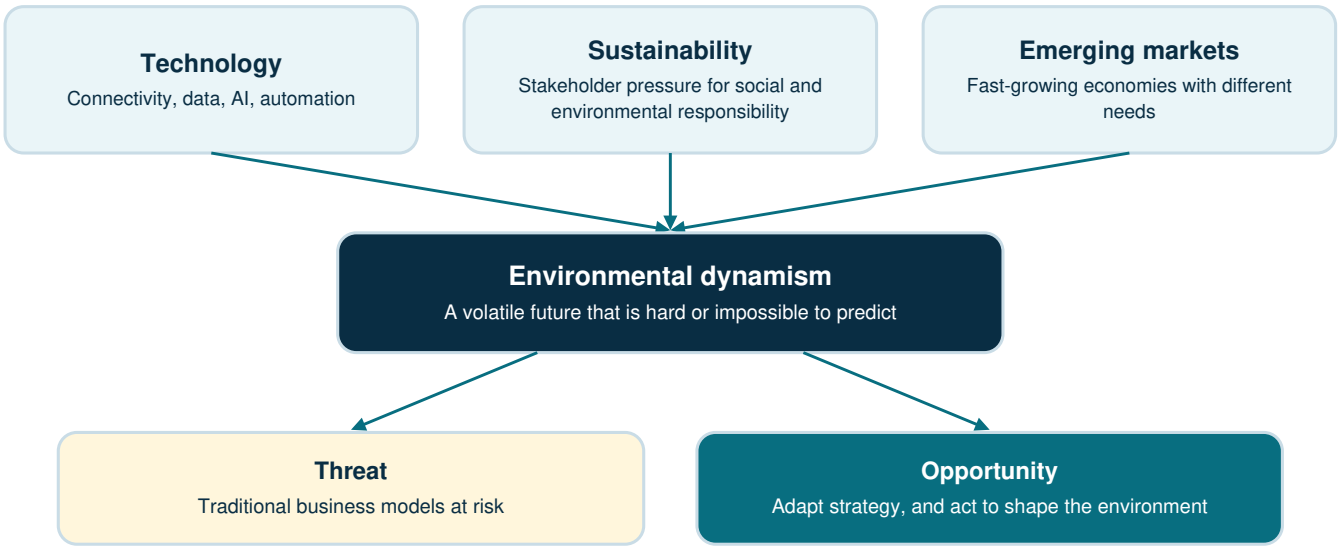
The changing business environment

MODULE 7 | 7.1 | STUDENT COMPANION

The rational process of Modules 2 to 6 remains valuable, but a full cycle can take a year while rivals keep reinventing their business models. This module explores **emergent approaches** for high uncertainty, and argues that organisations need agile structures, dynamic capabilities, an entrepreneurial orientation and an innovation culture: a **stable core with the flexibility to respond fast**.

Three drivers of change



Technologies with transformative potential

Technology alone doesn't cause change: change comes from using it deliberately inside a business model designed to meet a need. Technology strategy and business strategy must be merged.

Technology	In brief
Artificial intelligence	Systems that respond to information in ways that imitate human judgement
Internet of things	Sensors and smart devices that stay connected and capture data automatically
Cloud computing	Infrastructure and software delivered as services over a network
Mobile internet	Constant connectivity for phones and other devices
Robotics and automation	Machines and software that sense, decide and act in place of people
Autonomous vehicles	Vehicles that navigate without a human driver
Three-D printing	Objects built layer by layer from a digital design
Renewable energy	Power from sustainable rather than finite sources

Three ways technology changes business models

Automation
Technology does work people did: machines; process automation such as invoicing; AI judgement such as fraud detection. Larkspur: AI marks assessments

Extension
New ways of doing business alongside existing ones, widening reach. Larkspur: live-streamed classes for remote learners

Transformation
Old ways replaced; culture and processes change too. Larkspur: an online subscription academy

Together: new ways to create and capture value, to transact and to organise

Many organisations now run a **portfolio of business models**, serving different segments, selling different offerings, or linking different outside parties such as buyers and sellers.

Cloud service levels

Benefits: rapid scaling, pay-as-you-go pricing, and a provider that handles security, back-up and confidentiality, freeing managers to concentrate on the core strategy.

Level	What the organisation rents	Larkspur (imagined)
Infrastructure as a service	Computing power, storage and networks, to run its own software	Servers for its own video platform
Platform as a service	Infrastructure plus development tools, to build its own applications	Tools to build a learner app
Software as a service	Ready-made applications	Email, accounting, a learning management system

Sustainability as a driver: fewer leaders now see their purpose purely as shareholder wealth. Sustainable development serves people today without leaving future generations worse placed; **sustainable value innovation** opens new markets by redesigning the business model to deliver value to customers and society while lowering economic and environmental costs. **Emerging markets** reward models designed from scratch for local needs, rather than cut-down premium products.

Three kinds of business ecosystem

Innovation ecosystem
Organisations innovating together, from joint inventory systems to shared research

Platform ecosystem
Many complementary products and services built around one core platform

Service ecosystem
Exchanges within and between organisations that create value for all parties

Inside an ecosystem, firms cooperate to create value and compete to capture it

Hypercompetition: rivals innovate so fast that no advantage lasts, so firms pursue a series of short-term advantages; some argue the goal should be sustained value creation rather than sustained advantage. It often appears in young technology industries, but a disruptive entrant can push a mature industry into it. Larkspur (imagined) feels every driver, and new online course providers appear every month.

Case note: Shopify

Shopify's founders set up an online snowboard store in Ottawa, Canada, in 2004 and found the available e-commerce software poor. They turned their own store-building software into a service for other merchants, launched as Shopify in 2006, and in June 2009 opened an app store that invited outside developers to build tools merchants could add. Merchants, developers, designers and payment partners now create value together: in 2025 merchants sold US$378.4bn of goods through Shopify, and Shopify estimates its partners generated about US$6.86 for every US$1 it earned. Its advantage lies in the network around its software.

Sources: Shopify Form 10-K for 2025; Shopify F-1 prospectus (2015); Shopify App Store announcement (2 June 2009).

Practice questions

MODULE 7 | 7.1 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Automation, extension or transformation?

Change at Pawsome Vets (an imagined chain of 20 clinics)	Category
(a) AI software that reads X-rays and flags problems	
(b) Video consultations alongside clinic visits	
(c) A monthly plan covering all routine care, replacing pay-per-visit, with app-based triage	
(d) Automated reminders and invoicing	
(e) An online shop for medications alongside the clinics	

Question 2 - Which cloud service level?

Need at Northgate Engineering (imagined)	Service level
(a) Run its own design software on rented servers	
(b) Build a customer-ordering app without managing servers	
(c) Use ready-made accounting and email	

Question 3 - Map an ecosystem

Voltwheel (an imagined electric-bike maker) sells through bike shops and online. Map its ecosystem: who creates value with it, which type of ecosystem each relationship represents, and whether its market looks hypercompetitive.

Worked answers

MODULE 7 | 7.1 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Pawsome Vets

Change	Category
(a) AI reads X-rays	Automation (AI imitating expert judgement)
(b) Video consultations	Extension: a new channel alongside clinic visits
(c) Monthly care plan with app triage	Transformation: a new revenue model and new processes
(d) Reminders and invoicing	Automation (business process automation)
(e) Online shop	Extension: widens reach alongside the clinics

Question 2 - Northgate Engineering

Need	Level
(a) Own software on rented servers	Infrastructure as a service
(b) Build an app without servers	Platform as a service
(c) Ready-made accounting and email	Software as a service

Question 3 - Voltwheel (sample)

- **Innovation ecosystem:** battery and motor suppliers co-developing lighter, longer-range parts
- **Platform ecosystem:** a ride-tracking app that others (insurers, fitness apps, accessory makers) connect to
- **Service ecosystem:** bike shops and repairers, charging-point operators, councils building bike lanes
- **Hypercompetitive?** Probably: many new brands, fast technology change and frequent price cuts mean advantages are short-lived, so Voltwheel needs a stream of innovations and strong partnerships.