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Business Model Innovation in Different Strategic Networks

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ABSTRACT

As the value chain in most industries experienced reconfiguration, firms needed to collaborate and actively engage in a particular strategic network to sustain their business through collaborative innovation, which often resulted in a new business model. The objective of business model innovation is to create and deliver more value to consumers while capturing value for the members of the network. Different characteristics of a strategic network impact the value as the output of business model innovation. However, there has been little research on this different strategic network in relation to business model innovation. This paper aims to figure out the differences of business model innovation in three types of strategic networks: vertical value nets, horizontal value nets, and multidimensional value nets. This research describes how network members innovate business models to enhance value. A cross-case analysis and strategic recommendations are also provided.

JEL Classifications: O3, M1

Keywords: business model; business model innovation; network; value capture; value creation; value delivery

I. INTRODUCTION

With the business landscape continuously changing and competition steadily increasing, business model innovation (BMI) is now happening in many companies. It is practiced to help companies stay ahead of competition, because it could bring out potential unidentified sources of value (Zott and Amit, 2010) and increase the value for the customer and all of the business's stakeholders (Najmaei, 2011; Teece, 2010). Strengthening the competitive advantage of the business (Fu et al., 2006) and attracting different customers (Markides, 2006) are other reasons for innovating business models.

Previous research on BMI mostly focused on a single firm's perspective (e.g., Amit and Zott, 2012; Mitchell and Coles, 2004; Teece, 2010). However, the single-firm perspective can no longer explain new forms, structures, and value activities (Wu and Zhang, 2009). Many industries face value-chain reconfiguration (Kartseva et al., 2004), forming complex linkages that create a 'value network' (Bovet and Martha, 2000). Shuman and Twombly (2010) emphasize that an organization's ability to innovate and grow would be hampered if it lacks the ability to collaborate with the network. Thus, to gain the benefit of BMI activity, the network perspective needs to be incorporated (Fu et al., 2006; Zott and Amit, 2010).

Collaboration of actors usually supported by each actor's different expertise and their unique capability (Shuman and Twombly, 2010). Collaboration creates and captures value within the network (Hamel, 2000). This would be realized when actors in the network combine their resources in co-creating the markets (Vargo and Lusch 2007). The members are also able to innovate new activity, gain access to complementary assets, and form a governance structure that reduces the costs or risks of innovative activity (Rasmussen, 2007).

Research on BMI from the network perspective is growing (e.g., Bask et al., 2010; Nenonen and Storbacka, 2010; Palo and Tähtinen, 2011; Wu and Zhang, 2009). However, there is little research focusing on the management of BMI in different types of networks. The majority of research in networked-based Business Model Innovation (BMI) has focused on a general type of network (e.g., Fu et al., 2006; Gordjin, 2001; Palo and Tähtinen, 2011) and defining its business model design, regardless of the different network characteristics and members' business model. Moreover, broad-spectrum framing is required for networks in the search for innovating a business model. Thus, this research aims at addressing this knowledge gap by developing a conceptual model describing the dimensions of BMI from the network perspective and examining the practice of BMI in different networks.

This paper is organized as follows: It starts by describing the conceptual model development of BMI from the network perspective. Next, the research method is described, including the case selection, interview protocol, data collection, and data analysis. To increase understanding of how the conceptual model can be used in BMI from the network perspective, an analysis of three cases representing three different types of networks is presented. Lastly, a discussion and conclusion are provided to summarize the research.

II. BUSINESS MODEL INNOVATION IN A NETWORK PERSPECTIVE: CONCEPTUAL MODEL DEVELOPMENT

In a network perspective, BMI is the process of creating a modified or new business model by sharing the activities and resources in the network. By looking at the network behavior towards BMI, the actors of the network are the most important factor to consider when they coordinate to innovate business models that are expected to create more value. Network theory (e.g., Lazzarini et al., 2001; Möller et al., 2005; Ritter, et al. 2004) states that changes can be carried out by members who interact with each other in innovation activity. The object of innovation activity is the business model (e.g., Chesbrough, 2007; Osterwalder et al., 2005; Zott and Amit, 2010). Different types of innovation in business models can be conducted (Giesen et al., 2007) which result in different levels of BMI (Bucherer et al., 2012) through a series of process sequences (Frankenberger et al., 2013). Neither the actors in the network nor the way they innovate the business model would contribute to the different value outputs in terms of value creation, value capture (e.g., Lepak et al., 2007; Zott and Amit, 2010), and value delivery (Berggren and Nacher, 2001).

In this research, BMI is studied from four dimensions: the subject (who performs the activity and will enjoy the result of BMI), process (how the business model activity is conducted), object (what is required for the activity), and output (why the activity is conducted). A similar approach was carried out by Markides (1999), who indicated that a simple recipe for a business strategy is looking at the 'who', 'what', and 'how' of the business. The subject of BMI is the network member, which gives information on how the members manage the relationship in regards to the BMI activity. The process is the innovation of the business model, which gives an understanding of the strategy and process that fit with the particular network. The object is the business model, which gives an understanding of how the new business model works and contributes to the value as the output. The four dimensions give a dynamic perspective to the research on BMI, and elaboration of the four dimensions enables us to construct a model for BMI from the network perspective, which can then be used to explore the characteristics of each network.

Pulling together the four dimensions, a conceptual model is proposed to theorize that the different characteristics of the network have a different BMI process which would lead to the creation of a different business model, resulting in different value output. Network creation is started either by invitation from the focal firm, the one who owns the scarce or specific capabilities or has more access to parties, or by a consortium agreement. These different network characteristics apply to different governances, structures, and behaviors that result in different BMI types, processes, and levels of BMI (Moller et al., 2005). Different innovation activities would result in different value exchanges and value flow that represent the new business model, which would then result in different value creation (Lepak et al., 2007) and delivery for the customer. Finally, members of the network would capture more value when consumers enjoy more value that was created and delivered before.

Each dimension influences the value as the output of the innovation activity. In comparison with the previous research, this research is consistent with the model of value creating network of Kothandaraman and Wilson (2001). Their model was built on three core concepts of value creation, where relationship is the subject, core capabilities is the object, and superior customer value is the output of the model implementation. Furthermore, this research is consistent with the three layers of business relationships of Snehota and Hakansson (1995). This model includes actors' bonds as the subject, resource ties as the object, and activity as the process. The relationship among the three layers does not always happen at the same intensity. However, the three layers interact and become the source of development and transformation of the relationship.

A. Who: Network

This research focuses on strategic networks, which are defined as any restricted groups of organizations or actors that are interconnected with the structures, governances, and unique behaviors that are strategically important to participating firms. The members of the network work together toward the intention of a particular task or output (Moller et al., 2005). Actors in the network can be individuals, collectives, communities, or enterprises (Allee, 2008). The role of actors varies among suppliers, partners, distribution channels, and consumers (Möller and Halinen, 1999). Network structure is defined as the relationship arrangement of the network's members. The structural elements include network ties, network configuration, and network stability (Inkpen and Tsang, 2005).

Network governance is the process of making and implementing a decision in the network. The network governance 'involves a select, persistent, and structured set of autonomous firms (as well as nonprofit agencies) engaged in creating products or services based on implicit and open-ended contracts to adapt to environmental contingencies and to coordinate and safeguard exchanges' (Jones et al., 1997, p. 914). The network governance elements include review and evaluation, decision-making authority (Shuman and Twombly, 2010), collaboration guidance (Bititci et al., 2004), and transaction (Shehota and Håkansson, 1995). Network behavior is the way in which members of the network act toward others. The network behavior elements include active/passive communication, sharing resources, transparency of internal information, and time period of collaboration (Shuman and Twombly, 2010).

B. What: Business Model

A business model is defined as the representation of how actors in the network exchange value and arrange the value flow. According to Palo et al. (2010) and Komulainen et al. (2006), value exchanges between network members are important elements in the business model. Value exchanges are the worth of something tangible or intangible expressed in terms of the worth of network members and customers. Tangible value includes products and money. Intangible value includes service, data or information, right, exposure, content, knowledge, and strategic capability. Value exchanges need to be converted to gain a better economic understanding. Furthermore, by visualizing the value exchanges in the business model, the analysis of the value of a network would be easily facilitated (Allee, 2008).

Another element that must be included in the business model is the value flow (Weill and Vitale, 2001; Wu and Zhang, 2009). Value flow is the action that is taken to move value among network members and customers. The value flow includes tangible flows and intangible flows. Tangible flows include products, services, and profit flow. Intangible flows include knowledge, emotion, and influence (Wu and Zhang, 2009). To have a better understanding of strategic nets, knowing the flow of information, material, money, and influence relationships is important (Zaheer et al., 2000; Parolini, 1999).

C. How: Business Model Innovation

BMI is a process of valuable changes in part or all of the activities, resources, and capabilities within the network business model, which happen in different types and levels. The BMI process includes initiation, ideation, integration, and implementation (Frankenberger et al., 2013). The initiation stage covers the activity of understanding the needs of the players and identification of change drivers. The ideation stage covers the activity of overcoming the current business logic, thinking in the business model, and managing the idea creation. In the integration stage, the activity consists of detailing and ensuring the alignment of the business model and managing partners. In the implementation stage, the activity is to overcome the internal resistance and evaluation.

The BMI framework by Giesen et al. (2007) is applied to help understand different BMI types. The framework explains three BMI types: industry model, revenue model, and enterprise model. The industry model happens when one network innovates the industry value chain by moving into new industries, redefining existing industries, or creating entirely new ones, and also by identifying/leveraging unique assets. The revenue model happens when one network innovates how it generates revenue through offering re-configuration (product/service/value mix) and pricing models. The enterprise model happens when one network innovates the role it plays in the value chain by changing its extended enterprise and networks with employees, suppliers, customers, and others, including capability/asset configuration.

To understand the level of BMI, the concept of measuring the degree of BMI by Bucherer et al. (2012) is employed. The degrees of BMI are categorized as radical innovation, industry breakthrough, incremental innovation, and market breakthrough. Radical BMI is characterized by a 'discontinuity along the two most important dimensions on a macro-level perspective: industry and market'. Industry represents the inside-out or firm view and is to be understood as the sum of firms within one industry; the market represents the outside-in or customer view and is to be understood as the sum of customers. Incremental innovation 'only comprises a tailoring of previous models that incorporates new technical capabilities and additional service offerings'. Industry breakthroughs 'confront the firms of the affected industry with a discontinuity, while for the customers of the respective market, the changes are rather incremental'. Market breakthroughs 'confront the customers of the affected market with a discontinuity, but for the firms of the respective industry, the changes are rather incremental'.

D. Why: Value

Value is the expected output of BMI activity in the particular network that created and delivered for customer for maximum value capture for the network member.

Value creation is the performance of actions that increase the worth of offerings. Value creation “depends on the relative amount of value that is subjectively realized by a target user who is the focus of the value creation—whether individual, organization, or society” (Lepak et al., 2007). Value delivery is the way in which value is perceived by the consumer in the form of its availability and reception. In value delivery, the main focus is the management of the supply chain or value chain. The main objective is to find and map the actors in the network that could help the delivery process to provide the best value for certain customers. The stronger network of value-delivery partners and the distinctive business model’s propositions can sustain and maximize the value delivery (Berggren and Nacher, 2001; Demil and Lecocq, 2010). Value capture is the process of retaining some part of the value provided in every value exchange. Resource management is important to capture value once it is created. According to Anderson and Narus (1999), besides value capture and value creation, a value in business markets can be identified by analyzing the value delivery of a product or service.

III. RESEARCH METHOD

This research uses a case study, because it could help to address the descriptive research questions. It focuses on contemporary phenomena of the music industry in its real practice in Indonesia, where the investigator has no ability to control the events. The music industry was chosen because it continually changes, from both a financial and social point of view, to a great extent because of the Internet's ascent and related innovative advances, which present extraordinary difficulties and opportunities.

The unit of analysis incorporated into this research is the strategic network available in the Indonesian music industry. The strategic network as the unit of analysis is adopted from “strategic business nets” by Moller et al. (2005). They classify strategic business nets into three types: (1) vertical value nets, (2) horizontal value nets, and (3) multidimensional value nets. Vertical value nets are vertically integrated value systems that can be included: supplier, channel, and customer nets. Usually, vertical value nets have the objectives to increase the operational efficiency of the value system, improve the product or process in the established value system, and sometimes integrate the complete value system. Horizontal value nets are often characterized by cooperative arrangements involving various institutional actors and competitor alliances. The main objective of this type of net is to provide access to existing resources or co-develop new resources, which is often conducted by combining resources and capabilities. Multidimensional value nets (MDVNs) comprise a hub organization that creates its market offering by integrating products and services required from a group of different types of suppliers and channel firms. Mostly, MDVNs are formed to create a new business concept with new technologies, which required the hub organization to orchestrate varies role of actors to create new value activities.

To help overcome potential response bias and gain multiple perspectives, or in this case a triangulation, the use of multiple respondents is preferred (Yin, 2014). The criteria used to select the cases are (1) the network of a focal company in the music industry, (2) includes more than two members in its network, and (3) meets the criteria of vertical value nets, horizontal value nets, or MDVNs as described in paragraph three of this section. The three cases which meet the criteria are Music Factory Indonesia (MF), representing vertical value nets, Indonesia Netlabel Union (INU), representing horizontal value nets, and Guvera Indonesia, representing multidimensional value nets. Multiple respondents, who are the higher to middle-level management of the focal company and network members, were interviewed by using semi-structured interviews.

The interviews with MF involved four people (media and promotion manager, media and promotion support, artist management, and business development of MF) and took 1.5 hours. Interviews with INU were conducted three times. The first involved INU members and took 2 hours and 5 minutes. The second interview, which was conducted by phone, involved the public relations staff of INU and took 45 minutes. The third interview involved one member of INU management and took 56 minutes. Interviews with Guvera Indonesia were conducted twice. The first was involved the managing director and took 45 minutes. The second interview involved the managing director and the music director of Guvera Indonesia and took 1 hour and 11 minutes.

Respondents were asked about the process of BMI in each network. The next questions were about the governance, structure, and behavior of the network, BMI types, elements that changed in regards to the current business model, and output of the BMI activity. The interviews were recorded, and notes were taken during the interviews to avoid misunderstanding the data. After the data were gathered, the interviews were transcribed. The descriptive analysis was then conducted for this research. After that, inter- and intra-case analyses were conducted to find the similarities and differences of the three networks in regards to the BMI activities. After the results were provided, the informants were contacted to check whether the results presented the right understanding of the interviews for data verification and validation.

IV. RESULTS

A. Case of Vertical Value Nets Represented By Kentucky Fried Chicken Music Factory

MF is an Indonesian record label that was established on 24 June 2006 by Harun Nurasyid and Fabian Gelael. MF is categorized as a non-conventional distributor that has an outstanding and remarkable way of implementing the CD selling system to a merchant. The main focuses of its business are actuating an exclusive partnership with a number of record labels in Indonesia and helping them distribute and promote their physical product at 433 branches of Kentucky Fried Chicken (KFC) merchants all over Indonesia.

1. Who: Network

MF's position in the network structure is on the distribution chain, and its network comprises the actors from the creation chain (e.g., artist, producer, songwriter, recording studio), reproduction chain (e.g., duplication service), and consumption chain (KFC merchants). In its vertical nets, MF becomes the organizer of the collaboration and has a high bargaining position compare to the records label. However, MF is tightly tied with KFC management that has a higher bargaining position than MF. In this case, MF become the spokesperson of KFC Indonesia to the records label/ artist, and both of them usually sit together to determine which artist or albums could be distributed through KFC branches. This condition seems try to monopolizes the physical music distribution industry, remembering only less brick and mortar music store left in Indonesia due to the physical music sales decrease.

In network governance elements, review and evaluation are always actively conducted within the labels and MF in terms of sales and promotion effectiveness, because the contract is usually conducted in a short period of time. MF is responsible for managing the exclusive distribution of the label's artist via KFC stores and conducts promotion activities with labels usually for a three to six-month contract. Labels are not allowed to sell their CD anywhere else during the contract period with MF. If the product sales do not meet the target, the product is returned to the label.

"The contract (with the label) includes three-month targets, a maximum of six months for completion. This is because the product (CD's) rotates constantly, and queuing artists to enter to KFC is from six months to one year. After the contract is done, there is a grace period for the product to be sold in other places (stores that sell CDs), such as Gramedia and Indomaret. If you have not completed the contract but sell the product in other outlets, you will be blacklisted. You will also be blacklisted if you sell the product to competitors, such as Texas and Seven Eleven" (Media and promotion manager, MF).

Decision making is usually determined by MF, which makes MF's bargaining position high. Even though the label built a good relationship with MF, not all artists in that label could sell their music via MF. MF mostly integrates and controls the movement from the distribution slot of labels, product requirement, artist and label promotion obligations, and sales reporting. MF has a regulation that it can only distribute 10 regular albums outside of children's and religious albums.

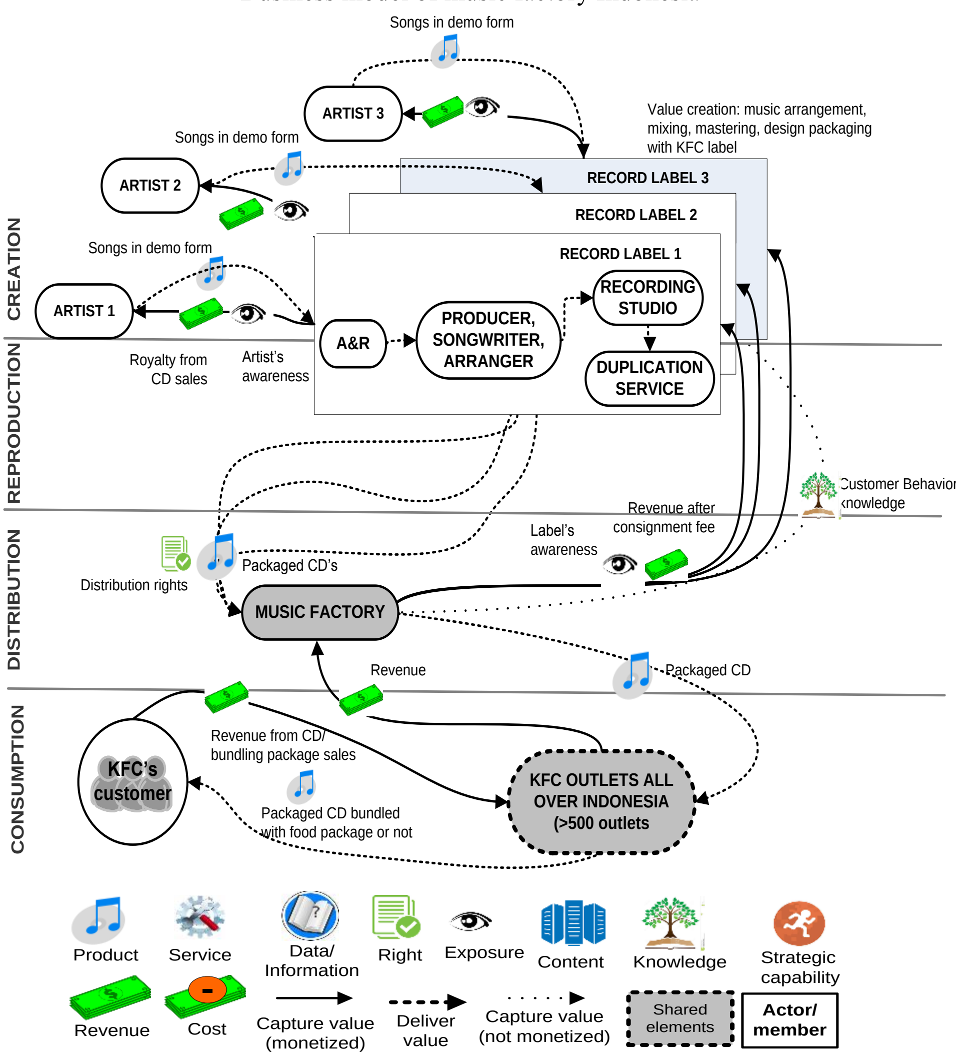
"We are afraid that if we accept more than 2 albums from each label per year, the distress will be in the focuses of selling and promotion. Because we are not a CD store, we prevent accumulation of the unsold product. We will boost the promotion of the newly released product" (Media and promotion manager, MF).

The partner label owns most of the licenses, but MF also owns some licenses through a separate deal. Artists who are stable and tend to create a high number of sales are those who could join MF's network. As one of the collaboration guidelines, MF requires labels to prepare the marketing plan properly and set the selling target and quota for CD distribution. The labels are also required to manage their artists and to make a schedule for store visits or meet and greets in KFC stores.

"At least four visits per month per artist for meet and greet programs. We will push again by sending a warning letter if the artist or label does not take the time as stipulated in the contract" (Artist management, MF).

In network behavior elements, the communication is always actively conducted at the beginning of the contract during the product distribution, and during the promotion time. However, it seems that not all communication performed smoothly. In this MF network, KFC is the one who share its resources most which includes 500 merchants all over Indonesia. The communication was usually happening through email of phone call and mostly regarding the promo activity was largely initiated by MF to KFC and KFC will adjust the schedule and the store event. Labels are waited to be informed until the program is arranged.

Figure 1
Business model of music factory Indonesia



2. What: Business Model

Value exchanged in MF's vertical value nets business model is in the form of tangible and intangible value. As shown in Figure 1 above, intangible value that is being shared here is mostly in the form of data (musical data in many formats, song and artist data, and marketing and promotional data). In tangible value, money from sales is mostly exchanged. Value flows are in the form of products, services, and money flow. Product flow starts from the selected artist's CD reproduction that was managed by the record label. The final product, which already has KFC labels, is then delivered to MF to be distributed. In contrast, the money flow starts from the bottom, which is from the KFC merchant that reported the CD sales to MF. MF then calculates the sales report to be delivered to the record labels.

3. How: Business Model Innovation

The innovation process of MF mostly happens internally and is initiated when the owner and team are getting a deep understanding of the personality of the target market by conducting surveys and observing trends and the consumers' daily habits.

"The music and genres that suit youngsters, as a KFC customer segment, signified the rejuvenated pace of KFC Indonesia" (Media and promotion manager, MF).

At the ideation phase, the concept is then brought to discussion with the KFC headquarters in America which then resulted the MF's establishment in year 2006. At the integration phase, the owner details the business model together with the MF team. Because the business model is merely adapting the concept of the record label, the MF team rushes to test the distribution model. At the implementation phase, the network of actors starts to be established, and members of the network, such as partner labels, KFC store management, and consumers, begin to be involved.

Nonetheless, after that the innovation in MF remained stagnant. The new activity was more into the marketing or promotion gimmick. Since then, MF has put more attention into the distribution model. MF communicates regularly with its label partners and artists to find opportunities in terms of innovation of the album's distribution, promotion, and selling mechanism. In this regard, the innovation occurring from the cooperation between partner labels and MF is usually incremental.

"Artists in MF must also promote KFC in any events to boost market consciousness so that KFC can get more revenue in all business units" (Artist management, MF).

Adapting the BMI types by Giesen et al. (2007), MF's vertical value nets of BMI were categorized as industry model types, and the level of BMI was considered an industry breakthrough, as its emergence redefined the music distribution industry in Indonesia. Before the emergence of MF, none of the record labels distributed their music through a restaurant chain. CD distribution was normally conducted through CD stores. However, CD sales have declined since the mid-2000s, and most CD stores have closed. This vertical value net emerged as one of the solutions for CD distribution, as it could help labels distribute their product all over Indonesia with minimal risk of investment compared to their self-distribution. However, this network is very exclusive and could not be a solution for smaller record labels.

4. Why: Value

Tangible value created for direct consumers is the quality of the product in terms of the artist and songs; lower product prices (if consumers buy the CD in a KFC store), because it is bundled with the chicken package; and efficiency, because consumers can buy the CD and eat at the restaurant at the same time. Intangible value that is created is an increase in the customer experience, because KFC regularly holds meet and greet events with artists and their fans at the restaurant. Tangible value delivery for KFC consumers is the increased quality of the product and delivery, because consumers will experience a direct offering of the CD at a KFC store, as well as the decreased cost of delivery. Intangible value delivery for consumers is the increase in engagement, because consumers can communicate with the seller directly.

Tangible value that can be captured by the partner labels is profit from sales. Tangible value started to be captured when KFC headquarters in Indonesia reported the sales of CDs to MF. Since then, MF has managed the consignment fee for KFC. The net sales are then delivered to partner labels. The partner labels then manage the net sales, which are divided among the labels themselves and the artists. For the partner labels, intangible value that can be captured is the decreased risk of failure or distribution of the CD by themselves or another distribution channel, enhanced skill and knowledge regarding the artist's promotion in a particular city, and increased product awareness through a nation-wide distribution channel.

B. Horizontal Value Nets Represented By Indonesia Netlabel Union

INU is an Indonesian netlabel collective movement that started in early 2011. INU's activities are closely associated with conventional copyright law, because they include the spreading and multiplication of musical works. INU aimed at creating a netlabel inter-network and introducing the public to the existence of local netlabels, as well as being a receptacle in reviewing the musical discourse in the era of information technology. A netlabel is a record label that distributes its audio product in digital format through the Internet. The release can be downloaded legally either free or paid. A netlabel is an alternative in the realm of independent music in Indonesia, which is a country that has a high level of music piracy.

1. Who: Network

In INU horizontal nets, network structure elements comprise members who have different expertise (e.g. producer, writer, law expert, social media expert).

"Our consumers range from musicians, listeners, concert consumer, record labels, record stores, online media, music media, cultural studies researchers, and students of anthropology/sociology who have been doing research on digital music distribution. Indeed, most of our consumers are music listeners, because we have a huge number of listeners of music in Indonesia" (Public relation, INU).

The network ties are built by character similarities and the clear vision of the netlabels in order to spread the creative common culture to the Indonesian music consumer. INU facilitates the place to communicate the movement and promotes each INU member's activities. The mutual co-creation relationship is automatically built into each network activity. Because there is no contract for joining INU, this type of network has a high rate of instability.

In the network governance element, decision-making authority is mostly decided collectively, and INU's activists will manage all members' aspirations. However, any intellectual property (IP) rights for each free downloaded music program are usually managed by each netlabel or artist. There is less transaction in terms of money in INU; however, any donation or money that comes from merchandise sales would go to financing INU's activities and programs.

"Besides inviting Indonesian netlabels, we are also open to other types of Indonesian record labels that use creative common licenses, like Sorge Records and Hummingbird Records. In addition, Indonesian musicians without a label who release their free download music on the Internet or release by a netlabel outside Indonesia are also invited to join/participate in the INU program" (Public relation, INU).

In the network behavior elements, communications among members are active. The communications happen primarily through a Facebook group, where the transparency of internal information is very high. Each INU activity is mostly open for collaboration (e.g. open workshop, streaming an event through online radio, free music download, and open music remix project). There is no strict contract for joining INU, and thus the time period of collaboration is not determined, except for special programs that are sponsored by external parties and would meet a particular target output.

2. What: Business Model

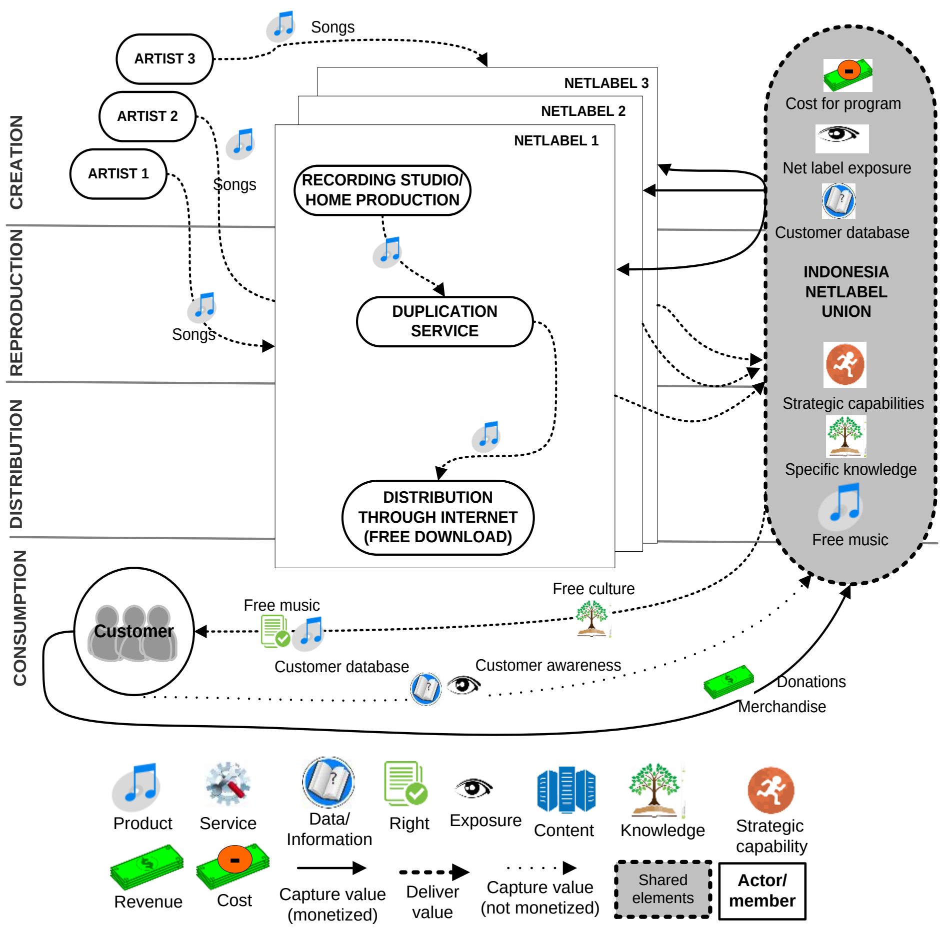
In INU's network business model, the value being exchanged is in the form of tangible and intangible value. Intangible value being shared is mostly in the form of data (music data in digital format, news updates, new knowledge), as shown in Figure 2. In INU the tangible value that is often exchanged is each member's assets, such as a website and the member's physical resources. Almost all of INU's activity is co-created. The co-creation business model happens when a firm or network engages customers or partners in the business activity and creates a new dynamic relationship (Kambil, 1999). Value flows in INU's network are in the form of product, information, and service flow. Product flow starts from netlabels that want to distribute their free downloadable songs through INU's website. Information flow starts when members share information through a mailing list or other media. Service flow usually starts when there is a special program or initiative that requires all members to share their resources.

3. How: Business Model Innovation

The BMI process was first initiated by 'Yes no Wave' records, one of the netlabel pioneers in Indonesia. Its presence was inspired by the predecessor international netlabel, Opsound! (http:// www.opsound.org). 'Yes no Wave' opened the initiatives to build the netlabel union with other netlabels in Indonesia, which surprisingly started to emerge in line with the rise of digital audio music and Internet absorption.

"At this point, there are more than 20 netlabels across Indonesia that become members" (Management, INU).

Figure 2
Business model of Inu



The first step began by creating a compilation album that was released simultaneously on 1 January 2011 and involved five netlabels in Indonesia. The second activity that initiated the emergence of INU was sharing offline booths and merchandise with INU members at RRREC Fest #2 in Jakarta from 3–5 December 2011. The ideation process happened next, and it included discussion of the sharing mechanism, program proposal mechanism, and joining mechanism among members. After that, INU started implementing the business model by creating a program regularly. One of the programs emerging from the innovation activity was INF (Indonesian Netaudio Festival). INF is an offline activity involving actors, observers, and netaudio connoisseurs in Indonesia. In addition to a social gathering between actors and audience netaudio, activities are organized in the form of offline file-sharing, fund raising in the form of merchandise sales, discussions, workshops, film screenings, and music performances by musicians who released their albums through the Internet. INF zine was also created to promote and document the activities of the netlabel to the public. Over time, in addition to introducing legal free music downloads, INU has also done cultural work and simple research on the production, distribution, and consumption of music in Indonesian society.

According to Giesen et al. (2007), INU's horizontal value nets of BMI are categorized as industry model types, because INU's emergence could redefine music consumption in Indonesia. Before the emergence of INU, fewer consumers knew that there was a legal way of consuming free music. Music consumption was normally experienced through CDs, cassettes, and MP3s by buying them illegally. There were some artists and labels that analyzed the creative common culture in the international music industry and found this movement suitable for their movement. However, this network was exclusive and could not be a solution for those who still perform the conventional music business way by getting revenue from CD sales. The level of the industry model of BMI in horizontal value nets tends to be incremental. Although the approach of these horizontal value nets was new for netlabels and their consumers, it only comprises a tailoring of previous models that integrates a new consumption model. INU introduced a new way of consuming music products through an internet platform that performs the same basic functions as the old platform.

4. Why: Value

In horizontal value nets, the tangible value created for the consumer is the increased quantity of products in terms of new releases from each netlabel and the number of services in terms of workshops, seminars, or event programs. INU is also a simplifier for consumers who want to know about legal free download culture, because INU provides all related information in its website. The intangible value created for the consumer is the increased customer experience through many programs related to the legal free download culture, which also could increase customer knowledge. Tangible value delivery for the consumer includes less time to the market and a lower delivery cost, because each netlabel usually provides the product directly on its website, so it is faster for consumers to get the product. This can increase the quality of product delivery, as each netlabel has full control of its website, which ensures the quality of the product. Intangible value delivery is the increased engagement with customers, as each netlabel often has direct communication with consumers.

Netlabels and all INU members capture value through INU's website and its activities or programs. The tangible value that can be captured by the network's members is profit from CD or merchandise sales through INU's programs or activities, such as booth sharing and seminars. Intangible value that can be captured by netlabels includes a decreased risk of product failure in terms of artist or music CD release, because the network can help each netlabel member promote its artist and product. This could increase the product awareness of each member. The member will also gain enhanced skill and knowledge by joining the network, because INU regularly holds a seminar and other programs that increase members' knowledge.

C. Case Of Multidimensional Value Nets Represented By Guvera Indonesia

Guvera Indonesia is an Indonesia-subsidiary music-streaming platform founded in 2008 by Claes Loberg, a Swedish-born Australian tech entrepreneur. Collaborating with the Jakarta IT firm Skybee, Guvera launched its service in Indonesia in February 2014. In the same month, it launched its platinum subscription-based service. Guvera offers more than 10 million songs for its customers globally, and it is available in Australia, the United States, and several Asian countries. The application is available for iOS, Android, Windows smartphones, and many tablets, as well as on Guvera's website. Every new user who downloads the app gets a free 14-day trial. After it expires, users have to subscribe in order to continue enjoying music on Guvera.

1. Who: Network

Guvera Indonesia's network structure is comprised of actors from the creation, reproduction, distribution, and consumption chains. Since their emerging, Guvera has brought a new service for music consumption through new technology: music streaming. To help deliver its offerings, Guvera collaborates with partners with different roles, such as an IT company, content provider, handset distributor, handset producer, telecommunication provider, and payment gateway.

The network ties in Guvera's network are among Guvera and its different types of partners. The network configuration is sometimes determined by Guvera or by partners who propose to join the network. Network stability is moderate, because the time period of contracts varies for different partners. For partners who provide strategic capability, such as the IT provider, the time period would be longer than for advertiser partners.

In network governance elements, decision-making is determined by the collaborating parties. For example, in collaboration with telcos such as PT XL Axiata Tbk (XL), they sit together and discuss the best strategy to work together. Both parties share their customer database and agree to lower their prices to provide a reasonable price package for customers. In collaboration with advertisers, Guvera usually proposes the company first and presents its user database to the client.

"For advertisement, a contract is usually conducted by duration: three months, six months, or even one year" (Managing director, Guvera Indonesia).

The unique thing is that Guvera can help the client design its advertising. For instance, it can create a specific playlist for each brand. Thus, the consumer would not be disturbed by unrelated advertising content. In collaboration with the label, only a big label, local or international, which has direct access to Guvera. This is because it has a special contract with Guvera International. In contrast, to include local record labels in the Guvera Indonesia network, Guvera needs to pay cash upfront for local record labels' content. Furthermore, their content (local label) is delivered through omniphone, which is a different platform. In collaboration with payment gateways, the obstacle is to manage a different company's requirements.

"Each payment gateway charges a different fee. This is sometimes difficult to manage. For instance, DOKU Wallet charges 3% commission and credit card charges 6% commission. However, we try to open as many gateways as possible so users can choose for themselves which one is more convenient" (Managing director, Guvera Indonesia).

In MDVN behaviour elements, sharing resources is mandatory, because the collaboration guidelines and decision-making authority usually are proposed by the focal firms, in this case Guvera. However, the collaboration guidelines usually are less strict and still very open for negotiation. The transparency of information is usually open, and the time period of collaboration varies depending on the partner's type. The lengths of the contracts also vary depending on the type of partner.

"We have (pricelist and collaboration guidelines)! The pricelist will represent the brand chronology. But if they have any objection (regarding the offering) it is alright; they usually tell what they want, and so do we. We negotiate" (Music director, Guvera Indonesia).

2. How: Business Model Innovation

Value exchange in MDVN is mostly in the form of percent of sales, metadata, strategic capability, network, platform, awareness, database, and ads, as shown in Figure 3. Money from sales is managed by Guvera or partners such as telcos. Metadata are required for songs in digital format. Strategic capability in Guvera's networks varies from the IT and platform provider to payment gateways, and ads are in the form of awareness and increased sales through advertising.

"A partnership between music streaming platform and telco's, PT XL Axiata Tbk **(**XL) in Indonesia is the first collaboration attempt. At first they (PT. XL Axiata) were skeptical, but we convinced them. We facilitates consumer by created XL connect. So that, XL consumer no need to fill much data, such as the name, DOB, etc." (Managing director, Guvera Indonesia).

"We both sacrifice something. XL actually sacrifices revenue; it gets revenue from data, and it is given to Guvera. Guvera sacrifices the subscription price, so it is alright. We believe that XL users likes music, and we can co-educate them" (Managing director, Guvera Indonesia).

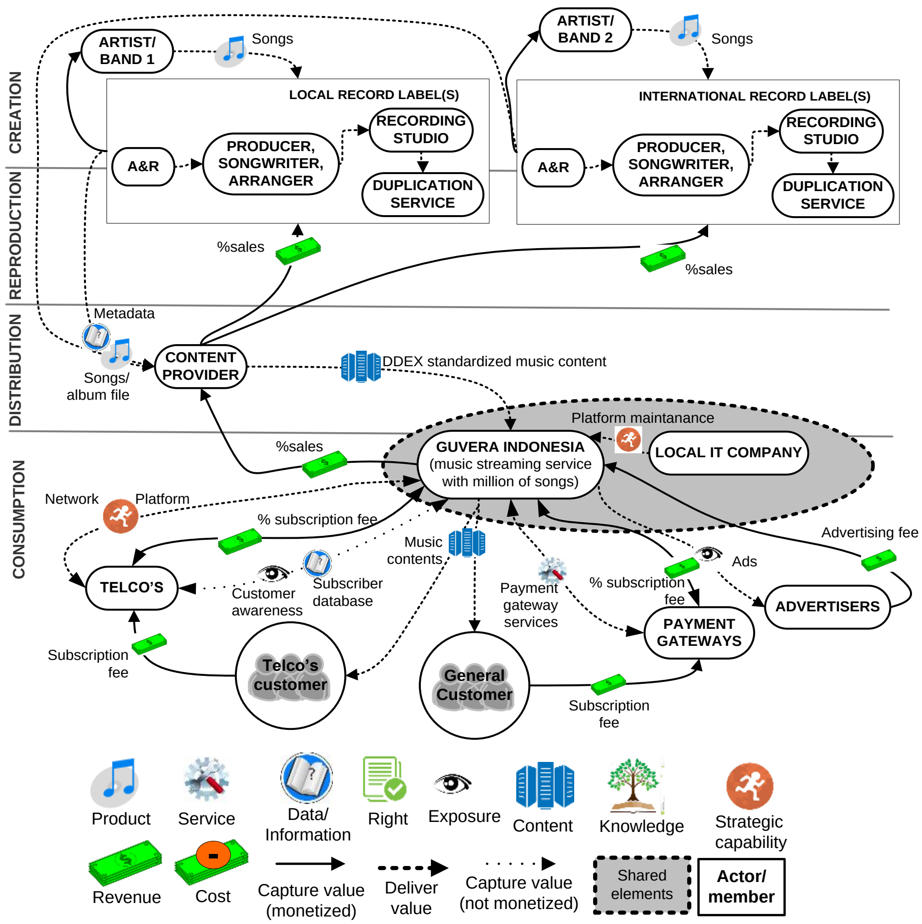
Value flows are quite intense but centralized to Guvera from different roles of partners. Value flows in the Guvera Indonesia network are in the form of product, information, and service flow. Product flow starts from Guvera, which invites records labels to put their products in Guvera Indonesia. Information flows start either from Guvera or from partners. The information flow could be started from the bottom as for sales report or from labels or other partners as for product or services information. The service flow leads to Guvera Indonesia from many directions (e.g., content provider, consumer acquisition platform provider).

3. How: Business Model Innovation

To perform its operations in Indonesia, Guvera adjusted some of its business model. At the initiation phase of its BMI process, Guvera complied with the investing regulation in Indonesia to collaborate with local partners for running its operations.

"Because Skybee is part of a large group—namely "Trikomsel", the same owner of Global Teleshop and OK Shop—They are the biggest mobile phone distributors in Indonesia, the largest network. Yes, it is strategic. Why? Because Guvera is an application; now it (Trikomsel) is selling cell phones, so we collaborate with them" (Music director, Guvera Indonesia).

Figure 3
Business model of Guvera Indonesia



Therefore, Guvera collaborated with a local mobile services company called Skybee. The ideation phase seemed to happen at the same time as the initiation stage, as Guvera prefers to run a different business model than the one already run in Australia. In Indonesia, consumers need to fully subscribe to enjoy music in Guvera, whereas in Australia the freemium business model is utilised. Guvera conducted the integration phase six months after it launched the Indonesian subsidiary. At that time, Guvera offered a new service called Guvera Play, which offers a radio-like experience that is free of charge but includes advertisements. This new service was offered because, based on data, 40% of Indonesian consumers prefer to have free access to music. Guvera Play offers the same experience as the platinum subscription; however, it is less controllable, comes with ads, and does not provide tracklists. Guvera often opens the innovation idea to partners like telcos, labels and advertisers, and some of the ideas are implemented together with the partners.

"Advertising on Guvera is for cross-subsidies of free content. For advertisers, they see that Guvera user is potential. We know the audience, we know the sex, we know their age, because consumer need to fill the profile when they do the apps registration. We can give the ads according to the profile he wants, so the value of advertising on Guvera was much better than it being broadcasted" (Music director, Guvera Indonesia).

BMI in Guvera's MDVN is categorized as an industry model type, because its emergence redefined the way digital music is consumed by the Indonesian market, namely through streaming. Before the emergence of Guvera's subsidiary in Indonesia, there were already other streaming service providers in Indonesia: Deezer and Rdio. However, Guvera Indonesia offered quite a different business model. The level of the industry model BMI in multidimensional value nets tends to be a market breakthrough. The emergence of Guvera Indonesia confronted the customers of the affected market with a discontinuity, but for the firms of the respective industries, the changes were rather incremental.

4. Why: Value

Tangible value created for the customers is the increased quality of services by providing different payment gateways through collaboration with many partners, increased quantity of products by adding more collaborations with labels, lowered service prices for users of particular providers, technology integration and simplification by providing easy and free access to music through a smartphone after Guvera's collaboration with Skybee, and some payment gateways. Intangible value created for the customers is the increased customer experience by providing an offline programme in collaboration with a label and increased customer knowledge by offering a different playlist every day.

Tangible value delivery in Guvera's MDVN is less time to the market for the new artist, new songs delivered by labels, and increased quality of products and service delivery, such as by shortening the registration process through "XL Connect". Another tangible value delivery for consumers is the decreased cost of product delivery, as they can search for and listen to any kind of song they want immediately. Intangible value delivered is the increased customer experience of delivery, because Guvera always updates its user experience design, and increased engagement with customers through different choices of similar artists offered on the platform.

Tangible value that can be captured by Guvera's MDVN is profit from subscription fees and profit from advertising fees. Consumers pay a subscription fee to Guvera for unlimited song streaming. Then, Guvera manages the subscription fee and gives the agreed percentage of fees to content providers or partner labels. The content providers then get a consignment fee and give the remaining money to the label. The labels then manage the money for the artist and for the label's operation. Intangible value that can be captured is the decreased risk of failure in advertising and new release programs, such as in the development of new offerings like Guvera Play and "XL Connect". The advertisers also gain increased product/brand awareness through advertisement on Guvera's platform.

V. DISCUSSION

The three networks—vertical value net, horizontal value net, and MDVN—result in different intensity levels in networks, innovation, and business models. The aim of this paper is to understand how those differences influence value creation, delivery, and value capture. In vertical value nets, the network behavior, governance, and structure are stricter than in the other two networks. This means that the network is highly exclusive, and the role of the focal firm is very decisive. Consistent with Lindgren et al. (2010), in vertical value nets, mostly the member of the network is aim for the short-term, which is a three to six-month contract. Each actor is tied into a network for a certain purpose, whether for short-term gain or a long-term focus.

The barrier to enter the vertical value nets is high and in line with the fact that there is no other actor in the same chain as the focal firm, and thus the value flow is very centralized to the focal firm. The focal firm has a stronger position in resources and capabilities, in this case a nation-wide distribution channel. This finding is consistent with Moller et al. (2005), who stated that a focal firm is able to become a selective actor who wants to enter the strategic network. This is what makes BMI categorized in the industry breakthrough level at its time of initiation, because it confronts the existing industry with discontinuation. This kind of vertical network development may monopolize the industry if it is brought to the next level and experiences no change in the social, cultural, and political environment. As discussed by Lindgren et al. (2010), this monopoly could force smaller partners to change their business models, whereas focal firms would experience the least change in their business models and direct the smaller partner.

In this network, the value that can be captured is assured and fixed, because it is stated in the contract, which lowers the chance of change in the business model and provides an opportunity for other members to capture more value other than what is already determined. This is in line with the research conducted by Barabasi (2002) and Gilsing and Nootebohm (2006), who mention in their papers that the business network that is centrally governed tends to deliver fewer ideas, which, in this case, lowers the level of BMI. The centrally governed network also tends to have a narrow viewpoint, because it usually is more focused on its daily operations and is overwhelmed by the utilization of specific resources and capabilities. The lower level of BMI, or incremental BMI, creates and delivers the same type of product and service from time to time, and the activity only comprises product re-configuration, a tailoring of previous products or services that incorporates additional offerings. This results in stagnancy in the network's value creation and value delivery.

In horizontal value nets, the network behavior, governance, and structure arrangement are less strict. Actors joining the network expect future gains in the form of network relations or product value (Lindgren et al., 2010). Similar with Håkansson et al. (1999), this research found that when everyone has equal rights to initiate and share ideas because of weak network ties, innovation activities happen quite often. Moreover, Chan and Mauborgne (2005) stated that the more open a network's structure, the greater chance of having a radical innovation. However, slightly different from the study of Chan and Mauborgne (2005), BMI in INU's network is usually at an incremental level. Value that can be captured in this type of network is more intangible value, because most tangible value needs to be tied to a formal legal document. This is because there is no strict regulation regarding each member's commitment; it is hard to push each member to fully contributing. Radical innovation could be obtained if all members agree on the network vision and agree to share their resources and capabilities. Tangible value can be captured from those who are committed and willing to be tied to a formal agreement.

In multidimensional value nets, the network behavior, governance, and structure arrangement are strict but mostly determined by two or more parties, because the business model comprises different roles of actors. Relevant with research conducted by Rowley (1997), under conditions of high density of the network and low centrality of the focal firm, the focal organization would attempt to comply with stakeholder expectations. As the focal firms are connected with actors with different roles, Guvera gain more value by having diverse knowledge and information that brings various ideas and opportunities, which influence its logic in BMI. This finding is supported by Håkansson et al. (1999), who proposed the same idea about the actor who is located in a position linked with multiple actors. Almost the same with vertical value nets, usually the actors joining the MDVN aim for short-term gains and must follow the focal firm's business model. This finding is in line with Zott and Amit (2010), who placed the focal firm at the center of the networked business model.

As shown in Tables 1 to 4, the high level of network behavior, governance, and structure tends to result in less value for the network, because the innovation is mostly controlled by the focal firm, giving members less of a chance to contribute. This is in accordance with Rowley (1997), who argued that when the focal organization's centrality increases, its ability to resist stakeholder pressures increases. However, the low intensity level in network behavior, governance, and structure even lowers the chance to result in more value from BMI. Because a business model is a system of interdependent activities that surpasses the focal firm and enables the activity system in concert with its partners (Zott and Amit, 2010), members need to be tied to a certain activity. This finding is in line with Snehota and Hakansson (1995), who stated that linked activities among members could create a unique performance and affect productivity. Similar with the finding of Rowley (1997), the role of the focal firm is important to manage the network, and the focal firm should act differently regarding the particular network characteristic. By maintaining a good relationship with focal firms, members in the network have a high probability of success in the long term and have a good position in the network, as indicated by Kagermann et al. (2010).

Table 1
Cross-case analysis in the network dimension

Construct	Subconstruct	Intensity Level (4= highest, 1=lowest)		
		Vertical Value Net	Horizontal Value Net	Multidimensional Value Net
Network	Structure	Network ties (4), Network configuration (4), Network stability (3)	Network ties (1), Network configuration (1), Network stability (1)	Network ties (3), Network configuration (1), Network stability (3)
	Governance	Review and evaluation (3), Decision-making authority (4), Collaboration guidance (4), Transaction (4)	Review and evaluation (2), Decision-making authority (2), Collaboration guidance (1), Transaction (2)	Review and evaluation (2), Decision-making authority (2), Collaboration guidance (3), Transaction (4)
	Behaviour	Active in communication (3), Sharing resources (4), Transparency of internal information (4), Time period of collaboration (2)	Active in communication (3), Sharing resources (2), Transparency of internal information (2), Time period of collaboration (1)	Active in communication (2), Sharing resources (4), Transparency of internal information (3), Time period of collaboration (3)

Table 2
Cross-case analysis in the business model innovation dimension

Construct	Subconstruct	Intensity Level (4= highest, 1=lowest)		
		Vertical Value Net	Horizontal Value Net	Multidimensional Value Net
Business Model Innovation	Types	Industry model and Revenue model (3)	Industry model (2)	Industry model and Revenue model (3)
	Process	4 from 4 process (Initiation, Ideation, Integration, Implementation) available (4)	4 from 4 process (Initiation, Ideation, Integration, Implementation) available (4)	4 from 4 process (Initiation, Ideation, Integration, Implementation) available (4)
	Level	Incremental innovation (1)	Incremental innovation (1)	Market breakthrough (2)

Table 3
Cross-case analysis in the business model dimension

Construct	Subconstruct	Intensity Level (4= highest, 1=lowest)		
		Vertical Value Net	Horizontal Value Net	Multidimensional Value Net
Business Model	Value exchange	9/9 value exchange available (4)	7/9 value exchange available (3)	9/9 value exchange available (4)
	Value flows	Very centralised to focal firm (4)	Scatter (2)	Centralised to focal firm (3)

Table 4
Cross-case analysis in the value dimension

Construct	Subconstruct	Intensity Level (4= highest, 1=lowest)		
		Vertical Value Net	Horizontal Value Net	Multidimensional Value Net
Value	Value creation	Less than 5 tangible value creation available (2), Less than 2 from 2 intangible value creation available (2)	5 from 5 tangible value creation available (3), 2 from 2 intangible value delivery available (3)	5 from 5 tangible value creation available (3), 2 from 2 intangible value creation available (3)
	Value delivery	Less than 3 from 3 tangible value delivery available (2), Less than 2 from 2 intangible value delivery available (2)	3 from 3 tangible value delivery available (3), 2 from 2 intangible value delivery available (3)	3 from 3 tangible value delivery available (3), 2 from 2 intangible value delivery available (3)
	Value capture	Less than 3 from 5 tangible value capture available (1), Less than 3 from 3 intangible value capture available (2)	Less than 3 from 5 tangible value capture available (1), 3 from 3 intangible value capture available (3)	Less than 5 from 5 tangible value capture available (2), Less than 2 from 3 intangible value capture available (1)

VI. CONCLUSION

The literature and practice of a networked-based business model are massive but fragmented, with various state-of-the-art approaches that may contribute to BMI for sustainability. This research proposes dimensions of BMI from the network perspective, resulting in various contributions that deliver not only sustainability but also the maximum value from the literature and practice. The dimensions used in the three cases are the network (actor), the business model (object), the innovation (activity), and the value (output), which, if put together, could give a comprehensive overview of how BMI could result in maximum value in a particular network.

Based on the three cases, the four dimensions are interrelated. Vertical and multidimensional value nets tend to have some similarities in terms of network behavior, governance, and structure. Several factors that distinguish both networks are the role and openness of the focal firm and the type of member joining the network. Both networks result in high output, although MDVNs get higher value. Different types of member joining the network also result in more value exchanges in terms of tangible and intangible value. Horizontal value net is the one that quite unique since the aim of the network is less put attention to the tangible value. Intangible value, such as exposure, databases, strategic capabilities, and knowledge, is the main objective for members to join this kind of network.

The main theoretical contribution of this research is the model of BMI from the network perspective, which comprises four dimensions: the network (actor), the business model (object), the innovation (activity), and the value (output). The presented model identifies a set of important dimensions of a BMI from the network perspective and hence helps the innovation of such business models in different types of networks. It adds some aspects to the current research: the intensity level, the role of focal firm in results of BMI and value, the types of BMI strategies, and the business model for different networks. Furthermore, the four dimensions are perceived as a basis to extend and unify the research agenda for BMI from the network perspective. Practitioners can utilize the four dimensions in the model to evaluate the effectiveness of a network towards BMI activity and to manage a network that aims for maximum value creation, delivery, and capture.

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