CONSTRUCTING BUSINESS MODELS AROUND IDENTITY: TENSIONS IN ARCHITECTURAL FIRMS

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Architectural firms experience difficulties to establish healthy and sustainable business models as they have to reconcile the often-competing value systems that they are based upon. Organizational members continuously negotiate professional values and beliefs with the firm's commercial goals, resulting in identity-strategy struggles. This study adopts a 'work lens' to investigate the reciprocal tensions between identity and strategy in 17 business model design workshops with members of architectural firms. Observational data show that practitioners collaboratively construct their business models around professional values, thereby strengthening organizational identity but constraining innovation in their business models. The research contributes to the literature on strategic management of architectural firms by articulating how professional aspects of identity enable and constrain practitioners to shape and be shaped by their strategic actions and decisions.

Keywords: business model, identity tensions, strategy-as-practice, value creation

INTRODUCTION

Architectural firms continuously deal with identity-strategy tensions as they pursue multiple strategic goals and organizational members identify with different social groups, such as the organization, the inter-organizational project team and the profession, of which values and beliefs may be conflicting (Vough, 2012). Identity-strategy tensions complicate the creation and maintenance of healthy business models. It was found that architectural firms, for instance, regularly prioritized professional value over monetary value, as the architects of these firms tried to be good professionals (Bos-de Vos et al., 2016). Thus organizational outcomes can suffer from the identity-strategy tensions that firms encounter.

A better understanding of the relationship between strategy and identity seems crucial to unravel the dynamics that are involved in organizational processes and outcomes of architectural firms. Oliver (2015) argues that identity and strategy practice mutually shape each other. Strategy enacts identity claims and may also lead to changes in the identity of organizations or organizational members (Ibid.). Although scholars have increasingly called for more consideration of identity work in strategy research (Jarzabkowski and Spee, 2009), empirical work is still limited. Architectural firms are even more under-researched. This could be attributed to architects’ reluctance to think in...
strategic terms because of their strong professional ethos and creative needs (Winch and Schneider, 1993).

In this study, we investigate how identity-strategy tensions play a role in strategizing processes within architectural companies. Specifically looking at the group interactions during 17 business model design workshops in Dutch architectural firms, we address the following research question: How do members of architectural firms negotiate identity-strategy tensions in their business model designs and how do their business models impact existing identity claims? A ‘work lens’ (Phillips and Lawrence, 2012) was adopted to investigate the links between actors’ strategy work and identity work. The study contributes to the literature on strategic management of architectural firms by improving the understanding of how the micro actions of individuals and groups in architectural firms connect to the projects, organizations and profession in which those actions are located and to which they contribute. The study may also be helpful to practitioners to improve their strategizing activities and informative to architecture students who wish to start their own businesses.

IDENTITY TENSIONS IN ORGANIZATIONS

Identity is a multilevel construct that can be understood as the self-concept of an individual or social group (Ashforth et al., 2008). It is a self-referential description that provides contextually appropriate answers to the question ‘Who am I?’ or ‘Who are we?’ (Ashforth et al., 2008). The shared belief among organizational members about the organization’s central, enduring and distinctive characteristics is what defines organizational identity (Scott and Lane, 2000). Although identity has often been conceptualized as stable (Albert and Whetten, 1985), scholars increasingly emphasize the socially constructed and fluid nature of identity (e.g. Gioia et al., 2000). According to Alvesson et al., (2015: 3-4), identities “are constituted, negotiated, reproduced, and threatened in social interaction, in the form of narratives, and also in material practices”. Identities thus require repeated work to be constructed and sustained. The concept ‘identity work’ captures the dynamic nature of creating a sense of self in relation to the environments in which one is embedded (Phillips and Lawrence, 2012). It focuses on the on-going processes of work that people engage in to form, repair, maintain, strengthen or revise identity constructions that provide them with a sense of coherence and distinctiveness (Ibid.). Identity work links individual agency with the broader social context (Kreiner and Murphy, 2016). On the one hand, individuals are influenced by the norms, opportunities and constraints of the broader social structure. On the other hand, individuals’ feelings, thoughts and behaviours collectively build, change or even transcend social structures (Ibid.). As individuals and groups occupy positions in many different networks of relationships, they uphold different social identities at the same time, often causing identity struggles or conflicts. In the contexts of organizations, the existence of multiple social identities encourages identity work at and across different levels, including the individual, group and organizational level.

RELATIONS BETWEEN IDENTITY AND STRATEGY

The relation between people’s identities and their strategizing activities has often been overlooked in management research, yet is now gaining increasing attention (Johnson et al., 2010). Recent research emphasized that identity and strategy have a mutually shaping relationship (Oliver, 2015). Actors enact identity claims in their strategizing activities, and their strategizing processes may also lead to changes in their own, their groups’ or their organizations’ identities (Ibid.). Research avenues for studying the reciprocal relations between identity and strategy seem especially connected to the strategy-as-
practice (SAP) perspective. SAP scholars consider strategy something that organizational members do and not just something that an organization has (Whittington, 2006). A strong process orientation helps SAP researchers to provide important insights into how practitioners are enabled and constrained in their actions and decisions by wider organizational and/or social practices (Jarzabkowski and Spee, 2009). Strategizing refers to the ‘doing of strategy’. Strategizing research explicitly focuses on the human activity that is involved in strategy by studying the actions and interactions of multiple actors and the practices that they draw upon (Jarzabkowski et al., 2007). In line with the ‘turn to work’ in management research, Phillips and Lawrence (2012) emphasize the importance of studying different forms of ‘work’ in relation to strategizing. A work lens helps to look beyond the day-to-day work in organizations by focusing on the “goal-directed efforts” that actors individually or collectively use “to manipulate some aspect of their social-symbolic context” (Phillips and Lawrence, 2012: 227). It thus makes a connection between what actors are doing to influence their own paths (action), why they are doing it (intention) and what the consequences for the organization are (outcomes). Phillips and Lawrence (2012) argue that scholars can significantly enrich the understanding of strategic organization by getting engaged in how individuals and organizations purposefully relate their activities and decisions to their surrounding contexts with different forms of work. Building on the definition of strategy work as “the purposeful activities carried out by actors in the production of strategies” (Phillips and Lawrence, 2012: 225), we specifically examine tensions that arise from the link between actors’ identity work and strategy work.

RESEARCH CONTEXT: THE BUSINESS MODEL

The architectural firm's business model was chosen as an empirical setting as it represents an area of strategic decision making in which identity-strategy tensions are particularly salient. Good business model designs are important, as they help to build and maintain a competitive advantage (Teece, 2010). A business model comprises a multitude of strategic decisions, including decisions about customer value propositions, necessary resources and partners, suitable cost structures and revenue streams (Zott et al., 2011). By representing an organization’s essential value creation and capturing activities in an abstract and reduced form, business models can be helpful tools in the strategizing process. They serve as “cognitive devices that mediate between managerial thinking and engagement in economic activities” (Aversa et al., 2015: 2). Although the business model literature offers substantial knowledge about how business models work or become innovated, relatively little is known about how business models are crafted in practice (Rumble and Mangematin, 2015). Architectural firms generally employ multiple business models, as they predominantly work in temporary project settings that all have unique environmental contexts (Wikström et al., 2010). Each individual project thus requires a (slightly) different strategy. In architectural firms, professionals dominate the decision-making hierarchy. Due to their strong professional ethos, strategic decisions are always taken against the backdrop of professional values and beliefs, often jeopardizing the pursuit of commercial interests (Bos-de Vos et al., 2016). Identity-strategy tensions are thus inextricably linked to the business models designs of architectural firms.

RESEARCH APPROACH AND METHODS

To capture the reciprocal tensions between identity and strategy in the business model designs of architectural firms, we opted for a process research design (Langley, 2007) that allowed us to observe interactions in concentrated modes of strategy-making (Jarzabkowski and Spee, 2009). We choose to organize business model design
workshops in multiple architectural firms. This enabled us to develop a better understanding of strategizing in architectural firms, of which still extremely little is known, and to see how this process is impacted by identity-strategy struggles. Due to the background of the authors, we chose to study the business models of Dutch architectural firms.

Sampling was based on two principles. First, we selected firms that have architecture at the core of their business model. Second, we wanted the sample to cover different types of architectural firms in the Netherlands to investigate whether the business model design process would be different for firms with different age, size or leadership positions. This resulted in 17 diverse architectural firms (see Table 1).

Table 1: Firm selection

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Data were collected over a period of two months, during which we organized business model design workshops in 17 different firms. The 17 workshops were all conducted by the same two researchers, including the first author, to ensure robustness. One researcher acted as the moderator, the first author had a participatory observant role and kept track of the process, decisions and outcomes of the workshop in an event log. The workshops were video-taped entirely and further documented with pictures. We used a group setting to enable participants to interact with each other. The group dynamics can reveal insights that are difficult to achieve in individual interviews. We chose to apply a structured workshop format, which had two main aims: First, we wanted the workshops to be similar to the firms’ regular strategic meetings on a structural level. We therefore collected the data at the firms’ locations and asked the management of each firm to select the participants. The groups of participants ranged between 2 and 7 people. In a workshop
with a small firm, only one person participated. In addition, we asked each firm at the beginning of the workshop to select a new or recently started project as the topic of discussion to ensure actual strategizing. Second, we wanted the workshops to be similar to each other on a content level. We therefore chose to use exactly the same methodology for each workshop. In each session, we pasted a large print-out of a project-based business model design framework on the wall and used this framework as a cognitive mapping tool (Ambrosini and Bowman, 2001). The framework was specifically developed for architectural firms in a previous study (Bos-de Vos et al., 2017) on the basis of business model and project governance literature, field reports and interviews with Dutch architects and clients. The participants were given Post-it notes to fill in the framework. This process was divided into nine steps, which successively paid attention to the firm's value proposition, value capture goals, activities, risks, resources, partners, costs, revenue model and agreements in the project. The workshops all started with an introduction in which we showed the framework and explained each step with examples of possible answers. Firm-specific and project-specific information were gathered additionally for triangulation purposes.

Data analysis is still ongoing and consists of four iterative steps, which result in the construction of a ‘discursive event history database’ (Hardy and Thomas, 2014), including what was said when and by whom. We used the software program MAXQDA as a supporting tool. In the first analytical step, the process of each workshop was thoroughly analysed by replaying videos on the basis of the event log. We further refined the observational data in our event logs and added additional detail with quotes. In the second step, we coded instances of identity work in the observational data. We particularly focused on the purposeful efforts of actors to form, repair, maintain, strengthen or revise their sense of self vis-à-vis the surrounding contexts of the group, the organization, the inter-organizational project team and the profession (Phillips and Lawrence, 2012). Third, we searched the data for different forms of strategy work. We coded all the efforts that actors engaged in to arrive at a business model design. The framework that participants filled in during the meeting was used as a reference frame of the strategic decisions that were taken during the meeting. Our fourth analytical step aimed to locate interactions in which identity and strategy were strongly interrelated and to identify overarching patterns in the data of the different workshops. We examined the different identity-strategy interactions along the spectrum of what actors were doing (action), why they were doing it (intention) and what the consequences for the organization were (outcomes) (Phillips and Lawrence, 2012). Outcomes of our analysis will be discussed with practitioners for validation and authorization purposes.

CONSTRUCTING A BUSINESS MODEL

We use episodes from the workshop at ARCADE to present and discuss the findings of our study. The ARCADE meeting was chosen as exemplary because it represents the core aspects of the interaction that we observed in different strategy meetings.

What are the actors doing?

While Alan, an owner-architect, is quietly contemplating the framework that is pasted on the wall, office manager Leon thoroughly explains that what they are doing in the project can be further abstracted to what they want to do as a firm. “How do we as an office make sure that we acquire the portfolio that we want to work on?” He argues that although his organization’s established “stature” in the field previously generated the public work that employees are willing and happy to work on, they now have to adopt a more active attitude to get this kind of work. Alan seems to agree completely. He walks back to his chair without any facial expression. Alan and Leon both acknowledge that the “public work” that
they have extensive experience with is simply becoming less available in the future, which forces them to enter a new market segment.

The episode above illustrates how strategy and identity were often interwoven during the workshops. The quote “How do we as an office make sure that we acquire the portfolio that we want to work on?” exemplifies that the actors chose to discuss projects that were not only intended to get future work, thereby ensuring organizational continuity; the projects also needed to fit the organizations and the professional beliefs of organizational members. Actors saw the discussed project as an intermediary between strategies (i.e. what they wanted to do to enhance their competitiveness) and identity (i.e. what they wanted to represent as a team of professionals). The strategy related discussions brought to the fore that organizations did not want any type of project. Strategy work helped the actors to reaffirm who they are and what they stand for as an organization, thereby strengthening their professional identity. Regarding this identity, we often observed a strong consensus between the actors. Alan’s quietness and neutral facial expression during Leon’s story, for example, illustrate that Leon’s story is something that they have discussed before and which has developed into a shared understanding. Similar situations were observed in many of the meetings. This strong organizational identity also seemed to influence the strategy work that the actors engaged in to enhance their commercial position. It was because of their strong professional identity that firms decided to engage in the discussed projects. Actors perceived the chosen project as a perfect representation of who they are or who they want to be. They also felt that the project would represent work that was attractive to their people. Participants thereby saw the project as a way to further explicate their organizational identity in the field and to demonstrate what they stand for as a team of professionals.

While considering the revenue models that would be appropriate for the project, Alan almost immediately points out that his organization uses two types of revenue models: a “fixed fee” or an hourly based fee. He mentions that the fixed fee is the most attractive because it allows his firm to make money as his team is able to come up with a design very quickly. Leon agrees and brings to the fore that in this particular case, the second model [an hourly based fee] could also have its benefits, especially because of the uncertainties that may be associated with the existing real estate that they have to deal with in the project. After having a quick back and forth about the two, Alan and Leon anonymously decide that there is no real urge to go for the second option and that the fixed fee model would do just fine in this project.

This episode shows how many participants discussed strategic options based on familiarity and previous experiences. The projects that were discussed, however, often included features that were considerably different from earlier business. In the example, it is Alan’s and Leon’s first time working for a private, profit oriented client instead of a public commissioner. Hence, the project is very different from their former projects. From a commercial perspective, this could provide an interesting opportunity to explore alternative revenue models. Nevertheless, the actors and many of their colleagues in similar situations did not consider other strategic options.

**Why are the actors doing this?**

Alan and Leon’s behaviour is illustrative of how a large majority of the architects stayed away from exploring commercial options during the workshops. This might partly be explained by a lack of knowledge among the participants. Apart from some individuals who showcased a clear interest or expertise in the business site of their work, participants, for example, often seemed not aware of what a revenue model exactly is or what different types of revenue models can be used. The episode below illustrates another reason for the participants’ disregarding of commercial alternatives.
It is only after the moderator’s intervention that Alan and Leon start to discuss other options that could be financially attractive. They immediately agree that this project is just not suitable for innovative revenue models. Talking about a fee based on the sales price of the to-be-developed real estate, they both continue to shake their heads and Leon summarizes that it would not enable them to work with the “joy” and “enthusiasm” that they aim for. He argues that it does not fit their firm’s intentions to design something that is commercially attractive. Chuckling, Leon says to Alan: “I think we have quite a strong opinion about things that do well in the market: that’s not necessarily architecture, it does not fit the signature that we deliver and have”.

The episode illustrates how practitioners feared that new revenue models would jeopardize their professional duty towards the client, society, or would harm their own professional fulfilment. Leon’s call for “joy” and “enthusiasm” in their work is a clear example of the latter. The interaction between Alan and Leon unravels that the two individuals have a strong shared belief about what the end result of their architectural work should be, which, in their opinions, is not in line with what people are currently willing to pay for. Their interaction thus suggests that the firm’s professional service is not suitable for commercial optimisations. Other observations underline how professionals feared that the core values of their architectural work would not stay intact if they would engage in other, more commercial revenue streams. An owner-architect, for example, stated that even if he would have the money, he definitely would not want to co-finance the project. Direct commercial ties to the project were not considered lucrative by firms as the professionals would then no longer be in the position to comment on the project as “independent advisors”. In the opinion of many participants, this independency is crucial to guarantee a ‘pure’ service provision role and thereby to deliver optimal quality of the end-product. Participants argued that a revenue model that allows the firm to profit from product optimisations would give firm members the wrong incentive. Similar to other participants, Alan and Leon referred to what they stand for as a professional organization to justify why they refrained from exploring alternative business approaches for the project. Other examples in which business model innovation was consciously prevented include firms that initiated a project, but deliberately did not make any financial agreements with their potential clients. Although participants acknowledged that it would probably have been better to make such arrangements, they argued that it “might give the wrong signal to the client” and harm their mutual trust.

CONCLUSIONS & DISCUSSION

Framing the business model design

Our findings illustrate how identity and strategy had a mutually shaping relationship during the process of business model design: 1) We found how strategy work helped practitioners to strengthen their organizational identity during business model design. The interaction among participants helped to put identity on the table and to contrast their specific organizational identity to that of other organizations. While pondering about strategic options, actors brought to the fore what they wanted to represent as professionals, thereby reinstating or strengthening their shared understandings of their organizations' central, enduring and distinctive characteristics (Scott and Lane, 2000). In many of the situations, the professional identity of participants seemed surprisingly well aligned. Even actors who were not educated or trained as architects, such as office managers or owners with a non-design background, exhibited a strong sense of professional belonging. This reveals how the organizational identity of architectural firms is inextricably linked to the professional identity of its members. 2) The observations also show how practitioners used identity work to frame their own strategies during the process of business model design. The data provide evidence that actors
continuously related their strategic options and decisions to the values and beliefs that they have as professionals. Because of their strong professional identity, practitioners often waived commercial alternatives away, thereby constraining the strategic options that might be suitable. We found evidence that a similar framing also occurred prior to the workshop. Although the discussed projects had only recently started or still had to be initiated, the firms’ business model designs were often largely crystalized. This became apparent by the way in which actors discussed about the project in retrospect and/or gave explicit examples of decisions that had already been made.

**What are the consequences for the organization?**

Whether the framing of the strategizing process is a good thing or a bad thing with respect to organizational outcomes is an interesting discussion. On the one hand, the practitioners’ framing allows organizations to avoid risks as they can simply follow the business approach that they have tried out in many other projects. A context in which the professional organization is valued because of its services and approach would be an ideal environment for this risk-adverse behaviour. On the other hand, it seems to make organizations extra vulnerable to constraints coming from outside, such as unexpected budget cuts or unforeseen difficulties in the relationship with other organizations. Professional services are increasingly devalued and contested. When operating under such conditions, organizations often have to fight for a desired role in the collaboration with other organizations (Bos-de Vos, Lieftink et al., 2017). They can either try to claim this role by demonstrating their professional expertise; or change their business approaches and consequently also their organizational and members’ identities to acquire this role in new ways (Ibid.). Professionals who do not want to change their identity might benefit from communicating their strategic decisions and underlying rationale to the other actors that are involved, so that these actors become aware of why it is so important to use a ‘traditional’ revenue model or to avoid the interference of partners.

**IMPLICATIONS**

Even though the involved practitioners are all used to be creative, creativity in their business approaches seemed limited and further constrained by professional identity. This shows that the professional context highly influences the strategizing of professionals and the outcomes for their firms. It supports the idea that although actors are able to influence their own paths, they always carry with them the enabling and constraining factors of the context that they are embedded in and that they identify with (Phillips and Lawrence, 2012). Hence, practitioners who wish to arrive at healthy business models need to unravel the benefits and threats of their surrounding contexts during business model design. Our study highlights the importance of cross-work related research to develop a better understanding of the dynamics that are involved in organizations with multiple strategic goals and multiple identities.

The feedback that we received at the end of the strategy meetings showed that the involved practitioners were not used to strategize in a systematic way. Many participants described their regular strategizing activities as ‘ad hoc’, and ‘sporadic’. Participants were, however, surprisingly enthusiastic about the structure that was provided. Although some people explained that the way in which the strategy workshop was organized would just not work for their organization, being too time-consuming or because the firm leaders would just go their own way; a majority of participants argued that the workshop had explicated relations and tensions that they normally do not consider in depth. This shows that architectural firms may benefit from more structured strategizing on a regular basis. It also demonstrates the need for more (action) research on strategizing in architectural
firms to develop a profound understanding of strategy-making and how this can potentially be improved.

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