* (2011) built on the model of Battese and Coelli (1995) and considered efficiency as success indicators of the firm performance. The results of their studies suggested that larger board systems with more independence enhance business innovation. Large size and more human capital also encourage innovation. The high concentration of large shareholders does not have positive effect on BMI. Foreign entry can enhance business innovation processes. All these results are dependent on industry structure and types. Certain industries like pharmaceutical, Chemical and technology intensive ones have higher innovative processes compared to other industries. Out of two country-level variables, only GDP has a positive effect on innovation. Tankhiwale (2009) found a direct interrelationship between BM transformation and business process architecture change. He further stated that BMI is achieved through either supply side or customer side component transformations. Process architecture would also be transformed due to BMI, with the design, delivery, operations processes moving to service design, build and service operations, respectively.

Aspara *et al.* (2010) found that large firms that can combine BMI with the replication of BM have higher financial performance compared to their smaller counterparts. They further found that larger firms with strategic orientation emphasizing on the replication of BM have higher financial performance compared to firms with strategic orientation emphasizing on BMI. The reverse was found true for smaller firms. Santos *et al.* (2009) proposed that BM involves transactional linkages between activities and governance linkages between organizational units; they also proposed that BM involves relationship among business units, thus suggesting that BMI requires behavioral change within the impacted units. Koen *et al.* (2011) identified that the low cost BM as a BMI works on the financial hurdle rate lower than the normal hurdle rate or cost of capital. It is difficult for established business firms to have low cost BM with the existing BM and it is recommended to have two different divisions for these two BMs. The same is true for new value networks to reach the existing customers.

#### *Developing business model innovation framework*

*Role of leadership in strategy formulation and implementation.* As we can see, the linkage between leadership and BMI is blurred and is yet to be explored. At this juncture, it would

be worth looking at the role a leader plays in strategy formulation and implementation. Strategic leadership is defined as “the leader’s ability to anticipate, envision and maintain flexibility and to empower others to create strategic change as necessary” (Hitt *et al.*, 2007, p. 375). Jooste and Fourie (2009) identified that strategic leadership is positively related to effective strategy implementation. They found some identifiable actions, determining strategic direction, establishing balanced organizational controls, effectively managing the organization’s resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Norburn (1989) found that there is a substantial difference between CEOs and their top management team (TMT) in three sets of experiences: corporate influences (e.g. tenure, mobility, functional experience and international exposure); domestic influences (e.g. education, family influence); and their self-concept (e.g. aspiration levels, executive success traits). Montgomery (2008) stated that, in order to claim value, firms must first create a value which requires bringing something new to the world, something customers want that is different from or better than what others are providing. He added that most strategies involve some mystery and a CEO’s responsibility is to interpret this mystery as the chief strategist. According to him, strategy formulation as well as implementation cannot be separated from the leadership of the firm, so the CEO’s work as the chief strategist cannot be outsourced. He/she not only keeps the track on how a company is adding the value now but also on changes, inside and outside the company which either provide opportunities or pose threats. Nahavandi and Malekzadeh (1993) identified that the leadership style is an independent variable in strategy formulation and a moderating variable in strategy implementation–performance linkages.

They proposed challenge seeking and controlling two integrative strategic leadership dimensions. The first is the degree of risk-taking and innovation which is important for the formulation of strategy, whereas the second is the degree of openness and participation which is for the implementation of strategy. They proposed that the leaders with high challenge-seeking attitude are likely to select prospector and differentiation strategies, whereas the leaders with low challenge-seeking attitude are likely to select defender and cost leadership strategies. They further proposed that leaders with a high desire to control are likely to have close control over implementation, whereas the leaders with a low desire of control are likely to delegate the implementation of strategy. Thus, a leader uses these dimensions – personality and various cognitive and behavioral mechanisms –for strategy formulation and implementation.

*Role of leadership in innovation.* A leader makes a big difference with respect to new products and new idea generation as well as to creativity and innovation (Mumford and Licuanam, 2004). They further argue that to lead creative efforts, people must possess substantial technical and professional expertise; and substantial creative thinking skills. One way these leader’s capacities influence creativity and innovation is by allowing a leader to make a tangible contribution to the work being done. Mumford *et al.* (2002), however, also argued that the unique demands of creative work and the need for creative problem solving in social settings must be taken into account if we are to understand how leaders influence people in idea generation. Creative thought on the part of leaders is rather different than other forms of creative thought. Creative efforts on the part of leaders begin with evaluation – specifically the evaluation of followers’ ideas. According to Mumford and Licuanan (2004), there are different views related to the effects of transformational and transactional leadership. Researchers found that transactional leadership may prove to be more suitable for new idea generation and creativity, whereas transformational leadership may prove more valuable when multiple different parties become involved to help turn an idea into a new product and the transformational leader is not in direct contact with the people seeking to generate new ideas (Mumford and Licuanan, 2004). So, the role of a leader

in innovation is not only motivating creative people but creating an environment to foster intrinsic motivation among them. The individual characteristics, such as cognitive complexity, self-efficacy and self-monitoring may allow a single leader to effectively execute the multiple-competing roles for creative ventures.

Sternberg *et al.* (2003) argued that the leaders' motivation to innovate and the kind of innovations they are willing to pursue depend on strategic choices made by leaders based on their perceptions of environmental risks and opportunities. However, Geletkanycz and Hambrick (1997) found that outside sources of knowledge are often critical to the innovation process and which can be leveraged through the external ties of top executives. These ties could be intra-industry as well as extra-industry which not only affect organization for strategic choices and performance but also foster innovation. Incentives and bonus also influence innovation and invention activities in the organization (Makri *et al.*, 2006).

From the above arguments and literature review, a research framework or a model was created that shows factors related to leadership and their relation with the innovation in organization. As shown below, the framework includes leader's individual characteristics, technical and professional expertise, strategic choices made by leaders, creative skills, external ties, and incentives and bonus, all factors considered to affect leadership for innovation in organization (Figure 1).

*Role of leadership business model innovation.* Different researchers define leadership differently, and for this study, we taken a broad definition of leadership. The leadership is a force which leads the organization, which could be an individual, an owner of the organization, the CEO or TMT. Chesbrough (2007, p.16) stated that, "in my observations, many organizations have a business model innovation leadership gap." He believed that BM innovation requires involvement of top leadership, not only of chief technology officer and others. Chesbrough (2007) stated that the role of CEO is very critical for creating a value for customers. Different functional managers and officers have different functional and departmental responsibilities, same is the situation with general managers and division presidents as they need to take care of financial performance of a business unit, but no one except the CEO or a leader can drive the entire business and change or reconfigure BM (Chesbrough, 2007). Chesbrough (2007) explained that top managers mostly work within the current BM. They work by exploiting the advantage of the current and established BM and are not comfortable changing the existing BM because changing and bringing new BM requires more efforts and more data to justify its consideration.

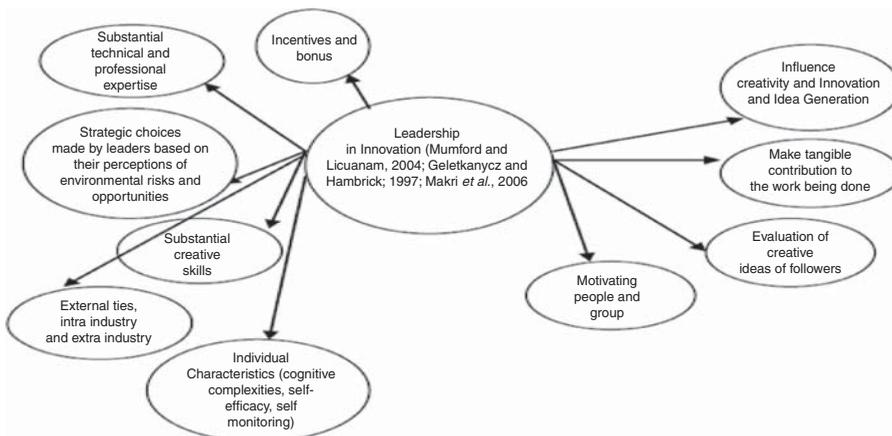


Figure 1. Conceptual framework of role of leader in innovation

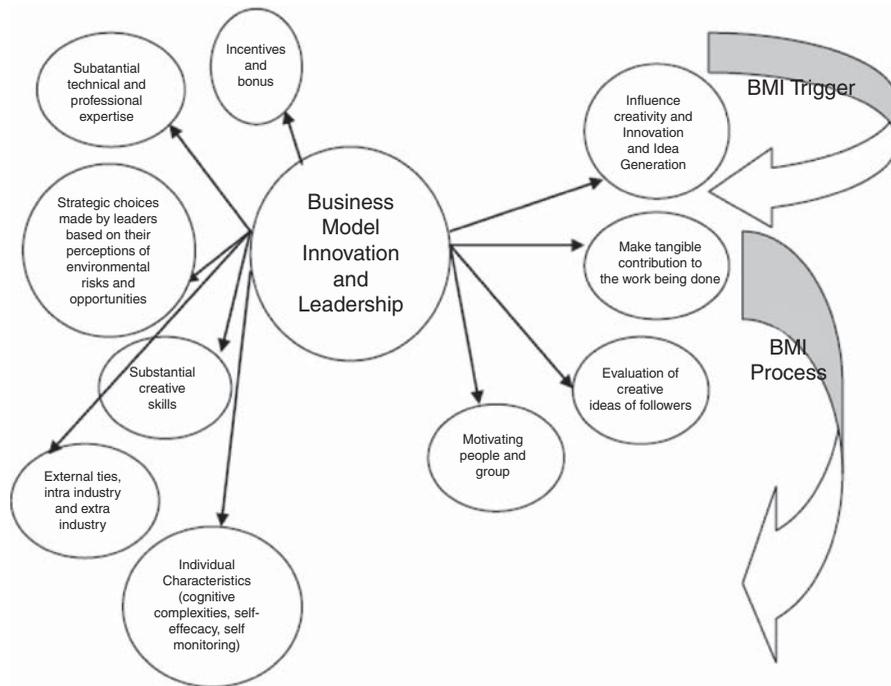
Coleman (2009) found the importance of Australian businesses as part of their wider innovation strategies, building their capacity to enter into successful relationships with organizations in China, India and other emerging economic powers in Asia, a commitment to both education and providing personnel with the practical experience of developing relationships in Asian nations. In this kind of set up, the role of a leader or CEO becomes very important. According to Santos *et al.* (2009), BUC managers rarely have the autonomy to alter their existing BMs without the involvement, or even perhaps the permission, of the corporate center. When the corporation has created tight operating linkages among the various units, each individual BUC becomes further constrained, which renders BMI more difficult, as innovations in the BM of one BUC affect the others and the dynamics of BMI within both the BFS and the BUC. Mitchell and Coles (2003) also showed importance of the role of a CEO's leadership not only as a source of BMI concepts to test but continuing BMI. They further stated that the CEO needs to rely on establishing a constantly improving process to generate and use ideas from all stakeholders to establish better BM. The CEO must establish an unchanging core vision for serving customers and other stakeholders that includes an expectation of regular BM changes for continuing BMI (Mitchell and Coles, 2004, p. 20). Mitchell and Coles (2004) further stated that the CEO's attention and interest are critical to turning BMI into the primary source of the company's future success. CEOs bring openness which helps a company eliminate many elements of existing BMs in a company. Koen *et al.* (2011) explained that BMI could be either achieved by completely separate organizations or ambidextrous organizations which require senior management leadership training.

According to Santos *et al.* (2009), BMI knowledge in terms of tacit knowledge of operations required to manage BMs and improve those rests within the business units. It is important to have the right kind of horizontal coupling between business units and the corporate offices for BMI. The role of CEO or corporate executives is very important for supporting linkages as well as encouraging the development, proposing and sharing of innovative BMs through mutual engagement between corporate executives and BUC managers. As mentioned earlier, Desai and Mahadik (2011) showed relationship of choice between BMI and differentiator strategy and economic performance of firms in a mature industry. The choice of an entrepreneur or a leader decides the competitive performance of a firm in a mature industry. Achtenhagen *et al.* (2013) found that to manage BM and assure value creation, one of the critical capabilities is achieving coherence among leadership, organizational culture and employee commitment. The study also showed the importance of active and clear leadership.

From the literature, it is clear that the role of a CEO or a leader is very critical for initiation of BMI as well as for the continuation of BMI. But how a leader impacts BMI is not clear. This has also not been tested empirically. This relationship has not been explored in an emerging economy context as well. It is not clear how a leader or a CEO impacts BMI in entrepreneurial firms so this study tries to explore role of a leader in BMI in entrepreneurial firms in an emerging economy context. More specifically, it focuses on the following research questions:

- RQ1. How does a leader or a CEO affect the BMI in an entrepreneurial firm of emerging economy?
- RQ2. How does a leader or a CEO contribute in the initialization and continuation of BMI in entrepreneurial firm of emerging economy?

To analyze and answer the above questions, it is assumed that the research framework created to understand the role of a leader in innovation can be used. As shown in the model, the leader's influence on creativity, innovation and idea generation is for triggering BMI and making tangible contribution to the work being done; evaluating creative ideas of followers; and motivating people and groups for execution and continuation of BMI and processes related to BMI (Figure 2).



**Figure 2.** Research framework explaining the role of a leader in business model innovation

**Research methodology**

The study of strategic choices in entrepreneurial firms is complex where multiple subjective realities coexist. Such ontological context suggests the adoption of qualitative research. Epistemologically, researchers need to observe the phenomena to understand the dynamics of choices, suggesting adopting qualitative research route through the case method. Qualitative research is particularly strong in exploring relatively unknown phenomena in real-life context (Eisenhardt, 1989). Using this methodology enables the researcher to inductively explore and identify concepts, noticeable similarities, trends and patterns of socio-economic phenomena (Yin, 2009; Eisenhardt, 1989). The case-study approach is also used when the study explores questions like How and What (Yin, 2009).

Hence, the author has chosen to adopt the case-study route for this study. The choice of the case was based on aligning the definition of BMI. After finding some news articles and talking to some industry experts, a list of potential cases was created. The selection of entrepreneurial firm was based on research gap identified in the BMI literature. Based on the approval of doing the research on the firm and availability and willingness of leader of the firm, the Company X was finalized as the case to understand the role of leadership in BMI. The Company X was selected because it could create a unique value proposition to its customers (students) through its unique model focusing on vocational training related to graphics and animation to the youth of tier 2 and tier 3 cities in India.

The organization presented in this paper presents rich insight into BMI and how BMI is influenced by characteristics of a leader, his influence on the initialization and continuation of BMI. The primary data collection was through in-depth interviews of the founder and his team, observations during author’s visits. Secondary sources like company’s website, training manuals, brochures and other materials provided by the company were also used. Mr X, the owner, the CEO and the leader of this organization was observed and studied.

In the study, five unstructured interviews were conducted with the owner and leader of the organization. The author visited the leader in his organization to observe him closely. Five interviews with his partners and employees were conducted. Five others were also interviewed. The author spent one week at the office as an observer. In the process, he could talk to students informally. Table I shows details of interviewees.

The statements of all the interviewees were cross-validated. For this purpose, some respondents were interviewed twice. Data were also collected from both internal and external published sources. Internal sources consisted of internal financial and non-financial reports, process documents and operation manuals of the firms.

#### *A summary of case study*

Company X Design University Idea came through the idea of diversification; Company X (COMPANY X) was into vocational education after 12th standard and graduation for students in Ahmedabad, India. Mr X, the founder and the CEO of Company X had many friends in the top institutions of the city, like the INSTITUTE N (a premier Design School) (N) in India. The idea of starting a Design University emerged when he was a jury member evaluating projects of students in N. He was also teaching some courses in N. As he had built a very good relationship with N, the idea of a university emerged herein. His friend and colleague in N, Mr K suggested him to grow the boundaries of COMPANY X and start a university. Another factor responsible for starting the university was to utilize the current strengths and to put them into the University. The constant interaction and long-term association with premier Design School (N), the communication and advertising school (MC) and management institute (M) helped him in idea generation. Mr X came up with an idea which was completely unique and was never thought about by his competitors. Additionally, the Design University was completely different from Company X. COMPANY X as a BM changed the way multimedia education was perceived and delivered. COMPANY X focused on students coming from tier 2 and tier 3 cities, and it was fulfilling the design and multimedia requirements of SMEs and filling the gap through the vocational education model as a tool of employment in small towns and cities of the country. COMPANY X was using technology to give education in design, whereas the university was aiming to develop design, skills, attitude and thinking among kids and children without using computers in schools. It was basically design as design process. So, the variations in both these models were that one was completely technology driven, whereas the other was without technology. The Design University made these children innovators, creators

Interviewees	Profile	Number of interviews
Mr X	CEO and founder of COMPANY X, engineer and MBA	Three
Mr Y	Engineering and background of high-end computer design and development	One
Mr Z	Management and marketing	One
Owner 1 of partner company which hires graduates from Company X	Into software business, a computer engineer	One
Faculty of N	Design expert and friend of Mr X who gave idea of Design University	One
Employee 1	Trainer and instructor	One
Employee 2	Business development manager	One
Employee 3	Accounting and administration	One
5 Franchisee owners		One interview with each student
5 Students	Graduates and under graduates	One interview with each student

**Table I.**  
Details of interviewees

and designers. In 12 years, COMPANY X grew to 137 centers across the country. Mr X created a BMI in multimedia education, and he wanted to replicate the success of his past through this Design University.

## Analysis and findings

### Data analysis

The study follows a case-study analysis to test and validate the research framework developed from the literature review. Data analysis in this study follows two steps: deductive positivist case research (Shanks, 2002) and template analysis (King, 2012). Transcripts of all the interviews, field notes, observation notes and secondary data were coded by the author. The coding was done based on themes of the research framework, and template was created from the literature review for the case analysis. Later, it was coded by one of the experts of case-study research for external coder reliability. Similarly, a subject expert of BMI was also given the transcripts, observation notes and material for the coding and coding was matched to take care of internal coder reliability. The analysis was not only based on interview transcripts but other sources of data like secondary data, observation and field notes to ensure that triangulation was managed effectively.

### Findings

*Factors affecting leadership.* Mr X with his partners Mr Z and Mr Y started Company X s in 1999 after completing MBA from the top management institute in Ahmedabad, India. While Mr Z and Mr Y were into high-end computer-based design and development with the former having expertise in marketing, Mr X came with his mechanical engineering background and experience of setting up business. From the case analysis, it is clear that all the three partners had received a higher education and had high technical and professional expertise. Additionally, their expertise complimented each other's. Mr Y focused on technical issues and Mr Z focused on marketing. Mr X came from a techno-commercial background (engineering and management degree) with prior experience of doing business:

We focus on where we are good at. I do not interfere in Mr Y's or Mr Z's work. We discuss our work but give freedom and space to take our own decisions. (Mr X)

COMPANY X started with high-end program in animation, web and graphics with job assurance for students. Mr X the founder from the beginning, focused on business development and bringing innovative ideas to the organization. His partners had different expertise and that helped them all to focus on issues related to their specific areas. This is why the firm benefited and performed better than its competitors. Mr X encouraged new ideas and passed them on to others in the organization. These new ideas created new avenues of growth. While Mr Z and Mr Y were into operations, Mr X was into idea generations, creating and maintaining relationships with institutes like N and MA:

In our first exhibition, we decided to do something completely different from our competitors. I got an idea to have a completely dark stall with only five visible monitors. On these monitors, we displayed the latest content from the multimedia world along with the content designed and developed by us. The idea clicked and we got an overwhelming response. We could get enrollment for our first center from this exhibition. (Mr X)

Mr X was also open to new ideas and tried exploring out of the box ideas. Knowing that such ideas will take him to success, he did not hesitate to execute new thoughts and ideas into practice:

Mr X always looked for out of the box ideas. When we initially discussed the idea of starting a design university, he immediately showed interest and enthusiasm to pursue the idea. (A faculty of N)

It was also observed that Mr X and his partners challenged norms and tried to do something different from others. When they started their business, there were two big players in the market. One was from funded by the top player in computer education in India. Another was, a well-known brand from Southern India was the second big player. However, the model COMPANY X followed was low cost, quality multimedia education with latest content and job assurance. In the late 1990s and early 2000s, animation was not popular but web designing was a very popular field. The core team of COMPANY X went to small- and medium-scale companies and asked what kind of people they needed, how many people they needed, what were the skills required, etc. It was a reverse engineering model. The curriculum was designed accordingly and based on the requirements of these companies. They tied up with 13 companies initially and promised them to provide skilled people as per their requirements. In return, these companies promised Company X that they would to absorb its students:

We came up with the concept of giving an appointment letter at the time of joining the course itself; it was the first time anyone did that in India. It was considered a big risk. If we couldn't have fulfilled it, COMPANY X would have been washed away. We started with the promise that they would get an appointment letter through COMPANY X. COMPANY X had tie ups with 13 companies which had a total requirement of 50 people. So COMPANY X decided to have 60 students in the first year. With this, we entered in the market with a PG program in Multimedia which consisted of a certification in multimedia, a specialization in either of three streams (web designing, animation and graphics) and internship in the industry for 2 months which nobody had tried in the industry. (Mr Z)

When the Indian mindset was that multimedia education centers were just hobby centers and the big brands were indulging youngsters with Hollywood and Bollywood studio dreams, COMPANY X focused on giving employment to youngsters from tier 2 and tier 3 cities of the country:

Creativity was not our focus. COMPANY X wanted to impart skills and knowledge which would help in getting a job, a lucrative offer for the students. So our value proposition was employment compared to the competitors, for whom the value proposition was hobby. (Mr X)

Mr X had a strong value system and expected his employees and partners to be aligned with it. He gave freedom with accountability and transparency with tight control. These qualities helped not only manage his team but also get good results with mediocre teams effectively across 137 franchisees:

When nobody knew or trusted me, Mr X gave me a franchisee of COMPANY X and asked me to be honest and report on time daily. He expected me and my franchisee to be honest with students and their parents. (Franchisee Owner)

His relationship with organizations like N, M, MC and partners helped him get critical resources (knowledge, skills and human resource) and bring creativity in the organization:

Mr X is the most social among us, he has friends everywhere. Due to his personal relations with faculties of N, M and connections with corporate organizations, we could get several benefits. If we wanted to know anything, wanted people to work with us or find companies to tie up with, all these resources were a call away due to Mr X's connections and relationships. (Mr Y)

Mr X knew his competition had big pockets and wider reach in metro cities. But he understood the needs of the youth from tier 2 and tier 3 cities of India and the requirements of small- and medium-sized companies better:

All three of us came from middle class backgrounds and from tier 2 and tier 3 cities. I knew the opportunities were very limited for the graduates from tier 2 and tier 3 cities. The future was multimedia and many opportunities might emerge in this sector soon. So I understood the needs of the companies as well as the youth and I created a model to bridge the gap between Industry and Academia. (Mr X)

The organization had all their centers in tier 2 or tier 3 cities and had none in metro cities. They found out that the reason of failures of Arena and NIIT was chiefly faculties. So, COMPANY X decided to provide faculties to their franchisees. This was taking a huge task on COMPANY X in terms of efforts and cost. For all 137 campuses, faculties were recruited, trained and given to the centers. Due to local language issues, they needed to recruit lots of local people in different locations. They were brought to Ahmedabad, given training and sent back to their respective location and centers. The placement was also kept in the hands of the central office (head office in Ahmedabad). These strategic choices worked for Mr X and his company; they soon captured a big market in tier 2 and tier 3 cities with 137 franchises and they grew exponentially in few years:

The major challenge was having the right kind of franchisee partners and faculties in tier 2 and tier 3 cities. How could we assure that the quality and service delivered in Ahmedabad would be delivered in Rajkot or Jamnagar? So we decided to centralize the faculty recruitment process, the training of faculties and the placement process of the students to assure that our quality and service standards were maintained. We also kept the partner companies (recruiters) with us and kept them happy. (Mr X)

He was driven by sheer passion and his belief in the BM he crafted and not just for material benefits. The same was seen in the other partners, they knew that they had to focus on quality and delivery for success to follow:

Mr X is extremely passionate about his vision and this business. All of us are driven by sheer passion. We knew we were competing with big companies but with the passion, expertise (in technology) and aptitude we had, we ensured that not many people were running to Arena in Ahmedabad. (Mr Z)

Table II shows summary of findings.

*Leader influences BMI.*

Mr X assured me that I can follow my dream, that I am free to try different things. I joined COMPANY X to do something big. I am happy I am a part of a big project of this university. (Employee 1)

Mr X was around his team 24×7, giving feedback to everyone, appreciating the madness that hard work brings with it, helping his employees fulfill their dreams. So these initiatives lead to a high level of creativity in the organization. Many creative people from N and MC joined the organization and Mr X tried to build an organization where creativity was encouraged for the upcoming The Design University:

My interaction with N faculties and teaching in N encouraged me to think more about design and creativity. I wanted to create an organization where people can try being creative without any fear and hesitation. This was also important for creating one of the first design universities in the country. (Mr X)

He did more micro-management than leaders in his position and that gave him tight control over people and processes. He created a value chain of 22 activities of the operations of COMPANY X which he claimed came from his readings and academics. He and his team tried to standardize operations to assure that quality and delivery was maintained:

During faculty training, all the details like what was to be covered in which session, how it would be delivered, how the lectures would begin, everything was predefined. Lectures were opened with a slide on what would be covered in the class. This slide was also shared with the students so they had an idea of what would be covered and if anything was left out, the students could remind the faculties. I brought in the concept of signing sheets in which students had to sign against their name and mention whether they could or couldn't understand what was taught during the session. (Mr X)

NEJE 22,2		Data points	Outcome
	Substantial technical and professional expertise	Mr Y's technology expertise Mr Z's marketing expertise Mr X's experience of starting up, business development	Complementarities were achieved, performed better than competitors
<b>82</b>	Substantial creative skills	Idea generation and passing on to others	Keep bringing new ideas in the organization and open new avenues of growth
	Individual characteristics	Challenge the norms and tradition Strong values and expected people should have values aligned with his values Believed in transparency and tight control Believed in freedom with high responsibility	Could achieve the results with mediocre team and constraints Managed 137 franchisees effectively
	External ties: intra-industry and extra-industry	Ties with premier design and management institutes and partner companies	Helped organization for resources, creativity and new opportunities
	Strategic choices made by leaders based on their perceptions of environmental risks and opportunities	Franchising, value-driven model not cost- or price-driven model Alliances with institutes like N and MC Choice of having focus on employment-based model Choice of focus on small and medium scale companies Choice of tier 2 and tier 3 cities Strongly believed in blue ocean strategy centralized faculty recruitment and placement process	Gained competitive advantage over others 137 centers across India Continuous growth all these years
	Incentives and bonus	Passion, not for incentives	Kept the passion alive

**Table II.**  
Factors influencing leadership

However, it was also observed that Mr X was constantly putting pressure on employees and franchisee owners to perform which was not very visible but could be observed and discovered only after talking to his employees and franchisee owners. Some employees felt that his micro-management and control mechanism did not allow them to think out of box and mostly they ended up doing what was told and expected by the top leadership, contradicting the work environment required for creativity and new idea generation:

Mr X talks sweetly but he needs to be briefed about minute details. Without asking him we can't take any decision. There is always high expectations and a pressure to perform. (Employee 2)

As most ideas came from Mr X or the top management, it was not observed how the people at the bottom shared ideas and how they were tried in the organization. The approach was top to bottom with no strong mechanism to push ideas from bottom to top:

Mr X shares what to do and how to do it, we can give our suggestions but mostly we work according to guidelines of Mr X, Mr Z and Mr Y. (Employee 3)

The leadership qualities of Mr X went beyond idea generation as he met employees twice in a week, tried to solve their problems and issues related to work by telling them where they could improve. He allowed them to work on challenging projects and the employees could even work in cross-functional areas. Employees were given holidays and sabbaticals to get a break from their routine work:

Our employees are most important assets of our company. I ensure that I meet them at least twice a week and listen to their problems and suggest solutions. Employees are encouraged work in other departments and functions as well. I always look for madness and passion in people when I hire them. (Mr X)

These measures lead to higher employee satisfaction and employee motivation, consequently resulting in the execution or continuation of BMI in the organization. Table III summarizes the findings related to the influence of leadership in creation and execution of BMI.

The analysis shows that the model helps understand the role of leadership in BMI in an entrepreneurial firm. The leadership can be a trigger for BMI which is seen in the case of Company X s and Design for Skools projects. The leader here had a very high influence on bringing the model to life. The second contribution of leadership can be in the process of BMI or in its execution. From the case we studied, we can see the leader had a very strong influence here.

### Discussion

The study explores the role of a leader in an entrepreneurial firm in BMI. Theoretically, it focuses on the under-researched area of leadership in BMI. Using a framework developed from strategy, the innovation literature and a single case study of an entrepreneurial firm from the education sector in India, the study shows that the leader's personal and individual characteristics, external ties, technical and creative skills and strategic choices influence the leadership. It is interesting to observe here that the leader being an entrepreneur driven by his passion and strong personal values, focused on his own strengths, expertise and used external ties and collaborations to bring knowledge, skills and human resources to his organization. This is very similar to the three questions an entrepreneur asks as per effectuation theory. The questions are – Who am I? What I know? And Whom I know?

It is also observed that, as a new entrant in the industry, the leader analyzed opportunities which are ignored by incumbent firms. He created a BM around untapped needs of customers and markets. His BMI focused on creating employment opportunities for

Effect of leadership in business model innovation	Data points	Outcome
Influence creativity and innovation and idea generation	24x7 team, giving freedom to everyone, appreciating madness, helping people to fulfill their dreams His dream of a Design University	Loyalty, high level of creativity, many creative people (faculties of MC and N) joined Whole organization was energized to fulfill bunch of dreams
Make tangible contribution to the work being done	Micro-management	Helped to put system in place
Evaluation of creative ideas of followers	Not much ideas from followers were considered	Idea flow was TOP to BOTTOM (could not observe evaluation of creative ideas of followers)
Motivating people and group	Meeting employees twice in a week, finding out the problems and issues; rather than telling them they were wrong, showing them how they could improve; recruiting people for their madness; promising them challenging work (thrill working on Design for Skools) Giving them opportunity to explore other avenues (operation person could work in marketing department after his routine work) An accountant can be a director People were sent for vacation or sabbatical for breaks	Employee satisfaction Employee commitment Creativity was not observed (but could be possible)

**Table III.**  
Effects of leadership in business model innovation

the youth coming from tier 2 and tier 3 cities and he matched them with the education requirements of small- and medium-sized companies in these cities. In doing so, he changed the way graphics and animation education was being delivered in India. These strategic choices were made by him as a part of conscious effort and rationale, they were not out of intuition or gut feelings and his education and prior experience helped him in designing the model after understanding the market and the sector deeply.

The insights from this case show us how the leader not only influences the starting of BMI but also its execution and continuation. The CEO as suggested by Chesbrough (2007) can bring changes in the BM unlike other top managers, who work within the existing BM, the findings suggested.

In this case, all the BMI (Design School and Design University) was brought in by the owner and the CEO of the firm. Researchers (Mitchell and Coles, 2003; Desai and Mahadik, 2011) argued that the role of a leader or a CEO is not only to start the BMI but to continue it. This study empirically found that a leader, through creating an environment where creativity was tried and encouraged, motivated his employees through different measures and gave them freedom to be creative and thus successfully executed BMI. However, his micro-management and mostly top down approach of idea generation did not bode well with the employees and sometimes hampered his vision to create a creativity-driven organization.

#### *Managerial and theoretical implications*

The study has multiple implications. The study explains where a leader and his team can focus in BMI and where the organizational changes have to be made when executing BMI. Through this study, a manager or a founder can find out which traits and skills are required in a leader managing BMI. Theoretically, it extends the discussion related to leadership in BMI. Most studies have focused on how to achieve leadership position in the industry or market through BMI but the leadership style and its impacts on initiation and execution of BMI have not been studied much.

The context of entrepreneurial firms in emerging economies is also unique as the entrepreneurs in emerging economies have to deal with resource constraints and thinking about BMI and executing it successfully means managing many internal and external challenges. The paper is not only extending the existing knowledge in this domain but is helping open avenues for many researchers to contribute in this niche area of research.

#### *Limitation and future research*

This paper has a very broad definition of leadership, which gives rise to many methodological questions. The framework explains the relationship between leadership and BMI but the model has to be tested empirically using large-scale survey of firms that have done BMI. Company X is a classic case where an entrepreneur, the so-called leader of the organization, not only triggered the BMI but due to his control mechanism and motivation, executed BMI in the organization. However, his micro-management and controlling behavior might have hindered the creativity and innovation in the organization. So, it is difficult to generalize the findings as the study is based on one in-depth case study. But the model can be tested across multiple case studies. It will be interesting to replicate the study in different contexts and different industries also.

#### **Conclusion**

The study explores the under-researched area of leadership in BMI. Though BMI has got plenty of attention from researchers over the last two decades, the role of a leader and how

she or he influences BMI creation and execution is not very clear in the literature. Taking up this research gap, this study tries to understand what factors affect leadership and how a leader influences creation and execution of BMI. Drawing from strategy, leadership and innovation research, a research framework was created to understand these phenomena in an entrepreneurial venture from India. An entrepreneurial firm in the multimedia education sector, its founder and his TMT was studied. It was observed and found that the leader not only influenced the triggering of BMI through the creation of a creative organization but also influenced the process of BMI by motivating his team and employees, thereby making a tangible contribution in the work being done by evaluating creative ideas of the people.

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