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The Dragon

Lies hidden

Do not act.

Business Model Innovation in China during COVID-19

a multiple-case study

Acknowledgments

Writing a master thesis alone during lockdown due to a pandemic has been no easy task. There has been lots of bumps in the road and turbulence along this ride. Nevertheless, as of September 2021 this task is completed with a paper, I proudly put my name on. This would never been possible without the support of several individuals.

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Abstract

Prior studies examining Business Model Innovation (BMI) lack considerations on the specific Chinese context. Motivated by the growing field of BMI this research paper investigates how four Chinese' companies innovated their business models (BMs) during a crisis and what Western companies may learn from them.

Purpose – This paper aims to investigate how BMI may be leveraged by firms both to assure survival during tough times and how their innovated BMs introduce new revenue streams. As BMI are the source of hefty debates in both academia and practice-oriented communities, this research attempt to elucidate some of the major concepts, their myths and challenges and ultimately demystify both BMI and Chinese business practices.

Methodology approach – Multiple-case study: primary data in the form of five semi-structured interview from senior management and industry expert in China and secondary data were collected to present evidence on how BMI was administered during an epidemic. The research questions were answered by the analysis of data with the aid of thematic coding.

Findings – In a highly digitalized China, people are always prepared for crisis, the political systems are very different, and the consumer behaviour differ greatly from the West. The four case companies demonstrated different approaches to BMI accompanied with a specific strategy and a new BM to tackle challenges presented by lockdown in society.

Research limitations – since BMI is a complex concept, this research had to follow one out of three presented directions. Only Chinese' companies are represented in the study and the data set is moderately limited.

The result from this research may be applied to businesses anywhere in the world, as the presented solutions are universal and based on familiar BMs.

Keywords – Business Models (BMs), Business Model Innovation (BMI), Strategy, Chinese business, Information Systems (IS)

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1. Introduction

Business Model Innovation (BMI) has gained a massive interest from researchers across disciplines for several years and the interest has been elevated to an all-time high the last decade (Filser et al., 2020). The interest is justifiable, as BMI represents one of our most important challenges of this business area, where globalization, customer-centric approaches, fierce competition, economic and technological changes (Nunes and Russo, 2017) and more recently a global pandemic calls for changes in how businesses operate – or in other words, how they innovate their business models (BMs).

Companies often solely focus on beating their competitors according to principles learned in business school where Porter's Five Forces are monotonously taught. They are hesitant to leave their safe harbours and dive into the 'blue ocean' even though it represents a superior positioning for their organisation. By leaving their competitive 'red ocean' they have the possibility to make competition irrelevant (Kim and Mauborgne, 2005) if they choose to focus on BMs instead of beating their competitors. Sounds lucrative, so why are not every firm pursuing BMI? Gassmann et al. (2020, p. 10) disclose that in addition to several myths surround BMI, companies are challenged with thinking outside their own dominant industry logic, thinking without systematic tools, and to focus on BMs rather than in technologies or products.

By combining BMI with the Chinese context this study aims to fill a gap in existing literature. Most of the existing literature on BMI focus on Western and especially American enterprises like Google, Apple, or Amazon and how they all started their journey in their parents' garages in the early 80s. Literature focusing on the Chinese context tend to be bias in the sense that they are either negative to Chinese firms' advancements and innovations (*"they are copying our products and stealing our ideas!"*) or they mystify the Chinese approach to something not replicable for a Western context. This research aims to demystify and to address such confusions to form a better understanding about who the Chinese are, why history matters so much to them, how their culture and society varies greatly from the West, who are the players in their digital landscape and why American giants tend to fail when they enter the Chinese market.

Research objectives

The aim of this paper is to contribute with new knowledge surrounding the field of Business Model Innovation in the light of the ongoing COVID-19 pandemic. Specifically, it investigates the epidemic in China and how companies have tackled the ongoing crisis. New and ongoing research focus on how the government of China dealt with and is currently handling the epidemic in China. This existing research is valuable as a foundation for this paper to interpret why businesses are making their choices. Nevertheless, few studies are focusing on the businesses and how they make or break during these challenging times. Thus, this study's objective is to shed light on how large firms in China adapted their business models to survive through tough times. In pursuance of this goal, this paper attempt to fill the gaps identified in previous studies through the lens of BMI.

To gain insight on this matter, five individual semi-structured interviews was conducted, all of which with senior management. In order to obtain insights from different perspectives, the interview objects were carefully selected from four different segments: academia, governmental organisation, private Danish business organisation, and a Chinese company. These industry experts, all in prominent positions, work directly with Chinese businesses and Danish/Norwegian companies represented in China and are therefore suitable for data collection in such a project. Their insights are used to understand and explain how businessmen and women of China think and act and how this differs from their Western counterparts.

BMI has gained massive popularity the last couple of decades and especially from 2017 the interest has boomed as the numbers of research articles on BMI has nearly doubled in the matter of only two years (Filser et al., 2020). To enhance the understanding on the domain of Chinese business, four cases have been selected and examined. An adapted framework is applied to clarify the different approaches chosen by the represented companies and to demystify the field of BMI and Chinese business models. Three out of four cases are for most parts based on secondary data, while one has direct input from the case company itself. The different industry experts shed light on how business is done 'the Chinese way'.

Based on previous research and literature in the field of Business Model Innovation and the ambition to increase the understanding of Chinese business, this paper is guided by the following two sub questions:

- How do Chinese' companies leverage Business Model Innovation in times of crisis?
- What can Western companies learn from them?



Background
Chinese Business

2. Background: Chinese business

China is today the world's second largest economy, only overpowered by the US. CEBR¹ projects that China will overtake the US as the world's largest economy already by 2028 (appendix 1), a process which has been accelerated due to COVID-19. This is five years earlier than preceding projections and is a result of China's speedy recovery from the epidemic. The US economy, by contrast, was hit hard and is still recovering (BBC, 2020; Reuters, 2020). As a vital participant in the world economy, global markets, and as an innovation and manufacturing hub, China is of great interest for businesses and researchers around the globe. The speed and agility demonstrated by Chinese businesses united with tight leashes and strong bonds to their government is constantly a matter of discussion.

2.1 Digital dragons

Already back in 1992, Deng Xiaoping, China's former paramount leader of the People's Republic of China (PRC) stated that *"in the realm of high technology, China must also take its place in the world"*. Xiaoping speaks on behalf of the economic reform from 1978, where the objective was to increase China's technological competencies. In 2003, Adam Segal described Chinese tech titans/high-technology enterprises in the Information Technology industry as 'Digital Dragons' (Segal, 2003).

Since 1978, 1992 or 2003 for that matter, radical changes have occurred in the digital landscape of China. Digital Dragons of today are normally referred to the Chinese BAT companies (Baidu, Alibaba and Tencent). They are part of people's everyday life, as their wide range of services are integrated in every aspect of people's daily routine. The BATs are some of the leading technological innovators of the world: Alibaba's Alipay with its 450 million users is the world largest mobile payment system (Lu, 2018a) and Tencent's WeChat is one out of five applications in the world (and the only one in China) with over a billion users (Plantin and Seta, 2019). 'Social Commerce' in the form of 'Live Streaming' and 'New Retail' are just two out of several fairly new concepts these giants benefit greatly from, all powered by Artificial Intelligence. Live streaming showcases products in real-time with video communication, where consumers can communicate with the sellers which in turn may demonstrate the different abilities of the offered products. It includes relationship building, shopping

¹ Centre for Economics and Business Research

activities, and experience sharing. Influencers and celebrities are actively used to promote and sell goods (Sun et al., 2019; Lu et al, 2018b). New Retail is a modernized version of O2O (online to offline) e-commerce mode where traditional businesses (often in form of retail stores) are reinforced with new technology such as advanced payment solutions, cloud computing, and IoT. By merging the offline and online channels with smart logistic solutions and leveraging the opportunities presented by big data, you create a new buying experience (Wang et al., 2020; Ding et al., 2018).

2.2 History matters in Chinese business

In Western business, history is ignored or considered irrelevant. This stands in contrast to Chinese business, where research shows that history has a major impact on Chinese executives (Hayley and Hayley, 2006). General knowledge of Chinese history is imperative for Western corporations to understand attitude, behaviour, and thinking, while insight into political, commercial, and military Chinese history is crucial to comprehend Chinese wisdom if the goal is to develop and carry out effective business strategy and organisation in China (Liu, 2018, p. 28).

China has a history which has outlived all other great empires. If Western interests plans to plant a foot in the door of Chinese affairs, whether political or commercial, there are some essential questions they should be addressing, according to Liu (2018, pp. 28-29):

- Who are the Chinese?
- Where did they come from?
- How have they evolved?
- What are the histories of which the Chinese people have been proud?
- Why and how did China's relationships with Western nations become strained or indeed hostile during the nineteenth and early twentieth centuries?

Charles de Gaulle, France's president in 1964, was first in Europe to truly acknowledge the newly founded People's Republic of China. This was due to the fact that he was knowledgeable in respects to Chinese history. The same goes for Richard Nixon, Americas 37th president, which broke the ice of the Cold War by forging a closer relationship with China. In his book 'The Real War' he describes present-day China as following:

"As with Russia, we can only hope to understand present-day China if we know something about its past. Even the changes now taking place have roots in the past, and in some respects are a return to tradition. More than most countries, China is a product of its past, and its history is unique. Other nations come and go, other empires rise and fall, but China endures; China is forever"

(Nixon, 1980)

If one examines successful Western businesses with established foothold in China, it becomes readily apparent that their strong positions is based on a foundation of intimate knowledge of Chinese history. The Chinese people value history deeply and take it much more seriously than their Western counterparts (Liu, 2018, pp. 28-29).

关系 2.3 Guanxi

Interpersonal relationships, or *guanxi*, still plays a significant role in business, politics, and society in China. Guanxi involves interpersonal networks that consists of favours between people which implies everlasting mutual favourable relationships, commitment, loyalty, and obligation (Chen and Chen, 2004). Throughout history, guanxi has been essential for business deals, to obtain official or senior positions or even to judge guilt and innocence. In mainland China, Guanxi is considered as a

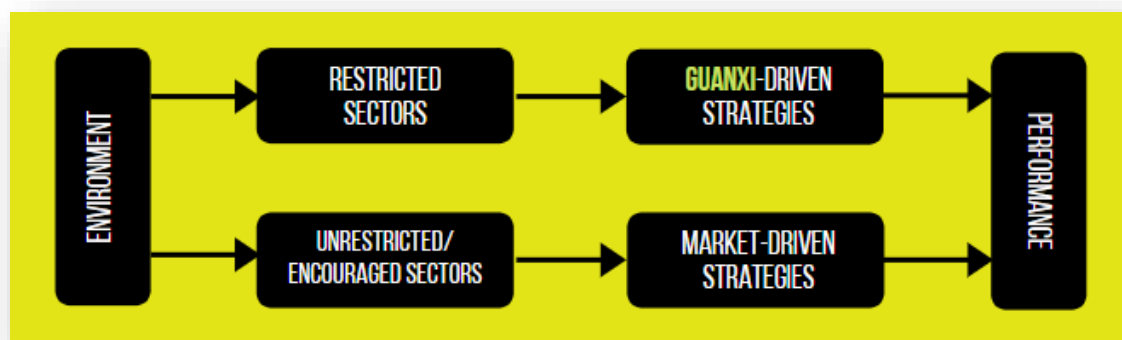


Fig. 1 Guanxi strategy in China

Source: own creation, adapted from Liu (2018, p. 178)

'second currency' (Liu, 2018, pp. 106-107). In times of uncertainty, being in possession of resources like 'social capital' is of great importance (Berger and Hestein, 2014).

In business, guanxi may be seen as a resource for a company and it often plays a significant role. Since guanxi is very time-consuming, it occasionally comes in the way for important strategic decisions and sometimes it even contributes to deal-killings. For Guanxi to be effective in a business setting, it must be deployed in the correct (*guanxi-sensitive*) context to have a positive impact. Figure 1 shows an example of where guanxi may be leveraged. The guanxi-sensitive context drives a firm's strategy in restricted sectors, i.e. where normal market forces cannot be used. The framework proposes an alignment of the guanxi-driven and the market-driven strategies to maximize performance (Liu, 2018, p. 178).

面子 2.4 Mianzi

Mianzi or *face* is described by Goffman (1967, p. 5) as *"the positive social value a person effectively claims for himself by the line others assume he has taken during a particular contact"*. In China, Mianzi is used to identify a person's social status and position (Lockett, 1988), to nurture relationships, and to maintain an individual's dignity and prestige (Buckley, 2010). Maintaining and saving face is eminently important in Chinese culture and is often used as a timesaving method to tap into other's social resources. As a result, Mianzi is a vital element of Guanxi (Sherriff et al., 1999). Saving and nurturing face are closely associated and complement each other, so it is utterly important that all parties in a business relationship respect and save face for each other (Buckley, 2010). Consumption is a tool in China used to fulfil social needs. Accordingly, consumption itself is used to enhance their social status by gaining, enhancing, saving or prevent themselves from losing face (Yi et al., 2020).

差不多 2.5 Chabuduo

'Good-enough' (Chabuduo) products serve basic needs, are inexpensive and provides a high value for its users. In 1992, Galanz (a Chinese firm) manufactured a low-cost, energy-efficient *no-frills* microwave which would fit tiny Chinese kitchens. Today, Galanz is one of the largest microwave manufacturers in the world as the demand for such devices exploded (Zeschky et al., 2015). Dissimilar from upscale products, good-enough focus on simplicity and a focused design which perform one task exceptionally well. The income discrepancy between consumers is the major driver for these products, as many Chinese consumers favor good-enough products. The

market for good-enough products in China is almost twice the size of the entire U.S population (Yi et al., 2020). At personal levels Chabuduo is considered positive, it expresses that *"this is practical"*. Yet in a professional environment it generally expresses something negative, as it describes poor quality (Chang, 2019).

2.6 Made in America: Western giants tend to fail in China

Why are American giants like Uber, eBay, Google, Amazon, The Home Depot, Tesco, and Best Buy failing to enter the Chinese market? They have successfully entered numerous of foreign markets, nevertheless they all failed in China – the world's largest digital market. The broadly proclaimed reasons include cultural differences and censorship by the Chinese government. Even though there are few doubts that these are components contributing to their failure, these justifications are overly simplistic.

Google has successfully dominated a multitude of foreign markets with entirely different cultures and political systems, such as Saudi Arabia, Thailand, and Indonesia (Li, 2018). eBay entered the Chinese e-commerce market in 2003 by acquiring a Chinese e-commerce company with a similar business model, EachNet. Even though this secured them a 90 per cent share of China's e-commerce market, they still managed to be defeated within three years by a Chinese newcomer, Alibaba's Taobao.

Alibaba is today the global leader by volume in the e-commerce sector (Liu, 2018, p. 2; Zucchi, 2021). Clark (2016, p. 165) explains that in the case of eBay, their vast mistake was to fail to master the Chinese culture. A 'leave it to the experts' attitude was dominant in their organization which in turn demoralized the initial EachNet team in Shanghai, as *"eBay executives were parachuted in from headquarters in San Jose or other parts of the eBay empire"*. No matter how skilled the executives from Silicon Valley were, most spoke no Chinese and were confronted with a steep learning curve concerning local markets which they failed to overcome. None of the rookies displayed an understanding of the differentiated Chinese context or showed any willingness to do business 'the Chinese way' and this is the reason they failed (Clark, 2016, p. 165). According to Liu (2018, pp. 2-3) there are two factors Western senior executives must understand to participate in Chinese business:

- 1) China's political weight and economic influence is so powerful in the international arena that Western companies must do business or compete with Chinese ones.
- 2) Chinese tradition and culture and accordingly strategic behaviour are distinctly different from those of the West. Misinterpreting Chinese decision-makers or consumers behaviour will lead to losses both financially and strategically.

In the West, there is an underlying assumption that all companies must assertively chase technological innovations and seek world domination in the industries which they are represented, becoming the next Apple or Google. In Chinese philosophy, including I Ching, Taoism and Confucianism, such assumptions and actions are explicitly contradicting (Liu, 2018, pp. 2-3). The first hexagram in I Ching (Minford, 2015, pp. 14-16) states the following:

The Dragon

Lies hidden.

Do not act.

Appendix 2 displays the full explanation for the hexagram. The message is that Chinese-run companies, no matter where in the world they are operated, prefer to keep a low profile when they conduct business. They intentionally stay behind their leading competitors, like a long-distance runner who waits for the right moment to sprint the line (Liu, 2018, p. 4).



When the Game Gets Tough, Change the Game

Literature Review

Business Models

Business Model Innovation

Strategy Choice During COVID-19

3. Literature review

3.1 Business Models

In 1954, Peter Drucker, often referred to as 'the father of modern management', described the concept of a Business Model (BM) as answers to “**who** is the customer, **what** does he value and **how** can you make money from it” (Drucker, 1954). Internet and new technology have fuelled the interest in research on BMs, which in turn has led to various definitions (Böhm et al., 2017). Top researchers from different universities hold dissimilar opinion on how to coin the term, which creates difficulties on managing empirical testing, since core constructs are undefined (Foss and Saebi, 2018).

Zott et al. (2011) identified a minimum of 1,177 published articles between 1995 and 2011 in peer-reviewed academic journals where the topic of BMs is defined and Foss and Saebi (2015, p. 1) explains that the BM construct attracts people across strategy, entrepreneurship, and innovation disciplines within both scholarly and practice-oriented communities. Zott et al. (2011), Foss and Saebi (2015, p. 5) and Geissdoerfer et al. (2017) agrees upon that there is a vast selection of terms developed in silos and that scholars in general do not concur on one term alone. In their research they did however discover some emerging themes amid the results:

- A clear focus on '**value**' and the central role of the value proposition. The BM explains how the value is **created and captured** (Ill. 1).
- **Interaction** between these elements is crucial for the intention of analysis, planning, and communication.
- A business model offers a holistic approach at a system-level to explain how companies '**do business**'.
- The respected companies' **activities** play a significant role in the conceptualizations of proposed business model.

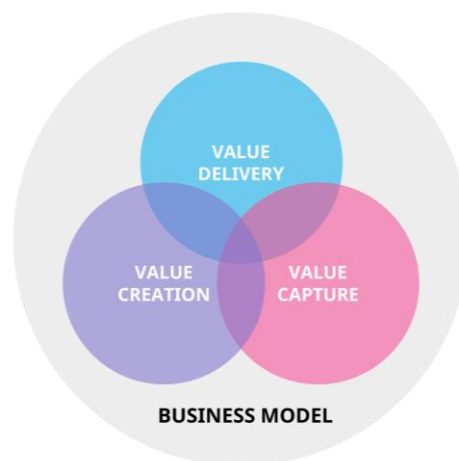
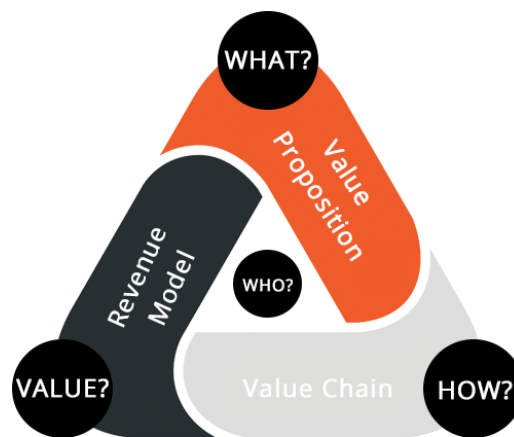


Fig. 2. Business Model value

Source: Nieminen (2020)

3.1.1 The elements of a BM

Drucker introduced in 1954 the elements 'Who, What and How' as the elements of a BM. Gassmann et al., in cooperation with Harvard Business School, Stanford Design School, and Berkeley Haas School of Business have developed a BM framework which contains the four elements **Who-What-How-Value** (see fig. 3). By adding 'Value' you also describe the value creation done by the revenue model. Their framework draws from common BM definitions which is the result of fifteen years research in the field of BM and Business Model Innovation (BMI). Gassmann et al. (2020, pp. 7, 27-28) definition of a BM consists of:



Source: own creation, adapted from Gassmann et al. (2020, p. 7)

1. **The customer – WHO are our target customers?**
Which customers segments are relevant, and which will you not address?
2. **The value proposition – WHAT do we offer to customers?**
Defines the companies offering like products and services and how they provide for the customers' needs.
3. **The value chain – HOW do we produce our offerings?**
For the sake of realizing your value proposition, processes and activities needs to be conducted. The sum of these in correlation with related resources and capabilities and coordination in the company's value chain equals the third element of BM design.
4. **The profit mechanism – WHY does it generate VALUE?**
Cost structure and revenue-generating mechanisms are parts of the final element, which makes clear what makes a BM financially viable. The important questions of how the model produce value for shareholders and stakeholders and why the business model work commercially needs to be answered.

Gassmann et al. (2020, p. 2) emphasizes that to innovate a business model, minimum two out of the four dimensions must be altered.

3.1.2 Business Model Canvas

Before any company can start with Business Model Innovation, they must possess a joint interpretation and insight about what a BM is. It is of most importance that everyone who discuss and describe a BM concept are at the same wavelength so that their discussions may bear fruits – everybody needs to talk about the same thing (Osterwalder and Pigneur, 2010, p. 19). Business Model Canvas (BMC), a widely used strategic management template, helps with this, as it offers a common language and visualisation which is easy to understand without undermining the importance and complexity of how companies operate. In addition to the shared language, it offers the opportunity to develop new strategic alternatives and it is displayed by nice simple building blocks which forms a logic on how a company aim to create a revenue stream. These building blocks deals with four fundamental areas of a business; infrastructure, offer, customers, and financial viability and acts as a blueprint for companies' implementation strategy for processes, structures, and systems. The nine building blocks include key partners, activities, and resources, value propositions, customer's relationships and segments, channels, cost structure, and revenue streams (Osterwalder and Pigneur, 2010, pp. 19-22; Ching and Fauvel, 2013).

3.2 Business Model Innovation

BMs are argued to be a critical factor to a firm's performance as some tend to outperform others. Research suggest that BMs are both an instrument and a source of innovation and they are often the starting point for innovation strategies (Foss and Saebi, 2015, p. 5; Dunford et al., 2010). Business Model Innovation (BMI) involve the implementation of a new or changed BM for a company. Some literature, like Massa and Tucci (2014), focus on appropriation of value, others like Afuah (2014, pp. 153-174) on the source of value creating and processes involved. Strategy literatures tend to focus solely on how a company may capture more value than its competitors but disregard the matter of how to create value or finding new sources of revenue. Ergo, BM and strategy are dissimilar, however the BM is of great importance for the strategy a company embraces to stay competitive, and they are therefore linked in the interest of BMI (Björkdahl & Holmén, 2013).

This chapter will first introduce familiar myths surrounding BMI which often hinder innovation. Next it introduces the challenges BMI struggle with as of today which must be conquered to commence in changes of BMs. It then moves on to why BMI is so

important in a digital age and explains why a minimum of two dimensions of the magic triangle must be altered to partake in BMI. Lastly, the four BMs used by the case companies in times of COVID-19 will be introduced.

3.2.1 BMI myths

Gassmann et al. (2020, p. 10) hypothesize on the reasons why companies are hesitant to engage in BMI and dive into the 'blue ocean'. Multinational corporations only invest approximately ten per cent of their innovation budget in BM development – the rest on product and process innovations. Many neglects BMI completely. Any company want additional or new revenue streams, so the reason why BMI is broadly ignored are blamed on the lack of knowledge surrounding the concepts of BMs and BMI.

In addition to the negligence on these two concepts, there are various myths encircling BMI which existing research proves to be wrong. Some believe that BMI only is possible with **initial ascent** and that it is **random**, i.e., that success only comes with ideas no one ever had before and that only random factors trigger BMI. The fact is that new BMs regularly adopt ideas which originates from other industries and that BMI is a discipline that are managed and measured (Anthony, 2011; Carrier, 2020). Others believe that you must **think big**, and that BMI must involve radical changes or have **ground-breaking technology**. The fact is that BMI do not have to be radical and new, it can be gradual. Most market disruptions rely on innovative BMs and new ways to create, capture or deliver value and advanced technology alone is not sufficient (Frankelius, 2009; Anthony, 2011; Cuthill, 2020). In addition to these myths, many believe that you must be an '**Einstein**', i.e., only creative geniuses develop truly innovate ideas, that substantial breakthrough demands **big resources**, and that **innovation only happens in the R&D lab**. The fact is that innovation is distinct from creativity and the dependency on masterminds is not needed today, start-ups are accountable for the most important BM revolutions and that innovation happens anywhere in an organization (Burkus, 2014; Gassmann et al., 2020, pp- 16-19; Berkun, 2010, pp. 97-111; Cuthill, 2010).

3.2.2 Challenges for BMI

BMI is proven to be an excellent source to achieve competitive advantage and companies which fail to alter their BMs repeatedly go out of business. Change in the market, economy, products, or services may transform successes to failure or failures to success. To keep up with everlasting changes, rapid alterations of a company's BM is key to survival (Morris, 2010). Since 1979, business students all over the world have pursued Michael Porter's Five Forces. The aim is to gain a competitive advantage by in-depth analysis of industries and optimal positioning of an enterprise (Porter, 2008). At its core, there is nothing wrong with Porter's vision of how to conduct business, however it is outdated in today's business landscape. In 2005, Kim & Mauborgne from the INSEAD Blue Ocean Strategy Institute published an article in Harvard Business Review suggesting that their 'Blue Ocean Strategy' approach is more suitable for modern times. It challenges Porter's Five Forces as the aim is to leave the competitive 'red ocean' and create a new blue ocean which represents an uncontested market space. In effect, this makes the competition irrelevant, and the focus should therefore rather be directed at BMs than a sole focus on beating their competitors (Kim & Mauborgne, 2005). Gassmann et al. (2020, pp. 10-19) extensive research on BMI supports Kim & Mauborgne's perception of *"beating your competitors without trying to beat them"* and identifies three key challenges firms must overcome to embrace BMI:

1. Thinking outside of one's own dominant industry logic

Mental blocks may hamper the development of fresh ideas as their past successes often block new ideas; even open-minded leaders are faced with the dilemma of how to break their industry's dominant logic. Their current cash cows and competitors have a substantial influence on their mental attitude towards the management of their organisation. These fixed confines hinder innovation as human beings tend to follow rules and easily get stuck in existing patterns of thought. Contemporary management literature has celebrated one-dimensional thinking as 'corporate identity' which leads to competitive advantage. New employees, in particular newly graduated students, questions these established truths. They are promptly shut down by veteran industry experts with phrases like *"our industry is different. That's how our industry works. Our customers won't accept anything else"*. Orthodoxies like these prevent change, as leaders fail to understand why they need to get out of their comfort zone. Since their current BM is making money, they hesitate to change how business is conducted. It is too late to change their BM once their company is close to bankruptcy. Michael Dell, founder and CEO of Dell Technologies, hit the nail on the head when he said, *"you have to innovate when times are good"*.

2. Thinking without systematic tools

A common misconception surrounding innovation is that it is a chaotic process where only creative geniuses are the ones to introduce revolutionary innovation to the market. Just as a surgeon needs a steady hand and a barber needs a good pair of scissors, managers need tools and methods for BMI. These tools are used to facilitate creativity and divergent thinking, which are essential for evolving innovative BMs. Extensive research done by NASA from 1968 to 1985 showed that creativity fades away as people age. In their research, 1600 children in each year bracket and 280.000 adults were put through creativity tests (appendix 3). 98% of the children in the age bracket 3–5-year-old scored in the 'highly creative' range where only 2% of adults aged 25+ did the same. The research concluded that "non-creative behaviour is learnt". Adults are significantly less creative and therefore need support tools in creativity techniques.

3. Thinking in business models rather than in technologies or products

Physical technologies and products which you can see, touch, and understand is preferable for businesspeople, as many find the world of BMs abstract and hard to grasp. This challenge combined with several BMI myths (see BMI myths section for more details) are reasons why BMI is such a rarity. Instead of creating the next Blockchain, RFID or cloud computing technology, their business cases and application should be the focus as finding the correct innovative BM releases their true economic potential.

3.2.3 BMI in a digital era

Innovation has always had a central role in business to drive growth and competitiveness. History shows a multitude of examples where a truly innovative product was sufficient for success. For this reason, plenty of tech-savvy companies indulge in and allocate extensive resources to develop the next ground-breaking product with a new range of capabilities. Today, this is not sufficient in most industries. Product and process innovation will not be adequate in a hyper-competitive global market where you compete with companies delivering commoditized products (Gassmann et. al, 2020, p. 4). Digitalization change how value is generated and new BMs are developed. The physical and digital world are increasingly mixed and must work together. Findings from recent studies (Arnold et al., 2016; Kiel et al., 2017) call attention to the need for companies to engage in

technology development activities, in particular software development. Competences in cyber physical systems or analytical data processing are essential today. Many changes empowered by digitalization are disruptive and utterly change current industries. Dominant industry leaders are challenged by newcomers that redefine established industries, so that existing BMs become obsolete (Rachinger et. al, 2018).

3.2.4 Minimum two dimensions must be altered

There is no superior approach to conceptualizing and classification of BMI. Foss and Saebi (2015, p. 7) explain that like in the case of the BM, there are numerous of definitions surrounding BMI. The dispute mainly dwells about what constitutes as innovation, such as novelty or radicalness or the role BMI plays in a firm's performance. Some scholars (like Osterwarlder et al., 2005; Johnson et al., 2008) claims that BMI only needs to be new to the company itself, while others (like Foss and Saebi. 2015) argue that it also needs to be new to the industry it represents. Others (like Lindgardt et al., 2009; Bucherer et al., 2012; Afuah, 2014; Ramdani et al., 2019; Gassmann et al., 2020) emphasize on the origin of innovation, like the response to a threat of opportunity.

There is a broad selection of conceptualizations and classifications, so this paper had to make a choice on the direction it would follow. Since this paper deal with Chinese' companies' response to the corona crisis with the threat and opportunities it represents, it chose to follow Bucherer et al., Afuah, and Gassmann et al. with their focus on the origin of innovation. Gassmann et al. (2020, pp. 2-9) clarify that a minimum of two out of the four dimensions in the BM 'Magic Triangle' (fig. 3) needs to be altered to qualify a BM as innovated. Innovation of a BM differ from product innovation, where only one dimension (for instance value proposition) needs to be altered to characterize it as innovated.

Next this paper will introduce the four BMs the case companies chose during the start of the epidemic in China, namely No Frills, Make More of It, Open Business, and Customer Loyalty. Each BM is described and how the alteration of minimum two dimensions qualify to be classified as innovated is clearly demonstrated with a green colour. The four dimensions value proposition (*WHAT?*), value chain (*HOW?*), customers (*WHO*), and profit mechanism (*VALUE?*) are highlighted to clearly display that the dimensions have been altered to prove that BMI has taken place. Later, in the findings section, these dimensions will follow the same structure. Table 1 summarises the four BMs, their altered dimensions, and their main advantages/disadvantages.

Table 1 Business Models

BM	Dimensions altered	Main advantage(s)	Main disadvantage(s)
No Frills	Customers Value chain Value proposition Profit mechanism	Can be very profitable if the mass market endorses it	Lowest survival rate of any BM
Make More of It	Value chain Value proposition Profit mechanism	Slack resources are monetized and sold to third parties, creating new additional revenue	Loss of (quality) control, focus, and security
Open Business	Value chain Profit mechanism	Improve efficiency, advance into new markets, and better strategic position	Difficult to design so both parties gain equal benefits
Customer Loyalty	Value proposition Profit mechanism	Repetitive same brand consumption with high customer retention rates	Market saturation and tribalism (exclusion for groups of people)

3.2.5 No Frills



Source: own creation, adapted from Gassmann et al. (2020, p. 224)

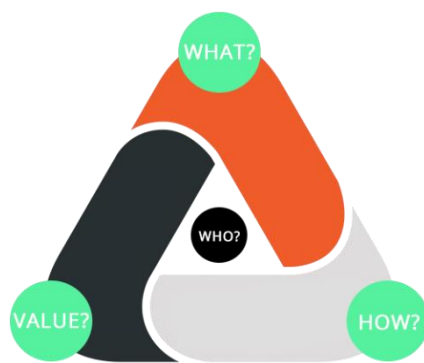
No Frills works like this: value propositions are first cut down to their minimum (*WHAT?*), which results in cost-savings. These savings are passed on to the consumers as significantly lower prices (*WHAT?*). The reason why firms choose this approach, is to reach a substantially larger target audience and preferably the masses (*WHO?*). Consumers in this segment are more price-sensitive than the ones in the upper socio-economic strata, nevertheless this BM may be very profitable once the mass market acknowledges it (*VALUE?*) (Gassmann et al., 2020, p. 224).

A requirement for success is to constantly minimise costs since it is the key to keep the prices low enough to attract a wide enough audience (*HOW?*). Henry Ford turned into a legendary No Frills pioneer with the introduction of his Model T car in 1908. The price of the Model T was half compared to his competitors at the time, because of his large-scale manufacturing, assembly lines, and standardization. Cars could not be customized, which is reflected in Ford's famous quote from 1909: *"You can have any colour, as long as it's black"* (Gassmann et al., p. 225).

Fig. 4. 'No Frills' Triangle

Today, The No Frills BM is most known from low-cost airlines like Ryanair and easyJet. They represent massive success stories enabled by innovative marketing strategy where the customers feel like the winner – as the perception is made that the customer gets the best deal available (Calder, 2003). Other industries like Retail, Consumer Goods, IT, Fashion, Automotive and Health Care also use the No Frills BM. Some examples include Aldi which started to use it in 1913, McDonalds's in 1948 and more recently Xiaomi in 2010. (Gassmann et al., 2020, pp. 224-225)

3.2.6 Make More of It



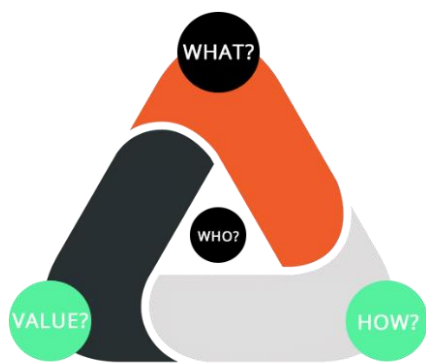
In this BM, a company's skillset, know-how or assets are offered to partnering companies. 'Slack' resources boost earnings on top of the core value proposition's earnings. Know-how and resources are offered and sold to third parties as a service (*WHAT, HOW?*) and specialised expertise and unused capacities are monetised (*VALUE?*). In this process new expertise will be earned, which later helps to improve internal processes and modernize the core business (*HOW?*).

Source: own creation, adapted from Gassmann et al. (2020, p. 131)

Companies which exercise the Make More of It BM are expected to be viewed by others as innovation leaders – this image will have a positive longstanding effect on sales (*VALUE?*). Porsche is a well-known example of a company utilizing this BM. Despite them being famous for sports cars, its subsidiary, Porsche Engineering Group, is where they collect most of their revenue. Core competencies are leveraged and contracted out to third parties and supports customers throughout the whole manufacturing process, benefiting from Porsche's excessive engineering expertise and R&D facilities. Porsche's reputation as an innovative leader helps to attract customers and increase revenue. Seventy per cent of its income originates outside of the Porsche sportscar production, with clients like Harley-Davidson and elevator company Schindler as their largest customers (Gassmann et al., 2020, p. 216).

3.2.7 Open Business

Chesbrough (2006, p. 1) stresses the need for open innovation in today's current business environment, as it is increasingly needed to innovate successfully. Open Business (OB) goes beyond external search or licensing, as you need to change the way your company create value and capture a portion of the value for yourself. Companies must employ external ideas and technologies and apply them to their own business and at the same time share their unused ideas to other companies.



Source: own creation, adapted from Gassmann et al. (2020, p. 228)

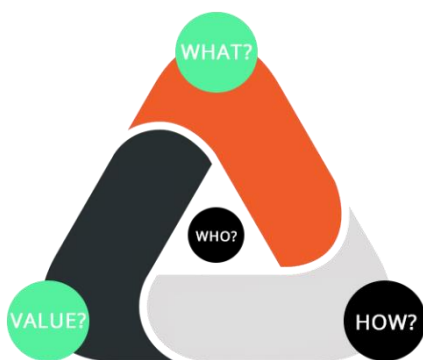
Adoption of the OB BM is generally characterized by vital changes in a company's business logic. Outside partners are brought into value creation processes which are normally closed, such as R&D (*HOW?*). How this arrangement is structured will vary, but partnership concepts like these are dissimilar to a classic customer-supplier relationship. By pursuing the OB model, companies attempt to leave profitable niches in exchange for potential new partners within the model.

The aim is to undertake in independently gainful business schemes (*VALUE?*). A healthy business ecosystem with firms that co-exists peacefully and practicing diverse BM will thrive in this kind of collaboration. Such ecosystems regularly grow around the central company's services and products, known as 'keystone species' in biological ecosystems – its exit would destroy the entire ecosystem. The OB model feeds on identifying areas in the value creation process where other companies may provide resources in new and innovative ways. OB aim to improve efficiency, advance into new markets and/or achieve strategic advantages (*HOW?*, *VALUE?*). For an OB model to truly work, it must benefit all parties in the ecosystem. The design of it is therefore exceptionally important. First, the original BM and its value chain must be both internally coherent and adjusted to the future partner's BM. Second, the added value must benefit the original business. By addressing one's own profitability and partners' objectives at the same time, a win-win solution is created (*VALUE?*) (Gassmann et al., 2020, p. 228).

Fig.6: 'Open Business' Triangle

3.2.8 Customer Loyalty

Khan (2013) describes Customer Loyalty (CL) as the intention of repurchasing products and services in the future, thereby generate repetitive same brand consumption. CL is recognized as one of the most crucial factors of a company's success. Research shows that it may cost as much as five to six times more to acquire new customers rather than keeping the existing ones and that by increasing customer retention rates by five percent, your company raise its profits by 25% to 95% (Wertz, 2018).



Source: own creation, adapted from Gassmann et al. (2020, p. 131)

In the CL BM, companies attempt to retain their customers for an everlasting relationship. Loyalty is earned by providing added value which goes beyond the basic products or services. This relationship is nurtured by companies offering special offers or discounts, which grows their loyalty toward the company or brand. In return, the customers willingly bound themselves to the company, discouraging them from opting for competitors' products and services. Goods or services offered at reduced prices to loyal customers are constructed to attract them to return to the company (*WHAT?*).

Loyalty programmes evidently appeal to customers' rational purchasing decisions and capitalize on psychological effects. Customers are repeatedly compelled by the 'bargain hunting' instinct and purchase decisions are based on the rewards they can collect through a loyalty programme – even if they receive only a small proportion of their money back. Loyalty programmes allow companies to profit from sales which in other cases would not been possible to make (*VALUE?*). Another revenue source is also the fulfilment of rewards, as they generally only may be utilized at the issuing company and sometimes also with a selected range or partner companies. Such rewards function as incentives for customers to carry out more purchases, nevertheless the rewards only cover part of the price for the products or services (*VALUE?*). Customer data is another important facet of this pattern, as it generates virtually complete records of the customer's shopping behaviour, if the correct systems are used. This unlocks colossal opportunities for data analytics which can optimise future offerings (*VALUE?*), enhance the effectiveness of ads, and promote new sales (Gassmann et al., 2020, pp. 131-132).

Table 2. Strategy choice during COVID-19

3.3 Strategy Choice During COVID-19

Strategy choice is vital for a company's survival during crisis where business is not as usual. As mentioned in section 3.2, BMs and strategy are closely related and which BM a company chose to work with is of great importance for their strategy. Some choose a strategy out of desperation, other profited on the possibilities presented by changed consumer behaviour during lockdown. Table 2 exhibit the strategy choices during COVID-19 and below it the four strategies 'responsive', 'collective', 'proactive', and 'partnership' are explained.

		Motivation for innovation	
		Problemistic search	Slack search
Level of collaborative innovations	Low	Responsive strategy	Proactive strategy
	High	Collective strategy	Partnership strategy

Source: own creation, adapted from Wang et. al (2020)

3.3.1 Responsive strategy

A responsive strategy focal point contains of problemistic search and independent innovation and is presented in the upper left quadrant of table 2. Companies that choose this strategy do so to achieve innovation for its existing business. An example is to innovate their marketing channels, to recover or exceed its former accomplishments. Firms that are heavily affected by the pandemic may favor a responsive strategy, as they in many cases are faced with the choice of either finding a new solution or go out of business. Responsive strategy utilizes the companies' own resources and achieve marketing innovations. They do so to adapt to the new sequence of their customer demand and thereby survive in the present market they are a player in. In the COVID-19 pandemic, consumers are often forced to home quarantine, making offline consumption much harder or impossible. Companies that are dependent on the purchase of offline goods or services are therefore heavily influenced. A solution is to form a new e-commerce marketing strategy, for instance on an existing platform, where all or parts of the traditional business are transitioned to online channels (Wang et. al, 2020). According to Cunningham et al. (2019), live streaming has gained popularity at a fast pace in China for several years, however the

demand for the solution has been further elevated under the pandemic. KOL's² are used to promote products and share experiences when they test products, which in turn results in product recommendations that promotes the products.

3.3.2 Collective strategy

The combination of problemistic search and collaborative innovation is named collective strategy in the second lower left quadrant of table 2. Companies in this quadrant are hit heavy by the COVID-19 crisis, but the lack of resources and capabilities prohibits them to confront their problems alone. These companies are highly motivated to find solutions, thus the problemistic search, so they tend to embrace collaborative innovations. Resources and expertise are shared with other firms. By leveraging current resources, this strategy earns profits from new business and helps firms to replenish existing business (Wang et al, 2020). When COVID-19 first hit China, citizens rarely used their cars due to strict lockdown, hence the gas stations had almost no revenue streams (Myllyvirta, 2020). Gasoline is a product which is nearly impossible to sell (and fuel) online. Sinopec, a Chinese gas station chain, teamed up with local food suppliers and created a contactless service where food got delivered directly into the boot of their car (Reuters, 2020). By leveraging cross-border collaboration and BMI they created new revenue streams and possibilities for future business development (Junfeng, 2020).

3.3.4 Proactive strategy

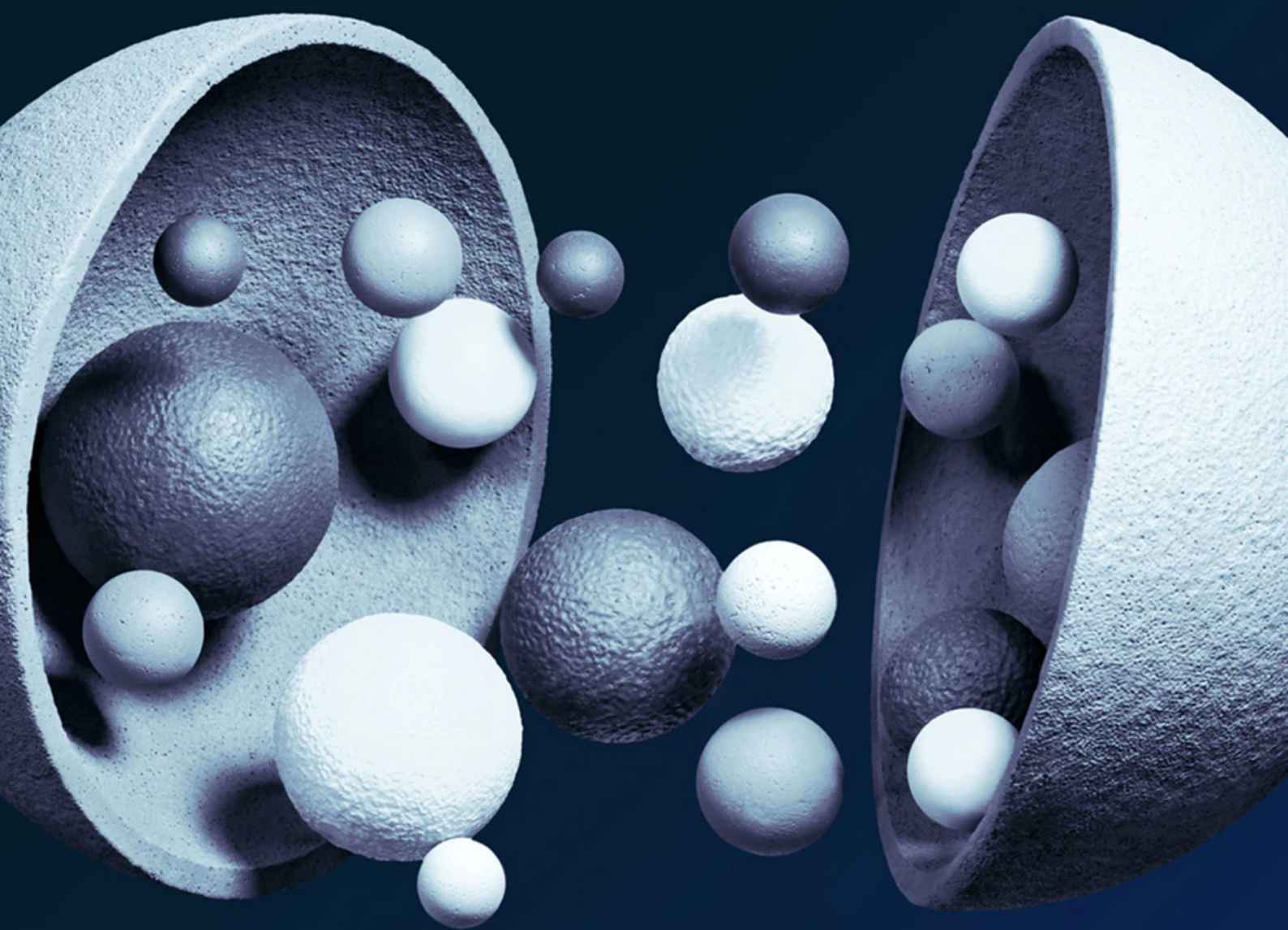
In the upper right quadrant of table 2 the proactive strategy is represented. With independent innovation and slack search, it is a strategy which is best suited for companies which are not so affected by the crisis and are not dependent on collaborations with other firms to survive. This strategy is a fit for companies which can use Internet technologies to gain a stronger market position by exploiting market demand in the current situation (Wang et. al, 2020). Examples of companies that are unaffected are e-commerce platforms and social media platforms with 'contactless' characteristics. During COVID-19, they leverage their existing user base in mixture with their own resources and capabilities. This in combination with digital solutions enhance their business operations to response to changes in the environment, like social distancing which forces home isolation where smartphones are frequently used

² Key Opinion Leaders: in this case celebrities, influencers, and famous people

to make purchases (Tan, 2020). The supplement of additional revenue streams by adding new products and/or service offerings provides businesses with a more diversified portfolio which in turn lures in new potential customers (Wang et. al, 2020). An example is Nike, which involuntarily had to shut down more than 5000 of their 7000 stores across China. As a result, their offline business was suspended, yet their online operations thrived by offering Chinese consumers digital at-home workouts. This led to more than 35% growth in online sales and after the reopening of their stores their digital business grew even more. Nike takes advantage of their learning through this experience and has expanded their digital offerings across the globe as the virus spreads (Wade and Bjerkan, 2020).

3.3.5 Partnership strategy

The final quadrant in the lower right corner in table 2 represents the partnership strategy in the COVID-19 crisis, which targets slack search and collaborative innovations. As the slack search indicates, this strategy is suitable for businesses that are affected in a lower degree by the crisis. By seizing the opportunity to collaborate with other companies, they develop new businesses found on the specific needs of consumers that in turn increase their customer case. A central component of this strategy is to take advantage of their internal resources, like digital competencies, and complement them with external resources from their partners. By consolidating resources, they tap into new markets and bring in new customer groups (Wang et al., 2020). Digital dragons may be used as partners, as these have the required infrastructure and massive user bases already in place. A channel/platform relationship exploits the dragon's demand-side platforms and ecosystems, marketplaces, and connections to all their consumers to maximize reach (Panetta, 2020)



Methodology

4. Methodology

The methodology section of this paper take inspiration from Saunders et al. (2019) research onion. The purpose of using their framework is to explain the steps and choices made by you as a researcher, so others may examine your work and decide if it should be taken seriously. Following Saunders et al. (2019) guidelines of peeling the layers from the outside of the onion inwards, this paper's research choices will be introduced step by step. Even though this research takes inspiration from Saunders to display the different steps in this research, it will deviate in the sense that it will also employ many aspects from Yin's case study design.

4.1 Research Philosophy: **Positivism**

"A system of beliefs and assumption about the development of knowledge" is how Saunders et al. (2019, p. 130) explains the term research philosophy. At its kernel, you are developing new knowledge in a particular field. Saunders et al. (2019, p. 144, p. 812) describes positivism as a *"philosophical stance of the natural scientist entailing working with an observable social reality to produce law-like generalisations"*. The emphasis is on structured methodology to facilitate replication and focuses on strictly scientific empiricist method designed to yield pure data and facts uninfluenced by human interpretation or bias. In positivistic research, the researcher is detached, neutral and independent of what is researched and maintains an objective stance. Furthermore, it is common to use existing theory as a backbone for your project. Nowadays, positivistic research tends to be deductive in nature and neutral to avoid influencing your findings (Saunders et al., 2019, pp. 144-146).

Positivism was chosen for this paper on account of the nature and structure of the research conducted, as it objectively seeks to explain how the Chinese context has influenced their companies' survival rate through the lens of Business Model Innovation. It aims to do so based on social science, where you study social phenomena. Existing frameworks and literature are used as foundation and a multiple-case study has been selected as the most suited approach for this project.

4.2 Research Approach: **Deductive with inductive elements**

Saunders et al. (2019, pp. 152-158) explains that there are three main research approaches to choose from, namely deduction, induction, and abduction. Abduction is rarely used for the nature of this research paper.

Deduction is the dominant research approach in the social sciences and is chosen for this project. Business Model innovation is a topic with countless of well-established pre-existing research available which helps this paper to design a research strategy to test the theory. This fits perfectly for such projects, as it adopts known and defined theories, and the collected data will approve or disapprove the applied theories. This research paper is *predominantly deductive with some inductive elements*.

4.3 Research Strategy: Multiple-case study

Saunders et. al (2019, pp. 189-190) describes research strategy as a plan of action to achieve a goal where the researcher defines a plan of how to answer his or her RQ(s). This plan acts as the methodological tie amidst your philosophy and subsequent selection of methods to collect and analyse data (Denzin and Lincoln, 2018). The principle of a case study is to clarify a decision or set of decisions: why they were taken, how they were implemented, and with what result (Schramm, 1971). Yin (2018, p. 15) explains that a case relies on multiple sources of evidence and requires data triangulation to benefit from existing development of theoretical propositions to guide data collection and analysis.

This multiple-case study was redesigned several times to find the best candidates for the selected cases, both in terms of case companies, BMs, and interview objects. At the start of the project, a mind map (appendix 7) was created to get an overview over the topic, potential cases, and BMs. Later this has been adjusted several times. For example, two conducted interviews, one from DNB³'s top economist specialising on Chinese economy and one associate professor from Aalborg University whose expertise covers international business and innovation in emerging economies such as China was both discarded. The case representing the 'responsive strategy' (see table 4) had numerous candidates as it was an approach many companies adopted since 'live streaming' already is widely popular in China. Ultimately the case of Ideal Jewellery was chosen since they had a considerable change in their BM, unlike other firms which only added 'live streaming' as an additional revenue source. All the included cases were successful ones based on table 2, following guidelines of Yin's replication logic. They differ in the sense that the four case companies had different motivation to conduct BMI and if they had partners or not to achieve this goal, however their outcome are all successful and shows how strategy is connected to the choice of a new BM, thus they relate to theoretical replication.

³ Den Norske Bank, Norway's largest bank

4.4 Sampling strategy: replication design





Sampling of the cases was done with a **non-probability purposive strategy**, where the researcher's own judgement is used to select cases which best can help to answer the RQ. Purposive sampling is often used with small samples such as in case study research where you select cases that are particularly informative (Saunders et al., 2019, p. 813, p. 321). These **heterogeneous** cases were especially suited for this study, as their motivation for innovation and level of collaborative innovations all differ greatly as shown in table 2, nonetheless they all found solutions to their problems with the assistance of leading technologies in China.

Multiple-case studies benefit from replication logic which makes them eminently feasible. If rigid classical sampling method were applied, many topics could not be empirically investigated, as a small number of cases will not adequately represent the phenomenon; critics defending strict classical sampling logic will deny the acceptability of the study. In contrast, this study is feasible with replication logic (Yin, 2018, p. 54). The number of cases sufficient for your case study is a matter of discussion in classical sampling logic, however with replication logic this is irrelevant (Yin, 2018 p. 57; Lipsey, 1990). The replication design for this research is based on *theoretical replication* with four different Chinese companies, which "*predict contrasting results but for anticipatable reasons*" (Yin, 2018, p. 55) and are all linked to the RQs.

4.4.1 Case selection

Unlike other research, no standardisation has yet to be developed for case study designs (Yin, 2018, p. 25). Nevertheless, Wang et al. (2020) had a similar approach as this research and their framework has therefore been adapted to fit this case study. Table 3 below demonstrate the innovation strategies chosen by Chinese firms in the epidemic. It contains the two axes 'level of collaborative innovations' and 'motivation for innovation' which are dependent variables, and it is divided into problemistic search and slack search. The four strategies included in the table were introduced and explained in section 3.3.

Table 3. Case Companies

		Motivation for innovation	
		Problemistic search	Slack search
Level of collaborative innovations	Low		
	High		

Source: own creation, adapted from Wang et. al (2020).

Ideal Jewellery, Freshippo, NIO, and ByteDance are the four cases chosen on the assumption that they fit this research project appropriately to meet the research objectives and aid in resolving the research questions. All of them leveraged BMI to survive the epidemic and were chosen for these reasons:

- **Ideal Jewellery** consists of a chain of brick-and-mortar jewellery stores, all located in major shopping centres across China. From their very start they relied on luxury goods and offline sales channels. When the epidemic hit, all shopping centres were closed so they were forced to change the sales channels to online by live streaming and at the same time change their value proposition.
- **Freshippo** is Alibaba's investment in New Retail which has been a huge success in China with constant expansion. When the epidemic hit, restaurants and theatres got closed and at the same time the demand for groceries skyrocketed. Freshippo's solution was to lend the workers which was laid off.
- **NIO** is a sizable vehicle manufacturer (or a lifestyle company by their own description) which by many is believed to give Tesla a tough fight in the global electrical vehicle market. During the epidemic they continued their focus on a 'NIO lifestyle'.
- **ByteDance** is the company behind Douyin and TikTok where users share short videos. As a fully digital service they did not suffer from the epidemic, however they seized the opportunity to grow by offering online teaching in the form of livestreaming when schools had to be closed due to lockdown.

4.5 Data collection

In tune with multi-method qualitative methodological research approach, the evidence selected for the four cases consist of both primary and secondary qualitative data. Yin (2018, p. 126) explain that triangulation is the rationale for using multiple sources of evidence and is highly recommended for case studies as it reinforces and improves the overall quality of the study. Moreover, as Dubé and Paré (2003) call attention to in their thorough analysis of positivist case study research, triangulation reinforce the validity and reliability of a study which enhances the overall quality of the research and makes it more precise. By applying a combination of both primary and secondary data, this study will reach a richer understanding of the research problem in correlation to a reliance on a singular data source. Table 4 exhibit the primary and secondary data sources collected for this research, which will form the foundation for the findings and analysis section of this paper.

Case	Primary data	Secondary data
<i>Ideal</i>	Semi-structured interviews	News articles, conference paper, association website
<i>Freshippo</i>	Semi-structured interviews	HBR case, academic article, news articles, company webpage
<i>NIO</i>	Semi-structured interviews	HBR case, report, news articles, company webpage
<i>ByteDance</i>	Semi-structured interviews	Academic articles, news articles, company webpage

Source: own creation

4.5.1 Primary data

Primary data is new data collected for a specific research project. Semi-structured interviews are 'non-standardised' and are often referred to as 'qualitative research interviews' (Saunders et al., 2019, p. 813) and were considered as the best fit for this research as it is a powerful tool to develop new insights. Semi-structured interviews start with a prearranged list of themes and some key question related to those themes, to guide the conduct of each interview. All the themes in the conducted interviews derive from existing theory, and therefore it is deductive in nature – as it aims to test this theory in the context of this research. The primary reason why this research chose semi-structured interviews is due to the flexibility they allow for, since the form allow the researcher to adjust the questions rapidly and dig deeper into new

Table 4. Data sources

emerging themes as discussion into new topics occur (Saunders et al., 2019, p. 813, pp. 437-438). In order to get an overview over how Chinese businesses approach BMI, specifically in a time of crisis, five individual semi-structured interviews were conducted, and these are summarised in table 5 below:

Role	Segment	Organisation	Reference ID
Head of Service Operations	Chinese company	NIO Europe	N1 (2021)
User Manager	Chinese company	NIO Europe	N2 (2021)
Head of DI China	Private Danish business organisation	Confederation of Danish Industry (DI)	DI (2021)
Associate professor and head of SDC	Academia	Aalborg University Business School and Sino-Danish Centre (SDC)	SDC (2021)
Head of IN China	Governmental organisation	Innovation Norway (IN)	IN (2021)

Source: own creation

4.5.1.1 Sampling of interviewees

Since this research paper dig into the world of BMI, it explores managerial and top-level decisions rather than a lower-level employee. Thus, only senior management and industry experts were handpicked for this study. Four different segments were included: academia, governmental organisation, private Danish business organisation, and a Chinese company. The case of NIO is supported by two interviews from the case company itself. By carefully selecting interview objects from different segments, you light up the topic from several angles. Their insights are leveraged to understand and explain how businessmen and women of China think and act and if this differs from their Western counterparts. These industry experts, all in prominent positions, work directly in or with Chinese businesses and Nordic companies represented in China:

- NIO is a publicly listed electrical vehicle manufacturer company headquartered in Shanghai.
- DI is Denmark's largest business association with 18,000 companies and are represented all over the globe.
- Sino-Danish Centre (SDC) for Educational and Research is a partnership between all eight Danish universities, the Chinese Academy of Sciences (CAS) and the University of Chinese Academy of Sciences (UCAS).

- Innovation Norway is Norway's innovation fund which helps Norwegian companies to enter the Chinese markets and are Norway's official trade representative abroad. They are represented all over the world.

4.5.1.2 Interview guide construction

Yin (2018, p. 118) points to interviews as the most important source of case study evidence. Considering the deductive nature in this explanatory research, a solid interview guide was designed based on the themes created in the background and literature review sections.

The interviews started out with an introduction of the research project and its focus, followed by introductory questions to get familiar with the interviewee, then moved on to main questions and at the end were some closing questions. Three different interview guides including 15 to 21 main questions with slightly different focus were formulated according to BMs, BMI and the differences between the East and the West. Saunders et al. (2019, p. 459) promote probing questions as a tool to explore responses of significance to the research question and these are normally worded like open questions but request a specific focus or direction. Given the flexibility semi-structured interviews allow for, several probing questions was created for the interview guides and by applying such question the researcher was able to dig deeper into different themes and the discussion led to new topics which was not previously covered. The interview guides which are closely related to the research questions of this paper are included in appendix 4-6.

This research uses multiple sources of evidence with data triangulation (Yin, 2018, p. 127) and the deductive nature influenced the interview guide construction with the available secondary data. For instance, the concepts 'Weiji', 'Zhongyong' and 'Guanxi' from the background section and concepts from literature review such as BMs and BMI were included. The interview guides were slightly different in nature, as the interviewee's represented different interests and expertise. After the completion of an interview, it was transcribed, and the following interview would be adjusted to follow the principles of the 'interview circle'. The interviews were recorded and transcribed, and the transcriptions are presented in appendix 13.

4.5.1.3 Interview procedure

Since the interviewees reside in China and this research was set in motion during the COVID-19 pandemic with severe travel and social restrictions prohibiting face-to-face

interviews, all interviews were held online through videocall. Dubé and Paré (2003) disclose that the researchers in an interview setting have different roles which must be filled. During interviews, different interviewers should undertake in the questioning and discussion with the interviewee while another take notes, make sure that all topics from the interview guide is covered and suggest new probing questions. Considering that this research only has one researcher at its disposal, an attempt to solve these multitasking challenges were done with a video recording and with a tidy interview guide which was rehearsed beforehand. The deductive character of this research obligates the researcher to include defined concepts and themes, at the same time the flexibility presented by semi-structured interviews (Saunders et al., 2019, pp. 437-438) resulted in nearly a 'conversation style' during the interviews. This made it easier to probe with new question and to strengthen some topics while simultaneously following the interview guide and making notes.

4.5.2 Secondary data

Data collection to answer research question(s) or meet objectives, are increasingly accomplished today by undertaking further analyses of data that were "*collected initially for some other purpose*". Such data are known as secondary data and are used to further analysis to provide additional or different knowledge, interpretations, or conclusions (Saunders et al., 2019, p. 338; Bishop and Kuula-Luumi, 2017; Bulmer et al., 2009). Even though it is widely used, there are few frameworks available to guide researchers (Smith et al., 2011; Andrews et al., 2012). In business research projects, secondary data is most frequently used for case study and survey research strategies (Saunders et. al., 2019, p. 338).

In this research, secondary data is collected from the field of BMI and for the four cases in addition to the background section. Oliver Gassmann, Karolin Frankenberger, and Michael Choudry from the University of St. Gallen are three of the most acclaimed researchers and a simple google-search for BMI will in most cases highlight their material at the very top of the results. Their famous book and online material 'Business Model Navigator' is praised by companies like Google, Siemens, BMW, Audi, and Huawei and scholars from Copenhagen Business School, Harvard Business School, and Aalborg University Business School. It is developed in cooperation with Harvard Business School, Stanford Design School, and Berkeley Haas School of Business and was chosen as the main source for secondary data related to BMI and the presented framework with the 'Magic Triangle' of BMs. In addition to this book, a numerous online and offline sources have been adapted to fit this project for the case study. For two of the selected case companies, cases were purchased from Harvard

Business Review. Where available, information from case companies own webpage and academic articles were favoured in addition to the HBR cases. Furthermore, news articles, conference papers, reports, association webpages all were incorporated to form a more holistic understanding of the topic and cases.

To decrease the possible biases from online news articles, mostly major and influential sources such as Business Insider, Sloan Review, Reuters, HBR, and Gartner has been incorporated in this study and several sources for the same case have been used to increase its credibility. The researcher made sure that where news articles was used as a source, articles from different sources would coincide with each other so the biases from news reporters' opinions would be minimized. Recognized sources such as Sloan Review and HBR should contain articles with academic integrity as they originate from acclaimed educational institutions. The secondary data will be used for findings, analysis, and discussion in combination with the primary data from the interviews to decrease potential limitations met by single-handedly reliance on secondary data.

4.6 Data analysis

Unlike statistical analysis that deals with numbers which can be systematically measured, there are hardly any guidebooks on case studies with qualitative data. Instead, case study relies on the researcher's empirical thinking in combination with the presentation of sufficient evidence and careful interpretations (Yin, 2018, p. 165). The deductive nature of this research in combination with the framework presented as the 'Magic Triangle of BMs' have formed the data collection blueprint and its analytical process, by examining the case companies' success stories and how they ended up with BMI during crisis (Yin, 2018, p. 167). Accordingly, a pattern matching technique has been applied to this research. Yin (2018, p. 175) call attention to pattern matching as one of the most desirable techniques in case study analysis where the logic is to compare an empirically based pattern with a predicted one. The findings in this case study make use of the four dimensions value proposition, value chain, customers, and profit mechanism as described in section 3.2.4 to prove that BMI has taken place and compares it with the predicted ones from the literature review. In doing so, it executes its explanatory objective (Dubé and Paré, 2003).

This research paper utilizes a thematic analysis of the data, where the data is sorted and categorized into defined dimensions, as per the positivistic stance of the research. By adopting such an approach, this paper benefited from and systematic yet flexible approach for analysing qualitative data (Saunders et al., 2019, pp. 651-655).

First the interviews were transcribed fully before the coding could start. NVivo was used for coding of the primary and secondary data. It was a lengthy process, as it first started out with only some few codes, then developed to three nodes with almost forty codes before it was merged down to its final product containing two nodes, namely '*Business Model Innovation*' and '*Chinese and Western context*' and eighteen codes with their respective example quotes (appendix 12). Here data with similar meaning was organized into the same codes under the umbrella of the nodes, where relevant themes and patterns were identified and analysed with help of the adapted framework.

Since the interviewees consisted of industry experts with expertise across the cases, their input was analysed across cases at the same time. The exception was for the case of NIO, where two of the interviews focused solely on that particular case and it was therefore analysed separately. Ideally the coding should have been executed with the principle of inter-coder reliability, however with only one researcher available for this research this principle was not possible to pursue. Since the coding was carried out with the RQs in mind, it left out unnecessary parts with social 'chitchat' and rather focused on including the parts which would elevate the comprehension of the phenomena of BMI and Chinese business. Following Yin's (2018, p. 43, pp. 127-129) data collection principles, multiple sources were used in order to triangulate the data from the start to the end of the analysis and thereby strengthening the quality of the presented data in the findings.

4.7 Validity and Reliability

Validity and reliability of any research is assessed to judge the quality of its content. Yin (2018, p. 42) explains that any research quality can be judged according to certain logical tests, since it is supposed to represent a logical set of statements. Four tests are commonly used to test most empirical social research, namely construct validity, internal validity, external validity and, and reliability.

4.7.1 Construct validity

By applying multiple sources of evidence, both primary and secondary data, to each case in this research and encouraging convergent lines of inquiry, one out of three tactics described by Yin (2018, pp. 43-44) is fulfilled and thereby the construct validity is heightened to an acceptable level.

4.7.2 Internal validity

By refraining from confounding as much as possible, the internal validity is heightened. As mentioned in section 4.6, data analysis was performed by means of

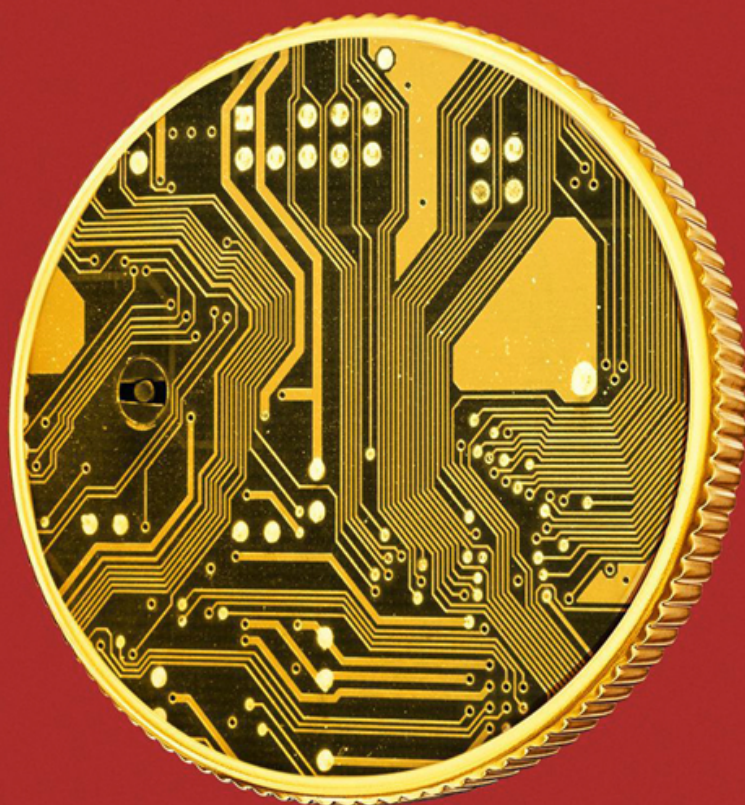
pattern matching which connects the theoretical constructs with the empirical data. In the four selected cases, the innovation process of the BMs and their outcomes is the focus of this study. Since these appear to be similar and are matching, the internal validity is strengthened to an acceptable level and this explanatory study answers the “how’s” and “why’s” with the presented patterns thus they are pattern-matched (Yin, 2018, p. 175).

4.7.3 External validity

As mentioned in section 4.4, this study relies on replication logic and *“referring to statistical generalization and any analogy to samples and populations would be misguided”*. In addition, the form of the RQ, with a “how” question, hinder generalizations and adds to the external validity (Yin, 2018, p. 45). The case-specific nature with the focus on BMI is hard to generalize and the aim of this study is rather to examine the cases in an isolated matter. Furthermore, the researcher hand-picked the four cases and the interviewees came from four different segments and organisations to benefit from different perspectives. All the mentioned elements contribute to a thorough view on the phenomenon of BMI in China and improves the external validity.

4.7.4 Reliability

Reliability refers to the demonstration of the operations of a study, that its data collection procedures can be repeated with the same results, time after time (Yin, 2018, p. 42). Since this research consists only of one researcher it was not able to address inter-coder reliability by collective reviews to align coding. However, during the semi-structured interviews, all the interviewees were enabled to express their opinions freely so their opinions could be as accurate and clear as possible. LeCompte and Goetz (1982) acknowledge that qualitative research struggles with meeting this criterion, as it is not feasible to suspend circumstances, so it becomes replicable. This research dive into the field of BMI specifically for China, an area which are everchanging and constantly a matter of rapid development and thus bumps into the struggles mentioned by LeCompte and Goetz. Yet, this research aimed to decrease errors and biases in research as described in previous section, which is also a goal for reliability. Also, every step of the data collection and analysis is thoroughly elucidated to provide a transparent and trustworthy approach.



Findings and Analysis

5. Findings and Analysis

This chapter will display the findings from the collected primary and secondary data. First, the differences between the East and the West will be outlined. Second, the four selected case companies and their motivation to perform BMI will be introduced. It will do so with the help of the previously introduced framework (figure 4-7 and table 2) adapted from Gassmann et al. (2020) and Wang et al. (2020). The four different strategies in times of crisis, namely 'responsive', 'collective' 'proactive', and 'partnership' strategy will be explained. By clearly defining these strategies, it guides the reader of this paper towards an accurate understanding of the different strategy forms and their reliance on the parameters 'level of collaborative innovations' in combination with either 'problemistic' search or 'slack' search. Thirdly, each of the four cases will be introduced. Fourthly, the innovation choices made for the BMs from the case companies will be clearly outlined, testing the theories from the literature review, and proving that BMI have taken place. Since one of the case companies (NIO) was interviewed directly, there are more findings and accordingly this case will be illuminated more in depth than the three other ones. Finally, some learnings from the East presented collected in the interviews will be presented.

5.1 Differences between the East and the West

How do the society, the consumers, the political systems, and the companies differ in the East and in the West? To understand the decisions made by different firms in China regarding BMI in times of crisis, it is of essence to interpret differences. These findings form a foundation for the discussion section.

In China, people are always prepared for crisis, and they expect things to change fast. COVID-19 did not have such a huge impact as in the West, since the society were not changed dramatically; *"All these constant changes in society and business means that the Chinese companies and people are used to that - and we are not. This has been a wake-up-call probably, much more for the Western world I would imagine"* (DI, 2021).

The political systems are very different with an authoritarian and hierarchical society dating back three thousand years. Today the CCP rules the nation with an iron fist with strict top-down management and leadership. This hierarchical society rely on strong leaders at the top which impose laws and regulations which must be followed to the letter and *"as a normal person, your first and foremost duty is to know your role and*

accept this. [...] In China, government means everything. So, intervention, is not just an encouragement, or, you know, if government says, now we should do this, then everybody follows. This leadership style also has its advantages, as decisions are made swiftly and are not questioned, so measures will be realized promptly. Companies have benefited from this during COVID-19, as strict measures also means that society went back to a nearly normal state very quickly (DI, 2021)

Guanxi still plays a significant role in the Chinese society and interpersonal relationships are important in all business areas in China. It is deeply rooted in culture and goes back many years and persons who do not nurture their Guanxi network will not be successful in the business landscape in (DI, 2021). In difficult times like a crisis, they *"become a really important factor in you staying afloat, surviving or potentially even finding new opportunities"* (SDC, 2021) and these private social networks are *"very important, even more prominent now during COVID times"* (IN, 2021).

China is highly digitalized with advanced technology everywhere, where consumers are used to a 'digital life' where everything is done online on their phones. For this reason, new technology and solutions are met with enthusiasm instead of resistance. In those industries where digitalisation still had not been embraced completely, this crisis has worked as encouragement for them to implement the newest solutions available on the market (DI, 2021).

Chinese consumers shop to kill time and they love 'expensive stuff': *"you live in a big city, you take the metro, but what do you do on a metro? You buy on the metro!"*. This urban lifestyle is futuristic compared to the one in the West. Since data privacy laws are very weak in China and people willingly give away their data to enhance digital services, they are much more exposed than people in the West (IN, 2021). When society is completely back to the same state as pre-epidemic, *"then follows a path and a pattern that has been quite clear for a long time. Chinese people spend a lot of money. Chinese people like to buy expensive stuff"* (DI, 2021).

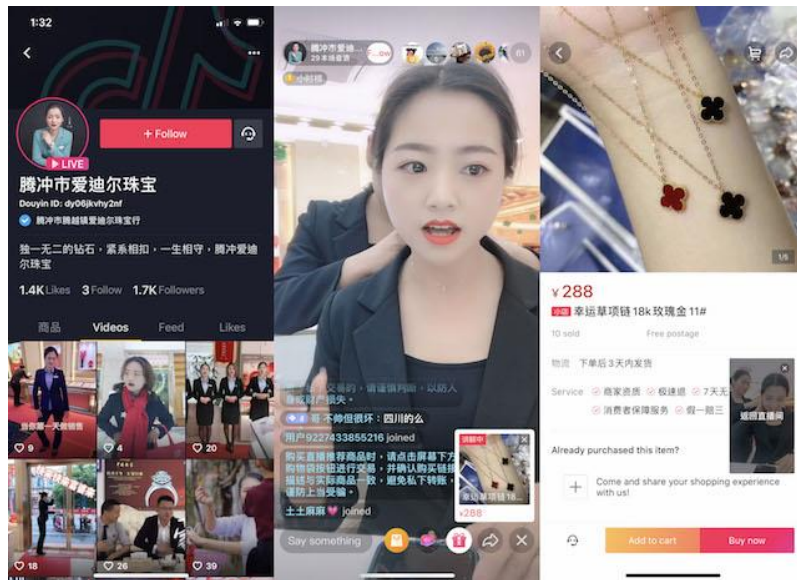
People in the West do not share the same collectivistic culture as the Chinese do, Western people do not engage in social encounters without prior introduction. In China the culture of volunteering is strong and being part of a community is highly valued (N2, 2021). This sense of collectivism is also deeply rooted in work ethics:

"All the Norwegian, they dump the tools at four o'clock to go to the cabin. It's a good life. And probably Friday after lunch, you already prepared to go and you leave early, so you can be in a cabin early. And it's good. But try to explain this to a Chinese team who believe that we will be working on Saturday and Sundays too" (N1, 2021).

5.2 Ideal Jewellery

Fujian Ideal Jewellery Industrial Co., Ltd., formerly Shenzhen Ideal Jewellery Co., Ltd., is a jewellery company based in China which design, manufacture and sell jewellery products that are promoted under the brand IDEAL. From 2002 the company have operated 363 physical brick-and-mortar outlets in the domestic market located in shopping centres in 254 cities across China (Reuters, 2020; Jewellerynet, 2016). COVID-19 hit the company hard, as their physical branches either were shut down due to lockdown or were not visited by customers. The solution was to transition to live streaming.

Appendix 8 portrays Ideal's Business Model Canvas (BMC). During the COVID-19 crisis, Ideal changed their traditional business model to a New Retail business model in a velocious matter. Within the matter of days, they established 'online cloud stores' on YouZan⁴ through live streaming labelled 'Thousand People, Thousand Stores' (WHAT?). The brand's employees and franchisees were rigorously trained in the art of live streaming and within days they were able to sell products from their homes tailor-made to their respective cities or regions. Commission rates for the sales associates increased under the new business model, ranging from 10 to 50 per cent, a huge raise from the 3 per cent the employees received previously in the brick-and-mortar branches. In addition to this, the franchisees are no longer required to hold inventory, which lower the risk of not being able to sell their goods (Book, 2020).



Source: Lung (2020)

⁴ SaaS (Software as a Service) store management solution on WeChat

Figure 8 shows how the live streaming of IDEAL's products works, where different types of jewellery options are tested by the KOL's, they have a photo section similar to Instagram and you can instantly buy the items. Traditionally, Ideal depended on its physical brick-and-mortar stores since the inventory consisted mainly of high-end luxury goods. When the pandemic hit and they had to close their physical branches, they changed their business model to focus mainly on the digital-savvy Gen Z consumers (WHO?). Their new value proposition consists of cheap jewellery priced extremely low (WHAT?) which are more suitable to a younger crowd (Lung, 2020).

Ideal clearly illustrates an example of a *responsive strategy that includes a Chabuduo value proposition*. Their business model innovation story demonstrate how they can change the value proposition and at the same time attract new customers (VALUE?). In their case, a total remodelling of their business model was needed to be able to survive the pandemic, which proved to be profitable as sales are increasing. By focusing on Chabuduo consumption they offer 'good-enough' products to a customer segment which cannot afford luxury items (HOW?). Chabuduo is a Chinese concept which is both loved and hated by the Chinese consumers. Western companies find it hard to understand and embrace the concept, nonetheless there is a huge market for these products:

"If you want to survive as a Chinese company, you only have to supply a service that's just good enough. Because that's how you survive if your margin is so low and because your competitiveness is basically in having very low costs. This has been the major competitive factor for Chinese companies for many years. It's changing a little bit, but it's still very much a factor in China" (DI, 2021).

Even though this concept is loved by some and works as a way of survival for many companies, the Chinese consumer are changing - many want high quality items: *"the Chinese consumer, they want to have good quality. You can come along with this 'good-enough' product to a certain stage, but I think this is changing in China now [...] the consumers power has increased tremendously, especially with internet sales" (IN, 2021).*

The identified BM during COVID-19 for IDEAL is '**No Frills**'. In No Frills you cut costs to a minimum to realize cost-savings and the outcome is significantly lower prices. By changing to No Frills, companies reach an extensively larger market, however they are

met with price-sensitive customers. Nonetheless, it feeds the market for 'good enough' products with the Chabuduo value proposition. This BM can be very profitable if you reach the masses (Gassmann et al., 2020, pp 224-225). However, in an extensive research paper from 2019, where a dataset of 500 startups and their applied BM patterns were analysed, it concluded that No Frills were one of the BMs with lowest survival rate (Weking et al., 2019).

5.3 Freshippo

By blending online and offline shopping in the New Retail model with high-end technology, cloud computing, artificial intelligence, and big data with the focus on mobile solutions, you get Freshippo (also known as Hema) and their BMC can be found in appendix 9. This state-of-the-art supermarket chain in China owned by Alibaba Group use smart logistics technology to locate and deliver food to the customers door. Here you can pick out you own lobster, have it cooked by a chef in the store and choose whether you want to eat it in-store or bring it home – at the same time as your food is delivered to your house. If shopping from home is more convenient that is also possible, and every aspect is integrated with Alipay⁵ (Alizila, 2017).

The first Freshippo was opened in January 2016 in Shanghai, China. Since then, there has been a rapid expansion, in average one store has been opened every six days. Technology has helped Freshippo both in creating a seamless online-offline experience for their customers and to take advantage of big data and artificial intelligence powered by Alibaba Cloud by collecting enormous amounts of data (Chang and Zhu, 2020).

Lin (2020) explains that when COVID-19 hit China, Alibaba was the first to move. In the matter of less than 48 hour, they had identified and contacted all manufacturing partners in 58 cities to order reopening of closed manufacturing plants, since it occurred under the Chinese New Year vacation: *"Their response is characterized with a*

⁵ AliPay is Ant Group's (Alibaba's) payment solution which is the world's largest mobile payment system and is represented in over 70 countries. It makes payment easy and convenient and is based on a mobile app (Lu, 2018).

high degree of innovation and flexibility in terms of technologies deployed, skills leveraged, processes applied, and the range of products and services provided.”

This agile approach to solve obstacles in the supply chain are characteristics from resilient organisations such as Alibaba represent. By acting quickly, they can solve these situations:

“What happened when everything shut down, it was realized those who had single supply or very dependent on those sources, which were shut down, even when they were internally ready to operate, and the market is ready to buy, they could not deliver. So, you can see they start restructuring their supply chain approach to their supply chain. And then if we take downstream, you can see new distribution channels” (SDC, 2021).

Freshippo is a technological frontrunner and an innovation leader (VALUE?) which brings new systems and advanced IT solutions to the world of supermarkets. They have a clear advantage being owned by Alibaba, which already owns a whole ecosystem of such solutions:

“If we take if we take BAT companies; Baidu, Alibaba and Tencent, I mean, they have been champions of any great inspiration for many Chinese companies for a number of years. [...] I think, in the COVID crisis times, it also showed. [...] So, all the points Jack Ma was making earlier about these and the future of them, they kind of came to life thanks to Corona (VALUE?)” (SDC, 2021).

Alibaba group and Freshippo was ready for such a crisis, as they have invested heavily in development of all their online channels for decades:

“They're all examples of highly technology driven companies that are the front runners [...] This is something that these all of these companies were already front runners on before corona, and because corona has been accentuating their online business models. Obviously, they have also come out of this even stronger than they were, I think that's the case from what I hear all over the world. The online driven platform-companies are the ones that have succeeded and done the best” (DI, 2021)

Freshippo suddenly had an immediate need for a substantial number of workers, as restaurants quickly had to close. Their solution was to hire workers from closed-down restaurants, theatres, and retail outlets to attain enough work force to staff the supply chain. These workers already had logistics and supply chain skills so the transition for the work at Hema only required limited training to transfer to the e-commerce context (*VALUE?*). Since many of these workers were leant from the hospitality industry, Freshippo leveraged these talents to add new products to their product range, like semi-processed “ready-to-cook” foods (Lin, 2020) (*HOW?, VALUE?*). An app was created where the workers would sign up and they would then be assigned a new position promptly. The company which the workers were leant from, would continue to pay for insurance and other benefits, while Hema would pay hourly wages. In addition the companies paid a small fee (*WHAT?, HOW?*). When the society went back to normal, they returned to their old jobs. Alibaba acted as a lifeline to a large amount of China’s SMEs, and in particular restaurants. Employee-sharing allowed them to discard some of their cost during lockdown while keeping their employees in their workforce, and as a result many survived the lockdown and hired them back when society was opening (Li, 2020; Chiu, 2020, Li and Li, 2020). This strategy was possible by the fact that

Freshippo is a driver of BMI in the landscape of supermarkets, not only in China but also on a global scale. Their focus on mobile Internet and advanced technology enables tremendous innovations which truly thrive under times of crisis (Chang and Zhu, 2020). These special competencies are then sourced out to third parties and monetised, and at the same time new expertise is attained which modernize their core business in the long run. The BM identified during COVID-19 is **‘Make More of It’**.

5.4 NIO

NIO Inc. was founded in Shanghai, China in 2014 and are the world’s second pure EV company listed on the US exchange and the first on China’s Shanghai Stock Exchange. They are part of the “high-tech car-making” industry, with Tesla Inc. as their main competitor (Ma et al., 2019). NIO’s BMC is displayed in appendix 10. Their stock price has skyrocketed the last eighteen months:

“NIO, one and a half years ago, they were basically bankrupt. And they have, you know, come back with a vengeance. And their stocks have increased 20-fold or something like that” (DI, 2021).

NIO used four years to launch their first Electrical Vehicle (EV), in comparison it took Tesla seven years from inception to launch. Yet, NIO stresses that they are very dissimilar to Tesla, as their core belief is *“to become the world’s most user-satisfied company and this is more important than revenue”*. Their first launched EV was a limited-edition supercar, a strategic move positioning them with a high-end corporate image. After this launch, their focus has mainly been on the *‘NIO lifestyle’*, where they aim to represent a *‘new day’* with the vision of pursuing a *‘blue sky’* in a *“brighter, positive future, and a more sustainable tomorrow”* (Ma et al., 2019; NIO, 2021). Their founder, William Li, has a dream of creating an EV for the future, which combines electricity, intelligence, and networking and his aim is to become a trendsetter in these segments (Ma et al., 2019; NIO, 2021).

NIO lifestyle is the coined term for everything involving NIO. The centre around this lifestyle is the NIO house. They have an app which also works as a social platform, where NIO owners meet and lots of communities are created:

“By using this app people even help during the pandemic to deliver medicine [...] the ‘NIO lifestyle’, you know, the community thing. It’s all about the community and volunteering. If we think about the Chinese work culture, they work long hours, including weekends. [...] Part of what they have after work is that NIO community (WHAT?)” (N1, 2021).

NIO House (fig. 9), an experience centre with free-living space for car owners and their friends, provides ‘a joyful lifestyle beyond the car’: *“What we want to create is not a simple place to show cars. We want to create a place for users to experience a welcoming atmosphere and freedom and make friends. Here, NIO will grow with the users”*. It also aids NIO with revenue streams, as it already bypasses the 4S (sales, spare parts, service, survey) earnings altogether (VALUE?) (Ma et al., 2019). NIO house is part of their strategy to lock in users and create customer loyalty. During the pandemic, they opened their newest location which also was the first outside of China:



NIO LIFE (fig. 9) is their own brand, with worldwide famous designers. They design all kinds of NIO LIFE products like handbags, suitcases, drinking bottles, and sunglasses to mention some:

“They have famous designers, like Tommy Dixon [...] you can only buy it from NIO (WHAT?, VALUE?) and it's branded with NIO, but he's the designer behind it. And they have several worldwide famous designers doing all kinds of gadgets” (N1, 2021).

NIO points, NIO's own currency, is earned by volunteering, by test driving a car, by speaking at an event, by recruiting a friend to view a car, or any involvement in the company. These points are worth money and may be used to purchase goods like products from NIO life or a beer in the bar. In China this works well and keeps the customers involved in the NIO ecosystem (N1, 2021).

COVID-19 has not slowed down NIO: *“Business as usual. It hasn't really stopped them from doing what they do” (N1, 2021).* Instead of slowing them down, they used it to

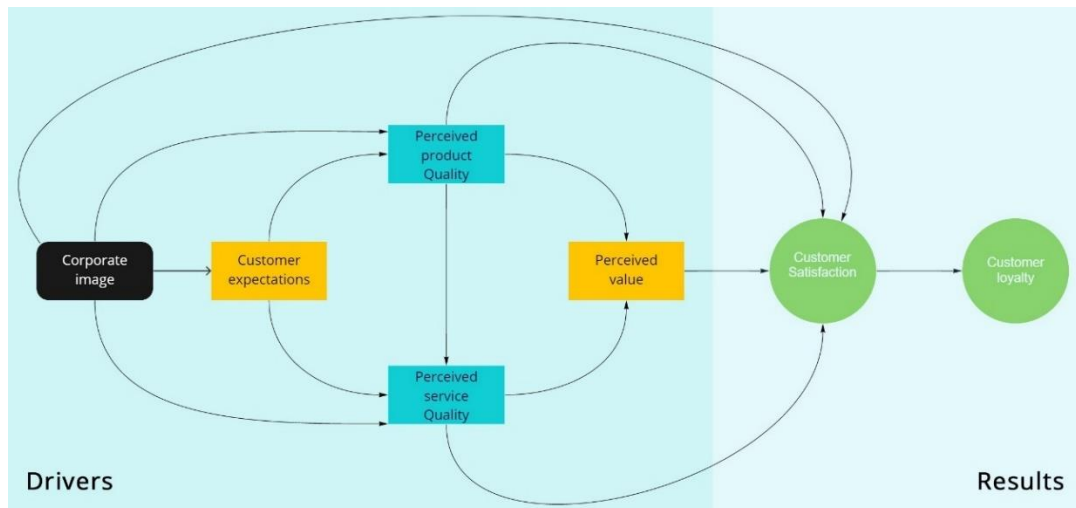
accelerate their growth with the focus on the user's involvement. Three days after Chinese New Year 2020, NIO's User Trust Council held an emergency conference where they announced a strategy to battle COVID-19, how to help NIO users, and they set up a donation scheme. In addition, they announced a Coronavirus Fund where they raised RMB5 million (>\$720,800 USD). How the fund could be most purposely distributed was a discussion between NIO users and council member which in the end consisted of four objectives (NIO, 2020a) (VALUE?, WHAT?):

1. Anti-virus kits will be shipped to all NIO users
2. Each user family infected by the virus would receive RMB50,000 in solatium to cover extra expenses
3. If a user would volunteer to work in the Hubei province as medical care personnel, they will receive RMB10,000 per person
4. Special projects would receive RMB100,000 allocated to help users get home

One week later, they launched another initiative where their user community would contribute to fight the ongoing epidemic. Masks for RMB300,000 were purchased by NIO and shipped to the Wuhan Charity Federation with the help of NIO's user club in Wuhan. In addition, RMB 1 million was donated by their Coronavirus Fund and the same amount by their users. All NIO users received instant free access to WeDoctor, an online healthcare platform which would consult users with any kind of illness (WHAT?). The NIO User Club raised supplementary funds of RMB 3 million, and these were donated directly to the hospitals in Wuhan. They also used personal resources to help with various tasks that was necessary to fight the virus, like delivering meals, transport medical personnel, pilot military transport aircrafts, and help build the Wuhan Huoschenshan Hospital (NIO, 2020b). NIO's response to COVID-19 helps to contribute to building customer loyalty. Their approach may be compared to the ones carried out by Apple or Tesla – but enhanced to the next level:

"In order to ensure customer loyalty, you need to have a certain community-based customer experience [...] I guess that, in a way, if we want to succeed with customer loyalty, you have to kind of ensure that people can identify with who we are (WHAT?). But also, just to top it off, you need to also deliver the really high level of customer experience. Not only in the way we treat customers, but also in terms of the products and the services, and also the experience you have when you get in the NIO house, for example (WHAT?)" (N2, 2021).

Fig. 10 demonstrates how customers loyalty is achieved, using the ECSI methodology. NIO created a strong corporate image when launching their EV supercar, which positioned them in the high-end market where excellence is expected both in terms of quality in product and service. Their modern EV's in combination with an ecosystem containing NIO Lifestyle and NIO House equals a high level of perceived value. All these elements lead to customer satisfaction and ensures customer loyalty.



Source: own creation, based on 'The European Customer Satisfaction Index Model' (Veljković and Marinković, 2010)

NIO's continuously efforts towards the 'NIO lifestyle', even building a brand-new NIO house in the times of crisis, puts their BM during COVID-19 in '**Customer Loyalty**'. Several measurements, like shipping out anti-virus kits, providing solatium, and helping people get home safe (*WHAT?*), all contribute to CL. Khan (2013) points out that the purpose of applying this BM is to encourage repurchasing of products and services in the future and thereby generate repetitive same brand consumption. People participating in NIO lifestyle are contributing to strengthen their brand and large chunks of their social life involves NIO. 'NIO points' are accumulated on the users accounts for their involvement, which is a classical approach to CL. All these elements clearly create lock-in, and their users are likely to engage in repurchasing (*VALUE?*).

5.5 ByteDance

ByteDance Ltd. is a digital dragon based in Beijing, China. Their product line includes video-sharing social-networks like Douyin and its Western doppelganger TikTok. ByteDance's BMC can be viewed in appendix 11. In addition to Douyin and TikTok, they have various other applications, including several educational and learning platforms (ByteDance, 2021). ByteDance has invested heavily in the education technology sector since 2016, where they put large sums up in EdTech⁶ startups. In March 2020, few months after the COVID-19 outbreak in China, ByteDance's CEO Yiming Zhang communicated that education will be their new focus (*HOW?*) (Yu, 2020):

"Our exploration of the education industry is still in the early stages [...] We've been thinking about the education business for some time, and the brand independence of Dali Education is just the beginning of a long journey in the industry."



Source: Sina (2020)

Live streaming of education became a new way of learning after the outbreak of the epidemic in China. Although the concept of online education is not new, bringing them to platforms like Douyin is (*HOW?*, *VALUE?*). For educational institutions without former systems in place for online lectures, it was a good opportunity to reach their current students but also to reach new ones (*VALUE?*). Vocational training, international relations, language, art tests, and college entrance examination are only some examples of the offered courses. In February 2020, the number of views on these courses increased by 550%. Twenty-three colleges and universities, including some of China's most prestigious educational institutions like Tsinghua University and Peking University, partnered up with Douyin and offered courses via live streaming (*VALUE?*). For the first livestream presented by Tsinghua University, over 160,000 users watched the class (Wang et al., 2020; 199IT, 2020, Henan, 2020). Fig. 11 shows a screenshot from their class.

Fig. 11 Tsinghua University livestreaming on Douyin

⁶ Educational Technology

Digital dragons like ByteDance thrive in times of crisis, as they already are fully digital and are affected positively by social distancing and lockdowns. Chinese companies are frontrunners in the world when it comes to digital solutions and China in general are highly digitalised with consumers eager to use digital channels (DI, 2021). COVID-19 therefore accelerated ByteDance's existing digital strategy:

"Being very agile, being very consumer-centered, all those capabilities that were accumulated, they became very handy during the COVID crisis. So, I don't know if the COVID was the real trigger for them, or COVID was more like a playing field for those to be used" (SDC, 2021).

"All the major platforms, they were pushed during the covid. They might not have benefited much other than reacting to the situation and that in turn has increased their position, so they are really the winners in the long run in the market" (IN, 2021).



Fig. 12 Dali, Douyin's AI Smartlamp

Source: Singh (2020)

Dali (meaning "forceful strength" in Chinese) is another example on ByteDance's strategy to profit on EdTech, as demand for education technology grew during the crisis with school closed where students are forced to take online classes. In October 2020 they launched an artificial intelligence-powered 'smart lamp' (HOW?, VALUE?) with two cameras integrated which helps to tutor kids. One of the cameras are pointed at the homework and the other at the kids' face. This device (fig. 12) is for sale at 799

yuan in China and is seamlessly integrated into Douyin so all the providers of educational content may benefit from its functions (VALUE?) (Yang and Goh, 2020; Feng, 2021; Che, 2021; Warren, 2021).

ByteDance's BM during COVID-19 is identified as **Open Business**, as they are partnering up with numerous educational institutions. This is part of a long-term strategy, as they already in 2016 started to invest in EdTech. COVID-19 did not start their initiative of going into the educational sector, but it has accelerated it and the partnership model were launched during COVID-19, with different Universities assisting them in growing their member base. Dali is clear evidence of how they monetize this strategy, in addition to the revenue from their partnerships. This kind of partnership can co-exist peacefully as they are not competing but rather complete each other, which will ensure growth for both parties in the long run.

5.6 What can the **West** learn from the **East**?

There are a multitude of learnings from the East that can be 'imported' to the West. China has demonstrated advancements in technology, manufacturing, and processes for several years. Some of the learnings collected from the interviews of industry experts are presented as a foundation for the discussion section.

Rapid adjustments of BMs and ability to act fast

Chinese companies tend to react at very short notice and to have compressed product development timelines. This kind of ability comes handy during times of crisis, as their speedy processes and rapid adjustments to BMs enhance the chances of survival, *"while we in the West, including Danish companies, will have very different timelines attached to all processes that sit within the business model. So, the business model may be very good, but if it sits on the timeline that has one year product development timeline, that's not gonna fly during the crisis like COVID. And I think that's where we see the real difference"* (SDC, 2021).

Co-creating BMs with users is proven to be highly successfully

Many of the successful Chinese companies benefit greatly from co-creating BMs by involving their existing user base. The customers (users) become a key partner in developing new and to improve existing products and services. By displaying superior ability to co-create and engaging their customers, they can solve problem much faster than figuring them out by themselves. Their customer now become a key partner in developing products and services, and this is highly beneficial during crisis:

"During the crisis, when there are so many unknowns, companies who have this ability to sense what are the needs of the customers are and then quickly organize their supply chains and their internal operations to cater for those needs - they become champions. I think in general, that's why so many Chinese companies were able to react to the crisis so far [...] COVID became more of a sort of an accelerator and opportunity for the companies to use those capabilities that we have been seen for a number of years after China kind of 'grew up'" (SDC, 2021).

Xiaomi is one example of a company which focuses on co-creating with 'Mi-fans' and use their input directly in product development. They create O2O communities by establishing several offline establishments such as 'Mi Campus Club' and 'Mi City Club' where users meet in real life (Tian, 2019). NIO is another example:

"One of the key things we're focusing on is actually the engagement with the users, and bear in mind, we're actually calling our consumers 'users' and not 'customers'. [...] we invite some key users or key consumers, to participate in our process of defining what we need. So, for example, they get to test drive the cars, they get to discuss with us the business, what is important for them what to do more of, what would they need less of, what matters to them. And based on that, that is feedback we take directly with the factory to further develop those services and products that we have. And that is pretty unique, because you don't get that flat/streamlined dialog in other places. I've never experienced that before" (N2, 2021).

China was once considered 'copycats' but are now innovators

Chinese companies are traditionally accused of being copycats which import products from the West and make a cheaper version which does not work as good as the original ones (N1, 2021), however this is not the case anymore:

"That's what many Chinese companies are accused of, that they imitated our business model. But then the way they imitated it, we also see that it's imitation with quite a bit of innovation in it, quite a bit of unique adjustment with ability to react and ability to be more responsive in the times when it's needed. This really showed during the COVID crisis" (SDC, 2021).

The Chinese are great innovators and compete hard with their Western counterparts. They are faster to market and in many cases, they have more advanced technology. Since they often show a higher degree of agility and take advantage of this to launch products faster, they are now being threaten by 'Western copycats':

"Many Chinese companies now work really hard to actually protect their patents and their trademarks, so they don't get copied by the West. So, you see, the tables are turning. And the rules apply to everyone if you are a Chinese company or a Western one. If you want innovation, then you need protection of your ideas. If you don't get that, there will never be any new ideas. Everyone needs that. And this they have finally understood also now here in China" (IN, 2021).

Innovators in China have capabilities which many of their Western counterparts do not possess. Chinese companies are rapidly expanding into the West and taking market shares and for this reason they should be faster to market: *"Probably we need to be faster to market in the Western world to compete with China moving forward. Faster to market and technology. Technology is probably on par in some areas, you know, but also there they are smart. Before they were copycats, but now they're actually innovators"* (N1, 2021).



Discussion **Limitations**
Future Research **Conclusion**



6. Discussion

Business Model Innovation is a complex area. Even at its core, the Business Model itself, there are numerous definitions and top researchers constantly dispute each other's interpretation. Luckily, there are emerging themes like a clear focus on how value is created and captured, their activities, and how companies 'do business'. Gassmann et al. have laid the groundworks for other researchers concerning BMI, when they created the 'Magic Triangle' of BMs: a minimum of two out of the four dimensions must be altered to define a BM as 'innovated'. Strategy and BMs are linked and are interdependent and for this reason this paper chose to investigate both elements, as the strategic choices made by the four case companies in the times of crisis influences their choice of BM. China's rapid growth, which soon will position them as the world largest economy, cannot be ignored. The reality today is that all major enterprises, in some way or another, must negotiate with Chinese companies and deal with their government. China consists of almost 1.4 billion people, or to put it another way – 1.4 billion potential customers. Since this paper investigate BMI in China during a crisis, it first starts off with discussing the findings which differentiates the people, society, political systems, and business in the East and the West, then it moves on to the four selected case companies and end with potential learnings from the East. At the very end, some managerial recommendations for Western companies which wishes to enter the Chinese domain are provided.

6.1. Futuristic Lifestyle Where History and Guanxi Matters

China's traditions go back 3000 years, and they are integrated in all aspects of society. If Western companies wants to be successful in China, they must understand the differences in history, culture, and language. An American firm enjoy showing off all its achievements to the world, while a Chinese company stay quiet and waits for the right moment to thrive. There are **tremendous political differences** between the East and the West. The Chinese Communist Party has a say in most matters, and whatever they announce are rigidly followed. Danish Industry and Innovation Norway revealed that everybody, both people and companies, follows the government regulations, **no questions asked**. This is not only a negative thing, as it clearly has worked very well in times of crisis. NIO is now owned 51% of the state of China, which gives them full control of every decision. Failure is not an option.

In China, people are always prepared for crisis. The strict lockdown procedures, where the world saw videos of Chinese' officials welding shut apartment building doors, has

worked extremely well. China's society has more or less gone back to normal for one and a half years already, at the same time the Western world still struggles to open the society. Corona has not changed much; **the Chinese society and people were ready for such a crisis**, and they will be ready for the next one. One of the main reasons why this work, is that the **collectivistic culture** is strong. Even though the government has strict control of most elements in the society, there are peace and harmony in for most parts.

Without **interpersonal relationships**, you will never get far in any kind of business in China. In times of crisis, these can be **worth more than money**. Relationships are time consuming to build and if done incorrectly, they can even break business deals. Although no evidence is presented in this paper, it is highly likely that Guanxi played a significant role in the business deals in all the four case companies: even more so for the two within problemistic search (IDEAL and Jewellery) as this requires a fast solution to an immediate problem. To be able to do turn around your whole BM (IDEAL) in the matter of days and to partner up with hundreds of restaurants (Freshippo), there are likely Guanxi in play. NIO is also an example where their **whole BM is built around relationships**. People volunteer and create communities and in one of the interviews it was also mentioned that people that live in the same street which owns a NIO car, most likely know each other. Guanxi is often mentioned as the **root of corruption** and has major influence in the Chinese political system, so there definitely negative elements of this system, yet it must be considered by any Western businesses which wants to penetrate the Chinese market.

In China, they went straight from cash to mobile. People in China **use their phone for everything**. Many of the most advanced technological solutions in the world are developed in China. More importantly, people are used to these technologies and embrace them. People watch livestreams when travelling on the metro and buy stuff on the fly. This urban lifestyle is much more modern than in the West. The Chinese consumer consider **shopping as entertainment**, and they are easily influenced by KOLs. Since the society is highly digitalized, it is much easier to introduce new digital concepts. New Retail is an example which several businesses embrace in China, like IDEAL and Freshippo. These technologies are developed by dragons but are available for everybody, so all companies can be a player in such environments.

6.2 BMI has challenges and myths

BMI is met by lots of prejudice assumptions by businesspeople, especially in the West. Michael Porter's Five Forces are still thought at business schools all over the world, and although there is nothing wrong at the core of this learning, a **blue ocean strategy is much more suitable** for the business reality of today. Companies struggle to think outside of one's own dominant industry logic, as current cash cows influence their mental attitude towards change. Newly graduated students are often met with condescending answers such as *"our industry is different. That's how our industry works. Our customers won't accept anything else"*. This is a very poisonous view, as it **blocks** innovation and is also the very reason why many well-established large enterprises go bankrupt. Michael Dell is absolutely right when he said that *"you have to innovate when times are good"*. This is demonstrated very clearly by three of the case companies, NIO, Freshippo, and ByteDance. All of the three have substantial revenue streams and good numbers, however they take advantage of the situation to position themselves even better in the existing market (NIO), but more importantly to go into new markets (Freshippo and ByteDance).

Freshippo (owned by Alibaba) and ByteDance are examples of Digital Dragons, and they already have the systems in place, so adapting their BMs should be rather easy. One of the main reasons for failure when it comes to BMI, is the **many myths surrounding this field**. Section 3.2.1 presented the most common ones, like superior ideas, random factors, radical changes, ground-breaking technology, luck, Einstein, size, and R&D. You do however not need to be a creative or technological genius or even have revolutionary innovations to perform BMI, which IDEAL is a good example of. They made use of existing platform technology to change their BM. All the needed tools were already in place, they just had to change their BM. NIO has a mixed approach, as they try both to be innovation leaders within technology and to think in terms of BMs. By many, they may be considered as Apple or Google in the car industry.

6.3 Strategy and BMs are closely associated

In BMI, you must consider both the new BM you want to incorporate and how to incorporate it. Thus, both strategy and BM must be considered. Strategy literatures focus on how to beat competitors, but not how value is created or finding new revenue sources. This is where the BM comes to play. Responsive, proactive, collective, and partnership strategies are four different strategies firms can choose to react to a crisis such as COVID-19. Which one to choose is dependent on the specific companies position and market:

- If your company suddenly lose their main revenue streams, since your business rely on offline consumption, you choose a *responsive strategy*. Here you remodel your whole BM and sell online. In IDEAL's case, this has led to a huge success with sales exceeding their traditional business.
- If a crisis drives demand so your company need resources from partnering firms or workforce and you are not able to handle this task alone, you can choose a *collective strategy* where you partner up with other companies. In Freshippo's case they needed workers fast and their partners (restaurants etc.) needed to shave of some expenses – win win!
- If your company are best suited to nurture existing BMs and use the time of crisis for something positive, for example to build customer loyalty and at the same time showcase CSR⁷, a *proactive strategy* is best suited. In NIOs case, they heavily involve users in all steps, which creates a community feeling which in turn leads to long-term customer loyalty.
- If you are in a position where your company suddenly has much more traffic since consumer behaviour have changed, like in lockdowns and social distancing, a *partnership strategy* should be considered. ByteDance used its digital competencies and partnered up with educational institutions, which both gave them new users and an advantage in the future as their position is stronger in this segment. Throw in some technology which fits the purpose, and you have a winning recipe.

6.4 BMI during an epidemic

The four case companies changed their BMs to react to a situation where the society was in lockdown and did so in a speedy manner. Their approach differs, as they used different strategies and BMs to solve the challenge they were faced with. Their strategy choice is clearly linked to their choice of BM.

In China, they have a value proposition named Chabuduo which translates to “good-enough products”. **Ideal Jewellery** chose to pursue this value proposition by focusing on Gen Z, a consumer group with low purchasing power. This is done with the help of livestreaming on WeChat, where KOLs showcase products. Livestreaming with the

⁷ Corporate Social Responsibility

help of KOLs is not a new phenomenon in China, however transforming your own employees to become KOLs is not widely used. The sales associated were rigorously trained and they are highly motivated to sell since their commission raised from three percent to 10-50 per cent. Since Ideal is cutting costs on their closed-down physical brick-and-mortar stores in the shopping centres and their employee streams from home, they can offer a much more lucrative commission rate. Nonetheless, Chabuduo is a controversial value proposition in China. Although the market is huge for these products, it is considered by many as negative and that it creates an image of bad quality. The Chinese consumer wants high quality and they often do not trust their Chinese brands for this very reason. By consequence, their consumers use lots of money on foreign brands which they know are of high quality and that they can trust. IDEAL may have found a temporary solution for their immediate problem with cashflow; however, it may very well damage their reputation and brand trust in the long run. Their BM during COVID-19, No Frills, is one of the BMs with lowest survival rate. Since things are almost back to normal in China now, they should consider if they want to associate their high-end brand IDEAL with Chabuduo products or if they should establish another company focus on this value proposition and keep IDEAL as the luxury brand it has been for the last twenty years. In any case, they have learning from the New Retail model which they should keep and further develop.

Alibaba is part of people's life in most aspect in China, as their companies and technical solutions are so widespread and commonly used in everyday life. Their New Retail stores **Freshippo** are no exception, as they expand at a rapid pace and are embraced by people in China. The Make More of It BM is a great choice for any companies which has special (often digital) competencies to boost earnings with new value propositions. By selling these to third parties they monetize unused capacities and at the same time improve internal processes. In the start of COVID-19, they were in a position where they could both profit from paying reduced wages and act as 'missionaries' to SMEs. Collective strategy really paid off for Hema, as they were able to staff their stores fast and these partners even added products like 'ready-to-cook-foods. Most likely these channels will be maintained, and the workers can be used whenever extra workforce is needed. Tencent, Alibaba's biggest competitor, is a shareholder in Yonghui Superstores and they also invest heavily in tech start-ups related to convenience stores. Alibaba is already highly acknowledged in China, however their status as innovation leaders will be strengthen by such rapid responses shown in the collective strategy during COVID-19.

NIO's number one advantage is that they still have a start-up mentality in their organisation, even though they were founded seven years ago. You see evidence of this mentality in their approach to user involvement and co-creating of strategies and products. From being nearly bankrupt a year ago, their stock price 20-folded in the matter of some months. They have managed to release almost the same products as Tesla in four years, where Tesla used seven. This is impressive, however it is much more interesting to look at their BM rather than their technology, because this is where they truly are leading the way. Their first step was to launch an electrical supercar, a strategic move to position themselves as a premium brand. This lay the foundation for creating an image of a superior product. Here is where NIO lifestyle comes into play. NIO lifestyle promotes a happy life, where you are part of a community where success is displayed – in NIO's case they display it at massive 'experience centres' in the middle of China's (and now Norway's) big cities. This goes together with their value proposition of 'face consumption'. By tapping into both Guanxi and Mianzi, they offer a much higher total value for their Chinese consumers as they can enhance face (Mianzi) at the same time and tap into their Guanxi networks. This creates social currency which is highly valued in the Chinese society. The best marketing channel you have in China, is through relationships enabled by Guanxi. Their NIO houses has personnel (sellers) which acts as their friends, while in fact this is their very source for most of their income. They create several lock-ins which 'forces' their users to stay long-term, such as the community itself and NIO points. With clever moves such as a COVID-fund and helping their customers during times of crisis, they ensure customer loyalty in the long term. In the beforementioned Weking et al. (2019) report, where No Frills are considered least likely to succeed, subscription is the most likely BM to succeed in the long run. NIO clearly benefits from this with a subscription model for their battery packs, where people pay every month and can upgrade for a higher price. When all these measurements in place, their customers are highly likely to repurchase a NIO EV also next time, ultimately creating a lifetime relationship with their consumers.

A long-term strategy may come in handy in times of crisis. For **ByteDance**, this is exactly what occurred, when the epidemic hit China. Since 2016, they heavily invested in the educational sector, in so-called EdTech start-ups. Douyin and TikTok are used by young people to stream short videos for entertainment purposes, however many of their user's solely post educational content. The problem with the user-posted content is that their sources are not verified and for this reason there is lots of misinformation being spread. In times of COVID-19 this became evident, as many young people have become vaccine opponent and sceptics, based on content they

have watched on these platforms. An Open Business BM therefore fits perfectly when you partner up with trusted educational institutions to provide legitimate content backed by universities. ByteDance use the opportunity presented by changed consumers behaviour, in the case of COVID-19 people must stay at home and digital platforms are therefor used even more and at the same time the schools are closed. Since they already have all the systems in place, it is not a big task for ByteDance to invite other organisations onto their platform. By doing so, they both create new revenue streams and add more users. Some new users who have not previously used their platforms will stay and if the cooperation is successful in the long run, they will continue to add such features. By adding these trusted academic institutions to their ecosystem, they also grow their brand recognition and trust.

6.5 Managerial Implications

In addition to providing an overview and demonstrating what BMs and BMI entails, with their myths, challenges, and differing interpretations, how they are linked to strategy choice and applying these to real-life cases, this study intends to offer practical managerial recommendation to professionals interested in the field of BMI.

Speak the same 'language' and discard myths

In other disciplines such as ITIL, there is a common language where concepts are clearly defined so there is little to no risk of miscommunication - even though businesspeople speak different languages they can understand each other with these universal terms. BMs also have such a tool, the BMC. Before you can start any innovation, make sure you are all on the same page by using such tools that offer shared language. In addition, be sure to clearly describe what a BM includes.

One of the largest thresholds for practitioners to dip their toes into the 'blue ocean' is the myths and challenges surrounding BMI. People's perception of BMI being some sort of 'mythical creature' is outdated and these must be wiped out by explaining that you do not need an Einstein, have endless resources, or possess ground-breaking technology to innovate, when in fact start-ups are accountable for the most important BM revolutions. It is also essential to address the challenges many companies towards BMI. If your organisation is stuck in its own dominant industry logic with mental blocks prohibiting new ideas to come to life this must be changed. Newly graduated students are a great source for new knowledge, and they will not be in possession of the same hinders as seniors have developed. Use them! They are also likely to have less

constraints when it comes to creativity, as it fades away as people age. Lastly, start to think about BMs instead of only technologies or products. Enterprises only spend 10 per cent of their budgets for BMI and rest in technology or product development while change of BMs are where the largest potential lays.

Innovate when times are good

The famous quote by Boston Consulting Group *"When the game gets tough, change the game!"* illustrate clearly that logic needs to be changed in many industries. Many organisations get stuck with their cash cows since their current BM is making money. This is, sadly, the history behind numerous bankruptcies as companies fail to keep up with changing markets and consumers. As a basic level your value proposition must solve an issue and contribute value to the customer, your BM must be updated, and you must acknowledge external threats. Stop believing that your company and your industry only work in one specific way since this has been the case for decades. This research paper has showcased how to innovate BMs during crisis, however in many cases this can be done before a crisis hit to gain a competitive advantage. Make a conscious decision concerning which strategy to coincide with your new BM of choice - if your motivation for innovation is based on problemistic or slack search and if you need partners or not will affect your choice.

Learn from the East

Businessmen and women in the West have much to learn from their associates in the East. This study uncovered three valuable lessons from China which any practitioner should take notes from. First, the ability to act fast and rapid adjustments of BMs is of essence. Chinese companies act at very short notice and have compressed product development timelines. Many companies that go insolvent in the West would have survived in China where the mentality and speed are different. Professionals should strive to cut product development timelines and speed up their internal processes. Second, co-creating BMs with users is highly successful. This approach is gaining popularity in China, where Xiaomi and NIO are mentioned as examples. By rethinking your customers role to become 'users' and involve them in product development, they are much more likely to become loyal – some for an entire lifespan. Lastly, China is no longer a 'copycat' but are in fact innovators. Today they file for patents to protect their innovators against copycats from the West – so the tables have turned. Do not neglect them as a threat, instead you partner up.

7. Limitations and Future Research

This section will attempt to exhibit the limitations met by this research and end with implications for future research. As researchers, it is important to be aware of limitations and methodological constraint the research has met in its journey and recognize that total prevention of limitations is impossible. Due to several conditions not being ideal and these being intensified by a global pandemic, they need to be acknowledged and identified. This way future research can benefit and further develop insights based on the findings from this study.

7.1 Limitations

Dubé and Paré recommends researchers in our field who choose a positivistic case study, to carry a pilot case study to become acquainted with the different procedures and way of administering such studies. This would have benefited the researcher greatly, as a huge chunk of the allocated time for this project has been used to learn such techniques – business school and IT universities practice very different regimes in building papers such as a bachelor or master thesis.

Yin explains that multiple-case study design is in general considered more robust, however because they require extensive resources and time beyond the means of a single student or independent researcher they are not recommended performing alone. The researcher agrees with Yin, as this multiple-case study with an overwhelming number of tasks execute would be a better fit for a minimum of two researchers.

Saunders mentions several times that like with everything, experience gives you a clear advantage. For instance, the art of probing in interviews is not a skill learned over night. This was proven to be difficult as a single interviewer, as you are preoccupied with your interview guide and multitasking while talking and taking notes is deemed to be a hard task.

7.1.1 Limitations of Methodology and Data Set

1) Limited data set

Although this research has been in the works in a time span over a year, it was only in the last months any interviewees agreed to participate in the study. It can be speculated why it was such a hard task to find any industry experts willing to participate in such projects, however there is reason to believe that social lockdown and restrictions where people are forced to work from home

has contributed to all the negative replies on such requests. The context of this research is limited to BMI specifically in China where 'only' four cases were examined – in multiple-case studies it is desirable to have a much larger number of cases. Only five semi-structured interviews were conducted where only two of them were directly from the case companies presented in the case studies – the other interviews were from industry expert from other sectors. It differed a lot how much the industry experts knew about a specific case company, as they did not have any knowledge about them. Although the researcher would have wished for interviews directly from more of the case companies themselves, the interview from the other industry experts contributed to light up the cases from other angles which would not have been possible without their perspectives, as they had no personal biases by working in the specific company. Some researchers define data triangulation to have a minimum of three data sources to 'triangulate' the data. Yin defines it as "more than a single of source of evidence". It would have been optimal to have one more data source to ensure the integrity of the data even more than two sources that was available to the researcher due to time constraints.

2) Biases still exists

The researcher has throughout the whole paper tried to eliminate or at a minimum reduce to marginalize the amount of biases in this paper, especially considering the positivistic approach where the data are supposed to be objective and is supposed to be uninfluenced by human interpretation. Researcher biases are however without a doubt present in this paper as personal meanings, perception, and interpretation always will shine through one way or another. There is always a chance, especially in an interview form such as semi-structured interviews, that meanings have been misinterpreted from the researcher. Response biases is also a possibility, where interviewee answer what they think the researcher wants to hear instead of the fact. Biases are easier to surface with a single researcher who is the only one observing the data, since observer's subjectivity always will play a role. This is also why the principles of inter-coder reliability exist, to avoid such situations. Nonetheless, biases have been a constant focus point for this research with a conscious attention to avoid them.

7.1.2 Limitations of Scope

1) Only China represented

This research was isolated to only contain cases in the Chinese business landscape with its distinctive context. Due to time restrictions one country was chosen, even if the research would have benefited greatly from including several countries across all continents – or at least for instance India which also is an emerging economy and share some of the same characteristics as China. Yin recommends to chose cases which differ more than the ones selected for this research, for instance five successful and five unsuccessful ones, as patterns easier appear to the researcher. With five success stories and five failures from a minimum two countries, this research would have shown other results, so this is also something to be considered for the next study.

2) BMI is a complex concept

Like argued for in section 3.2.4, there is no superior approach to conceptualizing and classification of BMI and there are numerous of definition of the concept. Researchers disagree on what constitutes as 'innovation' and what it entails. In section 3.2.4 three different approaches was described and this study chose to follow the last of the three described ones. Due to time restraints the other two could not be explored, yet with more time available an even greater understanding of the concept would be possible to attain.

In addition to the above-mentioned limitations, there are some specific limitations related to the positivistic methodological approach and case study as a research strategy. The researcher agrees with Dubé and Paré that the quality of this positivistic research would have been improved if the period of the study was stretched in time to witness how the phenomena of BMI change over time. A case study protocol should have been created to ensure reliability beyond what is described in section 4.7.4. On the other hand, a too strong focus on reliability harms creativity so a balance between the two is desirable.

Last, COVID-19 has without a doubt set its footprint all over the world. In addition to the mentioned problem of attaining interviewees, biases due to the working conditions of both the interviewer and interviewees is surely created, so the researcher recommend a replication of the study once restrictions have been lifted

and working conditions are normal again, as this will minimize data pollution. Regardless all the mentioned limitations, the researcher has undertaken in actions and measurements to reduce them to a bare minimum so university academic rigor would be maintained, and high-quality research could be achieved.

7.2 Future research

Based on findings and analysis, discussion, and limitations parts of this document, the following future research is suggested:

1. Since BMI is not unique to China but happens all over the world, a future research project would benefit from investigating the concept on several continents to identify similarities and differences in the approach shown by different companies. This research was limited to large corporations, however a focus also on SMEs would be beneficial. In one of the conducted interviews for this study an interviewee revealed that many SMEs had changed their BMs drastically in China, such as hairdressers only selling value cards containing 10 or 20 haircuts without the option of buying only one. By including the SMEs, you would obtain a more holistic understanding of the topic. Future research should still keep the 'Magic Triangle of BMs' to prove that BMI has taken place, as it is a neat procedure which easily can showcase different cases.
2. In addition to qualitative data, future research could enhance its quality by including quantitative data in a mixed method research to assess companies' success or failure. This should be done with datasets across many countries and if done in combination with the first suggestion more comprehensive research would be developed. By the inclusion of a longitudinal study spanning over several year, other conclusions may be drawn compared to the ones this research allows for.

8. Conclusion

This Master's Thesis aimed to answer the two RQs *"How do Chinese' companies leverage Business Model Innovation in times of crisis?"* and *"What can Western companies learn from them?"* with the help of a multiple-case study. The first question was answered by displaying four case companies which showed that their approach differed according to their selected strategy and BM. Ideal Jewellery chose a responsive strategy as they were heavily affected by the epidemic. No Frills BM is a perfect companion with a responsive strategy, as you cut costs and prices to reach the masses. Freshippo chose a collective strategy since they needed employees immediately. They are owned by Alibaba and already have advanced technological solutions in place, so a Make More of It BM makes perfect sense. NIO chose a proactive strategy since they used the time of crisis to strengthen their relationships with their costumers and create customer loyalty. ByteDance was not affected by the crisis at all and therefore they chose a partnership strategy where unused resources could be monetized, and more users would flock to their platform at the same time. The Open Business BM fits them perfectly and it is highly likely that they will keep this BM also after the end of the epidemic.

The second question's answers showed that Chinese companies skillsets differed from their Western counterparts. By rapid adjustments of their BMs and acting fast when unexpected events take place, they avoid bankruptcies to a high degree. Another approach which is not common in the West, is co-creation of BMs together with their customers. This is proven to be highly successful, and the customers become highly loyal in the process. In addition to this, Chinese companies have shifted from being copycats to become innovators. Their skillset is something any Western professional should take inspiration from and import to the West.

Based on the presented evidence from primary and secondary data collected for this research, the topics introduced in the literature review were confirmed and assessed against real-life cases. The four BMs was tested with the framework 'Magic Triangle' against the case companies approaches and it is confirmed that BMI had taken place since all had changed a minimum of two dimensions as per the definition of BMI this research followed. The research also focused on the specific Chinese context. To gain a holistic understanding, a thorough investigation into the historic, cultural, and societal aspect were completed and the analysis focused on what the West can learn from the East. Why Western giants fail, when they parachute their best executives into headquarters in Shanghai is evident, as they do not understand the specific Chinese context with elements such as Mianzi, Guanxi, and special value propositions.

The researcher learned that BMI is a widely complex area but indeed an exciting one which has the potential to be the most important one for any organisation and the four cases showed that in some cases small changes may open new revenue streams. Instead of waiting for crisis to innovate, there is always the option of adopting a proactive strategy with the slack resources available in a firm. Any company can innovate their BMs any this is generally a less expensive approach than product or service innovation. All BMs presented in this study can be applied to any Western company, as they are well-known BMs adopted across industries.

This research aimed to fill the gap in existing BMI literature. Even though the field is widely popular, there are not many articles covering BMI in a combination with strategy and the Chinese context and this study hopes to contribute to the area. For future work, it is recommended to investigate the other two directions of BMI presented in this paper, to study companies across countries in a longitudinal study, and to test out other BMs as the four presented are a small sample of all available BMs.

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