The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin-off companies.

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Abstract

This paper explores the role of the business model in capturing value from early stage technology. A successful business model creates a heuristic logic that connects technical potential with the realization of economic value. The business model unlocks latent value from a technology, but its logic constrains the subsequent search for new, alternative models for other technologies later on—an implicit cognitive dimension overlooked in most discourse on the topic. We explore the intellectual roots of the concept, offer a working definition and show how the Xerox Corporation arose by employing an effective business model to commercialize a technology rejected by other leading companies of the day. We then show the long shadow that this model cast upon Xerox's later management of selected spinoff companies from Xerox PARC. Xerox evaluated the technical potential of these spinoffs through its own business model, while those spinoffs that became successful did so through evolving business models that came to differ substantially from that of Xerox. The search and learning for an effective business model in failed ventures, by contrast, were quite limited.

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