Scuola di Dottorato
Università DEGLI STUDI DI MILANO-BICOCCA

Department of Business and Law Di.SEA.DE
Business for Society PhD program
37th Cycle

Pathways of Business Model Innovation:

A Process Perspective on Theory, Industry Evolution, and Firm-level Transformation

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Academic Year 2024 / 2025

A thesis submitted for the Degree of
Doctor of Philosophy *(Ph.D.)*

October 28th, 2024

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1. Introduction

This thesis provides a comprehensive process perceptive on Business model Innovation (BMI) across theory, industry evolution and firm level transformation. On a large scale its aim was to explore the concept of BMI taking the process perspective on the phenomenon.

The debate on BMI started from the defining the building blocks of a firm's Business Model that are exposed to an innovation process (Chesbrough & Rosenbloom, 2002; Osterwalder & Pigneur, 2004; 2010). The concept then started to be represented as a linear process incorporating frameworks from (1) innovation management (Bucherer et al., 2012; De Reuver et al., 2013; 2017; Frankenberger et al., 2013; Eurich et al., 2014; Zhang et al., 2016; Winterhalter et al., 2017; Brenk et al., 2019); and from (2) design design thinking prototyping (Griotra & Netessine, 2013; Zott & Amit, 2015; Cosenz & Bivona, 2021; He & Ortiz, 2021; Allweins et al., 2021). Although this approach provided a sense of motion to the BMI process, at the same time, it froze it in a linear "from point A to point B" logic with a clear outcome of gaining a competitive advantage in the end. To address this issue, the process of BMI was proposed as an circular trajectory of experimental learning loop, borrowing the phenomenon from (3) organizational learning view (Tushman & Anderson, 1986; Sosna et al., 2010; Teece, 2010; Andries et al., 2013; Khanagha et al., 2014; Berends et al., 2016; Laudien & Daxbock, 2016).

The most significant limitation of linear and circular views is that they give a misleading idea that the BMI process could be replicated, prototyped, generalized and simplified. The complexity reduction in this view limited the impact of the unpredictability of internal and external conditions that might influence the BMI process. Recently, the scholars adopted a multiple open-ended view on BMI process (Villani et al., 2017) that incorporates its relational (Laasch, 2019), temporal (Corallo et al., 2019; Schneckenberg et al., 2019; Nailer & Buttriss, 2020; Freisinger et al., 2021), and spatial aspects (Snihur & Wiklund, 2019; Ammar & Chereau; 2018). The lens of a process theory can additionally characterize it as human-driven and implemented across different levels by people (Langley, 1999; Langley et al., 2013), implying its interconnected and interrelated nature that engages entities, activities and other processes (Tushman & Romanelli, 1985; Rescher, 1996; Nailer & Buttriss, 2020).

These recent developments in the field could be viewed as an invitation to unpack the intrinsic complexity of BMI processes (Smith et al., 2010; Berends et al., 2016; Visnjic et al., 2017, 2018; Sjödin et al., 2020a, 2020b; Boldrini et al., 2021; Andreini et al., 2022) places within uncertain and ever-changing spaces and times.

Given the premise, several research gap emerges: (1) While the process of BMI has been regarded as a multidimensional dynamic phenomenon that unfolds in a multidimensional complex environment, the scholars that adopt process view tend to oversimplify and identify a universal model to be engineered and applied in any contest. (2) Traditional research on BMI typically focuses on positive benefits and outcomes of BMI (Foss & Saebi, 2017; Schneider & Spieth, 2013) its ability to generate economic value, enhance firm performance, gain competitive advantage and promote growth (e.g., Zott & Amit, 2007; Teece, 2010; Amit & Zott, 2012; Björkdahl & Holmén, 2013; Foss & Saebi, 2017; Ammirato et al., 2022; Zott & Amit, 2015). Yet, those benefits can be also associated with short-term strategic orientation (DaSilva & Trkman, 2014) limited on superior financial returns and economic growth that has a significant impact on social, cultural and environmental challenges (Nidumolu et al., 2009). (3) This extents to the higher theoretical limitation of past literature on BMI process that is inherently tied to the dominant model of the firm, which draws on neoclassical economic theory (Brenner & Cochrane, 1991; Key, 1999; Stormer, 2003), (4) which also reveals that social and cultural values in BMI process formation are often neglected (Gasparin et al., 2021).

To solve this predicament, the research should escape the logic of defining the process framework of BMI applying mainstream theoretical interpretations but try to go deeper into the phenomenon's complexity and embrace it. It also implies revising the Business model innovation as a concept and what it represents from empirical and historical perspectives.

Therefore, this research aims to address these gaps and provide a novel perspective on both theory and practice by asking the following questions: What is business model innovation as a theoretical concept? What does the business model innovation process look like empirically when studied from a more critical perspective? And, consequently, what kinds of impacts can this process generate?

To rigorously achieve the research aims and answer the research questions, it was essential to explore the topic from different perspectives and levels of analysis. Accordingly, the author developed three distinct studies: (1) a theoretical paper on Business Model Innovation (BMI); (2) a

critical historical paper on the formation of dominant BMI trajectories at the industry level within luxury fashion; and (3) a single case study of a large manufacturing firm to examine the ongoing business model innovation process.

This strategy enabled a multilayered understanding of the phenomenon, explicitly allowing for the development of a novel theoretical assumption that BMI is an inherently path-dependent process shaped by both internal and external conditions. This theoretical assumption was then validated by historical analysis of the luxury fashion industry from 1945 to 2024, which further revealed that while path dependency is inevitable in the BMI process, the challenge lies in the forces shaping that path and their impact on industry structure, society, culture, and the planet. The focus on generating financial value within the BMI process can legitimize unsustainable and unethical practices that become normalized for the sake of economic profits and competitive advantage.

These findings underscore the need to research innovative business models that approach the BMI process differently, aiming for values beyond economic growth. Accordingly, the third paper empirically investigates the BMI process within a large Italian denim manufacturing firm that pursued a counterintuitive strategy to restore customer value systems and address adverse market changes. By activating culture-driven strategies based on tacit cultural knowledge, this approach acts as a disruptor of the prevailing compromised dominant logic. Therefore, this paper offers hope for improving the business environment and encourages other scholars to expand the scope of BMI research by incorporating various values as drivers, including social, cultural, and economic ones.

***Methodology*:** To reach the research goals and properly answer the research questions of individual papers, ensure comprehensiveness of the findings and research rigor each of the three paper included in this dissertation represent different methodological choice. The conceptual paper is essentially a theoretical study based on an overview of literature on Business Model Innovation and its process perceptive. The was developed following the guidelines of AMJ Review (Thatcher & Fisher, 2022). The chosen path was to synthesize divergent perspectives and schools of viewing BMI process into novel theoretical lens of evaluating the BMI process. To do so the author overviewed seemingly disparate theoretical domains of the field and integrated the ideas from them into novel theoretical insights by the application of the metaphor (Schön 1993), a common practice in social sciences and philosophy to understand a complex phenomenon and explain it through a novel lens (e.g. Adner, 2006; Lord et al., 2015; Epperson, 2019). The second paper follows the interpretivism paradigm as a research philosophy and therefore adopts a qualitative methodology of

critical (Willis, 2007) historical analysis (Decker et al., 2015). The critical approach is ensured by the engagement in the data analysis of secondary longitudinal data on business model innovation processes within luxury fashion industry. It allowed to challenge and existing dogmas (Alvesson & Deetz, 1999; Adler et al., 2007) in BMI research putting it in a cultural, social and environmental context of Anthropocene (Brooks et al., 2017). It gave an opportunity to review the practices accommodated within the BMI process that contributed to the formation of asymmetries (Alvesson & Deetz, 1999; Adler et al., 2007) at industry level, society and planet in general term. The third paper, i.e. the revelatory case study (Yin, 2009), while remaining within interpetisism paradigm and qualitative methodology, adopts different techniques in data collection and analysis. For the prescriptions of an inductive research (Thomas, 2006) the author combined grounded theory method (Glaser & Strauss, 1967) and process theory (Langley, 1999), the data was collected from semi-structured long interviews and secondary data as well. The data analysis follows the so-called Gioia method (Gioia et al., 2013; Gioia, 2021), which involved three-stage data coding and further theorizing of key conceptual categories (Suddaby, 2006; Eisenhardt et al., 2016; Williams & Moser, 2019).

Main findings:

BMI Process and the Interplay of Internal and External Forces in BMI: This research proposes a novel theoretical approach to understanding the process of BMI. Based on a review of various perspectives on the phenomenon, including its catalysts, drivers, and contributing factors to process formation, the author concludes that these perspectives do not fully reflect BMI's dynamic complexity. By revisiting the process through a general relativity metaphor, the author suggests that the BMI process could be considered within a spacetime dimension, illustrating it as dynamic yet inherently path-dependent. It is shaped by external forces across broader systems (ecosystem dynamics, alliances, external stimuli such as technological innovations, market changes, and competitive pressures) and by firms' internal forces and decisions (dynamic capabilities, founding principles, managerial cognition). This reasoning supports the theoretical proposition that the influence of an industry leader creates an environment within the system that compels other players to follow a similar trajectory, often replicating the leader's business model (BM). This path dependence can have significant consequences, as the trajectory may result in strategic collapse.

The Costs of BMI Path Dependency: The research offers empirical findings on the path-dependent nature of BMI and the long-term consequences of growth-driven business models that

may dominate the industry, pushing it to follow a leader's trajectory. This finding suggests that recognizing the path-dependence of growth-driven BMI processes reveals a "dark side" of the process, where social, cultural, and ecological factors are deliberately disregarded in favor of financial outcomes. This focus creates societal imbalances and industry "lock-ins, " eventually leading to crises. The research also provides industry-specific insights into luxury fashion, where oligopolistic dominance contributes to the erosion of cultural capital within countries and the devaluation—and potential extinction—of craftsmanship. Reviewing the BMI process within the broader socio-environmental context of the Anthropocene enables the generation of a significant finding: that the path-dependence of BMs toward the model of an industry leader can shape industry trajectories toward environmental degradation and considerable social and cultural consequences, including the development of overconsumption cultures, ecological catastrophes, and modern slavery, which facilitate unethical practices.

Systemic Change through Non-Traditional BMI Processes: The findings suggest unconventional approaches to the BMI process capable of disrupting the dominant, growth-driven business model logic. Sustainable Innovation Imprinting — the gradual adoption of sustainable innovation practices within a firm and their integration into its core operations — serves as an antecedent to the BMI process, determining its direction and guiding it in a specific path based on the BMI's intended purpose.

Cultural Strategies to Counterbalance Growth-Driven BMIs: According to this framework, a firm's cultural capital functions as a driver of the BMI process, with the potential to reshape customer value systems by providing benefits that extend beyond financial performance. The research also indicates that while the BMI process is conventionally viewed within the context of technology, digital transformation, and economic growth, firms can innovate outside these mainstream norms. Firms can generate outcomes that significantly benefit society, culture, and sustainability by embracing innovation through hyper-localization and craftsmanship rooted in cultural strategies.

BMI as a Multilevel Triple-Parallel Process: The research reveals that the BMI process can encompass at least three parallel and interconnected BMI processes, suggesting it may unfold on multiple levels within a single firm. The analysis indicates that managing these multilayered processes requires oversight and presents an opportunity to create purposeful entanglements among

them, as these connections offer strategic value through enhanced internal synergies and knowledge spillovers.

Main contributions: This thesis makes several contributions to both theory and practice. First, the thesis bridges mainstream and critical literature on BMI and its processes. Although integrating these perspectives is not a common approach in management studies, within research it was an operational approach for novel theoretical interpretation and generating new propositions within BMI theory. This approach helps characterize BMI as a complex, interconnected, dynamic, human-driven, and path-dependent phenomenon. This contribution leads to the second: a theoretical proposition that conceptualizes the BMI process as a spacetime trajectory, precisely resembling a helix. To the author's knowledge, this is the first theoretical representation of the BMI process illustrating its dynamic, continuous nature, the interdependence of internal and external factors and actors, the role of dynamic capabilities, and the inherent path dependence of the phenomenon.

Second, this thesis contributes to BMI theory by proposing several new theoretical concepts and interpretations: (i) a redefinition of the BMI process as a dynamic, path-dependent trajectory through which firms create conditions necessary to unlock internal capabilities for innovative value creation. This process unfolds across multiple levels within the firm and concerns external forces shaped by the firm's historical decisions and the prevailing industry logic. As the BMI process is both spatial and temporal, it is proposed to consider it as a spacetime dimension, capturing both linear and cyclical views of the BMI process; (ii) the conceptualization of Sustainable Innovation Imprinting as the gradual embedding of sustainable innovation practices within the firm's operations. This phenomenon functions as an antecedent to the BMI process, determining its trajectory and guiding it in a specific direction depending on the firm's primary purpose for BMI; (iii) the identification of triple parallel BMI processes enabled by the entanglement of processes for knowledge spillover and potential value capture, contributing to higher socio-cultural impact; and (iv) recognition of culture as tacit, firm-level knowledge that drives BMI, enabling firms to innovate customer value systems and counteract adverse market and environmental changes.

Third, the critical historical analysis of luxury fashion allows for a deeper consideration of BMI's "dark side" and its historical evolution, challenging the mainstream research dogmas that typically view BMI outcomes as positive. Moreover, this analysis challenges the professional assumption that industry leaders set best practices solely based on financial performance. By

highlighting the broader impacts of BMI, the research questions the dominance of these leaders, given their contributions to negative societal, cultural, and environmental impacts.

Fourth, including social, environmental, and cultural values as BMI process outcomes provides an opportunity to balance growth-driven processes at the firm level and contribute positively to society at large. This approach also offers a practical contribution by providing a new lens through which to approach the BMI process in real-world cases, considering the impact of BMI beyond financial gains and its implications for the firm, industry, society, and the planet.

Structure: As previously stated, this dissertation comprises three papers, each grounded in the theoretical field of Business Model Innovation (BMI). It unfolds according to the following structure. First, the author presents a conceptual paper on the process view of Business Model Innovation, titled "Reconceptualizing Business Model Innovation: A Spacetime Trajectory Perspective". This is followed by the second empirical paper, "The Unavoidable Path: How Business Model Innovation Has Shaped—and Trapped—the Fashion Industry within the Anthropocene," a longitudinal study examining the luxury fashion industry and the formation and evolution of its dominant business models. The thesis concludes with the third paper, "Woven Denim Tales: The Case of BMI Process in Candiani Denim, the 4th Generation Italian Denim Manufacturing Company," an empirical investigation of the BMI process at the single-firm level, written in co-authorship with Fabrizio Maria Pini, Ph.D, POLIMI Graduate School of Management.

2. Use of AI tools declaration

The author declares that there was no Artificial Intelligence (AI) tools used in the generation of the original content for this thesis. The author declares that the use of Artificial Intelligence (AI) tools was used in parts of the thesis for the editing purposes exclusively in form of grammar and punctuation checks and improvement of the language fluency.

3. Acknowledgments

This thesis represents an incredibly transformative journey that has unfolded over three years — a period that changed me not only professionally and academically but also personally and philosophically. I truly believe this experience is a cornerstone for my future, and it certainly couldn't have been possible without the support of those who accompanied me along the way.

I am immensely grateful to my tutor, Elisabetta Marafioti, Ph.D, for her guidance, dedication, and encouragement. Above all, I am thankful for her belief in and backing of my sometimes wild ideas, which helped me discover my own path forward. I also extend my appreciation to the faculty members of Di.SEA.DE at the University, especially the program director, Paola Bongini, Ph.D, and my PhD colleagues, whose constructive feedback and suggestions enhanced the quality of my work.

To the most important women in my life — my mother and grandmother — for always believing in me. They have been shining examples of strength, courage, and determination, showing me that anything is possible when pursued with a good heart.

To Fabrizio Maria Pini, Ph.D, my colleague, mentor, and dearest friend — for being there through every high and low of this journey. His support, spirited philosophical discussions, intense work sessions, and his ability to fully understand the challenges I faced kept me grounded and inspired. I am endlessly grateful for his encouragement and being a role model and friend, as his trust and vision truly made a difference.

Finally, I extend my deepest thanks to those in my professional life — companies and individuals — who, in one way or another, turned me away. What once felt like personal setbacks I now view as blessings, for without those experiences, I might never have reached this point in my life. For that, I thank you.

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I. Reconceptualizing Business Model Innovation: A Spacetime Trajectory Perspective

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Let's, imagine a world where entities do not exist as independent entities with predefined properties, but rather as entities that possess properties and characteristics only in relation to other entities and only during their interactions.
— adaptation of Niels Bohr in Copenhagen Interpretation of Quantum Mechanics, 1927

1. Introduction

In the past two decades, the theory of Business model innovation has gained much attention and interest from the academic community. Given that practitioners first adopted it and then started to gain theoretical grounds, to this date, the concept does not have clear, solid academic boundaries, with its perspective on the process being one of the most mystical aspects of the theory. This mystery does not imply that the academic community is neglecting the process view. In fact, the process of BMI has been researched with rather great enthusiasm. The issue lies in the naturally appearing contextual paradox of the desire to avoid the complexity of the incredibly complex phenomena placed in an ever-evolving complex environment. So far, it has been done through the simplification of the processes, application of the modular prototypical pattern logic (Abdelkafi et al., 2013), focusing on the isolation of a firm as a subject of studies, i.e., removing the conditional factors and outliers of the innovation process that might compromise its generalizability.

Being an abstract strategic representation of firms' architecture, the debate on BMI originally started from the scholars defining the building blocks of a firm's Business Model that are exposed to an innovation process (Chesbrough & Rosenbloom, 2002; Osterwalder & Pigneur, 2004; 2010). Moving forward, to bring agility and dynamism to the notion, scholars changed the focus of the steps or phases firms go through to achieve BMI, borrowing the frameworks from (1) innovation management, which proposed a process of three to five distinctive steps, of initiation, ideation, integration, implementation, and control (Bucherer et al., 2012; De Reuver et al., 2013; 2017; Frankenberger et al., 2013; Eurich et al., 2014; Zhang et al., 2016; Winterhalter et al., 2017; Brenk et al., 2019); and from (2) design, proposing design thinking prototyping process of

observation, synthesis, generation, refinement, and implementation (Griotra & Netessine, 2013; Zott & Amit, 2015; Cosenz & Bivona, 2021; He & Ortiz, 2021; Allweins et al., 2021). Although this approach provided a sense of motion to the BMI process, at the same time, it froze it in a linear "from point A to point B" logic with a clear outcome of gaining a competitive advantage in the end.

To address this issue, the process of BMI was proposed as an experimental learning loop, borrowing the phenomenon from (3) organizational learning view. In this perspective, the focus is moved from linearity to circularity of learning from previous experience and action, gaining new knowledge, competencies, and resources through various methods, like trial-and-error or learning by doing. (Tushman & Anderson, 1986; Sosna et al., 2010; Teece, 2010; Andries et al., 2013; Khanagha et al., 2014; Berends et al., 2016; Laudien & Daxbock, 2016). The primary rationale of this perspective lies in the intrinsic acknowledgment that innovating a business model is an uncertain process with inherent errors and moving backward.

The most significant limitation of linear and circular views is that they give a misleading idea that the BMI process could be replicated and prototyped. They tremendously reduce complexity and picture it in a generalized and simplified view with an apparent and desirable outcome: competitive advantage and financial success. The complexity reduction in this view limits the impact of the unpredictability of internal and external conditions that might influence the BMI process.

Recently, a multiple open-ended process view (Villani et al., 2017) on Business model Innovation has been proposed that shares relational (Laasch, 2019), temporal (Corallo et al., 2019; Schneckenberg et al., 2019; Nailer & Buttriss, 2020; Freisinger et al., 2021), and spatial aspects (Snihur & Wiklund, 2019; Ammar & Chereau; 2018). Through the lens of a process theory, it is additionally characterized as human-driven and implemented across different levels by people (Langley, 1999; Langley et al., 2013), implying its interconnected and interrelated nature that engages entities, activities and other processes (Tushman & Romanelli, 1985; Rescher, 1996; Nailer & Buttriss, 2020). These recent developments in the field could be viewed as an invitation to unpack the intrinsic complexity of BMI processes (Smith et al., 2010; Berends et al., 2016; Visnjic et al., 2017, 2018; Sjödin et al., 2020a, 2020b; Boldrini et al., 2021; Andreini et al., 2022) places within uncertain and ever-changing spaces and times.

Therefore, the conceptual paradox emerges that opens up and reinforces the research gap: the process of business model innovation has been regarded as a multidimensional dynamic

phenomenon that unfolds in a multidimensional complex environment, yet the research of this process tend to oversimplification and identification of a universal model to be engineered and applied in any contest.

To solve this predicament, the research should escape the logic of defining the process framework but try to go deeper into the phenomenon's complexity and embrace it. It also implies revising the Business model innovation as a concept and what it represents.

The research's primary goal is to propose a novel theoretical perspective on the Business Model Innovation process (Thatcher & Fisher, 2022). Reflecting on its dynamic nature rather than focusing on the business model components' configurations and steps for their reconfigurations, this research incorporates a multilevel perspective. This ambition will be fulfilled by posing a grand question: What is a business model innovation? Based on that, what does the business model innovation process look like?

The author dived deeply into the past literature on the business model innovation process to answer these questions and fulfill the research purpose. As the goal was to provide a theoretical representation of the process, the literature was analyzed by detecting different BMI trajectories and contributing factors that create a condition for BMI, such as dynamic capabilities and ecosystems. Bridging different perspectives and levels of the analyses allowed us to propose the first theoretical framework that provides a three-dimensional helical view that represents the complexity of the BMI process and opens a novel opportunity to reflect on its outcomes. The new model advances the theory of business model and business model innovation as it presents the processes related to the BMI in a dynamic, interrelated manner. This framework does not reject previously proposed models but, by mapping the trajectories proposed by existing researchers, provides the ground for the central theoretical assumption of this paper that the process of BMI is non-self-sustained, which challenges the primary interpretation of the field. The author, therefore, argues that this perspective has a natural resemblance to the general relativity principle in cosmology (Einstein, 1915), which also suggests that the dynamics of the elements in the system are caused by the gravity created by objects with higher mass. It offers an innovative approach to understanding the unfolding of complex strategic phenomena (Schön 1993). Even though it might seem rather far-fetched for management studies, it offers an innovative approach to understanding the unfolding of complex strategic phenomena.

The paper is developed as follows: First, the author provides a theoretical background on the various perspectives of the BMI process and its definition. Stating the limitation of the past definition, the proposition of the initial BMI definition is then made. Then, the paper takes a turn and proposes the metaphoric lens of the General theory of relativity to view the BMI process trajectories and the elements that create conditions for forming these trajectories. Bringing the linearity and circularity of BMI process trajectories with spatial and temporal conditions, the model of the BMI process is proposed. It is worth noting that the introduction of general relativity as a metaphor and phenomenon explanation provided an opportunity to make further theoretical propositions of the interconnected dependency of the BMI process and the final definition of the BMI process. The last section discusses the conclusions, limitations, and further research extensions.

2. Literature Review

2.1 Business Model Innovation

Business model Innovation is a relatively recent yet rapidly growing research domain in management studies (Foss & Saebi, 2017). Over the past decade, research on BMI processes has dramatically expanded in several directions, which has led to diverse and disparate conceptualizations of BMI processes and subprocesses that vary according to the different settings. Although interest in BMI processes has been increasing, the definition of a BMI process varies from study to study, and the inherent origin of the concept remains fractured and multiple in its meanings and representation (Andreini et al., 2022). The mainstream stream of research, naturally gravitating to a simplified and abstract conceptualization, links it to the managerial processes related to innovation of the company's core activities (Demil & Lecocq, 2010; Morris et al., 2005; Nenonen & Storbacka, 2010; Zott & Amit, 2007). The process view in that paradigm is represented by setting deliberate acts that managers and entrepreneurs perform over time to change or add the components and modules of the Business Model consistently and innovatively (Gärtner & Schön, 2016; Bashir et al., 2020; Andreini et al., 2022; Zhang; et al., 2024), which in return would grand a strategic advantage (Amit & Zott, 2015). It was further extended by the proposition of the novel architecture of the changes that link the elements or components (Foss & Saebi, 2017). Some research provided a slightly alternative view on BMI, as the process of changing the logic of how to make business or a more remarkable improvement of that logic (Schneider & Spieth, 2013). It is also referred to as a "design process for giving birth to a fairly new business model on the market, which is

accompanied by an adjustment of the value proposition and the value constellation and aims at generating or securing a sustainable competitive advantage." (Wirtz et al., 2016). Similarly, the business model innovation process is considered genuinely innovative if it can create a new market or allow a focal firm to develop and exploit new business opportunities in existing markets (Hamel & Prahalad, 1996; Mendelson, 2000; Mitchell & Coles, 2003). As a result, the most defused definition of BMI is related to a process of creating and capturing value in a novel way by reconfiguration one or multiple of its components (Teece, 2007), resources optimization, and reengineering (Zhang et al., 2016), resulting in a novel or unique way of doing business (Winterhalter et al., 2017).

While this definition remains the most commonly accepted among scholars, it perceives the firm and its business model in a static sense, focusing on the components and the outcome, which contradicts the general purpose of this research to illustrate BMI as a complex interconnected process. Therefore, the author argues that the BMI is not a process of the reconfiguration of the business model components (Bruni & Comacchio, 2023) for a novel way of doing business, as it exceeds the scope of introducing a new product or service (Baden-Fuller & Haefliger, 2013; Björkdahl & Holmén, 2013; Massa & Tucci, 2013; Björkdahl et al., 2022). Instead, it is a path for innovative value creation that implies the conditions that unlock firm-level capabilities for value creation.

2.2 BMI Process as an Interplay of Internal and/or External Conditions

Some scholars propose to link the BMI process to different internal and external conditions of the firm that might drive the process from within or outside or through their interplay (Wu & Liu, 2019; Su et al., 2020; Dong & Wang, 2022; Albats et al., 2023) might provide or generate a capability for innovation (Von Delf, et al., 2019). Such a driver was attributed to a sequence of pure managerial intentions or entrepreneur’s inspirations (Zhang et al., 2016), defined as de novo original innovations. Similarly, The BMI has been explained as a pattern that depends on the internal organizational exchange of resources, costs, and revenues to ensure the self-sustainability of novel BM (Brousseau & Penard, 2007). In a similar line, BMI was described according to the ways it occurs: (1) new activity system content, that occurs by adding novel activities through forward or backward integration; (2) new activity system structure, that occurs by linking activities in novel ways; (3) new activity system governance, that occurs by changing one or more parties that perform any of the activities. (Amit & Zott, 2012)

The BMI process was also linked to a series of external environmental changes, such as the emergence and adoption of novel technologies (Demil & Lecocq, 2010), defined as induced innovations. In case of BMI for circular economy (Santa-Maria et al., 2021), the BMI process was linked to internal experimentation (Andersen et al., 2022; Geissdoerfer et al., 2022) and involvement of multiple internal and external stakeholders (Antikainen & Valkokari, 2016; Bocken et al., 2018; Frishammar & Parida, 2018; Guldmann & Huulgaard, 2019; Pieroni et al., 2019).

Notably, the view of external conditions as a driver or a contributing factor for the BMI process is primarily associated with the BMI process as a replication strategy of a competitor's Business model or replication within the same firm that follows a dual BM path. For example, according to the game-theoretic framework, BMI acquires specific conditions that allow strategic interaction between a newcomer who brings innovation and an industry leader who further replicates this innovation (Casadesus-Masanell & Zhu, 2012). This process involves knowledge transfers of broad scope (Von Delft et al., 2019), allowing us to regard BMI through replication as a capability acquisition process that allows large-scale and rapid business model leveraging (Winter & Szulanski, 2001). The same assumption is proposed as a capability to imitate the innovation path encouraged by other industry players and to foster the mimicking of business value systems (Zhang et al., 2016). The dual agency of the BMI path, also known as ambidexterity (Markides, 2013; Zimmermann et al., 2015; Rissanen et al., 2020), is also considered a type of BMI process. It is described as identifying the aspects and activities within the company that would undergo the transformation and maintain the entire functioning of the old system simultaneously (Thompson, 1967). This type of BMI process is also viewed as a dominant strategic choice as it helps to mitigate the risks involved (Bucherer et al., 2012) by exploiting the firm's assets and capabilities and exploring the market potential in order to avoid the obsolescence of the proposed products or services (March 1991; Govindarajan & Trimble, 2005; Rissanen et al., 2020).

Lastly, the types of BMI processes could differ based on the outcome of the process itself. For example, it could be related to the innovation of business logic without a new product or technology, innovation related to the product or technology with a clear target, and lastly, innovation of a product or technology without a final target (Zott & Amit, 2015; Cortimiglia et al., 2015; Zhang et al., 2016; Winterhalter et al., 2017).

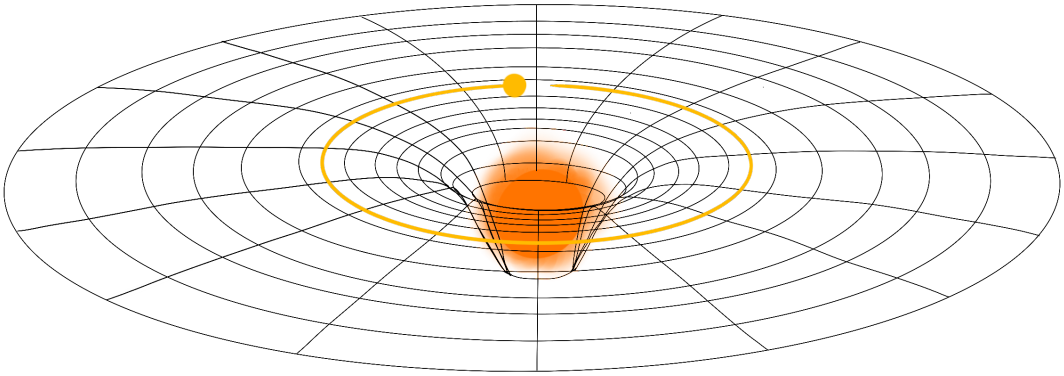
Therefore, in defining the BMI process, it is imperative to shift the focus from BM components reconfiguration and recognize the path of the interplay of conditions that contribute to

the innovative process formation, incorporating its multilevel dynamic complex nature. In order to propose a novel theoretical framework for the BMI process, the author applies the metaphor of the General Theory of Relativity, proposed by A. Einstein in 1915.

3. General Theory of Relativity (Nonspecialist Introduction)

In 1915, Albert Einstein revolutionized the understanding of the universe by presenting General Relativity, a geometric theory of gravitation that refined Newton's law of universal gravitation (Einstein, 1915). Rather than an attractive force between two masses, gravitation was explained as the curvature of a 4-D spacetime fabric caused by massive objects, such as planets, stars, and black holes. This curvature of spacetime alters and ultimately defines the paths of the objects moving nearby, forcing them along curved trajectories (known as geodesics).

Figure 2. Graphic illustration of curvature of a spacetime created by the Sun



The most illustrative example of this principle is the Sun at the center of the solar system which bends the spacetime and forces the planets to follow this path of distortion.

The curved trajectories (geodesics) represent the "straightest line possible" in a curved spacetime, which might appear linear from one point of observation, yet is, in fact, elliptic as a geodesic created by the Sun's mass warping spacetime *(Figure 2)*. As a matter of speaking, the orbit of the planet might be perceived as both linear and elliptic *(Figure 3.1; 3.2)* depending on the observer (Blaauw et al., 1960; Malament, 2009; Gillessen et al., 2009; Bate et al., 2020).

In general relativity, gravitation possesses a gravitational field, which manifests the spacetime curvature. The greater the object, the greater the gravitational field or curvature of

spacetime is around it. In simpler terms, it might be explained as a ripple effect that extends outwards and affects every object that enters this field. Therefore, even massive objects such as stars and planets with their own gravitation are forced to follow the curvature of the spacetime created by more massive objects such as black holes. In that sense, the black holes represent a massive object collapsed under its own gravity. The black hole's gravity is as intense as nothing can escape its path. Following the example of the Sun at the center of the solar system, the Sun itself and the entire solar system by its extension follow the path of the distortion created by the black hole at the center of the Milky Way Galaxy, representing an extreme case of spacetime curvature. That kind of extreme case impacts the curvature and slows down the time (known as gravitational time dilation).

In general relativity, there is a distinctive type of geodesics, a *world line* representing the sequence of spacetime events (approximated as a point in space, e.g., observer) corresponding to the object's history. A world line is a particular type of curve in spacetime, as each point of it is an event that can be labeled with the time and the spatial position of the object at that time. For example, as was presented earlier, the Earth has an elliptic orbit *(Figure 2.2)*, a 3-D (closed) curve created by the Sun's mass. In an arc of a year, the Earth returns to the same point in space relative to the Sun. However, it arrives at a different (later) time, which makes the world line of the Earth helical in spacetime (a curve in a four-dimensional space) that does not return to the same point.

The *three-body problem* in celestial mechanics illustrates the complexity of mutual gravitational interactions between more than two celestial bodies. These bodies exert mutual gravitational forces, making their orbits highly sensitive to each other’s movements. In general relativity, the interactions are even more complex due to the curvature of spacetime caused by each body’s mass.

It is worth noting that in general relativity, the notion of the *observer* is of utmost importance, suggesting that different observers might perceive the trajectories of an object differently, depending on their position and speed within the spacetime. For example, the Milky Way is considered a barred spiral galaxy. Nevertheless, when viewed from a solar system's position, the Milky Way disk appears as a straight line across the sky, observable from Earth. Similarly, if there was a possibility of observing the Milky Way from the side, it could appear circular.

Figure 3. Graphic illustration of the Observer's perspective in General Relativity

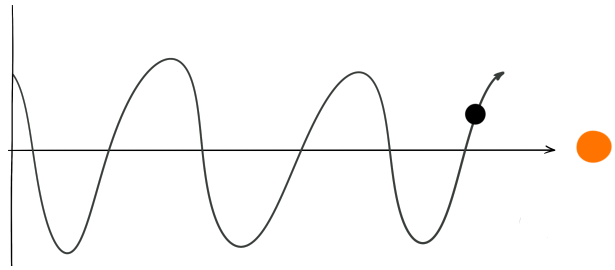


*Figure 3.1 Representation of **linear trajectory** of a celestial movement in space*

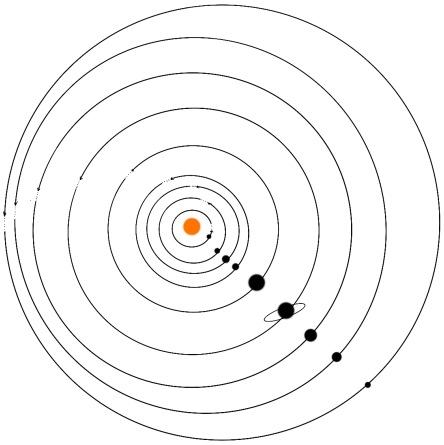


*Figure 3.2 Representation of **circular trajectory** of a celestial movement in space*

While for some, bringing the General Theory of Relativity in the theoretical study of Business model innovation might seem somewhat far-fetched, on the contrary, it provides a vibrant metaphorical lens for the theoretical grounding of a Business model innovation process as a complex interconnected phenomenon. Connecting the metaphor to the studied concept, the author proposes that the trajectories of BMI are predefined by the geodesic within the curved space triggered by the dominant BMI within the industry. The geodesic of BMI could be defined as a linear process, and by changing the observer's perspective, it might appear circular or spiral. In the same way that massive objects in space, such as stars or black holes, create their gravitational fields, the ripple effect of the BMI process also shares the same properties when the major industry player adopts a BM that is then considered dominant. Like general relativity, the questions of the internal and external conditions remain of utmost importance in understanding the BMI process. Like a mass of the celestial objects and the complexity of gravitational interactions in three-body problems in gravitational cosmology, in the BMI process, the internal conditions and the capability to produce innovative value and the external environment, such as competition, uncertainty, and ecosystem dynamics, have direct consequences on the BMI process. In the following section, the author will bridge different ways of viewing the BMI process through the lens of general relativity.

4. General Relativity as a Metaphor to Review Business Model Innovation Process

4.1 Geodesic of a Spacetime and Business Model Innovation Trajectories

As mentioned earlier, geodesic, in general relativity, represents the "straightest line possible" in curved spacetime, essentially a trajectory that joins two events. Earth's orbital motion can be understood as moving along a geodesic. In curved spacetime, a geodesic is the equivalent of a straight line in flat spacetime. Earth follows the shortest path around the Sun in the curved spacetime. In the literature on business model innovation, the trajectories of the process are increasingly diffused. Looking at them through the lens of geodesics, it could be assumed that the BMI process is a linear trajectory of curved spacetime, as the BMI trajectories mostly present linear or circular motion. For example, the linear trajectory or geodesics of BMI typically evolved in the sequential logic of steps, which applies an innovation management approach that includes the steps of preparation, genesis, implementation, and control (Chesbrough, 2010; Bucherer et al., 2012; De Reuver et al., 2013; 2017; Frankenberger et al., 2013; Zhang et al., 2015; Winterhalter et al., 2017). While these frameworks usually revolve around four to five steps, they provide apparent linearity of the BMI process, the abstract idea of a straight line in a flat spacetime. The linearity of these frameworks might depend on the actors, duration, degree of uncertainty, and type of innovation (Winterhalter et al., 2017), as well as challenges and conflicts along the process (Brenk et al., 2019) and layers of the implementation (De Reuver et al., 2013; 2017; Zhang et al., 2015; Berends et al., 2016), however it is always a trajectory that joins the events in time. In a similar linear way, the BMI process is represented by a design thinking systematic approach, which involves consideration of multiple opportunities for BMI while still following linear steps logic of idea generation, implementation, identification of risks, and implementation (Girota & Netessine, 2013; Khanagha et al., 2014; Zott & Amit, 2015; Berends et al., 2016; Cosenza & Bivona, 2021; Allweins et al., 2021). It is worth noting that in the case of design thinking, the BMI process is viewed as an abstract experimentation, not a strategic development.

While these aspects recognize evolutionary nature as they follow the geodesics principle of connecting events in time and a certain level of complexity of the phenomenon, the dominant representation of the BMI process is somewhat generalized and standardized. The linear trajectories of BMI are often regarded as chaotic (Frankenberger et al., 2013) rather than complex, which is not the case in this study, and by the extension of the geodesics. Let us consider the linearity issue in general relativity, as the geodesic could be viewed as a linear straight line only in uncurved space-

time, far from a source of gravity. As in science, it is regarded as a mathematical idealization for being nonrepresentative of reality because there is no confirmed case of the absence of gravity in spacetime. The same principle could be applied in attempts to conceptualize the BMI process since there is no such case where the firm is not influenced by its external environment and internal characteristics and conditions.

In order to address this issue, the proposition is to see the BMI process that follows the curvature of spacetime. Therefore, the linear process could be viewed as cyclical as well. For example, some studies that adopt the design thinking approach present the BMI process as a sequence of *iterative cycles* that introduces the idea of reevaluating the result and starting again (He & Ortiz, 2021) and continuity (Groskovs & Ulhøi, 2019). Through the lens of general relativity and geodesics, it has been suggested that while it is the "straightest line possible," it follows the trajectory of the curvature of spacetime, the same way planets orbit the Sun. Extending this thought-provoking idea, it could be assumed that the linear trajectory of the BMI process could be viewed as cyclical as well, as it is not linear due to the "gravitational fields" that affect the firm from the outside. This allows the observer's position to be applied to trajectory evaluation.

To support this view, BMI is also assumed to be a continuous learning process that includes trial-and-error (Sosna et al., 2010), learning by doing (Tushman & Anderson, 1986), adaptation by feedback loops (Zott & Amit, 2015; Cloutier & Langley, 2020) or iterative cycles (Khanagha et al., 2014). Research suggests that whenever a BM did not work out as planned, companies would go back and forth to implement subsequent adjustments in its design. Adjustments and refinements are vital steps in fine-tuning the process of BMI, as they emerge due to different kinds of discontinuities, such as managerial bias and status quo logic (Laudien & Daxbock, 2016).

The view of iterative cycles or cycle-shaped BMI trajectory additionally allows for considering different directions of change and decision-making processes of entrepreneurs (Griotra & Netessine, 2014), the interaction between industry leaders and newcomers (Casadesus-Masanell & Zhu, 2012; Amit & Zott, 2012), and more importantly, uncertain environmental context (Sosna et al., 2010) as in this stream of research it is viewed as a trigger for innovative feedback loop. In this sense, the complexity of BMI trajectories increases by adding dynamic components (Bocken et al., 2014, 2019; Täuscher & Abdelkafi, 2017; Rong et al., 2018), as it recognizes the impact of internal conditions that could be considered as mass of the celestial objects and their characteristics, and the external conditions, such as industry level interactions, ecosystem developments (Eurich et al.,

2014; Laudien & Daxbock, 2016; Konietzko et al., 2020), technological and market dynamics, the phenomenon close to the *three-body or n-body problem*.

4.2 World Line of the Business Model Innovation Process

However, it cannot be assumed that the massive object (like the Sun, for example) that creates a curvature of the spacetime is static by itself. Even Isaak Newton acknowledged that his predictions on the forces for elliptical orbits were confined to a situation that hardly existed in the real world, namely, the motions of bodies attracted toward an unmoving center (Newton et al., 1999).

Indeed, the inclusion of the three- or n-body problem in general relativity extends the metaphor on the BMI process further, allowing the assume that while the firm BMI is moving along the elliptic curve created by a more massive object, i.e., the firm that distrusts the industry with its innovation, the latter firm is also in a constant movement generated by the gravitation of been higher level innovation or trend.

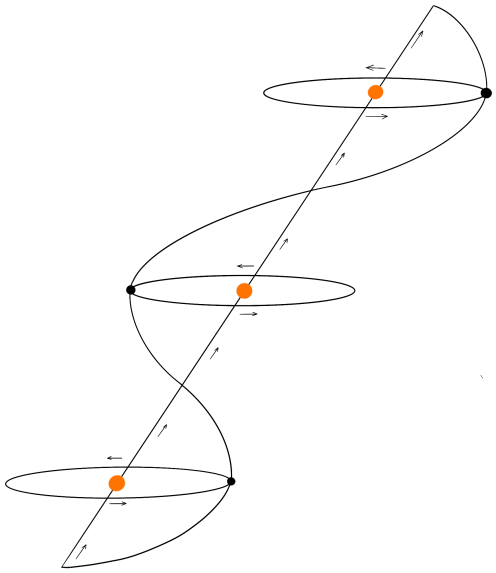


Figure 4. Graphic illustration of the Sun movement of the Sun in spacetime due to the Black Hole gravitation

For example, consider the resolved issue of the two-body problem when the Earth orbits the Sun and add the additional layer of gravitation of a black hole that causes the Sun to wobble as it rotates towards the galactic center *(Figure 4)*.

This additional layer provides a fourth dimension of time that allows us to assume that the celestial objects never pass through the same position as the object that creates curvature and, by

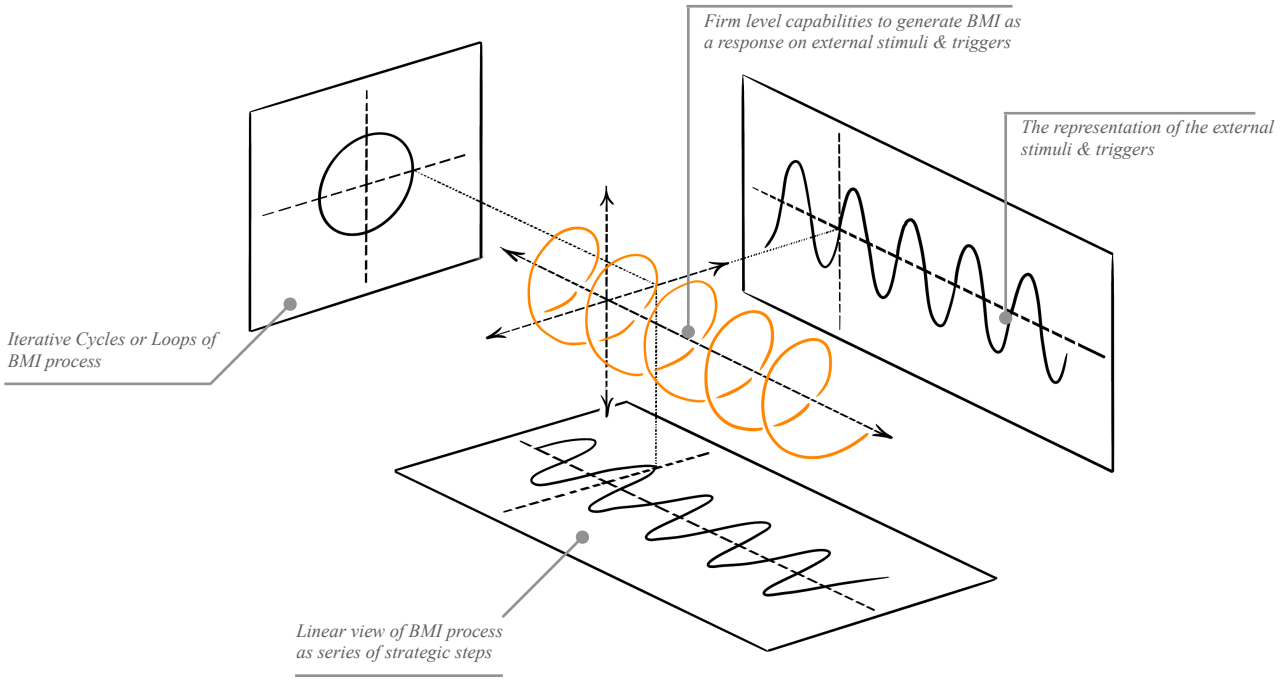
extension, follows the curvature of a more massive object. Applying this reasoning, let us continue the assumption that the BMI process is being developed under the pressure of competition. The cure of a closed innovation loop is generated within the firm that follows the initial pull of the competition. Therefore, while being closed-loop, the BMI process also moves in time, turning the closed-loop linearity into a helix.

This theoretical assumption opens the time dimension within the process of BMI, not only from an internal perspective but also holistically, concerning other industry players. The helix of the BMI process also provides a new approach to studying the phenomenon that is not necessarily linked to minor episodes throughout the path, such as technology, but to the interactions (Eurich et al., 2014) single firms establish with the players outside their organizational boundaries, and how they contribute to the formation of internal BMI loops.

The fourth dimension of time, which recognizes the dynamic motion on multiple levels, allows for accepting the process complexity and considering different contexts and multiple levels of analysis (Andreini et al., 2022; Boldrini et al., 2021). For example, applying stakeholder theory, the cycles were extended to include the feedback from final users (Tolkamp et al., 2018), which facilitates the BM adaptation and increase the ability of long-term strategic decisions (Khanagha et al., 2014) customer integration (Sjödin et al., 2020), customer co-creation (Clauss et al., 2019), and crowdsourcing (Bagheri et al., 2020). This particular aspect of BMI trajectory is indeed thought-provoking as it is reflected in the concept of the word line in general relativity. The world line represents an object's historical and unique path that travels in space and time. The metaphor of a world line is an ultimate representation of the BMI process from the longitudinal perspective, as it recognizes space and time, which correspond to the capabilities of creating internal conditions and acknowledging the reciprocal influence of external conditions. It revealed the need to consider internal conditions that directly contribute to the internal loop formation, such as dynamic capabilities of managers or intuition (Teece, 2010), as they function as triggers for the external environment *(Figure 5)*.

The consideration of the external environment as a contributing condition for BMI process formation and the interrelatedness of the phenomenon has been recognized in past literature, for example, in the form of business ecosystems (McAdam & Scott, 2005; Laudien & Daxböck, 2017).

Figure 5. BMI process helix illustrated as a dynamic complex 4D phenomenon applying General Relativity metaphor



The features of ecosystems reveal them as complex interdependent systems (Halecker & Hartmann, 2013) that have a tremendous impact on the business models of single firms that interact within these systems. The contributing conditions, such as co-creative, co-generative practices and interactions with other players, are viewed as a resource for the capability to generate innovation (Neumeyer & Santos, 2018), as it requires the willingness to extend beyond the organization itself mindfully. The journey along the *"world line,"* therefore, entails actively engaging a diverse network of stakeholders, including rivals (Zott et al., 2011; Sommer, 2012; Bocken et al., 2014; Zhao et al., 2020; Wang & Habibulla, 2021). Even though the firms engaged in creating ecosystems share a common purpose for their existence and are aimed at achieving a specific common goal, the way this goal is achieved differs from firm to firm and influences the firms' business models. A similar interaction is seen in the solar system, in which different planets follow the curvature created by the Sun. However, establishing their dynamic interaction with different planets due to the gravitational fields and unresolved n-body problems is considered unresolvable today. It leads to the possibility of challenging once again the linearity and static final destination of the BMI process (Chesbrough & Rosenbloom, 2002; Osterwalder & Pigneur, 2004; 2010; Johnson, 2010) and to propose an assumption that the ecosystem is an external factor that contributes to the innovation of business models.

Ecosystems have an open knowledge logic at their core since shared knowledge is the main attribute that keeps the ecosystem vital (Jarzabkowski & Wilson, 2006). The ecosystem encourages a social and economic environment that provides specific value sources that individual companies seek in their continuous quest for performance improvement. For example, knowledge-based ecosystems may ensure it due to proximity (Van der Borgh et al., 2012), which may lead to cross-contamination of firms and other participants with the shared knowledge of value creation, which leads to further innovation of business models.

The ecosystem plays a vital role in a single firm's business model innovation process because it provides a social and economic context for exchanges between the individual players inside and across the ecosystem. It leads to a logical assumption that value creation from business models at the firm level is deeply contaminated by knowledge circulation at the ecosystem level. Therefore, the business model innovation process is directly connected to the knowledge, resources, and actors the firm is in contact with within its ecosystems. The need for an ecosystem approach to develop closer relationships and partnerships becomes an antecedent for conditions favoring BMI. It allows co-designing solutions, innovative partnerships, information transparency, joint decision-making, and value-capturing processes to share knowledge, information, resources, and capabilities with ecosystem partners (Benitez et al., 2020; Metallo et al., 2018).

Although the link between the BMI process and the external influence is logical, it is difficult to interpret a multi-layer nature (Boldrini et al., 2021). Nevertheless, the ecosystem-level interactions were explored as a source of innovative value creation (Van der Borgh et al., 2012). The ecosystems or, in this case, external conditions also create a *ripple effect* from the impact of the BM components on the broader networks o (Madsen, 2020), from the collective innovation to avoid tensions and gain benefits from the system in general (Breuer & Lüdeke-Freund, 2017; Hellström et al., 2015; Micheli et al., 2020; Oskam et al., 2021).

The consideration of ecosystem or another type of external stimuli in BMI process generation is opening the width of the *world line* naturally adopts a more holistic view of the process, as it takes into account the interests of an extensive range of stakeholders throughout the product lifecycle, including the natural environment and society, and proactively ensure interactions with them (Bocken et al., 2014; Geissdoerfer et al., 2018). Such width is guaranteed by incorporating the multiple closed loops approach that recognizes the time and space between these loops. The interconnection, communication, and coordination between multiple industry players,

independent but interdependent stakeholders nested within complex networks, is recognized (Drucker, 1994; Eurich et al., 2014; Antikainen & Valkokari, 2016). It mirrors the acceptance that the Newtonian assumption related to a two-body problem in a space not compromised by gravitation is inherently impossible. There is no isolated environment where one firm innovates its Business model without influencing and/or being influenced by external conditions and circumstances.

Only the research in BMI for sustainable development managed to question the dogma of the isolated BMI process. (Gärtner & Schön, 2016; Pieroni et al., 2019). In the context of a sustainable innovation ecosystem, it highlights the focus on creating innovative value for society, which requires multilevel external and internal interactions that foster the acquisition and exchange of capabilities and resources for collaborative, innovative solutions (Frank et al., 2019; Snihur & Bocken, 2022; Dalenogare et al., 2022; 2023). This logically implies that the BMI process misses the ability to absorb new information from the environment and know how to use it internally to acquire the opportunity to innovate (Kranz et al., 2016; Müller et al., 2021).

This missing step is famously known as dynamic capabilities (Teece et al., 1997; Eisenhardt & Martin, 2000; Teece, 2018), as they help the firm monitor its external environment to assess the durability of the current business model (Schoemaker et al., 2018) and define the processes that lead to radical innovation (Aspara et al., 2011). Nevertheless, they are not a natural source of innovative value creation (Teece, 2006) but a factor contributing to the internal conditions favoring the BMI process (Svahn et al., 2017; van Eechoud & Ganzaroli, 2023). For example, the ability to sense environmental development, growing market demands, emerging markets, and overall uncertainty (Teece et al., 1997; Shirky, 2008; Schaffer et al., 2022) does not automatically imply the ability to know what to do with this external stimulus (Teece, 2015). The only consideration of three-layered dynamic capabilities (sensing, seizing, and transformation) might exhibit the guiding property for the BMI process, as they represent a holistic, interconnected approach to creating and capturing the value (Böttcher et al., 2022). In a dynamic, uncertain environment, the need and usage of managerial capabilities to scan and appropriate the external knowledge and then develop analytical and service capabilities are vital for the firms to deliver new offers (Rymaszewska et al., 2017; Dalenogare et al., 2018; 2023; Schaffer et al., 2022).

It has been argued that the types of dynamic capability as an enabler of the BMI process vary based on the size and maturity of the firm (Teece, 2020). Mature structured firms use

capabilities to engage in environmental scanning and hypothesis testing experiments. In contrast, less structured or small enterprises often depend heavily on the cognitive sensing capabilities (Bitetti & Gibbert, 2022) that aid in overcoming the relative cognitive barriers of the initial stages of the process (Chesbrough, 2010).

Because dynamic capabilities are not tied to a particular line of business, they overarch the enterprise and drastically change the boundaries within the industry and between sectors. (Cennamo et al., 2020). The importance of dynamic capabilities in this context is in providing firms with direction, i.e. facilitating internal and external conditions, such as critical external crises (Osiyevskyy & Dewald, 2018; Clauss et al., 2022; Averina et al., 2022), institutional and regulatory pressures (Tykkyläinen & Ritala, 2021; Bao et al., 2021; Peprah et al., 2022) market dynamics, and technological transformations (Lubik & Garnsey, 2016; Cozzolino et al., 2018; Guo et al., 2020; Cachon, 2020; Bohnsack et al., 2021; Haaker et al., 2021) for innovative value chain in sensing the need for it, seizing the value and enabling the transformation (van Eechoud & Ganzaroli, 2023).

The firms that can acquire and nurture dynamic capabilities have a greater chance of identifying the emerging needs for innovation of business models (Schaffer et al., 2022). However, to do so, it is not enough to scan the environment; it is to cultivate the ability to assess the interconnections and interdependencies that the firms gained within the ecosystem as a potential knowledge source. Indeed, within the ecosystemic context of shared knowledge, the scanning involves not only perceiving valuable information from partnership ties but also from rivalry (Zhao et al., 2020; Wang & Habibulla, 2021) through the analysis of the market needs (Sebastiani et al., 2013; Landau et al., 2016; Holzmann et al., 2020; Klein et al., 2021; Iheanachor et al., 2021).

This assumption generates further provocation that derives from reflection on general relativity; if the trajectory of the BMI process is metaphorically represented by the world line geodesic, which is essentially the path towards a greater mass, where do the dynamic capabilities stand here? The assumption is connected to the different clusters of dynamic capabilities and how they create interconnections with the external environment. Perhaps the sensing dynamic capability is understanding and recognizing why the curvature is happening, due to what object (or event), and most importantly, why the firm follows this path by innovating its business model. The seizing capability as an extension implies the acknowledgment of this trajectory is healthy and sustainable because, despite the known performance benefits of BMI (Van de Ven, 1986; Han et al., 1998; Massa et al., 2017), firms struggle to change their business models anyways.

Building on that, another field development comes to mind that views the BMI process from the point of view of the BMI disrupter within the ecosystem, as it framed the adaptation cycle of how the strategic choices of the BM disrupter shape the origination of the new ecosystem that evolves following the path of disrupter (Snihur et al., 2018). This particular finding is in line with the theoretical proposal of general relativity, as the trajectories of BMI are predetermined by the curve created in spacetime by a more massive object, in this case, the firm that disrupts the industry with radical innovation (Spieth et al., 2021). It further suggests a theoretical assumption that any BMI process is inherently path-dependent.

4.3 Gravitational Pull, Path Dependency and the Risk of Strategic Collapse in BMI

In general relativity, black holes represent the extraordinary gravitational pull that forces all the smaller celestial objects to follow their curvature in spacetime. For example, the center of the Milky Way Galaxy (Gillessen et al., 2009) was recently confirmed to be a Supermassive Back Hole Sagittarius A* (Penrose, Genzel & Ghez 2020), that accordingly creates the curvature that ultimately shapes the trajectory of the entire galaxy. The Black Holes are known to be formed when massive stars collapse under their gravity at the end of their life cycles. They represent the true zero coordinate point that exhibits extremely strong gravitational pull, so intense that nothing, not even light, can escape from it once it passes a boundary known as the *event horizon.*

Following the assumption that any BMI process is inherently path-dependent, we might propose that it naturally falls into a curve created by an industry leader (Velu, 2015) that simultaneously follows the trajectory of a higher dominant force. As the firms are part of the systems, such as ecosystems, networks, and alliances (Bouncken & Fredrich, 2016; Spieth et al., 2021), or industry in general, they, therefore, tend to replicate in parts the business model of the leader (Stinchcombe, 1965; Löfsten et al., 2024). Like celestial objects, the firms are not entirely free in their BMI process. The helix of the BMI trajectory is a gravitational pull that follows another gravitational pull, and so on, with this continuous process further reinforcing the path dependency *(Figure 5).*

In fact, in literature, much attention is dedicated to path dependency and its impact on the process of business model change or innovation (Löfsten et al., 2024). Similar to how the gravitational pull of a black hole distorts spacetime, the primary force of the system where a single firm is situated (industry, ecosystem, or alliance) has its memory that wraps the business landscape and predefines further development of the very system (Spieth et al., 2021). Therefore, the choices

related to innovation are inherently limited by the past decisions made under specific circumstances, notwithstanding the awareness that those circumstances may no longer be relevant (Patel & Pavitt, 1997; Pierson, 2000). This is an abstract scenario where firms are drawn towards a strategic collapse (Velu, 2015; von den Eichen et al., 2015) despite attempts to innovate the BMI. Strategic collapse in this context represents an inevitable decline of the firm as it passes the event horizon despite innovation efforts, which results in an obsolete and unsustainable business model due to its inability to deviate from the dominant industry logic. Single firms might exhibit all the characteristics of the BMI process. However, the efforts in this context are seen as a submissive response to a gravitational pull caused by technology adoption patterns, pressure from competition, and regulatory and instructional norms.

To strengthen this theoretical proposition, let us resort to the unresolved *n-body problem in cosmology*, where no mathematical model could predict the impact of multiple gravitational pulls between multiple objects and how this impact shapes the trajectory and formation of the *world line.* Applying the same argument in the BMI process, the n-body represents the complexity of interactions within the system that create an interdependent dynamic where, while pulled by the gravitational force of the industry leader, the firms are subjected to various exogenous factors (competitors, partners, institutional bodies) that influence the innovation paths of single firms and complicate the BMI outcomes. Therefore, it is pretty tricky to make sound assumptions on the origin of the BMI process itself (Bhide, 2000; Lehtimäki et al., 2020), as collecting acceptable empirical evidence for it is very challenging (Vergne & Durand, 2010).

An interesting conceptual paradox in literature emerges when viewing this dynamic on a firm level: While it is generally recognized that path-dependent motion within the system creates difficulties for innovation breakthroughs (Korhonen et al., 2018), at the same time, both path dependence and BMI process are seen to be catalyzed by similar internal mechanisms or conditions. For example, the initial firm conditions and decisions narrow down the scope of actions within a firm and then in the market (Lehtimäki et al., 2020) as in the case of heavy technological and resource investments. These are the self-reinforcing mechanisms, like founding principles of the firm and their further imprinting (Romanelli, 1989; Johnson et al., 2008; Marquis & Tilcsik, 2013; Simsek et al., 2015; Van Boxstael & Denoo, 2020; Snihur & Zott, 2020), that due to natural tendency of preservation (Miller & Friesen, 1984; Quinn, 1978), make it is hard to deviate from this trajectory (Boeker, 1989; Danneel & Miller, 2023). However, the founding principles are also contributing factors in forming firm-level dynamic capabilities (Shane, 2000; Denicolai et al., 2014;

Inigo et al., 2017; Velu, 2017; Ghezzi & Cavallo, 2020; Bocken & Geradts, 2020; Miroshnychenko et al., 2021; Heider et al., 2021; Yu et al., 2021; Müller et al., 2021) and organizational culture (Hock et al., 2016) that, on the contrary, were presented in this study (and other literature in the filed) as a positive catalyst for business model innovation (Autio, 2017). It was recognized that some BMI initiatives could lead to path dependency in the future (Gärtner & Schön, 2016; Moradi et al., 2021) or reverse it (Huang et al., 2013; Rissanen et al., 2020).

The open question arises: When do internal forces or conditions push firms toward BMI, and when do they reinforce the exogenous gravitational pull of dominant logic? What are specific capabilities that reinforce the path toward strategic collapse and those that help identify if the firm is path-dependent? Through the lens of general relativity, sensing dynamic capability lies in understanding and recognizing why the curvature or the space-time (i.e., the exogenous factor that calls for strategic response) is happening, due to what object (or event) and, most importantly, why the firm follows this path by innovating its business model. The seizing capability as an extension implies the acknowledgment of this trajectory is healthy and sustainable because, despite the known performance benefits of BMI (Van de Ven, 1986; Han et al., 1998; Zott & Amit, 2007; Teece, 2010; Amit & Zott, 2012; Björkdahl & Holmén, 2013; Foss & Saebi, 2017; Massa et al., 2017; Ammirato et al., 2022), firms struggle to change their business models anyways. Therefore, the real challenge lies in the transforming dynamic capability, which allows the firm to consciously break the path dependency (To et al., 2020) from the dominant industry logic and form a genuine BMI process, thereby escaping t*he event horizon* of a black hole.

Surprisingly, there is no such paradox in viewing external conditions simultaneously as catalysts of BMI and path dependency. While it is accepted that the BMI process can be catalyzed by higher-scope crises (Osiyevskyy & Dewald, 2018; Clauss et al., 2022; Averina et al., 2022), institutional and regulatory changes (Tykkyläinen & Ritala, 2021; Bao et al., 2021; Peprah et al., 2022), technological transformations (Lubik & Garnsey, 2016; Cozzolino et al., 2018; Guo et al., 2020; Cachon, 2020; Bohnsack et al., 2021; Haaker et al., 2021) market dynamics (Sebastiani et al., 2013; Landau et al., 2016; Holzmann et al., 2020; Klein et al., 2021; Iheanachor et al., 2021), including rivalry (Zhao et al., 2020; Wang & Habibulla, 2021), or ecosystem conditions (Laudien & Daxböck, 2017), this study argues that the literature on BMI process could benefit from the consideration of path dependency formation triggered by the external conditions, assuming that BMI is inherently path-dependent process.

The external conditions contribute to forming the firm and industry-level dominant logic, i.e., *world lines*, as they represent unique historical *paths* that conceptually contain the collective memory of the system. This, therefore, reinforces the trajectory towards the strategic collapse, metaphorically represented by the meet horizon of the black holes, as an ultimate pull of the extraordinary force of dominant logic towards the point of no return.

It is not merely enough to have and acquire dynamic capabilities for the firm to be capable of innovating; it is the ability to sense the presence of the gravitational field of external stimuli and why it originated. Will the adaptation to the changing external environment benefit the firm, or does it contribute to more favorable conditions for the industry leader? Does the Earth orbit the Sun because it is the source of life or because the Sun drags the entire solar system to collapse by the black hole ultimately? Therefore, seizing capability would mean acknowledging its trajectory, origin, and purpose and transforming it if it is aligned with the firm's long-term orientation. While this assumption would not work in a world governed by general relativity, as the Earth and, ultimately, the Solar System follows the curve created by the Black Hole, the business environment exhibits more freedom and flexibility, which allows a degree of agency in this path-dependent trajectory, which brings this theoretical reflection to the last point related to the ultimate forces that impact the most on the path-dependent trajectories of BMI process.

Drawing on this perspective, it is an invitation to reconsider the outcome of the BMI process. Traditionally, the outcome of BMI is related to improved firm performance, competitive advantage, and economic growth (e.g., Zott & Amit, 2007; Teece, 2010; Amit & Zott, 2012; Björkdahl & Holmén, 2013; Foss & Saebi, 2017; Ammirato et al., 2022), that in this study are associated with short-term orientation (DaSilva & Trkman, 2014).

The metaphor of general relativity and consideration of the ultimate gravitational pull of the Black Hole provides an opportunity to illustrate a more complex reality of the BMI process and novel insight into its outcomes. It involves consideration of the conditions that naturally guide the firm in its BMI process towards a strategic collapse and if any mechanisms could help at escaping before reaching the event horizon, requiring firms to remain flexible and aware of the broader systemic forces that shape their BMI process trajectories.

5. Discussion

BMI Process in Spacetime and the Observer's perspective

The main focus of this study is the reconceptualization of BMI and the proposition of a new theoretical lens to define its process by answering the following questions: What is a business model innovation truly, and what does the BMI process look like? In attempting to provide a well-deserved depth of such a dynamic and nuanced phenomenon, the paper proposed to draw on the metaphor of general relativity as it illustrates the motion's complexity and allows the integration of various levels of BMI analysis and spatial and temporal dimensions in its process. According to the theory, gravity can warp space and time, introducing a fourth dimension of spacetime. The most critical aspect in this context is the observer's perspective, as it illustrates the dimensions of space and time as not absolute but relative to the observer's frame of reference. Mainly, this allows viewing the BMI process not only as linear but as evolving multilayered circular process shaped by both spatial (Snihur & Wiklund, 2018; Ammar & Chereau, 2018) and temporal dimensions (Schneckenberg et al., 2019; Corallo et al. 2019; Nailer & Buttriss, 2020; Freisinger et al. 2021), and at the same time to conceptualize BMI process as a spacetime trajectory. For example, the observer's perspective was recently introduced in assessing differences in the perception of industry trends at the different organizational levels and their impact on BMI (Egfjord et al., 2020).

Considering the BMI process as a spacetime trajectory is a convenient way to view space and time not as isolated factors but as interdependent interactions that shape the BMI paths of the firm (Günzel & Holm, 2013). The four-dimensionality of spacetime enables a more comprehensive outlook on forces that drive BMI and reinforces its path-dependent nature at the same time. The BMI process is shaped and restricted by external industry- or /and ecosystem-level forces from a dominant logic, creating gravitational pull and distorting the spacetime of BMI trajectory. At the same time, internal cognitive dynamics present in the firm throughout different cycles of BMI highlight how the firm is not static but evolves in four-dimensional terms as the strategic logic changes in response to external stimuli. In this sense, the BMI spacetime reflects the dynamic capabilities of the firm to seize, sense, and transform. Ultimately, the spacetime unifies the temporal dimensions of linearity of the BMI steps and circularity of closed loops and spacial dimension that incorporates the firm's ever-evolving position within its system, such as ecosystem, network, industry, or even broader environmental contexts.

Going back to the argument of the observer's perspective, in general relativity, it is assumed that the trajectories are not different but are perceived differently from the standpoint of an observer. As proposed above, it allows us to see the BMI process as nonlinear, considering both circular and iterative and linear movement throughout spacetime, forming a trajectory that looks like a dynamic helix.

The internal view considers BMI linear, driven by strategic steps in response to gravitational pulls from the external environment. This linearity provides a sense of control over the process and structure of the innovation. Similarly, considering the BMI process as a cycle allows us to accommodate the possibility of experimenting and starting all over by receiving internal and external feedback. The perspective of an external observer, in return, allows us to see the BMI as path-dependent, constrained by dominant industry logic under market dynamics and pressures, ecosystem purpose, and evolution, which all have gravitational pulls that shape the trajectory of the firm's BMI process, in some cases, towards a strategic collapse (von den Eichen et al., 2015). The interplay of the observer's perspectives highlights the relative nature of the BMI process. The curvature of the spacetime is evident relative to the observer's vantage point, the same way the complexity of the BMI process can be fully explained when multiple levels and perspectives are considered. The firm's BMI process follows the curvature of the spacetime created by the dominant industry players that inherently limit the scope and direction of the BMI. This motion illustrates that despite the dynamic capabilities, deviating from the pre-established logic is almost impossible. In that sense, the BMI is in the ability to navigate the curvatures of the spacetime and major gravitational pulls while avoiding the event horizon and strategic collapse, expressed in balancing the path dependency with acquiring capabilities to break the path of embeddedness in the industry's historical trajectory.

Therefore, building on the metaphor of general relativity and answering the main research question, this study offers a conceptual proposition to consider the BMI process as a spacetime trajectory. Extending this definition, the author suggests that the BMI process is a dynamic, path-dependent trajectory through which firms create conditions necessary to unlock their internal capabilities for innovative value creation. This process unfolds across multiple levels of interactions within the firm and about external forces across broader systems, shaped by the firm's historical decisions and dominant industry logic. As the BMI process is both spatial and temporal, the proposition is to consider it a spacetime dimension, reflecting the multiple linear and cyclical views of the BMI process.

6. Conclusions and Further Research Extensions

This study aimed to propose a novel theoretical approach to understanding the process of BMI. The author concludes that the most diffused definitions do not reflect its dynamic complexity, based on a review of different perspectives on the BMI process, its catalysts, drivers, and contributing factors in past literature. Proposing to overview different aspects of the BMI process through the lens of a general relativity metaphor, the author concludes that the BMI process could be considered a spacetime trajectory, i.e., dynamic but inherently path-dependent as it is shaped by external forces across broader systems, and by firms' historical decisions.

This study has several limitations. First, while the theory of general relativity is a compelling metaphor to explain the complex nature of BMI, it suggests that no matter the innovative efforts, they will still result in strategic collapse. While there is a stream of research that emphasizes the inability of firms to innovate their BMs, regardless of the resources and innovative initiatives, this study hopes for a more positive view of the outcome of the BM process. Further research is needed to conceptualize the outcomes of BMI through that lens, which allows for considering outcomes beyond financial or competitive gains.

Secondly, this paper is an initial attempt to propose a novel way of theorizing the complex phenomenon by applying the characteristics of another theoretical assumption, which might be considered confusing. While generally accepted and supported by multiple experiments, general relativity remains a theory open to disproval. The author, therefore, acknowledged the application of multiple concepts that should be explained with greater attention. For example, further research could delve into the idea of spacetime of BMI trajectory and its components, as this study only briefly proposed. Nevertheless, this research sees the unified space-time dimension as intriguing.

Thirdly, this paper is a purely theoretical assumption full of theoretical propositions based on the overview of the past literature on the matter. In order to provide some tangible evidence or interpretations of the proposed assumptions, empirical research is required. Further research could apply some of the propositions in case study research on a single firm level or through multiple case studies. At the same time, the industry or ecosystem-level assessment of the proposed dynamics could benefit further theorizing of the BMI process and multiple levels of analysis.

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II. The Unavoidable Path: How Business Model Innovation Has Shaped - and Trapped - the Fashion Industry within the Anthropocene

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By what other voice, too, than that of the orator, is history, the witness of time, the light of truth, the life of memory, the directress of life, the herald of antiquity, committed to immortality?

— Cicero, De Oratore, II, 36

1. Introduction

The luxury fashion industry, deeply rooted in cultural heritage and artisanal craftsmanship (Djelic & Ainamo, 1999), has experienced profound transformations over the past century. From its beginnings in the exclusive ateliers of post-war Paris, where haute couture epitomizes craftsmanship and exclusivity, the industry has evolved through a series of business model innovations. The post-war era introduced industrial ready-to-wear production, democratizing luxury and shifting its focus from bespoke craftsmanship to mass production and "luxury for the masses" (Silverstein & Fiske, 2003; Thomas, 2007). This evolution continued as the industry moved from atelier-based models to conglomerate structures, adopting fast fashion operations prioritizing growth over sustainability. This trajectory has contributed significantly to the challenges of the Anthropocene, a period marked by accelerated environmental degradation and resource depletion (Chandler & Hikino, 2009).

Before the Great Acceleration of the Anthropocene, luxury fashion aimed to produce the finest products, deeply embedded in traditional craftsmanship; today, however, the relentless pursuit of profitability has overshadowed these artisanal values, steering the industry towards unsustainable and unethical practices. This paper adopts a critical historical perspective to unravel the path-dependent processes that have shaped this transformation. It seeks to fill a gap in the existing business history literature, which often overlooks the long-term consequences of strategic choices on the industry and the environment (Bergquist, 2019).

By examining the evolution of business models within luxury fashion, this study aims to answer the following questions: How have the BMs evolved throughout the history of the Business

of Fashion? Are there any distinctive phases in the evolution of the fashion business? What are the contributing factors to the path-dependent adoption of the dominant business model? Why and how were unethical processes gradually adopted and legitimized by the industry players and society? It uncovers the intricate interplay between industry practices and global environmental trends. It reveals how the industry's growth-driven models have redefined the essence of luxury and contributed to broader socio-environmental challenges.

On a broader scale, this research contributes to business model innovation and strategic management by demonstrating the value of a historical lens that situates business practices within their socio-cultural and environmental contexts (Armitage & Roberts, 2016).

The paper is structured as follows: It begins with a theoretical overview, situating the discussion within the broader context of the Anthropocene and exploring the concepts of business model innovation and its darker facets. It then details the methodology and presents findings across five distinct phases of business model evolution from the post-WWII era to the present post-pandemic period. Finally, it concludes by reflecting on the implications of these historical trajectories.

2. Theoretical Background

2.1 Anthropocene and The Great Acceleration

Since the dawn of the Industrial Revolution, human activity has triggered profound changes in the global environment. Anthropogenic forces have reshaped landscapes, altered ecosystem processes, and shifted species distributions, often in irreversible ways (Hobbs et al., 2006). The extent of these changes varies across different regions, yet few, if any, environmental systems have escaped the impacts of modernity.

In 2000, Nobel Laureate Paul Crutzen proposed that, since the Industrial Revolution, we, as humanity, have been pushing Earth into a new geological epoch, the Anthropocene, characterized by significant human-induced alterations to the planet's geology and ecosystems (Steffen et al., 2011). In reality, the Anthropocene seems to be far more than a new geological epoch; it signifies a profound Earth system crisis, with 'human agency' as the central and driving force (Dash, 2019). The rise of fossil fuel-based industrial capitalism in the nineteenth and early twentieth centuries sparked significant concerns regarding air and water pollution, deforestation, and other environmental issues.

The intensity of human influence escalated so rapidly that the period from 1945 to the present is termed the "Great Acceleration." This phase, representing the second stage of the Anthropocene, is characterized by exponential growth in fossil energy consumption and population expansion. The 'Great Acceleration' that began in the mid-20th century (Zalasiewicz et al., 2015) has resulted in a doubling of the Earth's surface phosphorus and reactive nitrogen levels, a one-third increase in atmospheric carbon dioxide (reaching levels not seen on Earth for three million years), a significant increase in erosion and sedimentation driven by landscape reshaping ('terraforming'), and the proliferation and global dispersal of novel Earth materials such as concrete, plastics, aluminum, artificial radionuclides, and persistent organic pollutants (Zalasiewicz et al., 2019). These changes have also led to unprecedented alterations in animal and plant communities (Williams et al., 2024).

The issues caused by the "Great Acceleration" extend beyond the realms of climate scientists, geologists, and environmental historians; they strike at the heart of business history, as business enterprises have played a pivotal role in these developments. Since the Industrial Revolution, enterprises have coevolved with a reliance on fossil energy, locking both business and the global economy into an unsustainable growth trajectory (Chandler & Hikino, 2009).

Today, it has become a common practice to externalize pollution and waste and implement high discount rates that favor resource extraction over preservation for future generations (Shrivastava, 1995). Firms operate under the imperative to maintain high competitiveness, securing the best resources, both human and natural, to enhance profitability. The production cycle follows a linear take-make-waste model, typically intensive in energy and resources (McDonough & Braungart, 2002).

In this context, the role of incumbent firms in reshaping the business environment becomes evident as they drive it into self-destructive inertia by focusing on constant value maximization, a practice rooted in the dominant paradigm of neoclassical economic theory (Brenner & Cochrane, 1991; Egri & Pinfield, 1996; Key, 1999; Stormer, 2003; Ferguson & Ferguson, 2018). This economic system has fostered a worldview that prioritizes value extraction over value creation (Townsend et al., 2000), rewarding those who exploit workers and the environment more highly than those engaged in socially and environmentally beneficial work (Mazzucato, 2018).

Such an approach evangelizes economic growth that intensifies the pace of life — competition, pressure, anxiety—while increasing debt and commodification in ways that do not

reduce poverty and inequity but instead constantly produce them in multidimensional ways. It perpetuates power inequalities, rentiers, and extractives, leading to unequal, insecure, and unsustainable societies (Brooks et al., 2017). Instead, firms need to bring the Earth system into the construction of a multitude of beings, in which different actors have a performative role in engaging with the Anthropocene (Latour, 2017; Latour et al., 2018).

While humanity is the only species aware of its capacity to shape different environments, there is little willingness in practice to challenge the existing economic systems and political structures that underpin the challenges of the Anthropocene. This reluctance persists despite the growing consensus on the inevitability of global change. “We are now, admittedly, the masters of the Earth and the world, but our mastery seems to escape our mastery. We have everything in hand, but we do not control our actions. Everything happens as though our powers escaped our powers.” (Serres & Latour, 1995).

Today, in this paradigm, technology plays the critical role of a savior in addressing the challenges of the Anthropocene. It has an especially fetishistic appeal that compels policymakers to look for magic bullets rather than questioning the validity of the current economic model and embracing new political ideas.

For over five decades, the guiding doctrine states that the “only social function of business is to create value to its shareholders” (Friedman, 1970). Considered in the Anthropocene environment, it underpins business models with a plethora of strategic and operational implications and intrinsic societal, cultural, ecological, and political implications (Burch & Di Bella, 2021).

2.2 Business Model, Business Model Innovation and its Dark Side

Defining and evaluating the innovation processes of business models (BMs) have become the themes of foremost relevance in strategy, innovation, and entrepreneurship (Ghezzi & Cavallo, 2020; de Faria et al., 2021). These concepts (BM and BMI) are constructed from various management theories, including dynamic capabilities, complexity theory, the resource-based view, demand-side perspectives, organization design, transaction cost economics, and industry dynamics (Ritter & Lettl, 2018).

The core functions of a BM are to comprehend and then articulate how they create and deliver value to their customers (Chesbrough, 2007; Teece, 2010). BM accomplishes these purposes by defining the value proposition, identifying market segments, describing the structure of the value

chain, specifying the revenue mechanisms for the company, assessing the value proposition's cost structure and potential for revenues, describing the company's position in the value network, and formulating a competitive strategy (Chesbrough & Rosenbloom, 2002).

Business models are considered innovative when they rethink organizational processes (Spieth et al., 2014), create conditions for innovating products and services (Goffin & Mitchell, 2016), reconfigure external partnerships (Sosna et al., 2010), respond to and react to changes to improve organizational performance (Johnson et al., 2008; Sorescu, 2017); create new markets; or enable a company to develop and exploit new opportunities in existing markets (Amit & Zott, 2012).

Business model innovation (BMI) is defined as the discovery of a fundamentally different business model within an existing business (Markides, 2006), allowing companies to increase their market share or access new markets (Gambardella & McGahan, 2010). BMI can also be viewed as a method (Zott et al., 2011) for companies to create and monetize value (Teece, 2010) by linking strategy and tactics (Osterwalder & Pigneur, 2010) to achieve sustainable business (Amit & Zott, 2001). It connects the internal aspects of the company with external factors, engages different groups, and defines value capture and monetization (Baden-Fuller et al., 2017). Business model innovation can involve adding new activities, linking activities in new ways, or changing which actor performs an activity (Amit & Zott, 2012).

It is increasingly evident that traditional literature on Business Models and their Innovation is inherently tied to the dominant model of the firm, which draws on neoclassical economic theory (Brenner & Cochrane, 1991; Key, 1999; Stormer, 2003). According to this theory, the primary obligation of corporations is to maximize profits for shareholders.

This paradigm, however, is limited in its capacity to effectively address social, cultural, and ecological degradation (Shrivastava, 1995; Mongelli & Rullani, 2017). It is argued that socially innovative firms' social and cultural values, such as those in the cultural and creative sectors, are intrinsic to the business (Gasparin et al., 2021). Nevertheless, extracting and capturing these different values remains crucial to understanding how value moves from the business to the customer (Freudenreich et al., 2020), how it is created, and for whom it is created (Parmar et al., 2010).

Business model innovation has generally been regarded as a positive development contributing to economic progress through value creation, company growth, and renewal (Amit & Zott, 2012; Johnson, 2010; Osterwalder & Pigneur, 2010). Existing literature has primarily focused on the positive benefits and outcomes of BMI (Foss & Saebi, 2017; Schneider & Spieth, 2013), emphasizing its role as a powerful tool for sustaining competitive advantage, promoting growth, and generating superior returns (Amit & Zott, 2012; Teece, 2010). It is also recognized for its vital role in developing integrative solutions to social and environmental challenges (Nidumolu et al., 2009).

However, it has been argued that gravitation towards unsustainable, unethical practices is embedded, or "institutionalized," within many of the world's conventional business models and economic systems (Ritala et al., 2021). While it is long known that innovation can come at a cost (Elliott, 1994; Schumpeter & Swedberg, 2021), the adverse effects of business model innovation have received scant attention. Innovation can be applied for both beneficial and detrimental ends, and a dark side to innovation exists (Henderson & Pearson, 2011).

For example, BMI has been observed to directly contribute to driving climate change through low-cost, volume-driven business models dependent on non-renewable resources. BMI often embodies other unsustainable impacts, such as poor labor conditions and low pay (Reinecke et al., 2019). Businesses have been systematically engaged in resource depletion, energy use, hazardous emissions, and waste generation or have occasionally adopted strategies to mitigate environmental impacts (Berghoff & Rome, 2017; Rome & Berghoff, 2017). The recent literature on the 'dark side of organizations' (Linstead et al., 2014), which treats violence as an obscure or hidden part of organizing, profoundly underestimates the extent to which all organizing follows the logic of the parasite (Brown & Reavey, 2017).

One of the most striking examples of the dark side of Business Model Innovation (BMI) is the prevailing business model within the fashion industry (Pollach et al., 2022). This model, endorsed and legitimized by most industry players and consumers, is characterized by globally dispersed supply chains, low-quality garments, and low retail prices. Heavy marketing campaigns often obscure these practices and create an illusory recycled image as a form of seduction (Baudrillard, 2016). Consequently, these factors contribute to resource depletion, environmental pollution, and the overconsumption of clothing, much of which is ultimately incinerated or sent to

landfills at the end of its lifecycle (Jacobs et al., 2018; Pedersen et al., 2018; Luque & Herrero-García, 2019).

Applying the perspectives of Marxist and post-Marxist traditions, it becomes evident that the dark side is an inherent feature of Business Modeling and its innovation in the Anthropocene. (Linstead et al., 2014). It is suggested that capitalism requires some form of ideology to obscure the true nature of oppression from the exploited, masking situations that are against their interests. Moreover, capitalism perpetually needs to creatively destroy itself, testing its limits at the extreme ends of entrepreneurship. However, there is no certainty whether specific destruction events will prove to be creative and rejuvenating. In this sense, the dark side is simply the unfolding systemic logic of which participants may be unaware. This aspect may be naturally hidden or deliberately concealed.

2.3 The Role of Fashion in Shaping Anthropocene

Traditionally, luxury fashion began as modest, single-person ventures that provided geographically centralized, exclusive, and expensive handcrafted products to an elite consumer segment (Djelic & Ainamo, 1999; Rigaud-Lacresse & Pini, 2017). Today, although these businesses often retain the names of their founders, they are predominantly owned and managed by conglomerates that, particularly over the past two decades, have transformed them into multibillion-dollar corporations offering ‘luxury for the masses’ (Silverstein & Fiske, 2003; Thomas, 2007). This shift has broadened the consumer base by leveraging distinct characteristics such as heritage, perceived quality, design, and aesthetic value (Djelic & Ainamo, 1999; Mosca, 2017; Kapferer& Bastien, 2017).

Luxury fashion businesses have long lagged in adopting socially and environmentally responsible practices (Siegle, 2011; Coakley & Kates, 2013; Phau et al., 2015; Amatulli et al., 2020; Olatubosun et al., 2021). This trend is increasingly concerning, given that fashion is one of the world’s largest economic and cultural sectors, representing a market valued at $387 billion, according to Bain & Company (D’Arpizio et al., 2024).

Before the great acceleration of the Anthropocene, the primary objective of luxury businesses was to produce the finest products possible. However, today’s luxury fashion is driven by a single-minded focus on profitability, often at the expense of traditional craftsmanship. The industry feature of continuous innovation is an expression of new designs’ development at a high

cost, only to be quickly replaced, rendering previous fashions obsolete. Speed has become a “competitive weapon” in the fashion industry in the Anthropocene era.

The economic manifestations of luxury fashion raise critical questions about its impact on consumer choices, the rise of social inequality, and environmental costs (Joy et al., 2012; Amatulli et al., 2020). The complex geographies of luxury fashion make it a challenging system to study, but its influence on both societal structures and the environment is undeniable (Brooks et al., 2017).

It has been argued that fashion mirrors societal changes and trends, reflecting societal norms and cultural values. Fashion influences behavior and social attitudes, shaping and being shaped by the cultural and political landscape. In a way, fashion is a fabric of the Anthropocene woven since the great acceleration. The progression of the business of fashion powered by speed as a “competitive weapon’ is dramatic. Business history literature has focused on how firms grew and innovated without mentioning that they wrecked the planet. Therefore, it seems appropriate to conduct a historical study of the fashion business to understand the evolution of the business models at industry levels and how some damaging practices were gradually adopted, appropriated, and, in many ways, legitimized.

Some studies take a coevolution perspective of the luxury fashion industry where environmental transformation and organizational change interplay through time, feeding upon each other (Koza & Lewin, 1998; Djelic & Ainamo,1999).

In 1945, the International Geological Congress began the Anthropocene's "Great Acceleration," a period defined by unprecedented human impact on the Earth's environment. This era is notably characterized by the first detonation of nuclear weapons, symbolizing a significant leap in our capacity to alter environmental systems. However, the rapid and widespread increase in hydrocarbon use post-1945 had the most profound and far-reaching effects on the global environment. The burning of fossil fuels for transportation and energy generation has driven the escalating anthropogenic transformation of our planet.

Historians identify the phase of the Great Acceleration linked to the oil-fueled economic boom and the phenomenal population growth during this period. Concurrently, the luxury fashion industry experienced a revival after World War II, with Parisian haute couture houses reopening to serve an exclusive clientele. Initially characterized by labor-intensive, artisanal processes, these businesses gradually adopted more industrial practices through licensing, outsourcing, and mergers

and acquisitions. This evolution transformed the original business model, leading to the emergence of a dominant model that was widely adopted across the industry.

Examining this transformation from a historical perspective reveals that the luxury fashion business is highly path-dependent. However, this path has often gravitated towards processes that lead to unsustainable and unethical practices. The business history literature has essentially focused on how firms grew and innovated without mentioning that they wrecked the planet. (Bergquist, 2019). This paper takes a critical view of the history of the luxury fashion business. It aims to explore its path-dependent and historically constructed processes, analyzing the interplay between business model evolution, global environmental trends, and the consequences of this interaction. To fulfill this goal, the research answers the following questions: How have the BMs evolved throughout the history of the Business of Fashion? Are there any distinctive phases in the evolution of the fashion business? What are the contributing factors to the path-dependent adoption of the dominant business model? Why and how were unethical processes gradually adopted and legitimized by the industry players and society?

By providing a comprehensive overview of the history of the fashion business and its dominant business models, this paper contributes to discussions on the path dependence of BMI that locked the industry in co-destruction. It highlights how luxury fashion's journey, from artisanal craftsmanship to industrial-scale production, mirrors broader trends in global economic activity and environmental impact, offering insights into the intertwined fate of fashion and the Anthropocene.

3. Methodology

In order to address the research problems related to luxury fashion, it is helpful to draw on its rich history (McNeil & Riello, 2016). The study, therefore follows the interpretivism paradigm as a research philosophy and adopts a qualitative methodology of critical (Willis, 2007) historical analysis (Decker et al., 2015). The research deals with historical process data, which is a detailed qualitative data that allow researchers to immerse themselves in the processes through which the phenomena occur (Langley, 1999; Langley et al., 2013). Depending on the research question, these data might need to consider the temporal evolution of a phenomenon, its multilevel nature concerning organizations and institutional contexts, and include the analysis of various actors.

To reconstruct the process of fashion history and the emergence and transformation of dominant business models (BMs) at the industry level, the author collected secondary data (archival

materials) from multiple sources. This data describes the field of interest, its evolution, and the relationships and practices observed by field experts. It also helps identify, classify, and discuss the mechanisms and patterns through which dominant business models evolved and interacted with the emerging system structure (e.g., Gioia et al., 1994; 2013; Strauss & Corbin, 1998) in order to build a novel narrative around it (Hansen, 2012).

Archival materials were gathered from specialized magazines, the leading associations and companies representing key players in the luxury segment of the fashion industry, academic literature, reports, and popular press. The starting year, 1945, was chosen for two key reasons: it marks the beginning of the Great Acceleration of the Anthropocene, identified by the International Geological Congress in 1945, and the end of World War II, which saw an exponential increase in human impact on Earth. Since 1945, three-quarters of human-caused atmospheric carbon dioxide loading occurred; motor vehicles increased from 40 million to 850 million; the global population tripled, with significant urbanization; plastic production soared from 1 million tons in 1950 to 300 million tons in 2015; and synthesized nitrogen use (mainly for fertilizers) grew from under 4 million tons to 85 million tons. The second reason is the revival of luxury fashion, with 1947 marking the debut of Christian Dior's "New Look," which signaled the start of the Golden Age of Haute Couture.

The data analysis strategy aligns with the goal of reconstructing the longitudinal process of industry emergence and the development of dominant BMs over time, an inherently processual phenomenon (Langley, 1999; Langley et al., 2013; Foss & Saebi, 2017; Andreini et al., 2022; Bachmann & Jodlbauer, 2023). This process study requires careful attention to process concepts, the collection of incidents (observations), the classification of these incidents into analytical and theoretically informed events, and the development of a process theory (Van de Ven, 2007). Historical and comparative data collection allows documentation of significant transformations in the environment of luxury fashion companies.

The critical lens to historical method, applied in this study, allowed to challenge and existing dogmas (Alvesson & Deetz, 1999; Adler et al., 2007) in BMI research putting it in a cultural, social and environmental context of Anthropocene (Brooks et al., 2017). It gave an opportunity to review the practices accommodated within the BMI process that contributed to the formation of asymmetries (Alvesson & Deetz, 1999; Adler et al., 2007) at industry level, society and planet in general term.

The data analysis is structured into several stages: (1) reconstructing the main macro-events characterizing the industry and constructing a narrative based on secondary data (Heaton, 2008; Irwin, 2013; Decker et al., 2015); (2) open coding of the historical data to capture the emergence and evolution of BMs, identify patterns, and highlight path-dependent and historically embedded trajectories. This involves generating themes through open coding, which are then progressively refined into fewer thematic areas through second-order coding, comparing the codes with extant literature and macro institutional events mapped over time (Gioia et al., 2013).

This paper focuses on the luxury segment of the fashion industry, with a critical lens on Western Europe, while occasionally referencing the rest of the world to highlight the impact of outsourcing and subcontracting practices. Although this might be perceived as a bias towards developed Western contexts, providing a critical historical perspective within this framework can help understand the causal effects and the subsequent normalization and institutionalization of BMI, reflecting the destructive economic patterns of the Anthropocene.

4. History of Luxury Fashion Business

4.1 When Couture Became a Business Model

The origins of the haute couture business model date back to 1858 when English Couturier Charles Frederick Worth opened his Atelier in Paris to cater to the French nobility after the restoration of a royal house. Soon after, Paris started gaining its fashion capital status and attracted new talents, which required an inevitable institutionalization of the couture standards. Worth and other renowned couturiers of that time, such as Jacques Doucet, Jeanne Paquin, and Callot Sisters, established a joint non-governmental venture to protect the designs from copying and to set the industry standard. It became a regulatory body that would grant new or existing couture houses a haute couture certification if they complied with the rules.

The Luxury Fashion Ecosystem and Dominant BM formation

Chambre Syndicale de la Haute Couture was established in 1868, and since then for fashion businesses, it was the only way to acquire reputation in industry; Lanvin (1889), Chanel (1910), Patou (1919), Schiaparelli (1927), Balenciaga (1937) all became part of the system, and for long time fashion industry was strictly organized and controlled by this professional association. They

institutionalized the business model for couture houses through strict rules (from Histoires de la mode, Grumbach, 1993). For example, the production of the garments was allowed only in the studio of the firm, handmade and bespoke models had to be created by a permanent designer, a minimum number of people employed in the workshop, and had to be presented at the exact location two times per year with at least 75 designs.

While it was a powerful and respectable controlling entity, Chambre Syndicale de la Haute Couture embraced an ecosystemic approach to maintaining the tradition of French Couture craft after the II World War. By creating the interdependence between the businesses, couturiers themselves, and suppliers towards a common goal of reconstructing the industry after the German occupation, the association greatly saved many of the haute couture houses. Because the war and German occupation exhausted all the resources within industry, many members of Chambre Syndicale did not have any resources to contribute to the revival of Parisisene Couture Craft. All materials were in short supply at the end of World War II. It was Lucien Lelong, president of the Chambre Syndicale at that time, who proposed to create a joint collection of all the members of the association but for miniature mannequins to address the need to conserve textiles, leather, fur, and fibers as actual collections were supposed to be made to measure for customers. 60 Paris couturiers joined the initiative by designing and sewing the collection and providing fabrics and accessories for shared access. The completed collection, Théâtre de la Mode, was first exhibited in the Louvre Museum in 1945 and then toured the UK and USA, showcasing the collection for the general public and potential customers. This exhibition and the tour worked as a platform for a community of young, unknown Couturiers who then were to define the fashion Business environment.

1947, Christian Dior opened his Maison by presenting a debut Corolle collection nicknamed a“New Look.” Traditionally, it is considered the beginning of the so-called golden age of haute couture. For more than a decade after the end of the war, the Fashion industry operated in a pretty stable environment with protective processes. Rigid boundaries of the Business Model of that time were also a vital control lever and strict screening protocol for new Couturiers to be accepted by the association. Balmain (1945), Cardin (1950), Givenchy (1952), and many others, backed by the association, opened their enterprises, all following the same certified business model of Haute couture House.

Moreover, the association also launched the school for the craft of Haute couture, which groomed young dressmakers to adhere to the dominant business model of that time. For example,

Valentino Garavani, an Italian couturier, followed the French tradition and opened Maison Valentino, a traditional haute couture atelier, in Rome in 1960.

Value creation is driven by creativity, craftsmanship, and service

Haute couture was an incredibly successful but purposefully niche business with bounded innovation. The business model had to be compliant with the rules of the association. Therefore, the innovation was mainly in style. The key, if not the only, aspect of value creation of this business model was creativity in designs, innovative approach to textiles, and the very skills of artisans - the couturier and his team of seamstresses. Materials, accessories, patterns, and sewing had to be impeccable. The businesses were, therefore, known for their highly specialized designers. Some examples might include Dior, known for the hourglass structuring of the garments and revival of femininity, like in Bar Jacket (1947) after the years of the Utility Scheme. Balenciaga's strength was his ability to construct garments using fluid lines and sculptural forms, such as the Baloon Jacket (1953). He knew what fabric to use as a designer to achieve certain forms and effects. Chanel was the first to use tweed in her suits (1954); as it was previously considered a rustic material, she elevated tweed to a luxury symbol by innovating its properties from heavy and rough to lightweight and colorful expressive material.

In the first decade after the Second World War, the haute couture market gained a certain degree of saturation and was quite diversified. While technically being competitors, all the businesses were distinct in their style and did not carry a homogeneous offer for consumers. It involved a much deeper decision-making process and stronger connections with consumers, as the business model implied supporting services. As it was established by the Chambre Syndicale de la Haute Couture, all the collections had to be produced, presented, and sold within the walls of the couture studio. Sales ritual was crucial within the value creation process. It would start with the presentation of the collection, which lasted for 3 hours, to provide the audience with an opportunity to fully see all the details, the behavior of the creation, and the occasion of use. The audience, mainly consisting of potential customers, would write down the "numbers" of the creation and then book an appointment for further orders. It was also quite an authoritative process since salespeople were very transparent in giving suggestions of style. The couturiers were personally involved in fittings, and the clothes were constructed solidly to be worn often and for years. A dress or a suit was built on a customer, considering their shape and, above all, made to make them feel comfortable and at their best. Sales associates, or vendeuses, were part of the high society circles,

which allowed them to know their customers personally and who purchased which item of the collection. They knew what to wear to which event and would not let two clients wear any dress for the same event.

Locking business models into growth trajectory

The institutionalized sizes and processes of the haute couture business model had incredibly narrow and strict boundaries in terms of growth; it was an intentionally niche business that was supposed to preserve the couture tradition and skills surrounding the craft. Nevertheless, there was an emerging trend among couturiers to expand, globalize, and differentiate. Christian Dior, for example, discovered the need to provide the complete Dior looks, which would include shoes, accessories, and perfume, which was impossible within the established business model. It led to the first arranged licensed production of Dior perfumes in 1947, the first instance of leaving the boundaries of the Haute couture business model. From the mainstream point of view, it could be considered an innovation of the existing business model towards a more resilient and flexible product supply. Later, in 1948, Dior opened the American branch of its business in New York. Although he could not practically sell haute couture creations in America due to the complexity of the process, he was selling his designs to be produced by American manufacturers. Practically, it meant that Dior paper patterns were sold to Department stores to be made according to Madison's guidelines and with a Dior name tag. Later, he licensed his name to a range of luxury accessories, such as furs, stockings, and ties, to be manufactured in regional centers worldwide, spreading his brand name quickly around the globe. With this strategy, from being a small atelier-based business model, by the 1950s, Christian Dior became a large enterprise that employed 1,700 people, with eight companies and 16 associated firms.

It was the start of breaking down the artisanal sector. Indeed, Dior's novel strategy was heavily criticized by the Chambre Syndicale de la Haute Couture, which denounced the move as cheapening the haute couture industry. The new strategic path was set towards losing skills and creativity-centric value creation. The idea of being recognized for distinctive features was fading away, which also started to disturb the entire artisanal ecosystem within the fashion system. For example, the strategy to provide a total look from couture houses could only be achieved through partnerships with skilled independent artisans. However, even when highly skilled artisans and specialized companies contributed to creating collection pieces, the dominant brand often overshadowed their names. For example, the gloves by Agnelle and the shoes by Roger Vivier,

although vital to the collections, were primarily branded under the atelier name, absorbing the identities of collaborating artisans into their own. The underplayed contributions of these artisans created a worrying trajectory towards a homogenized view of fashion, where the differentiation and diversification in value proposition among ateliers and highly specialized artisans were fading away. It implied that the Haute couture ecosystem, controlled by Chambre Syndicale de la Haute Couture, started to lose its authority at the industry level. Licensing became a profitable move, and the whole industry followed.

4.2 Industrial BM Formation in Fashion

Design and Craft meets industry

In the late 1950s, the French haute couture industry began to embrace a new dominant business model focused on licensed product lines and mass production. While this shift led many ateliers towards broader commercial markets, the core business of many houses remained deeply rooted in traditional, atelier-based craftsmanship. Meanwhile, a significant counter-movement emerged in Italy, challenging this dominant paradigm.

Italy's fashion industry, particularly in Rome, initially followed the couture tradition. However, the European Recovery Program (Marshall Plan) played a pivotal role in revitalizing the Italian textile industry. Italy started its journey toward an economic miracle through extensive exports and a resurgence of tourism. Roman ateliers such as Sorelle Fontana, Emilio Schubert, Roberto Capucci, and Gabriella di Robilant became renowned for catering to American clients enchanted by the "new Italy," as portrayed in Hollywood films like *Roman Holiday* (1953) and celebrated in media such as *Harper’s Bazaar*'s "The New Italy" issue (July 1947).

The Marshall Plan provided crucial funds for rebuilding Italy's infrastructure and industry. In the post-war period, Italian industrial districts were reconstructed with investments in regional SMEs and innovative technologies, supported by national policies such as the Fanfani Plan and Intervention for Economic Development. In 1949, Dino Alfieri founded the Italian Fashion Center (Centro Italiano della Moda) in Milan. This institution connected the textile industry and fashion through fashion shows and events in various Italian cities, such as Como, Legnano, and Venice. This rapid industrial expansion gradually shifted the focus in fashion from traditional atelier-based practices to an industrial approach. Industrial manufacturing emerged as Italy's core competence, deeply embedded in the fabric of its industrial districts.

The spread of industrialization democratized consumer goods, paving the way for the rise of prêt-à-porter (ready-to-wear) and establishing Milan as a new fashion capital. The "Made in Italy" phenomenon emerged, highlighting a unique synergy between fashion design and industrial production. In 1958, this relationship was institutionalized with the establishment of the National Chamber of Italian Fashion in Milan (Merl & Polese, 2006), which also marked the inception of Milan Fashion Week. This new outlet for showcasing the collections did not imply that the couture showcase in Paris was overshadowed. However, it was a precursor entry of a novel business model that required not two but four collections per year.

The "Made in Italy" signified a unique blend of fashion and industry, emphasizing the vital role of suppliers. Companies such as Max Mara, Missoni, and Loro Piana, initially part of the textile supply chain, gained global recognition for their exceptional materials, which many couture ateliers relied upon. This direct relationship between designers and producers of yarns and fabrics sparked new competitiveness, production, and innovation within the textile supply chain, supported by the existence of industrial districts. According to the AIIA (Italian Association of Clothing Manufacturers), a significant increase in the market share satisfied by ready-to-wear clothing rose — from 22% in 1955 to 56% in 1965.

Italian designers such as Giorgio Armani, Gianni Versace, Fiorucci, Krizia, Emilio Pucci, Gianfranco Ferre, and Biba, all shaped by the Italian fashion system, played pivotal roles in creating high-quality mass-produced garments.

In this changing context, haute couture began to appear increasingly outdated. A younger, more global consumer base pushed traditional haute couture ateliers towards adopting the Italian industrial business model. There was a strong sense of opposition between these two different approaches to business. In March 1980, an article in the "International Herald Tribune" observed: "The Milan-Paris race is in full swing, and Milan is improving: Paris provides inspiration and direction, while Milan excels in interpretation and production. France gains the glory, but the Italians have been very adept at earning money" (Saviolo & Testa, 2005). This marked a pivotal point in the fashion industry's development, as the widespread adoption of the ready-to-wear business model shifted the focus from handcrafted creations to profitability.

While Italian companies built their identities around industrial manufacturing, French couture houses continued to pursue aggressive licensing strategies to achieve economies of scale and cater to a younger, growing consumer base. Previously, haute couture houses sold paper

patterns to global department stores, which reproduced the designs and paid royalties to the original designers. This model was disrupted in 1959 by Pierre Cardin, who licensed his garments to be sold off the rack with the "Pierre Cardin—Paris" label. This extensive licensing strategy eventually excluded Cardin from the Chambre Syndicale de la Haute Couture. Yves Saint Laurent adopted a similar approach by introducing the lower-priced ready-to-wear line Rive Gauche in 1966, targeting young consumers. This marked a paradigm shift; two competing business model approaches of industrial production and haute couture merged into a pyramid business model: made-to-order couture at the top, ready-to-wear for the middle class, and a broad array of fragrances and accessories at the bottom.

The advent of licensing expanded the fragrance business, while couture diminished rapidly. This shift transformed haute couture from the epitome of craftsmanship and creativity into a promotional showcase, reflecting broader changes in the fashion industry and leading to a dominant business model adopted by most players. Givenchy, in 1968, launched the secondary line Givenchy Nouvelle Boutique, followed by Chanel and Valentino in the 1970s.

This mass adoption of the industrial business model in fashion was not welcomed or accepted by all key industry players in France and Italy. Historical couture ateliers, such as Jacques Fath and Lucien Lelong, faced difficulties in the late 1950s. Balenciaga, disillusioned by the dressing down of society and averse to publicity, decided to close his maison in 1968, refusing to expand production to amplify his fame. Similarly, the emergence of the new dominant logic deeply affected the Italian clothing industry, particularly couture-driven ateliers. Faced with the rise of ready-to-wear, historic ateliers like Antonelli, Sorelle Fontana, Carosa, Forquet, and Schuberth, unable to keep pace with industrialization, closed their doors in the early 1970s.

Who is creative director?

Adopting the pyramid business model as the dominant strategy among fashion brands shifted the industry’s focus toward growth and scalability. This transformation brought about novel ways of delivering value propositions, moving away from the artisanal studios where seamstresses, guided by premier couturiers, once crafted exclusive pieces. In the new context, quickly responding to changing customer needs and standardizing products and processes while maintaining a solid brand identity became paramount.

The rise of this new business model introduced a key figure at the top of fashion companies: the creative director. Unlike traditional couturiers who designed and tailored made-to-measure gowns, creative directors were tasked with interpreting societal changes through clothing. Their designs needed to be simple in style yet capable of conveying more profound meanings. A prime example is Hubert de Givenchy's 1952 collection "Les Séparables," which featured interchangeable garments, offering women unprecedented flexibility and marking an early manifestation of the sexual revolution in fashion.

While Givenchy was both head designer and owner of his atelier, the role of the creative director indeed emerged in 1957 when Yves Saint Laurent succeeded Christian Dior. Initially, Saint Laurent's collections (such as Trapeze and Crocus in 1958 and Opera Ballets Russes and H Line in 1959) aligned with Dior's traditional haute couture style. However, his 1960 Beat collection represented a radical and controversial departure from classic norms. Featuring unconventional garments like turtlenecks and leather jackets, the Beat collection drew criticism for its association with the Beatnik movement, a counterculture embraced by younger generations that rejected materialism.

Despite their vision, these new creative directors had limited control over production and supply chains. In Italy, amid the rise of prêt-à-porter, industrial companies excelled in manufacturing but lacked creative direction. Here, the role of the creative director or stylist became crucial. Unlike couturiers, who were also company executives and entrepreneurs, creative directors identified market needs and devised strategies to meet them. They did not control company operations but had to understand its potential. This led to a system where designers proposed lines of models to companies under professional contracts. Producers often refrain from hiring permanent creative directors to avoid overshadowing industrial manufacturing. Walter Albini exemplified this strategy in 1967 when he collaborated with Max Mara, merging industrial manufacturing with sophisticated design. His successful approach led to further collaborations with Basetti and Callaghan. Following a similar pattern, Missoni presented a complete knitwear collection designed in collaboration with Emmanuelle Khanh.

This novel approach to creativity transformed the entire fashion value chain. Companies, guided by the vision of creative directors, shifted their focus from tangible, handcrafted items to fulfilling symbolic needs. As part of his aggressive ready-to-wear transformation, Yves Saint Laurent adapted several essential male wardrobe items for women. His revolutionary designs, such

as the smoking (1966) and safari jacket (1968), resonated with the feminist movement of the late 1960s, where simplicity and rigor replaced the need to flaunt luxury and wealth. “[Yves] understood perfectly that power was in the hands of men and that by transferring men's clothing onto women's shoulders, [he] was giving them power” (from *Lettres à Yves - Pierre Bergé, 2011*).

New frontiers in the fashion supply chain.

The progressive separation of production and creativity in fashion has led to controversial innovations in textiles and raw materials, notably the introduction of plastic and synthetic fibers. This shift began in earnest in 1966, when Paco Rabanne unveiled his "12 Unwearable Dresses in Contemporary Materials” collection, featuring garments made from aluminum, plastic, plexiglass, paper, and optical fibers. Pierre Cardin soon followed, incorporating plastic and new stretch fabrics into his designs. While the use of synthetic materials in garment production started earlier in the 20th century, their adoption in high-end fashion marked a significant shift. This trajectory pointed towards a devaluation of artisanal skills, a focus on commoditization, and a strategy prioritizing quantity over quality.

The rapid adoption of these new materials had a ripple effect throughout the fashion industry. Licensed production often relied on the same suppliers, leading to a homogenization of the fashion supply chain. This shift resulted in a noticeable decline in product quality and standardization of offerings. There was some critical response to these changes, but it was insufficient to halt the trend. For instance, Hubert de Givenchy initially refused to present his collections to the press to avoid the risk of copying, though he resumed regular presentations by 1967.

The integration of synthetic and plastic materials in fashion was primarily driven by the need for innovation, affordability, and practicality, especially to meet the demands of a younger customer base. However, one of the significant implications that few foresaw was the heavy reliance on petrochemicals derived from fossil fuels for producing synthetic fibers. This reliance has led to the depletion of natural resources and intensified processes that contribute to greenhouse gas emissions (Fletcher, 2014).

Incorporating synthetic fibers into ready-to-wear production marked a pivotal turn in the dominant business model towards accelerated production, growth, and speed. This trajectory has resulted in an unbreakable cycle of overconsumption, overproduction, and unethical, unsustainable

business practices. The fashion industry, thus, finds itself at a critical juncture, grappling with the environmental and ethical consequences of its pursuit of constant growth and innovation at the expense of traditional craftsmanship and sustainability.

Entering into the retail business

The post-World War II economic boom significantly increased disposable incomes, particularly in the United States, parts of Europe, and Japan. This newfound prosperity enabled a broader society to afford luxury goods, driving demand beyond the traditional elite. The emergence of a new wealthy social group, the Jet Set, is a prime example of this shift. Federico Fellini's "La Dolce Vita" vividly depicts the luxurious lifestyle that emerged due to the democratization of air travel, which began replacing ship travel by the 1960s.

Additionally, the expansion of media, especially the rise of television, played a crucial role in spreading fashion trends globally. Fashion shows and advertisements reached wider audiences, enhancing global fashion consciousness and increasing demand for luxury brands. Television in the 1960s became a cultural force, with cinematography significantly impacting society. Trends spread faster due to TV accessibility. For instance, Audrey Hepburn and Hubert de Givenchy revolutionized fashion promotion, showcasing trends in fashion magazines and social events and on the silver screen. Fashion became more affordable and lost some of its exclusive allure.

These rapid social changes necessitated a shift towards ready-to-wear-driven industrial business models, prompting revisions in retail strategies. Couture houses began to focus on dedicated retail spaces as primary distribution channels, moving away from reliance on department stores. As collections were produced in larger quantities than bespoke haute couture garments, single artisanal studios could no longer meet the growing demand of an increasingly globalized consumer base.

Gucci, originally a Florence-based leather goods distributor, was the first luxury fashion company to venture into international retail expansion. In 1951, Gucci opened a store in Milan, followed by its first U.S. store at the Savoy Plaza Hotel in New York in 1953 and another on Rodeo Drive in 1968. These expansions primarily utilized franchising, selling limited products produced by local licensed suppliers.

In the 1970s, the retail business model evolved with Louis Vuitton's expansion in Japan. A new and increasingly wealthy middle class emerged due to the post-war economic boom. By 1978,

Louis Vuitton had opened six stores in Japanese department stores. The fashion industry was astounded by the success of this innovative retail strategy, which transformed relatively small fashion businesses into multinational corporations with robust revenue streams. The strategic shift came with that success and involved avoiding franchising. Louis Vuitton established a direct office in Japan named Louis Vuitton Japan to maintain the brand's image, protect the trademark, and handle quality control, advertising, and publicity. By 1981, Louis Vuitton had its first directly operated freestanding store in Tokyo's Ginza district.

This trajectory of business model innovation highlighted the shift towards international retail expansion. A decade earlier, these were small artisanal studios accommodating a few clients annually due to the institutional restrictions of the couture business model. By the end of the 1970s, the atelier had become an obsolete symbol of the past, with the industry rapidly moving towards multinational expansion and faster business model innovation processes. Following the trajectories of Louis Vuitton and Gucci, the whole industry adopted similar practices; Chanel, Dior, Ferragamo, Hermes, and many others had a strong network of stores around the world, with particular saturation in the USA.

4.3 The Era of Strategic Consolidation and Anthropocene Oligopolies Formation

By the late 1980s, the fashion industry adopted a pyramid business model characterized by international expansion and extensive licensing agreements. Licensing emerged as a strategic approach to achieve growth without altering core business models. Initially embraced by couture houses and later by Italian industrial manufacturers, this approach saw designers' names on diverse products, ranging from perfumes to household items, a trend known as "griffe" in Italy. However, the proliferation of licensed lines diminished control over the value chain, resulting in declining product quality, brand dilution, and market oversaturation.

For instance, Gucci, burdened by over-licensing with over 22,000 branded products, experienced severe reputation and revenue losses, nearing bankruptcy. Similar issues plagued significant fashion houses like Christian Dior, Yves Saint Laurent, Pierre Balmain, and Céline, leading to inconsistent quality and brand identity confusion. Recognizing the erosion of customer loyalty and brand appeal, the industry pivoted towards business model innovation. This shift involved vertical integration, mergers and acquisitions, and market consolidation to regain control and restore brand integrity.

Public Fashion Corporation Emergence

The shift towards innovative business model trajectories in the fashion industry of that period was not driven by the companies themselves. By the end of the 1980s, the fashion industry that had flourished post-World War II was nearly extinct due to overlicensing and loss of production control. The early 1990s were marked by a wave of mergers and acquisitions of historically significant couture houses and established ready-to-wear companies by private investors.

The concept of a conglomerate-based luxury business model originated in the 1970s with Anton Rupert, a South African businessman. He purchased stakes in Cartier, Alfred Dunhill, and Montblanc. Through further strategic acquisitions of Chloé, Piaget, Baume & Mercier, and Rupert's son Johann Rupert, Rupert formally established Richemont Group in 1988 as a holding company for luxury brands. The group's strategy focused on revitalizing these companies, adhering to a conservative view of craftsmanship and tradition, aiming to "create goodwill, rather than buy goodwill" (*from Chairman's Commentary on Richemont AD HOC ANNOUNCEMENT PURSUANT TO ART. 53 LR 17 MAY 2024;).* Initial efforts included eliminating licenses that damaged the value chain and reputation and restoring historical traditional craftsmanship. In 1999, the group acquired 60% of the Paris jeweler Van Cleef & Arpels from the Van Cleef family, and luxury watch brands including Piaget, Baume & Mercier, Jaeger-LeCoultre, IWC Schaffhausen, A. Lange & Söhne, and Vacheron Constantin, solidifying its position in the luxury watch market.

Paving the path for business model innovation in 1986, Louis Vuitton, still a family-owned business under Henri Recamier, acquired Veuve Clicquot and Parfums Givenchy. This move was followed by a merger with Moët-Hennessy, creating the LVMH group. In 1987, LVMH was listed on the stock market to secure significant funds for further expansion. Within less than a decade, LVMH achieved synergies among the acquired assets, transforming the luxury industry into a corporate sector focused on profit maximization, shareholder value, and short-term strategic goals.

Adopters of the corporate conglomerate business model pursued this path more radically, characterized by aggressive elimination of business processes that hindered fast growth, unethical business practices, and a single-minded focus on profitability. In 1984, a real estate executive, Bernard Arnault, purchased Boussac Saint-Frères, a textile industrial producer that included Christian Dior in its portfolio. Boussac Saint-Frères was amidst industrial bankruptcy, driven by innovative industrial businesses in Italy, and Dior was also on the verge of bankruptcy. This acquisition marked a profound and radical change in the fashion business, shifting guidance from

craftsmanship and the technical knowledge of couturiers and seamstresses to creative directors and the efficiency of industrial manufacturing. The focus then shifted to rapid business expansion driven by growth.

Strategic decisions supported this shift; for example, most of Boussac Saint-Frères's manufacturing assets were divided and sold almost immediately after the acquisition. Arnault replicated the vertical integration strategy implemented at LVMH to regain control over brand quality and identity, strategically buying back licenses and streamlining production, distribution, and marketing operations. There were also some symbolic changes; the Dior couture atelier was soundproofed to reduce the excessive noise of sewing machines. While seemingly a minor change, this represented a more profound transformation in the company's value proposition. Initially, the production of made-to-measure couture gowns was the core representation and main activity within the business model. Under Arnault's control, it was purposefully removed from sight.

Driven by a relentless desire to create a massive luxury conglomerate, Bernard Arnault's aggressive strategies profoundly impacted the fashion industry. Together with Christian Lacroix, he established a new haute couture house. Previously a couturier at Patou, Lacroix abruptly left the house without notice, causing Patou to cease its clothing lines. This marked the beginning of Arnault's ruthless approach to expansion. In 1987, he employed a similar strategy to acquire Céline.

Arnault's most notorious move involved hijacking LVMH, a company partially owned by the Vuitton family under Henri Recamier's leadership. He discreetly acquired LVMH stock from Alain Chevalier, the then-chairman, increasing his influence within the conglomerate. Arnault hired private investigators to dig up dirt on Racamier and the Vuitton family to secure his position further, accusing them of various misconducts. By 1990, Arnault had successfully ousted Racamier from the board, cementing his control over LVMH.

This aggressive strategy shook the foundations of business ethics in luxury fashion. The media coined it the "LVMH Affair," symbolizing a new era where aggressive tactics and cutthroat business practices became normalized, prioritizing profitability and expansion at all costs. Within less than a decade, LVMH had diversified its portfolio through acquisitions across various sectors. These included manufacturing companies like Loewe, Fendi, and Berluti; fashion brands such as Marc Jacobs, Céline, Emilio Pucci, and Kenzo; watchmaking companies like Tag Heuer, Ebel, Chaumet, and Hublot; and perfume and cosmetics brands including Guerlain, Sephora, and BeneFit Cosmetics.

Following a similar trajectory and aiming to avoid a hostile takeover by LVMH, the Gucci Group was formed in the late 1990s under the initiative of Domenico De Sole and Tom Ford. In the 1980s, Gucci was embroiled in public disputes and legal battles over control of the company, leading to its acquisition by Investcorp Investment in 1989. De Sole was appointed CEO, and together with Tom Ford as creative director, they revitalized Gucci's financial health by reducing licensing agreements, improving product quality, and repositioning Gucci as a high-fashion luxury brand. The company was subsequently listed on the New York and Amsterdam stock exchanges, providing the necessary capital and making it attractive for a takeover by LVMH. To prevent this, De Sole and Ford secured an agreement with François Pinault's PPR (Pinault-Printemps-Redoute) to acquire 40% of Gucci shares. By 1999, Gucci Group became part of PPR, later renamed Kering. That same year, under De Sole's guidance, Kering acquired Yves Saint Laurent Rive Gauche ready-to-wear, cosmetics, and Sergio Rossi, followed by acquisitions of Balenciaga, Bottega Veneta, and Boucheron.

The House of Balenciaga had been closed since 1968 because its founder, Cristobal Balenciaga, refused to conform to the emerging industrial business model. However, in 1986, the house was purchased by Jacques Bogart Group, a French company primarily known for its perfume and cosmetics business. Contrary to the spirit of haute couture and loyalty to traditional atelier-centered business models, the focus after the acquisition was solely on the ready-to-wear line. In 2001, Balenciaga was acquired by Kering Group, which adopted a vertical integration strategy similar to LVMH but with relatively lower levels of control over the creative process. Despite this, Balenciaga's growth remained limited to its emphasis on ready-to-wear and expansion into accessories and footwear.

While Kering and LVMH, both French conglomerates, implemented their aggressive acquisition strategies, similar approaches were adopted in Italy. Under Miuccia Prada's leadership, Prada expanded into ready-to-wear and launched the subsidiary brand Miu Miu. Prada then embarked on a series of strategic acquisitions, including Helmut Lang, Jil Sander, Church's, and Car Shoe, thus forming the Prada Group. Another Italian conglomerate, OTB Group, was established based on Diesel denim manufacturer and founded by Renzo Rosso in 2000 by first acquiring Staff International, an Italian industrial garment production; the group then expanded by strategic acquisitions of Martin Margiela, Viktor & Rolf, and Marni.

The strategies for business model innovation across these newly formed groups were largely homogenous and straightforward. Richemont and OTB Group deviated from this dominant logic by employing a decentralized approach that allowed acquired companies to maintain their own strategic and creative decisions—in stark contrast, Kering, LVMH, and Prada Group centralized control, stripping fashion companies of their strategic direction, brand positioning, and financial management, transferring these powers to corporate headquarters. This left the brands with limited autonomy, focusing more on implementing strategies dictated by the corporate office.

These conglomerates began their expansion by listing on the world's stock exchanges, acquiring production facilities, and integrating vertically within their value chains. Examples include Loro Piana, Loewe, Sergio Rossi, and Car Shoe. At Louis Vuitton, prior to LVMH's acquisition, 70% of production was outsourced. Post-acquisition, all franchises were reclaimed, and the number of in-house factories increased from five to fourteen. Consequently, couture lines were almost eliminated as there was no room for growth. Founders of couture houses and manufacturing companies were effectively forced out. For instance, Givenchy sold his brand to LVMH in 1988 and was subsequently forced to retire by Bernard Arnault. Similarly, Jil Sander left her company due to disagreements with Prada Group CEO Patrizio Bertelli over creative control and strategic direction.

As a consequence of the formation of new dominant logic in business model innovation, the aggressive acquisition strategies established a new standard for corporate leadership in the luxury sector, normalizing hostile business practices focused on rapid growth and profitability, incentivized by shareholder demands for increased profits every quarter. It was a dramatic shift from the traditional focus on craftsmanship and creative vision to a corporate mindset centered on profit maximization and shareholder value, involving unethical practices and tactics to eliminate competition and secure control. It was a departure from the ideals of the fashion industry's golden age, highlighting the growing dominance of financial interests over artistic integrity.

Aggressive retail expansion through global flagship stores chain

The trajectory of business model innovation towards international retail expansion, which began in the 1970s, gained significant momentum with the rise of conglomerate-based business models in the fashion industry. The nature of markets underwent a radical transformation, expanding their geographic reach and complexity. This expansion was fueled by the rapid growth of global consumer bases, particularly the emerging middle class eager for status symbols, and the accelerated economic development in BRICS countries and the Middle East. In this context,

strategic decisions following the formation of conglomerates were predominantly driven by the pursuit of increased market share.

A critical competitive advantage secured by these conglomerates was their ability to achieve economies of scale, particularly in retail management. It was most evident in their ability to secure prime retail spaces in global capitals, including Avenue Montaigne in Paris, Via Montenapoleone in Milan, New Bond Street in London, Fifth Avenue in New York, and Ginza in Tokyo, as well as in luxury malls across Shanghai, Hong Kong, and Dubai.

As product strategies shifted towards standardization, eliminating non-scalable lines such as haute couture, an imperative arose to craft a robust and cohesive brand image. This was primarily achieved through significant investments in the architecture of retail spaces. In the 1990s, flagship stores became a central strategy for luxury fashion conglomerates, necessitating the involvement of renowned architects, often referred to in the media as "starchitects." These architects played a crucial role in creating retail spaces that were not only visually striking but also culturally resonant, reflecting the essence of the newly acquired brands. Notable architects in this movement included Peter Marino, who collaborated extensively with LVMH on flagship stores for brands such as Christian Dior, Bulgari, Louis Vuitton, and Fendi, alongside other projects for Chanel, Donna Karan, Calvin Klein, and Valentino.

The approach to designing these flagship stores was singular and formulaic: extract easily recognizable symbols from the historical companies and place them at the core of the stores while maintaining a relatively homogenous overall aesthetic. This aesthetic was characterized by extravagance—lavish displays of gold, silver, and sparkles that exuded opulence. After more than a decade of collaboration, many brands under the LVMH conglomerate began to exhibit a striking uniformity. These stores typically featured grandiose buildings with an initial hall dedicated to leather goods and accessories, a separate area for perfumes and beauty products, a ready-to-wear section accessible via a sweeping spiral staircase, exclusive luxury suites on the upper floors, a high-class restaurant with a renowned chef, preferably on the rooftop, and a coffee shop. The interiors were lavishly gilded, and the sales staff—young, polished, and often assessing customers with a discerning eye—became part of the brand's image.

There was an attempt to introduce a differentiated element within this standardized strategy. At Dior, for instance, the central staircase was adorned with models designed by Christian Dior in the 1940s, with the iconic New Look bar jacket and pleated skirt prominently displayed. Louis

Vuitton showcased its traditional monogrammed trunks, while Fendi incorporated walls adorned with fur samples and a replica of a traditional fur studio workshop behind glass walls. These nods to each brand's heritage were meant to evoke the craftsmanship and tradition that once defined these companies, though corporate standardization had largely subsumed these elements.

Other architects also collaborated with luxury fashion companies. However, the overarching design strategy remained similar: incorporate an iconic reference to a traditional craft, often no longer relevant in the modern corporate fashion context, and construct a standardized retail space designed to maximize accessory sales. Prada, however, took this strategy a step further with its collaboration with Rem Koolhaas. The Prada flagship store was conceived not merely as a retail space but a multi-functional environment that could transform into a performance or exhibition venue. This design blurred the lines between shopping, culture, and entertainment with the integration of cutting-edge technology, marking a significant innovation in luxury retail that would contribute to the dominant logic in business models in further periods.

T he aggressive retail expansion strategy extended beyond the increasingly expensive flagship stores in major global capitals. As the concept of a global consumer, who traveled more freely, began to take shape, it ushered in a new culture of luxury shopping. The first signs of this shift were seen with Japanese luxury consumers flocking to Hawaii, prompting the establishment of Louis Vuitton, Chanel, Gucci, and Cartier stores in the region. This was further expanded into other luxury tourist destinations such as Positano and Capri in Italy, St. Barts in the Caribbean, St. Moritz in Switzerland, and Courchevel in France.

Simultaneously, there was a strategic push towards airport retail. Gucci and Cartier pioneered this space, adopting travel retail strategies as early as the 1970s by opening small boutiques in Paris Charles de Gaulle and London Heathrow airports. Hermes and Chanel soon followed suit. In 1991, Louis Vuitton took a significant step by opening its first airport store at Paris Charles de Gaulle, heralding a new era of luxury travel retail that conglomerates with other brands like Dior and Fendi quickly replicated.

In a move that changed the rules of the game, LVMH acquired a majority stake in DFS in 1996, a company known for its duty-free shops in airports. This acquisition gave LVMH-owned brands a prioritized position in integrating luxury retail with travel retail, capitalizing on the growing number of international travelers, particularly from Asia. LVMH’s strategy focused on

selling its products directly to high-net-worth travelers in a duty-free setting, creating an additional channel for reaching affluent customers.

By the end of the 1990s, the number of luxury retail stores grew exponentially. For example, before its acquisition by LVMH in 1984, Dior reportedly had fewer than 15 stores. By the beginning of the new millennium, this number had surged to more than 120 directly operated stores globally. Similarly, Louis Vuitton expanded from 30 stores to 125 during the same period. Prada's growth was equally rapid, increasing from 40 directly operated global stores in the early 1990s to 160 by the mid-2000s and eventually surpassing 600 by the end of the decade, with over five stores in a single city.

Subsidiary line into core business

Following the rise of acquisitions and the establishment of conglomerate-based business models, alongside retail expansion into new markets, a strategic imperative emerged to identify products that could be standardized, were non-seasonal, and had broad global appeal. These products needed to transcend cultural differences, be easy to sell, and provide consistent revenue streams. Ready-to-wear, previously the primary driver of business model innovation, became increasingly challenged by its inherent seasonality and the complexities of size variation across different regions. Despite the economies of scale achieved through conglomerate ownership, where multiple brands could produce apparel in shared facilities with a common workforce, the limitations of ready-to-wear became apparent. This led to a significant industry-wide shift in the 1990s, where accessories became the central focus of the prevailing business models in the luxury fashion industry.

The strategic pivot of conglomerates involved shifting emphasis from the traditionally apparel-driven haute couture core business to accessories, previously considered supplementary lines often managed through external partners or licensing agreements. With a few notable exceptions, such as Louis Vuitton and Gucci, which had long-standing traditions in luxury accessory craftsmanship, most luxury brands began prioritizing accessories like handbags, shoes, small leather goods, and perfumes. These products offered higher margins and sustained demand, presenting significant growth opportunities. Additionally, social transformations, including the increased participation of women in the workforce, fueled a burgeoning demand for accessories, leading to the cultural phenomenon of It-bags—items that became not just fashion statements but symbols of status and identity.

At Chanel, which has steadfastly maintained its independence, the focus on accessories has been a strategic priority since the 1950s. In 1955, Gabrielle Chanel introduced the 2.55 handbag, a design that revolutionized the concept of the classic handbag by incorporating a shoulder strap, allowing women the freedom to carry their bags hands-free. This innovation marked a pivotal moment in the brand's history, setting a precedent for future designs. Continuing this trajectory, Chanel launched the Classic Flap in 1983, a handbag that would become the first actual "It bag," solidifying its status as one of the most iconic handbags in fashion history.

The entire luxury fashion industry soon followed suit. Gucci, for instance, made a strategic pivot with the introduction of the Gucci Bamboo Bag and the Horsebit Loafer, products that significantly boosted the brand's revenues and transformed it into one of the most profitable luxury brands of its time. By the mid-1990s, the handbag had become a potent status symbol, unlocking vast opportunities even for brands not traditionally focused on leather goods.

In 1997, Fendi launched the Baguette, which gained widespread attention, notably through its prominent placement in an episode of the TV show "Sex and the City." Similarly, Christian Dior’s Chouchou (later renamed Lady Dior) and Saddle bags, Balenciaga’s Motorcycle Bag (commonly known as the City Bag), and Prada’s Nylon Bag were emblematic of a broader industry trend. Luxury fashion companies began to strategically refocus on accessories, which quickly became the defining artifacts of their brands, often overshadowing the original crafts and products that had once been central to their identities.

Some traditional leather goods luxury companies became integral players in the It bag phenomenon, often unintentionally. Hermès, for example, witnessed a resurgence of interest in its historical Sac à Dépêches (later known as the Kelly bag). Initially designed in 1935 by Robert Dumas, a member of the Hermès family, the Sac à Dépêches was part of Hermès' travel collection and intended as a large, functional bag for carrying a woman’s essentials while traveling. 1956, the bag was renamed the Kelly after being famously associated with Princess Grace Kelly. The bag's connection to royalty and its elegant, classic design transformed it into a symbol of absolute luxury by the 1990s, alongside the Birkin bag, designed in 1984 by Jean-Louis Dumas, the then-CEO of Hermès, for actress Jane Birkin.

What set Hermès apart from other luxury brands, particularly those managed by conglomerates, was its strategic approach—or adherence to its traditional business model. While other luxury brands pivoted towards accessories and rapidly expanded production to meet demand,

Hermès remained committed to crafting luxury leather goods. Unlike its competitors, Hermès did not expand the production capacities of its workshops, maintaining meticulous control over its production processes. This approach resulted in extremely high demand and a corresponding scarcity of supply, which only heightened the exclusivity and desirability of the Kelly and Birkin bags. While organic and intrinsic to Hermès', this strategy was later emulated by other luxury fashion players who sought to replicate the aura of exclusivity.

However, these other brands often implemented this strategy in a more contrived manner, artificially creating scarcity to preserve the illusion of exclusivity. The business driven by strategic decisions of conglomerates started to take an awkward shape to be considered a luxury. There was an expected level of high-level craftsmanship even for standardized leather goods, as traditional artisans directly controlled the manufacturing process in the past. For example, Gucci, back in the 1960s, produced leather goods in its own workshops in Florence. When the business model of these companies evolved into fashion corporations, they pushed handbags as the centerpiece of their core business. In contrast, the leather goods workshops evolved into industrial parks operated by machines.

Shock, promotion and advertisements become main value drivers

Refocus on accessories, the economy of scale, and standardization of the product lines gradually gave birth to novel phenomenons within business model management and—innovation within the luxury fashion industry. There was a complete reconstruction of the value chain where creativity and design began to be considered a marketing exercise. At the same time, craftsmanship, traditional techniques, and highly specialized artisans with rare talents and skills were substituted by branding and a new concept called heritage.

In order to keep consumers “at the tip of their toes” and maintain their desire to visit global retail flagships more than once a month, there was an increasing need to maintain their attention. Advertisements considered bad taste in the traditional luxury context have become the most vital driver in increasing market share. The advertisement on TV and in fashion magazines, in collaboration with renowned fashion photographers like Steven Meisel and Mario Testino, allowed the companies to create visual stories and brand identities that would go beyond their products. For example, the TV campaign Chanel featuring the perfume Chanel #5 was the first-ever TV commercial created in collaboration with famous director Ridley Scott, which did not directly reference the product itself or its mention.

Moreover, the conglomerate-based business model allowed the acquisition of advertisement space in magazines and on TV for most of the brands in the portfolio, which would eventually saturate the market and create impossible conditions for independent businesses.

As it happened once in haute couture, ready-to-wear became a decor for accessories. Nevertheless, the advertisement of highly standardized products required a strong brand reputation, which was also associated with the eccentric, loud brand voices. Therefore, it was an important step to find young creative directors who would help maintain developing a unique and strong brand identity with occasional references to brand heritage by designing ready-to-wear clothes for fashion shows that would eventually drive sales of leather goods

Tom Ford was appointed as a creative director at Gucci in 1994. While considered as the creative mind responsible for Saving the company from bankruptcy due to its designs, Tom Ford, through his provocative designs, learned how to inaugurate luxury with mass appeal that extend beyond clothing to accessories, particularly handbags and shoes. John Galliano, hired by Dior in 1996, had a thorough, spectacular approach to fashion shows and revitalized the image of the Dior House, which was drowning in licensing, drastically impacting the sales growth of handbags and perfumes. Alexander McQueen was appointed at Givenchy in 1997, bringing provocative, edgy aesthetics to the brand, completely departing from its original aesthetics. Hubert de Givenchy himself, Having been removed from his own company earlier, was particularly displeased by this appointment, referring to a departure from a sophisticated and conservative approach to fashion.

Marc Jacobs was the most striking example of a creative director. During that period, appointed in 1997 to Louis Vuitton, he was the first case of fashion designer in a traditional manufacturing company oriented towards leather goods craftsmanship. It seemed unnecessary as, initially, there was no need for seasonal collections of trunks and bags. Louis Vuitton started presenting its ready-to-wear collections during Paris Fashion Week, which primarily aimed to garner headlines and dress-up ads to sell leather goods. Soon after that, at the beginning of the 2000s, the role of creative director evolved into bridging high fashion with street style and hip-hop culture, as it was seen as a highly potential market. In 2004, Marc Jacobs collaborated with Pharrell Williams to design a sunglasses collection that extended to jewelry and accessories.

Short-term orientation and sealed capabilities to innovate Business Models

Historically, it is evident that the consolidation of luxury fashion companies into conglomerates and substantial investments established a dominant business model across the industry. This approach, while supposedly preserving the traditional firms known for their craftsmanship, also involved taking them public as a means to access more significant financial resources. However, from an industry-level perspective, the strategies employed during this period prioritized short-term growth at the expense of innovation and flexibility. The pursuit of immediate shareholder returns emerged as the primary driver of business model innovation, unintentionally eroding the core value of the craftsmanship these companies were initially celebrated for. Instead, it was substituted with the so-called heritage, an abstract concept aimed at exploiting traditional values while systematically removing their tangible artifacts from the core business.

Aggressive global retail expansion further entrenched this approach, creating a volatile and increasingly unsustainable economic model. As luxury brands rapidly expanded their retail footprints, the global economy encountered significant disruptions, including the Economic Recession, the Asian and Russian Financial Crises of the 1990s, the Tech Bubble Burst of the early 2000s, the Great Recession, the SARS Outbreak, the European Debt Crisis, and the September 11 terrorist attacks in New York. These events starkly revealed the luxury fashion industry's vulnerability and lack of preparedness for economic downturns, particularly in critical growth regions.

The cumulative impact of these crises was severe, with the market value of luxury goods declining by approximately 9% in 2008-2009. For instance, LVMH experienced a 45% drop in its stock value, while Gucci faced a 50% loss. Overextension into new markets and costly retail expansions led to a sharp decline in sales, forcing brands to scale back operations, focus on high-margin accessories, and retreat to more stable existing markets. This retrenchment strategy resulted in overstocked inventories, widespread discounting, and significant reputational risks. Notably, brands like Gucci, Yves Saint Laurent, Zegna, and Louis Vuitton were forced to close many newly opened flagship stores and reduce their presence in department stores across Asia following the economic crises that hit Thailand, South Korea, and Hong Kong.

The strategies employed by luxury conglomerates to enhance resilience within their business models during periods of economic instability were notably standardized and focused heavily on cost-cutting measures. As the industry faced various financial crises throughout the 1990s and 2000s, these conglomerates implemented crisis management strategies that fundamentally altered

the nature of luxury fashion production, often prioritizing short-term financial gains over preserving quality and craftsmanship. One such strategy was the widespread adoption of cost-cutting measures in producing ready-to-wear clothing. In the 1990s, a novel practice emerged in women's fashion: removing linings from garments. Initially introduced as a temporary solution to reduce production costs during economic instability, this practice quickly became a standard approach within the industry. Removing linings simplified the construction of garments, dramatically reducing production complexity, yet paradoxically, retail prices continued to rise. Additional cost-cutting measures included the adoption of raw edges that eliminated the need for sewing and subtle reductions in the lengths of jackets and sleeves, further streamlining production processes.

Perhaps the most significant shift in this period was the industry's increasing reliance on cheaper materials and lower-quality threads. This approach reduced production costs and diminished the lifespan of luxury garments. The industry transitioned from producing clothes designed to last a lifetime to creating products that often did not last a season. This shift served a dual purpose: it allowed companies to lower costs while incentivizing consumers to purchase more frequently and in more significant quantities, driven by the need to replace rapidly deteriorating items. As these cost-cutting measures were implemented across conglomerate-owned brands, the established economies of scale created a ripple effect of all these processes. This meant a quick proliferation of them throughout the industry. Since different brands were often produced in the same factories by the same workers using the same materials, the effects of these cost reductions became pervasive, reshaping the entire luxury fashion landscape.

4.4 Technology Driven BMI and Fast Fashion BMs

The emphasis on financial value as the primary driver of business model innovation during the era of conglomerate consolidation ultimately stifled genuine innovation within these companies. Over time, the strategy of these conglomerates increasingly involved stripping away core components of their business operations, replacing them with short-term cost-cutting measures. Concurrently, the shift in focus towards accessories and entry-level product categories, combined with these cost-cutting practices, enabled the luxury industry to rebound relatively quickly from the economic turbulence of the late 1990s and early 2000s.

Initially, this practice was a temporary response to economic challenges and gradually became normalized and legitimized, establishing a new dominant logic that permeated the entire industry. At the same time, heavy investments in advertising amplified the effects of these changes,

as brands sought to maintain or boost revenues by reshaping consumer shopping habits. This approach not only reinforced the emerging business model but also shifted consumer expectations and behaviors, embedding the new industry standards more deeply into the trajectories of luxury fashion. The strategic shift, driven by the need to adapt to economic pressures, marked a profound transformation in the luxury fashion industry, steering it away from its roots in enduring craftsmanship and towards a model centered on short-term profitability and consumerism.

By the end of the new millennium's first decade, luxury conglomerates exhibited rapid and accelerating growth. The reported gross margins of major companies soared to 65-75%, while in 2010, Forbes ranked Bernard Arnault as the seventh wealthiest man in the world, with a net worth estimated at around $27.5 billion. The luxury industry had again entered a new phase marked by radical transformations involving business model innovation and a shift in dominant business models. It became increasingly evident that the conglomerates dictated the prevailing business model. This "winner takes all" mentality solidified within the industry, forcing even new entrants to conform to these established "rules of the game" to survive.

Fast Fashion Business Model Adoption

Adopting new strategies to address economic challenges facilitated the recovery of the luxury fashion industry, even boosting revenues and paving the way for rapid growth. However, a significant shift occurred after the late 1990s and early 2000s economic recessions. This transformation saw luxury fashion companies increasingly target middle-class consumers, who, while loyal and profitable in their spending habits, were also more sensitive to financial instability. As a result, consumers became more discerning, seeking value for money while still wanting to express their style. The concept of being a "savvy shopper" emerged, where individuals could assemble outfits that appeared luxurious without the corresponding price tag. This trend was further fueled by the rise of fast fashion and mass-market retailers, which offered replicas of high-end runway designs at a fraction of the cost.

Initially, competition from mass-market and fast fashion brands seemed irrelevant to luxury fashion, given the substantial symbolic value and status representation associated with luxury goods. However, the landscape changed dramatically in April 2000, when H&M opened its first store on Fifth Avenue in New York, alongside luxury giants like Saks Fifth Avenue, Tiffany & Co., and Louis Vuitton. This proximity's cultural and strategic impact quickly became evident, with fast fashion's influence on luxury business models emerging almost immediately.

While luxury brands may not have directly benefited from this juxtaposition, mass-market brands certainly did. The well-established luxury business model, prioritizing accessories and entry-level luxury goods such as perfumes, shoes, and bags, aligned well with the "chic to buy for less" phenomenon. Luxury store layouts also encouraged this consumption behavior, with bags and accessories prominently displayed at the entrance.

The difference lay in the fast fashion business model of mass-market retailers like Inditex and H&M, which operated with utterly different supply chains, enabling new merchandise to arrive in stores every one to two weeks. These competitors demonstrated agility and system sensitivity, allowing them to produce up to 300 designs per week. It was only a matter of time before luxury conglomerates began to adopt similar strategies. The first step was the introduction of pre-collections, which shortened the gap between the traditional spring-summer and autumn-winter collections. New collections began to appear in stores, divided into various moods, special drops, and issues dedicated to holidays and festivals. For comparison, the traditional luxury fashion calendar, as dictated by the Chambre Syndicale de la Haute Couture, included only two haute couture collections per year. Adopting an industrial approach to production added two more ready-to-wear collections, resulting in four collections per year as part of the business model. By the early 2010s, many luxury companies produced eight to ten collections annually, necessitating supply chain and operational optimization through business model innovation.

From an operational standpoint, the culmination of this shift occurred in 2013 when some industry players, such as Burberry, introduced the "see now, buy now" model in luxury—a strategy directly borrowed from fast fashion. This marked a public acknowledgment by the companies themselves of a departure from the traditional value of craftsmanship, which cannot be rushed by its nature. Other brands followed suit with drop strategies that established a responsive calendar of frequent collection releases.

The success of fast-fashion business model adoption within the luxury sector sent shockwaves through the entire industry. This period has marked the formation of a new dominant business model, where speed and agility became the most critical capabilities. Companies began to invest heavily in shortening design-to-delivery cycles, optimizing inventory, and refining supply chain management. This shift represented a different process of value creation and a radical change in mindset. The focus on product standardization, driven by analytics, gradually eroded the levels of creativity within luxury fashion brands. Categories that required attention to detail and full

customization, such as haute couture, declined sharply. During haute couture's golden age, over 20,000 clients per year purchased couture pieces; by the late 2000s, that number had dwindled to 2,000. Increasingly, it became essential to conceal the production process from consumers, as trade-offs in quality were made for the sake of speed and higher revenues. Major luxury brands like Giorgio Armani, Ralph Lauren, and Louis Vuitton began moving parts of their production to China, Bangladesh, and Vietnam, where faster production cycles and reduced labor costs could be achieved. This convergence of high-end and low-end fashion business models blurred the lines between the two.

Technology driven innovation that drove BMI

The convergence between high-end and low-end fashion, leading to the blurred boundaries between luxury and mass-market fashion, was significantly influenced by rapid technological advancements. The rise of the internet played a pivotal role in transforming the fashion industry. By the mid-2000s, the luxury fashion sector began facing challenges from the growing prevalence of e-commerce as consumer behavior increasingly shifted toward online shopping. The emergence of disruptive platforms with technology-centered business models posed a potential threat to traditional luxury brands, as they risked losing customers to these new digital competitors.

Platforms like Yoox and Net-a-Porter, founded in the early 2000s, began gaining traction, particularly among younger consumers, often referred to as millennials. Yoox initially positioned itself as a digital discount outlet for high fashion, with a core competency in logistics. At the same time, Net-a-Porter combined elements of an online magazine with e-commerce, allowing users to purchase luxury fashion items directly. This hybrid model revolutionized luxury retail, challenging the longstanding belief that luxury shopping was inherently an in-person experience. The success of these platforms was underscored by Richemont’s acquisition of a 93% stake in Net-a-Porter in 2010 for approximately £350 million, followed by its merger with Yoox in 2014, creating a significant player in luxury e-commerce. By 2018, the newly formed Yoox Net-a-Porter Group generated around €2.1 billion in revenues.

As these platforms demonstrated their success, luxury brands established their own e-commerce websites. Hermès was one of the first to launch its e-commerce platform in 2001, followed by Gucci in 2002 and Burberry in 2005. Given the highly centralized and standardized management structures of luxury conglomerates, the integration of e-commerce into the luxury industry was widespread by the late 2000s. Burberry, for example, declared its vision to be the first

fully digital luxury brand in 2006 with intensive investments in digital strategies, including e-commerce. LVMH had initially attempted to implement a platform-based business model with the launch of eLuxury.com, offering products from across its brand portfolio. However, this multi-brand platform strategy failed to deliver the expected benefits, leading to its closure in 2009. Following this experience, LVMH shifted its focus to developing individual e-commerce sites for each brand, beginning with Louis Vuitton in 2010. The acquisition of the 24Sèvres digital platform in 2017 further accelerated LVMH's digital expansion, resulting in a proliferation of individual brand websites throughout the 2010s.

One aspect of full-speed technology integration, even quite hesitant initially, was the competition with unexpected software providers and online retailers such as Amazon and Asos. Based on the data acquired from the brands sold on its platform and shipped from its global warehouses, in 2016, Amazon launched its first fashion private label, and by 2017, it had grown to 16. The same strategy was applied by ASOS in 2004 and by Net-a-Porter in 2012.

The move toward e-commerce as a business model innovation was driven by a desire to capture a larger market share and mitigate the risk of losing customers who were either intimidated by physical stores or had already shifted their shopping habits to the digital realm. This led to unprecedented market saturation, where competition was no longer about finding the right consumer for a product or service but rather about outcompeting rivals through the oversaturation of physical and virtual spaces. Consumers began to feel overwhelmed by constant brand encounters that permeated every aspect of their lives.

One of the strategies luxury brands employed to achieve this saturation was the implementation of Big Data and analytics. These tools allowed companies to use historical data to forecast future behaviors and develop highly targeted, often invasive, marketing strategies. While data-driven approaches helped optimize production and reduce overload, they also highlighted a growing emphasis on short-term profitability. Increasingly, brands adopted manipulative techniques to drive sales, fostering a culture of overconsumption. This shift departed from the creative-driven ethos that once defined the luxury fashion industry. As data-driven decisions, such as using Big Data analytics in the design process, became more prevalent, artistic integrity was a noticeable trade-off. Now coupled with fast fashion operational models, creativity was increasingly being used as a communication and PR tool to maintain the allure of luxury rather than as a genuine driver of innovation.

Lastly, when technology became an integral part of the luxury fashion business model, the innovation was only related to technology, sometimes without any meaning for its introduction. The conglomerate-based business model also emphasized this ripple effect as adopting some practices, even by independent brands, was viewed as the only way to survive in an over-competitive industry. Only already established luxury companies could partially resist, for example, Chanel, which avoided e-commerce integration and used its website as an online magazine.

The Rise and Commercialization of Content-Based Value Creation and Experience-Based Value Proposition

The increasing distortion of value propositions within luxury brands managed by conglomerate business models has become a significant issue, mainly as these companies have adopted fast fashion's operational speed. This shift has profoundly affected the creative process, which was once the cornerstone of the luxury industry. In its original form, creativity has been almost entirely replaced by the capability to generate content quickly and efficiently. This trend gained momentum as prominent creative directors from luxury fashion houses began partnering with fast-fashion retailers. A notable example is the capsule collection designed by Karl Lagerfeld, the creative director of Chanel and Fendi, for H&M. Although the designs bore Lagerfeld’s name—an icon of traditional couture and unparalleled craftsmanship—they were mass-produced in Turkey and Romania, marking a straightforward entry into the middle market. These cross-collaborative efforts diluted the exclusivity traditionally associated with luxury brands, positioning them in direct competition with fast fashion and elevating perceived value.

The transformation in value propositions, mindset, and supply chain operations led to the replacement of the authentic value of artisanal products—characterized by time-consuming processes, original designs, and exclusivity—with a more symbolic value centered around the concept of "creating desire" (Arnault, 2001). This shift was accompanied by increased investments in experiential marketing, often closely tied to brand heritage. The newly dominant business model logic focused on the mass production of accessory lines, prioritizing items made from less expensive materials, such as canvas emblazoned with logos. Meanwhile, consumer “desire” was sparked by bold ready-to-wear designs and the appointment of controversial creative directors, whose primary objective was to generate buzz akin to the shock value tactics of the 1990s but with even more embedded controversy.

By 2015, a new wave of creative directors, including Alessandro Michele at Gucci and Demna Gvasalia at Balenciaga, prioritized disruption and provocation over traditional craftsmanship. These figures pushed the boundaries of luxury fashion, emphasizing shock value to drive the sales of accessories and entry-level items. Under their direction, approximately 70-80% of revenue came from handbags and other accessories, such as jewelry, eyewear, and watches. The industry quickly followed, with brands appointing similar disruptors, such as Virgil Abloh at Louis Vuitton, Jonathan Anderson at Loewe, and Matthew Williams at Givenchy. Many of these creative directors lacked formal training in garment construction or fashion design, as the role increasingly focused on marketing and brand visibility. The simplified garment construction and straightforward streetwear-inspired designs made these collections easily replicable and ultra-trendy, reinforcing a fast-fashion model that led to overproduction, waste, and the erosion of the traditional focus on timelessness and quality craftsmanship.

This trend of shifting value propositions was further amplified by the rise of social media and the capacity for collections to go viral. An early precursor to these strategies can be traced back to 2001, with the launch of Google Images, which was developed in response to the overwhelming public interest in Jennifer Lopez's iconic, transparent green Versace dress worn at the 42nd Annual Grammy Awards. This moment underscored the power of visual content in driving consumer engagement, a concept that luxury brands would later capitalize on.

As luxury brands began to engage more deeply with digital users, they started integrating them into the creative process. In 2009, Burberry pioneered this approach with the launch of "Art of the Trench," a social media project that allowed customers to share photos of themselves wearing Burberry trench coats. This initiative marked a shift towards user-generated content as a cornerstone of brand strategy. Building on this digital-first vision, Burberry, a historic British brand founded in 1856, live-streamed its collection in 2010. This move further extended user engagement in the co-creation process, significantly altering the visual language of luxury fashion by prioritizing provocation and viral media appeal over the traditional focus on product craftsmanship and detail.

Value creation within luxury fashion increasingly became driven by content rather than by the intrinsic qualities of the products themselves. A striking example is the Gucci Fall 2018 fashion show, where models carried replicas of their own heads instead of traditional accessories. This provocative accessory was designed to be a statement piece reinforcing the collection's conceptual message about identity and transformation in the digital age. However, these head replicas were not

created by Gucci; they were outsourced to Makinarium, a special effects studio known for its work in the film industry. The buzz around these props overshadowed the collection itself, which is largely forgotten, highlighting the shift towards spectacle over substance.

Similarly, in 2017, Balenciaga's reinterpretation of the IKEA FRAKTA bag—a ubiquitous blue polypropylene tote used for carrying purchases—garnered significant media attention and quickly went viral on social media. This item sparked diverse reactions, with some viewing it as a critique of consumerism, others as an absurd commentary on the nature of luxury, and still others as an indication of the increasingly blurred lines between high fashion and everyday commodities.

The industry rapidly embraced this content-driven approach to value creation. Examples such as Vetements' DHL t-shirt, Moschino's McDonald's collection, and the Supreme Brick all sought to generate extensive conversation and media coverage. These gimmicks can also be seen as attempts to divert attention from the rapid erosion of the traditional capabilities and values associated with luxury. In their quest to stay relevant within a rapidly evolving cultural landscape, luxury brands adopted a strategy centered on shock value and spectacle, aiming to capture consumer attention through hype rather than craftsmanship or heritage.

This trend reached a significant milestone in 2017 when Louis Vuitton collaborated with Supreme, merging the worlds of high luxury and streetwear. The collaboration featured traditional Louis Vuitton items, such as trunks covered with Supreme logos, alongside streetwear staples like monogrammed hoodies and skateboards. As the first collaboration between a luxury brand and a streetwear label of this caliber, it symbolized consumer culture's transformation—or perhaps deformation—under the forces of commoditization and the democratization of luxury.

To sustain the high desirability of products under the new dominant business model, luxury brands increasingly employed strategies of artificial scarcity—a tactic borrowed from Hermès' operational model. Unlike the genuine scarcity seen in Hermès Birkin or Kelly bags, where limited availability stems from the time-intensive craftsmanship involved, the limited edition release of the Louis Vuitton and Supreme collaboration was a deliberate move to inflate hype and create a superficial sense of rarity. In this context, scarcity shifted from being a byproduct of complex production processes and intrinsic product value to a psychological manipulation to exploit consumer emotions and foster FOMO (fear of missing out) behaviors. This shift has led to fetishizing otherwise ordinary products, where the brand name alone justifies a high price tag.

The transition from intrinsic value creation to content-driven value became pervasive across the luxury industry, influencing most of the activities undertaken by these companies. This trend was evident in everything from fashion shows staged in extravagant locations—such as Fendi's 2007 collection presentation on the Great Wall of China—to the increasing use of influencers in promotional efforts, exemplified by Dior's collaboration with Chiara Ferragni. As noted by fashion critic Angelo Flaccavento, "The expenses are more than repaid by the virtual traffic they are capable of generating and maintaining, to such an extent that today fashion shows seem designed primarily for their impact on Instagram.", which underscores the shift toward creating experiences tailored for social media virality.

The expansion into social media and digital content creation has also led to the rise of digital influencers and avatars who "collaborate" with luxury brands. For instance, in 2012, Givenchy, under the creative direction of Riccardo Tisci, designed a Haute Couture gown for a digital avatar named "Maddie." While this move was disruptive and innovative for a traditionally couture-focused house, it also symbolized the new logic surrounding the core business of luxury companies. Here, a made-to-measure gown was crafted not for a real person but for a non-existent, computer-generated character—highlighting a shift from valuing the talent and craftsmanship of a couturier to prioritizing content as the critical driver of value.

This relentless pursuit of creating desire through hype-driven content and fast fashion-inspired production cycles has taken a toll on the creative health of luxury brands. Creative directors were tasked with producing up to ten collections annually, effectively developing an entirely new line every month. This demand was incompatible with a healthy product lifecycle, leading to issues of overproduction and the exploitation of creativity. The immense internal and external pressures have resulted in frequent reshuffling of creative directors within conglomerates. For example, in 2015, Raf Simons abruptly left Dior, reportedly due to the immense pressure from the conglomerate model to deliver constant and rapid commercial success, which inherently limits the time-consuming process of true creativity. Similar exits have occurred with Alber Elbaz at Lanvin, Tomas Maier at Bottega Veneta, and Phoebe Philo at Céline—all instances where creative directors were forced out after years, if not decades, of shaping their respective brands. As luxury conglomerates continued to prioritize rapid growth and the swift adoption of ultra-trends and product development based on data analytics, the role of the creative director has increasingly become more accessory than central, with decisions often driven by short-term financial objectives rather than genuine creativity or sensitivity to consumer needs.

The emphasis on delivering experiences further intensified the shift in luxury fashion's value proposition. Heritage, once a symbol of genuine cultural and artisanal significance, became a strategic tool to maintain the appearance of cultural sensitivity within conglomerates that had systematically stripped away the authentic craftsmanship traditionally associated with luxury. It is important to remember that the conglomerate business model was built through aggressive acquisitions, often involving the unethical treatment of founders and the immediate elimination of company resources and values that did not align with scalable growth. These were replaced by entry-level, aspirational products produced according to fast fashion principles, fostering a culture of consumerism.

This business model was inherently exploitative, where true innovation was increasingly replaced by the ability to cannibalize the capabilities of other companies or exploit traditions rebranded as heritage. As a result, luxury brands needed to constantly remind consumers of the rich values that once defined them. Storytelling thus became a crucial element of their strategy. This included the revival of historical and cultural codes, reinterpretation of iconic designs, advertising campaigns that evoked past brand elements, and grandiose flagship stores featuring architectural and design motifs from the companies' earlier eras—often ironically curated by the same conglomerates that had removed the original artisans and owners.

The 2010s saw a surge in retrospective exhibitions, further emphasizing this narrative. In 2011, Kering sponsored an Alexander McQueen exhibition at the Metropolitan Museum in New York, a year after his death. Similarly, in 2012, LVMH organized a Louis Vuitton exhibition at the Musée des Arts Décoratifs in Paris and the "Christian Dior: Designer of Dreams" exhibition in 2019 at the Victoria & Albert Museum. These exhibitions were emblematic of a new industry standard that prioritized visibility and hype over quality. Once passed down through generations, the reminders of artisans' skills became more symbolic than real, as genuine craftsmanship had been progressively sacrificed for financial gain and expansion.

Some might argue that these shifts were driven by the burgeoning market in China, where wealthy middle-class millennials sought luxury items adorned with conspicuous logos. However, this perspective oversimplifies the broader trends in the luxury fashion industry. The new business model was a deliberate choice by conglomerates, who implemented it across their portfolios. Other industry players, including independent brands, quickly adopted this approach, narrowing the scope for genuine business model innovation and transforming the competitive landscape.

This shift resulted in the devaluation of artisanal craftsmanship and the creative spirit that once defined luxury, replacing them with content-driven value creation powered by ultra-trends and fast fashion operating systems. The newly dominant—and arguably dictatorial—business model naturally suppressed competition, including local craft-based companies in global markets. The economies of scale in retail, marketing, and communication left little room for smaller companies to survive, let alone thrive. By lowering the standards for what could be considered a luxury, this dominant logic forced the entire industry to succumb to a culture of overconsumption driven by the psychological manipulation of consumers.

4.5 Reaching the Limits of a Growth-Driven Business Model in the Post-Pandemic Period

The dominant, growth-driven business model adopted by the luxury fashion industry—characterized by an aggressive pursuit of rapid revenue expansion—created a favorable global environment for conglomerates. This model, which emphasized the maximization of shareholder value, led McKinsey to describe the fashion sector as a "winner-takes-all" industry, dividing brands into "value creators" and "value destroyers" based solely on their ability to generate economic returns. As Bernard Arnault, CEO of LVMH, famously stated, "Luxury is the only industry to have luxury profits." This oligopolistic market dynamic reinforced a mindset of perpetual success and invulnerability among top players. However, this seemingly unshakeable trend faced an unexpected reckoning in 2020 with the onset of the COVID-19 pandemic.

Initial reports of the virus emerged in late 2019, with the first European case identified in February 2020 in Milan, Italy—coinciding with the city's renowned fashion week showcasing Autumn-Winter 2020 collections. As the virus spread rapidly, it heightened concerns among the local population and industry attendees. In a decisive move, Giorgio Armani canceled his public show and opted for a livestream event instead, signaling the industry's first cautious response. The pandemic continued to escalate, shadowing Paris Fashion Week and rapidly gaining a reputation for being highly contagious and severe.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic, prompting countries to implement nationwide lockdowns and the closure of non-essential businesses. The luxury fashion industry, reliant on an extensive network of flagship stores and in-person retail experiences, faced an unprecedented crisis. As Luca Solca described, "The worst year in the history of modern luxury" had begun *(from The Business of Fashion Podcast Episode issued on March 19th, 2020)*. The effects were immediate: flagship stores closed indefinitely, supply

chains experienced severe disruptions, production faced delays and freezes, inventories piled up, and a drastic shift in consumer behavior emerged as people prioritized safety and essential needs over discretionary spending.

As a result, many key industry players reported dramatic declines in quarterly revenues in 2020: LVMH saw a 20% drop, Richemont around 60%, Prada 25%, Burberry 27%, and Hermès approximately 7%. The vulnerabilities of the growth-oriented business model became starkly evident almost overnight. This sudden exposure triggered a wave of introspection within the industry, highlighting an urgent need for innovation and a reimagining of business models. Leading designers and brand leaders, such as Armani, Brunello Cucinelli, and Alessandro Michele of Gucci, openly called for transformative change. In public statements and open letters, they urged the industry to "change and simplify this world, making it more sustainable for the environment and society," advocating for reducing production cycles to just two collections per year and altogether avoiding high-consumption promotions like Black Friday.

Alessandro Michele expressed the need to "abandon the tired ritual of seasonality and shows to reclaim a new time frame." At the same time, Cuccinelli called for a “virtuous relationship between humanism and technology, spirit and harmony, profit and giving.” Armani, too, articulated the need for a “careful and reasoned slowdown,” condemning the industry's adoption of fast-fashion methods as "immoral" and a departure from the values of true luxury.

Comparisons in the press began to draw parallels between the pandemic's impact and the Second World War, suggesting a similarly profound opportunity for reevaluation and restructuring. This introspection created a sense of optimism for a new, innovative trajectory in luxury fashion. It seemed that companies that had, in one way or another, pushed the industry towards destructive business models were finally recognizing the negative impact of their actions and publicly acknowledging the imperative to reduce scale and slow down. However, as the majority of industry players were publicly traded, there emerged a persistent need to maximize shareholder value. The industry, in general, found itself in a business and ethical conundrum—facing a task that required a significant trade-off regarding value creation, which resulted in numerous operational and managerial paradoxes.

Creating the Illusion of Change: From Aspirational Sustainability to Operational Status Quo

Even before the global lockdowns of 2020, the cracks in the dominant growth-oriented business model of the luxury fashion industry—marked by obsolescence and unsustainability—had already started to show. A stark example is Burberry's 2018 decision to burn £28.6 million worth of unsold stock to prevent devaluing its products through discount sales. Such practices were widespread among luxury brands, entrenched in a strategy to preserve exclusivity's aura. However, rising consumer pressure and the evident inability of this rigid model to adapt to massive disruptions, such as global lockdowns, exposed the need for genuine innovation toward sustainability and circularity. The notion of a circular business model—restructuring the entire value chain to mitigate fashion's environmental footprint—emerged as a critical aspirational goal requiring substantial commitment and investment.

The pandemic underscored the urgency for transformation across all facets of the value chain, from sourcing sustainable materials and ethical recycling practices to rejecting the deeply ingrained make-take-waste consumption model. This consumption model, paradoxically adopted by luxury brands in their pivot to fast fashion practices in the late 1990s, had to be fundamentally rethought. Some industry leaders began advocating a return to the haute couture model, which inherently produces minimal waste while preserving luxury's core tenets. For instance, in 2020, Jean Paul Gaultier declared he would cease ready-to-wear collections to focus solely on couture, and Balenciaga announced the revival of its haute couture line, dormant since Cristobal Balenciaga closed his atelier in 1968.

Simultaneously, institutional pressures for sustainability grew stronger. Several industry players endorsed regulations like France's 2019 ban on destroying unsold fashion goods, the European Commission's 2022 Corporate Sustainability Due Diligence Directive (CSDDD), and the 2019 Fashion Pact launched at the G7 Summit, which united over 150 brands committed to reducing their environmental impact. This momentum led to widespread public commitments to sustainability, such as LVMH’s LIFE 360 Program, Kering’s Biodiversity Strategy, and Chanel’s Mission 1.5°C Climate Strategy. These pledges mirrored earlier efforts by pioneers like Stella McCartney, who has maintained a strict stance on animal welfare since 2001, and Vivienne Westwood, who shifted from punk culture to climate advocacy in the 1990s.

This emerging path seemed promising, especially with backing from the industry's "super winners." LVMH, for instance, claimed progress toward circularity in its operations. However, the industry's enthusiasm for radical change waned with the rapid recovery of financial markets

following the development of affordable vaccines and the reopening of borders. The perennial challenges of organizational inertia and short-term growth objectives quickly sidelined aspirational commitments. The phenomenon of "revenge shopping," which saw consumers return to luxury stores with renewed vigor, provided brands with a convenient opportunity to prioritize immediate growth over long-term sustainability. Consequently, they found themselves caught in an ethical quagmire—balancing superficial sustainability commitments with the pressing demand to return to pre-pandemic levels of profitability.

The initial enthusiasm for circular business model innovation revealed the structural shortcomings of the existing model, which demanded substantial investments in material innovation, revamped industrial processes, and new manufacturing techniques. The challenge of reuse and repair necessitated a complete re-evaluation of product design, a significant hurdle after decades of evolution towards a fast-fashion mentality. Additionally, textile innovation became a pressing need as most fabrics were complex synthetic blends, notoriously difficult to recycle.

Despite public commitments, the industry often sought ways to meet sustainability goals with minimal disruption. A common approach was to adopt open-loop recycling practices. For example, Salvatore Ferragamo's collaboration with Orange Fiber resulted in a capsule collection made from industrial citrus processing by-products. Nevertheless, recycled textiles only account for about 10% of the global market, and most recycling practices involve repurposing plastic waste—such as plastic bottles—rather than addressing the core issue of textile and garment waste. Some brands, like Prada, Gucci, and others under Kering, introduced partially closed-loop recycling using ECONYL®, regenerated nylon from waste materials like fishing nets and fabric scraps. However, these efforts remained confined to niche collections and outsourced solutions, far from the systemic changes needed at the business model level.

The most widespread sustainability strategy in the luxury industry became the commitment to achieving net-zero emissions as a central corporate objective. While marketed as a genuine effort to reduce emissions through sustainable supply chain solutions and enhanced transparency, these pledges primarily relied on carbon offsetting. One by one, luxury brands like Kering, Burberry, LVMH, and Richemont invested in REDD+ projects (Reducing Emissions from Deforestation and Forest Degradation). However, while carbon offsets may alleviate some immediate emissions, they fail to address the underlying problem of excessive carbon production. Fashion companies maintained the status quo by opting for offsets, reaching pre-pandemic revenue levels within a year.

They continued polluting by purchasing "credits" rather than genuinely reducing emissions through sustainable production, supply chain efficiency, or a circular economy approach—an approach that can be perceived as greenwashing, misleading stakeholders about their environmental impact. Future regulations, such as the Carbon Border Adjustment Mechanism (CBAM), may curb this trend by imposing tariffs on imports from countries with lower carbon pricing, pushing companies to focus on direct emission reductions instead.

Despite the clear need for systemic change, the luxury fashion industry, driven by its dominant players, largely resumed its pre-pandemic growth trajectory, relying on fast-fashion operational models. While the pandemic presented a fleeting opportunity for a new wave of innovation in luxury, the industry ultimately opted to maintain its status quo, exploiting an outdated business model as soon as revenues began to recover.

The emerging dichotomy between value creation and value representation.

As discussed earlier, the luxury fashion industry's commitment to transforming towards sustainable, responsible fashion and fostering a healthy consumption culture was fleeting. This momentum dissipated as the industry quickly reverted to its pre-pandemic growth rates once lockdowns began to ease. Although it was recognized that this initial surge in growth was driven by phenomena like "revenge shopping" and emotional investments in high-value items such as jewelry and watches, the imperative to sustain this trajectory and continue creating value was pressing. Consequently, cost optimization and reduction became the industry's focus. The pandemic starkly highlighted the inefficiencies and inflexibility of global supply chains. For many companies, the most straightforward path to cutting costs was labor—the same cost-cutting measure adopted by numerous other industries.

This shift towards labor cost reduction was not unprecedented in luxury fashion. Since the 1990s, as the industry increasingly adopted fast fashion operational models, reports about luxury items being produced in countries like China, Vietnam, or Bangladesh began surfacing. For instance, Celine, an LVMH brand, produced some of its bags in China just a year after Bernard Arnault's 2004 declaration at a luxury conference in Hong Kong that only European artisans possessed the proper knowledge to craft luxury goods. Similarly 2005, Prada's CEO, Patrizio Bertelli, publicly contemplated relocating production outside Italy to benefit from cheaper labor costs—even though approximately 20% of Prada's products were already manufactured outside Italy.

With luxury fashion houses increasingly focusing on accessories and more affordable luxury goods, the production of non-core items began resembling a geopolitical map, with components produced across fragmented and opaque supply chains and often only assembled in Italy. The process often involved complex multi-tiered subcontracting arrangements that rendered it nearly impossible to trace the production origins of garments and accessories in terms of product quality, sustainability, and social responsibility. The 2013 Rana Plaza disaster, where over 1,000 people died due to the collapse of a factory working with several major fashion brands, sparked worldwide outrage. While not directly tied to luxury fashion, it starkly illustrated the dark side of the prevailing business models in the fashion industry. Reports occasionally hinted that some luxury brands were indirectly involved in manufacturing in Bangladesh through opaque supply chains. This lack of transparency and oversight fueled growing criticism and demands for more stringent supply chain monitoring.

The Rana Plaza tragedy was one among many examples exposing the unsustainable practices legitimized within these business models, where workers often endured unfair wages and inhumane, near-slavery conditions. One might assume that the dual shocks of the Rana Plaza collapse and the COVID-19 pandemic would have prompted a fundamental shift toward ethical and cultural values that once defined the luxury fashion business model. However, this was far from the case. Luxury conglomerates were publicly traded entities, so they were bound to prioritize shareholder returns. This translated into an intensified post-pandemic focus on increasing volumes and reducing costs.

What followed was a ripple effect of strategic disinvestment from the essence of luxury creation—a process already compromised by the fast fashion model—towards mere luxury representation. The labor-intensive processes that originally defined luxury goods started to lose their complexity and, eventually, their craftsmanship. For example, this shift was evident in traditional leather manufacturing at Loewe. In 2014, Creative Director Jonathan Anderson introduced the Puzzle Bag, an "It" bag known for its intricate design comprising 75 leather pieces, requiring nine hours of skilled labor to craft a single piece. Despite its success, Loewe launched a simplified version called the Puzzle Edge in 2021, designed to mimic the original but produced industrially, lacking any real craftsmanship value. Both versions coexisted for a time, but by 2024, the Puzzle Edge began replacing the original Puzzle. Similar trends were observed at Prada, Gucci, Burberry, and Chanel, leading to mixed consumer reactions on social media, where comparisons between vintage and new items highlighted faster deterioration. Moreover, there were increasing

reports of stores refusing to repair items, citing costs as high as purchasing new ones—suggesting an easier choice of buying new products, all while publicly committing to sustainability goals.

This growing dichotomy within the dominant business model, which began with compliance to industrial and fast fashion operations, became increasingly evident as consumers questioned the value of luxury goods. This dichotomy reached a critical point in the Spring of 2024 when the Milan court investigated Dior's Italian production branch. The inquiry revealed that Dior handbags, retailing for up to €2,600, were produced for merely €53 in illegal sweatshops in Italy, where undocumented Chinese immigrants worked under dire and illegal conditions. Armani-related production units were similarly exposed, operating as sweatshops with practices resembling modern slavery, where illegal immigrants were coerced into harsh working environments.

Beyond questions of product quality and excessive markups, these revelations provoke deeper concerns about the cultural impact on the value of craftsmanship and respect for artisanal work. The issue here is not the origin of the craft—luxury brands have long collaborated with artisans worldwide—but rather the ethical exploitation of these artisans. A recent example is Loro Piana, which, in 2024, was accused in a Bloomberg investigation of exploiting the Indigenous Lucanas community in the Peruvian Andes, who herd and shear vicuñas to produce wool exclusively for Loro Piana. While garments made from vicuña wool sell for around €9,000, the community receives just $280 for an equivalent amount of fiber. This exploitation involves significant cultural and environmental impacts, resembling a colonialist approach to sourcing. The company’s stringent material sourcing conditions disrupted traditional Andean practices, such as herding vicuñas—sacred animals that should roam freely. Loro Piana's confinement of these animals in private reserves threatens genetic diversity and increases disease transmission, endangering the community's broader ecosystem and livelihoods.

Similar but broader-scale issues arose during the pandemic in countries like Bangladesh and India, where production is outsourced. Factories were left with unconfirmed and unpaid company orders, burdening the workers. As labor rights activist Kalpona Akter noted, these systemic, normalized power imbalances in the fashion supply chain left factory workers without mutual respect, fair treatment, reasonable value shares, and better contract adherence—once again revealing colonial exploitation and the devaluation of artisanal labor.

These cases, though seemingly isolated, offer a critical lens into the operational realities and darker sides of dominant luxury fashion business models. While they might appear as brutal

exceptions to a more ethical industry reality, Loro Piana and Dior are part of the LVMH conglomerate. Given the unethical practices revealed in the operations of these flagship brands—Dior being repeatedly named a "star brand" within the LVMH portfolio—one might infer that such practices could be standard across the group. The industry has already demonstrated a tendency to replicate the dominant logic, raising serious concerns that such behaviors are normalized in the business models of many players. The dichotomy within the prevailing model is evident in the simultaneous commitment to supply chain transparency, near-shoring production, and slowing down while cultivating a shadow operational model that borders on outright malpractice. To prioritize marketing budgets, the strategic choice has been to eliminate the tangible artisanal value of product creation, the distinctiveness of raw materials, and their cultural richness. The relentless pursuit of higher profit margins has ultimately erased the most valuable aspects of luxury, leaving behind only a hollow "fantasy."

Back to Business as Usual: Locking in the Digital and Retail Strategic Inertia

The luxury fashion sector, having experimented with various trade-offs concerning labor intensity, sustainability, and operational complexity, reached a critical juncture where these adaptations no longer justified their high price points or alignment with the essence of luxury. As several industry experts have noted, luxury brands have increasingly relied on crafting experiential value and enhancing perceived product worth, often requiring a disproportionate emphasis and promotion. This led to the rapid adoption of digital technologies designed more to create a spectacle than to achieve genuine business integration.

Triggered by the global lockdowns and increased digital engagement during the COVID-19 pandemic, luxury brands began venturing into virtual worlds. In 2020, brands like Valentino and Marc Jacobs partnered with platforms like Animal Crossing, while Ralph Lauren collaborated with Zepeto to design virtual garments or “skins” for digital avatars. This initial foray into digital realms was soon followed by more substantial technological investments in 2021, such as the launch of brand-specific NFTs. For instance, Balenciaga released a virtual collection for Fortnite, and Gucci created the "Gucci Garden" experience on Roblox, where users could explore themed environments and purchase NFTs. Gucci further expanded this digital engagement by launching the "SUPERGUCCI" NFT collection in collaboration with Superplastic, bridging digital assets with its real-world platform, Gucci Vault. Similarly, Louis Vuitton celebrated its 200th anniversary with

"Louis The Game," a mobile game incorporating NFTs designed by digital artist Beeple, allowing users to interact with the brand's legacy in a virtual space.

The rapid adoption of NFTs by luxury brands served as both a new revenue stream and a method to attract younger, tech-savvy audiences, aiming to refresh the brands' somewhat outdated images. Companies like Dolce & Gabbana, Prada, and Burberry also introduced NFT collections mirrored real-world seasonal collections. Further technological investments included participating in virtual fashion shows, such as the first metaverse fashion show on the Decentraland platform in March 2022, which featured brands like Dolce & Gabbana, Tommy Hilfiger, Etro, and Elie Saab.

While these digital endeavors were initially hailed as the future of the luxury and fashion industries, the flaws in this rapid technological adoption quickly became apparent. Virtual environments proved inadequate for effectively conveying the intricacies of product designs or brand narratives, resulting in a significant gap between anticipated and actual user engagement. Despite substantial investments in developing virtual stores and digital experiences with high expectations for returns, the lack of active user participation rendered these digital initiatives largely unsuccessful, with some critics describing them as a "catastrophic failure."

As the fervor for digital innovation slowed following the pandemic, the luxury sector's focus on digital-first strategies and business model transformation began to wane. This decline coincided with a slowdown in e-commerce growth and signs of digital fatigue among consumers. Additionally, major e-commerce platforms like Net-a-Porter, Farfetch, and Matchesfashion faced escalating financial challenges, with Matchesfashion even entering administration due to sustained losses and unmet business goals. With the diminishing growth of e-commerce, the luxury industry shifted its attention back to direct-to-consumer (DTC) models and enhanced in-store experiences, driving a renewed emphasis on local and tourism-driven retail expansions, as well as non-core service offerings and extensive cross-industry collaborations.

The pandemic has significantly impacted the luxury fashion industry's tourism-dependent retail segment, accounting for approximately 40% of sales. Although there was a consensus to rethink aggressive growth and expansion strategies during the pandemic, the reopening of domestic and international travel quickly saw the industry reverting to its traditional business model with renewed vigor. This was evident in opening new stores in emerging Chinese cities like Wuhan to cater to local demand amidst reduced international travel, involving brands such as Louis Vuitton, Prada, Gucci, Saint Laurent, Montblanc, and Hublot. At the same time, international retail networks

were strengthened through resort-based pop-ups and seasonal stores. According to Business of Fashion, luxury players like LVMH and Kering reported significant sales growth driven by American tourists in Europe, with sales increases of 47% and 53% in the first half of 2023. This led to brands like Prada, Fendi, Dior, and Coach opening pop-up stores in luxury travel destinations like Marbella, Mykonos, Bali, and Phuket.

In recent years, the industry has also rapidly embraced hospitality-related services, such as launching branded cafes and restaurants. Notable examples include the Prada café at Harrods in London and Café Dior by Ladurée in Ginza, Tokyo. Luxury brands also targeted exclusive travel experiences, opening beach clubs in high-end destinations like Saint-Tropez, Sardinia, the Amalfi Coast, and Capri, with brands like Dior, Fendi, Loro Piana, Gucci, and Valentino leading the way. Emerging fashion brands like Jacquemus have followed suit by establishing beach resorts in Saint-Tropez and the Bahamas. A notable attempt to enhance brand credibility was Dior's temporary Spa Cruise on the Seine in Paris during the Olympic Games, offering yoga and Pilates sessions alongside curated dining experiences.

These efforts, however, have contributed to a growing disenchantment with the luxury fashion industry among consumers and employees alike. The only apparent route to growth and innovation was acquiring new brands or manufacturing entities with unique craftsmanship skills and expertise.

Despite assertions that the luxury fashion industry's future success would be driven by technological adoption, the reality has been quite different. What was once a labor-intensive, customer-centric, exclusive, and highly creative industry has evolved into an inertial force, clinging to an outdated business model that causes substantial harm to external environments. As the sector is dominated by "super winners" whose strategic choices directly influence the broader industry, it has collectively become a vast machine rapidly heading toward decline. In the first half of 2024, significant sales drops were reported for major luxury conglomerates across various sectors, including fashion. Key industry players like LVMH, Kering, and Richemont, once hailed as the "super winners," experienced notable declines; LVMH, for example, saw a 1% decrease in revenue, with a sharp 14% drop in China, its primary market. Furthermore, the economic landscape has primarily excluded the middle and upper-middle classes from the luxury market, given their reduced disposable income for non-essential items.

According to The New York Times, luxury brands have raised prices to counter rising production costs and target the wealthiest consumers who can still afford luxury goods during economic downturns. However, this strategy has backfired. Price increases, particularly without parallel improvements in quality or innovation, have alienated not only middle-class consumers but also wealthier customers who are beginning to question the actual value of these products.

The industry's reliance on higher prices and tourism-based experiences has started to threaten growth plans, revealing a lack of creativity and innovation. By increasing prices without enhancing product value, luxury brands have undermined the traditional narratives of craftsmanship, exclusivity, and creativity that have long underpinned the luxury sector. This crossroads is not unfamiliar to the luxury fashion industry, which has previously faced reputational and credibility crises resolved through acquisitions and the formation of conglomerate-based business models. Today, the same issue confronts the conglomerates themselves, prompting the question of how the industry will innovate its business model to align with evolving cultural consumption shifts.

This dynamic, where the luxury fashion industry is dominated by "super winners" that have created oligopolistic conditions with high barriers to entry for new players, has led to a pronounced path dependency. As a result, the industry has become increasingly obsolete as genuine innovation and creativity struggle to find their place within this closed club of dominant players. The only viable entry route for smaller, independent companies is often to be acquired by a giant conglomerate, gradually eroding the unique value these smaller entities bring.

The issue with this condition does not lie in the path dependency itself but in where this path ultimately leads the industry. Forcing companies to conform to this path makes them focused on short-term objectives and relentless growth at any cost, overshadowing a broader set of values that businesses should foster—such as cultural enrichment and social responsibility. This trajectory has reached a critical point where companies that adopt different approaches to conducting luxury fashion business ethically and value-driven appear as outliers against this dominant logic. These companies are seen as unique exceptions that deviate from the norm, yet, in reality, they pursue business model innovation that goes beyond mere economic gains and respects cultural heritage and social values.

A notable example is Brunello Cucinelli, who has become an emblem of an evangelist in luxury fashion. His business model still embraces craftsmanship and textile innovation in Solomeo,

a small village in Perugia, Italy, renowned for its cashmere. Under Cucinelli's leadership, the company has restored the area and provided social amenities such as a theater, parks, an academy, and an artisanal school for young people interested in learning the region's craft. Embracing the philosophy of "humanistic capitalism," the company has innovated its business model by integrating the entire local community into its process, thus creating shared value beyond mere economic returns.

While this example is incredibly inspiring and has been studied by many academics (e.g., LaRocca, 2014; Del Baldo, 2018; Napolitan & Fusco, 2019) as a best practice in sustainable and ethical luxury fashion, it remains one of the few such cases. Moreover, companies like Brunello Cucinelli are frequently targeted by large groups for potential acquisition, threatening to dilute the values that set them apart. This situation reflects a broader tension in the industry: while the dominant players remain committed to their entrenched growth-driven models, businesses that seek to balance profitability with cultural and social values are marginalized, even though they represent an alternative, progressive path forward for true business model innovation.

5. Conclusions

This paper aims to provide an overview and analysis of the historical development of the luxury fashion industry from the end of WWII to the modern post-pandemic era, offering a critical perspective. Previous studies have examined the history of the luxury industry concerning markets. For instance, Donzé and Fujioka explored the transformation of the European luxury business since the 1960s and the role of emerging Asian markets like Japan and China in the rise of luxury multinational enterprises (MNEs) in the 1980s (Donzé & Fujioka, 2015). Additionally, the industry has been analyzed critically; Merlo, for example, conducted a critical historical analysis of the Italian fashion business from the 1970s, identifying factors that caused Italian fashion to remain a niche compared to its French counterpart (Merlo, 2011). On the other hand, Font studied the historical international expansion of couture before and during WWI (Font, 2012).

This research offers a unique historical analysis of the industry's transition from artisanal, labor-intensive models to global multinational enterprises with vast supply chains and retail networks. By identifying critical phases in this transformation, the study reveals the path-dependent nature of business model innovation at the industry level, shaped by a complex interplay of internal and external forces.

The analysis begins with the post-war period when haute couture emerged as a regulated business model centralized around Paris, defined by strict standards set by the Chambre Syndicale de la Haute Couture. This created a highly controlled ecosystem where value was derived from exceptional craftsmanship, creativity, and a deep understanding of consumer needs. The next phase marked a shift to an industrial business model, driven by adopting ready-to-wear fashion, which necessitated industrial production methods and broader market access. During this period, competition from Italian firms, whose business models were rooted in industrial production, contrasted with the couture-centered French companies. The innovation of the hybrid pyramid business model, balancing exclusivity with wider accessibility, gradually became the industry standard, prioritizing speed and a more extensive consumer base at the expense of traditional craftsmanship.

The third phase was characterized by forming conglomerates, a strategic move to rescue many heritage brands from financial collapse. Companies like Richemont, LVMH, and Kering dominated the market, creating an oligopolistic system that stifled further business model innovation. The focus shifted from craftsmanship to creating symbolic value, with independent companies transforming into brands that leveraged their heritage while adopting a standardized operational model across the conglomerate. The pursuit of economic growth, driven by stock market expectations, led to the fourth phase, during which the industry increasingly embraced fast fashion principles. Tangible product value was progressively replaced by content-driven value creation, accelerated by digital and technological advancements.

The fifth and final phase, triggered by the COVID-19 pandemic, initially appeared to offer a window for transformative change. There was a collective recognition of the need to shift away from growth-driven business models in favor of sustainability and ethical practices. However, as financial stability returned, the industry quickly reverted to its pre-pandemic behaviors, prioritizing profit maximization over genuine innovation. This regression, marked by the resurgence of unethical practices and superficial commitments to sustainability, underscores the dark side of business model innovation: the industry's reliance on growth-driven models has entrenched unsustainable practices that are difficult to break away from.

The historical evolution of business models in the luxury fashion sector—from the artisanal craftsmanship of haute couture to conglomerate-driven industrial production—mirrors the broader trajectory of the Anthropocene. The shift from artisanal to industrial production in the mid-20th

century democratized fashion boosted profitability and established global supply chains heavily dependent on non-renewable resources and energy-intensive processes. The widespread adoption of synthetic fibers further contributed to environmental degradation while embracing fast fashion principles promoted unsustainable consumption patterns. As a result, the fashion industry has become a significant contributor to global environmental crises, including deforestation, water pollution, and biodiversity loss.

The intersection of business model innovation and environmental impact highlights the dual nature of these transformations. While the shift to mass production and global expansion enabled continuous financial growth, it also exacerbated the industry's ethical and environmental challenges, as economic imperatives overshadowed cultural and social values. Similarly, adopting fast fashion and digitalization opened new markets and touchpoints but eroded the tangible qualities that once defined luxury—creativity, exclusivity, and rarity. The pandemic exposed deep vulnerabilities in this growth-driven model. However, rather than seizing the opportunity for change, the industry doubled on short-term gains, creating an illusion of transformation through superficial attempts to maintain its public image.

This study emphasizes the importance of examining business model innovation from a historical perspective, as it offers critical insights into the current challenges the luxury fashion industry faces. The path-dependent nature of these transformations has led to negative consequences, including environmental degradation, labor exploitation, and a shift from culturally enriching artifacts to marketable commodities. The formation of conglomerates in the late 20th century stifled competition and creativity, establishing an oligopolistic system that hindered the emergence of more sustainable and innovative business models.

Ultimately, the current growth-driven business model of the luxury fashion industry has reached its limits. It can no longer deliver genuine innovation, maintain environmental sustainability, or preserve consumer trust. In an era marked by environmental uncertainty and shifting consumer values, the history of fashion business models serves as a cautionary tale: the relentless pursuit of growth has trapped the industry in a cycle of unsustainable practices. However, with the right choices, luxury fashion can still become a leader in driving ethical and responsible innovation. The time has come for the industry to embrace a new era of business model innovation that balances economic, social, and environmental priorities to ensure a sustainable and equitable future for all.

This research offers several key contributions. First, it presents a novel perspective on BMI through a critical lens, an approach not widely explored in management literature. By examining the historical evolution of business models within the luxury fashion industry, this study reveals that BMI not only fueled growth and increased financial gains for firms but also directly contributed to unsustainable practices in the industry. By highlighting the empirical manifestations of the dark side of BMI, this research challenges the optimistic view of innovation as mainstream dogma (King et al., 1988), emphasizing that a deliberate disregard for social, cultural, and ecological factors in favor of financial ones creates societal disequilibrium and contributes to the "lock-in" that eventually leads to crises. Similarly, it has been argued that economic goals or problems can be addressed without considering social and ecological consequences and vice versa (Mitchara, 1995; Antheaume et al., 2013).

Moreover, this research situates the concept of BMI in luxury fashion within the broader socio-environmental context of the Anthropocene. The historical analysis offers insight into how BMI shaped an industry trajectory toward continuous growth, environmental degradation, and social consequences (Joy et al., 2012; Amatulli et al., 2020). The evolution of craft-based small enterprises into industrial giants accelerated the global supply chain's reliance on non-renewable resources and energy-intensive practices while minimizing and devaluing the creative and cultural power that once defined the industry. Although this was not the primary focus of the research, it also demonstrates how industry players have built their strategies to regain financial advantages lost through decades of malpractice without considering the underlying reasons for their losses.

Second, this study contributes to the historical narrative of sustainable development in the fashion industry. While it does not directly address sustainability in a specific area, it frames sustainability in a broader sense as a sequence of events that transformed the inherently sustainable business model of luxury fashion—characterized by atelier and made-to-measure production with no waste—into a corporate-based model. This shift blurred the boundaries of target audiences and implemented a comprehensive product strategy aimed at appealing to everyone, thereby contributing to a culture of overconsumption (Bocke & Short, 2021). Consequently, this shift has directly impacted sustainability, ecology, ethics, morale, and culture.

Third, this study adds to the literature on path dependency. While the triggers of path dependency are often attributed to the internal conditions and structures of organizations, such as founding principles and their further imprinting (Romanelli, 1989; Johnson et al., 2008; Marquis &

Tilcsik, 2013; Simsek et al., 2015; Van Boxstael & Denoo, 2020; Snihur & Zott, 2020), or a natural tendency for preservation (Miller & Friesen, 1984; Quinn, 1978), this study provides valuable insight into the role of external triggers in shaping path dependency. For example, the formation of oligopolistic market structures in luxury fashion is identified as a direct contributor to adopting a dominant business model, perceived by most industry players as the only viable option for staying competitive. The failure to adopt this model would result in a hostile industry environment artificially created by market leaders to facilitate easier acquisitions. This, in turn, contributes to the "dark side" of BMI and a loss of control due to external pressures. Future research could explore this in greater depth, particularly the impact of public listing on a firm's vulnerability to acquisition by more prominent players. While this study presents preliminary findings from the historical acquisition of LVMH by Bernard Arnault, more in-depth analysis is needed.

Lastly, this research has cross-industry relevance, as the historical analysis raises questions about aggressive capitalist practices in luxury fashion and their parallels in other sectors. It explores how these practices contribute to the intensification and acceleration of the Anthropocene and its challenges. For instance, in a comparative historical study of German and American chemical companies, Jones and Lubinski (2014) discussed the differences in sustainability-oriented strategies. They noted how the German industry overcame short-term, growth-at-all-costs orientations by adopting long-term sustainable principles and operational improvements that generated greater social and ecological value. In contrast, the American trajectory focused primarily on masking negative ecological impacts through solid marketing campaigns, allowing short-term growth strategies to persist. Similarly, this research highlights how industry players in luxury fashion conceal systemic unethical and unsustainable practices while creating an aura of luxury and cultural value through marketing techniques.

Thus, this study seeks to address the intrinsic bias in the field concerning the exploration of business model innovation and its impact on firm performance, competitive advantage, and economic growth (e.g., Zott & Amit, 2007; Teece, 2010; Amit & Zott, 2012; Björkdahl & Holmén, 2013; Foss & Saebi, 2017; Ammirato et al., 2022). It offers a critical perspective on the adverse outcomes of BMI—particularly the consequences of focusing solely on short-term financial growth. Future research could further explore the importance of incorporating cultural, social, and environmental factors into long-term strategic planning, as these factors contribute to forming a firm's long-term innovation capabilities.

On a broader scale, this research contributes to business model innovation and strategic management by demonstrating the value of using a historical lens to situate business practices within their socio-cultural and environmental contexts (Armitage & Roberts, 2016). By adopting a critical perspective, this study challenges the mainstream view of business model innovation as a purely economic endeavor. It emphasizes the need to consider cultural, social, and environmental values when shaping the future of industries.

This study also has some limitations. For instance, the ambition to provide a comprehensive historical overview of the industry-level BMI process in luxury fashion naturally constrained the depth of the narrative. Certain essential aspects, such as the contribution of the American luxury fashion industry and Japan, were not discussed, which may be considered biased. Additionally, for the sake of generalization, the Italian ready-to-wear and French prêt-à-porter business models were combined and described as similar. While these two operational models share many similarities, recent comparative historical analysis has revealed distinctive differences, such as the level of institutional influence, historical legacies, and the long-term focus on performance in Italy, compared to the emphasis on strong visual identity and structure in France (Merlo & Pinchera, 2023). The decision to generalize was primarily driven by the desire to illustrate the creation of a dominant industry logic and the subsequent path dependence of the BMI process at the industry level. This is supported by Merlo and Pinchera's (2023) study, which acknowledges that while "industries' legacies prevent development trajectories from converging," the conglomerate-based business model in luxury fashion, originally French, has taken control of Italian luxury fashion firms, evidencing their interdependence.

Finally, perhaps the most significant limitation of critical historical research is that it may give the impression of hopelessness in the broader business context. While there are deeply flawed and complex issues within the business environment, the author believes there is still a way to restore the socio-cultural, environmental, and financial equilibrium in a manner that benefits both economic development and society at large, as well as the planet (Freudenreich et al., 2020; Gasparin et al., 2021). For example, growth should not be viewed as a linear, continuous, extensive, and limitless process but rather as broad, meaningful, and aligned with cultural and social needs—requiring a "give and take" approach. There are examples in the industry that adopt similar mindsets, such as Brunello Cucinelli with "Human Capitalism," Patagonia with "The Story We Wear," Stella McCartney with cruelty-free fashion, and others like Veja and Reformation. These examples represent individual BMIs—outliers that stand out regarding strategy and impact. Based

on the key findings of this study, the author suggests that while being a first mover in BMI is not always a guarantee of success, there may still be an opportunity to establish a dominant industry logic that prioritizes sustainable development, challenges the growth-driven model, and reverses the impact of the Anthropocene.

6. References

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III. Woven Denim Tales: the Case of BMI Process in Candiani Denim, the 4th Generation Italian Denim Manufacturing Company

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1. Introduction

The Business Model Innovation (BMI) process is about changing the logic of making a business or designing a remarkable improvement of that logic (Schneider & Spieth, 2013). BMI is a process of identification of a fundamentally new business model within an existing business (Markides, 2006, p. 20). Subsequently, it can foster the creation of a new market or allow a focal firm to develop and exploit new business opportunities in existing markets (Gambardella & McGahan, 2010). The process of BMI involves a continuous effort to optimize and re-engineer complex resources (Zhang et al., 2016) while refining the iterative interactions (Mason & Spring, 2011) between individuals, teams, organizational units, markets, and institutions (Andreassen et al., 2018). The research on BMI thought process perspective considers business models as a dynamic "bundle of qualities" (Langley et al., 2013) and their observed elements and actors as "momentary instantiations of processes" (Cloutier & Langley, 2020; Andreini et al., 2022).

As such, the BMI process would be described as a constellation of multiple realities enabled by interactions at multiple levels of its multiple processes. Grounded in simultaneous processes, it allows BMI research to embrace its boundary-pushing nature by considering a holistic approach to strategy (Foss, 2023) that incorporates different contexts and multiple levels of analysis. Undoubtedly, the occurrence of the BMI process depends directly on the underlying reasons for its initiation. Considering BMI as a form of change, we can also deduce that it is set in motion by encountering a triggering event or problem (Snihur & Zott, 2020), typically resulting from the company's inability to realize its aspirations (Cyert & March 1963). To date, however, limited knowledge exists on the specific mechanisms that give rise to BMI (Foss & Saebi, 2017) and how they contribute to the unique formation of the BMI process.

Furthermore, traditional research on Business Model Innovation typically focuses on economic value capture and value creation processes that enhance firm performance (Zott & Amit, 2015). However, the social and cultural values generated by innovative organizations, particularly in creative and culturally intensive sectors (Gasparin et al., 2021), are often neglected.

To gain a deeper understanding of the processes that lead to BMI and to explore how different sets of values, beyond economic ones, are created and to whom they are beneficial, we conducted the study of how Candiani Denim (Candiani), a fourth-generation Italian manufacturing firm that produces denim fabrics: (i) innovated its business model; (ii) why it was engaging in this process; and (iii) why it did it the way it did in the past 10 years. During this period, Candiani transformed itself from a B2B supplier of denim as an essential commodity product into a reference point in the denim industry, becoming a provider of culturally rich, innovative, eco-friendly products. Today, Candiani is globally recognized for its aesthetically pleasing products that help brands build their identity, its technological know-how that puts it as a lighthouse of sustainable denim practices, and its irreplicable business model that has been changing the perception of denim product consumption. The reconstruction of the entire BMI process of Candiani allowed us to view how various triggering factors impacted the characteristics of that process and how they evolved and interconnected over time to give light to higher-order triggers.

The main findings of our research could be summarized as follows: (1) the sustainable innovation imprinting generated by historical disruptions of the firm's business model could be viewed as an antecedent of the BMI process; (2) sustainable innovation imprinting also has the capacity to generate tacit product culture due to accumulation of technical knowledge within the firm; (3) the recognition of *Cultural capital* can be used to contrast the processes of product commoditization; (4) to address the issue of commoditization enhancing cultural capital, the firm puts in place several parallel BMI processes; (5) The firm can create and manage the interconnections of these processes for further value generation. In the following part, we first present the research methodology and its settings. Then, we discuss the findings and present the grounded theoretical model. In the last part, we discuss the research implications and draw conclusions.

2. Research Methodology

2.1 Research Setting

2.1.1 Business Model Innovation at Candiani Denim.

Our research constitutes an empirical investigation (Glaser & Strauss, 2017) of inductive nature (Thomas, 2006) that follows the interpretivism approach. It involved a comprehensive in-

depth longitudinal examination of a revelatory case (Yin, 2009). This case serves as an exceptional research environment due to its involvement in a well-defined and ongoing process of BMI.

Candiani is a fourth-generation, family owned Italian denim fabric manufacturing firm. Initially producing the so-called massaua cotton, in the 60s Candiani shifted its focus exclusively on denim manufacturing, and today it produces around 30 million meters of denim fabric per year, making it the largest denim manufacturer in Europe. The Candiani family operated a textile mill with looms producing fabrics for workwear in the 30s, in an area that is now part of Ticino National Park. The shift towards denim took place with the second generation of entrepreneurs, due to the growing interest of the founder's son in dying processes. This interest brought the first relevant investments in the research and development of the classic indigo dying technology in house. In a period of significant changes in style and preferences in the apparel industry, the firm focused on denim manufacturing as the sole path for the future. This choice changed the focus regarding the product and initiated gradual industrial and technological innovation into the firm’s operations.

In 1974, due to the establishment of new legislation, the area where originally mills were situated, was claimed as a protected area: the Ticino Natural Park. The Park brought stricter environmental legislation for firms operating in the area. The company chose to remain in the same area, instead of relocating and accepted to be fully compliant with park regulations. Candiani embarked on sustainable BMI in 1974, and for years, the firm had to bear investments and costs that competitors had not, temporarily pushing Candiani costs higher than the average market ones. However, this initially challenging decision turned Candiani Denim into a sustainability oriented firm, with over 200,000 square meters of textile operations located in the park area by the end of the 70s. To compensate for this investment increase, during this period, Candiani painstakingly ameliorated the efficiency of its processes, reducing wastes and integrating more transformation phases into the existing textile process. This increased product knowledge within the company created a corporate environment attentive to product and process innovation.

During the 70s and 80s, thanks to the attention to R&D and product innovation forced by the increase in the overall investments for environment compliance, Candiani introduced a revolutionary technology in stretch denim, changing the perception of denim from commodity fabric to a fashionable item at the global level. This transformation projected the firm into a completely different market, with the creation of product collections and the collaboration with fashion designers and fashion brands at a global level.

In the first decade of the 00s, Alberto Candiani, the fourth generation of the Candiani family, joined the company. Candiani already shows economically solid performance at this stage and is considered the reference point in high-quality stretch denim. Alberto Candiani overlooks the value of the firm's historical sustainable industrial practices and innovations and is devoted to pioneering sustainable transition as an industry standard. Being a supplier of major fashion brands, Alberto - through intense Research and Development and in-house product innovation - strived to find more sustainable solutions for the customers. Despite the significant ameliorations brought to product environmental performance by Candiani, fashion brands found it difficult to match the need for lower denim costs and sustainable performance. This conflict between sustainability and product costs could be overcome by providing more services to fashion brands, helping them to develop a more profound culture of denim and its manufacturing process.

In subsequent years, Candiani changed its approach towards sustainable denim transition, reaching the end users and incorporating the dormant denim culture within the company into a powerful new value proposition. More precisely, Candiani operated a store in downtown Milan where final customers and professional buyers could be exposed to Candiani products and their applications in designer brands and tailor-made jeans. The store includes a downtown micro factory for the manufacturing of made-to-measure jeans by Candiani Custom. The custom-made jeans process involves a set of partnering companies providing all the needed components (threads for stitching, buttons, etc.) that guarantee the shortest supply chain possible, as every component comes from firms based in Lombardy. By providing tailoring services, Candiani wants to educate its customers about the beauty and quality of its fabrics. At the same time, Candiani has developed the first fully sustainable and recyclable stretch denim fabric *(COREVA™ is a technology of stretch denim of a 100% natural origin patented by Candiani. It took 7 years of R&D and 4 years of field testing to release the product. The fabric substitutes elastane with natural rubber, making the product sustainable and also compostable)* and, to promote its qualities as well as the intrinsic visual beauty of the product, launched its own design brand: Coreva Design. With the same “educational” purpose, Candiani organizes full immersion mill visits, such as the “Denim Crash Course,” for business partners and fashion brands to promote its culture of sustainability and product uniqueness. By innovating its business model in multiple directions simultaneously, Candiani educated a community of users that could share the firm's values and embrace the innovative sustainable practices not as an option but as a standard. This fundamental change in the approach lies in restoring the idea of denim as a cultural product, which entails layers of complex

meanings, including the beauty and sustainability of the product, innovation of its technology, and embracing the heritage of the jeans. In the last three years, through comprehensive and deep collaborations with brands and downstream and upstream suppliers, the firm managed to create multiple ecosystems around the company that would establish Candiani at the center of denim culture.

Our analysis examines how Candiani has evolved its business model and which are the main drivers of the continuous innovation process for a firm that has already undergone the transition of sustainable business models.

2.1.2 Contextual Conditions.

BMI could be described as a dynamic interplay involving the exertion of influence and susceptibility to internal and external resources (Codini et al., 2023). Consequently, it is a highly context-dependent phenomenon (Yin, 2009) characterized by a holistic nature (Foss, 2023). Given this context, it is imperative to underscore various geographical, socio-cultural, and internal company conditions to accurately contextualize the processes observed in the research (Yin, 2009).

First, Candiani is a family-owned historical denim manufacturing mill founded in 1938 and managed by the fourth generation. The very fact of being a family-owned and family-managed firm has two implications: (i) the gradual adoption of innovation capabilities transferred from one generation to another, enhanced by external conditions and then embedded into the company's modus operandi; (ii) the interconnection between the territory and employment. It fostered the appearance of several workers' dynasties within the firm over time.

Secondly, in the 70s, Candiani, due to the creation of the Ticino National Park, embarked on a BMI process for sustainability, adopting an industrial efficiency approach. Incidentally, this way of approaching sustainability increased the attention to product quality and process efficiency within the firm. This new attention to product characteristics progressively turned into a strong denim culture.

Thirdly, Candiani is located at the center of the historical Milan - Turin - Genoa denim triangle, the area of the denim origins that can be traced back to the 12th century, and close to Milan fashion and design systems. This aspect could be one of the reasons that contributed to the embedded denim heritage within the firm's cultural representation, in addition to the influence of the industrial tradition of the Busto Arsizio area, historically known for its spinning and weaving

mills. It impacted the ability of Candiani in the 80s-90s to reinvent denim, changing its destination and perception from commodity fabric to a fashion statement, providing a ground for many fashion brands to build identity thanks to the Candiani stretch denim.

2.2 Data Collection

Following the main objective of exploring the process of BMI, we opted for the prescription of process theory in data collection, which is concerned with "understanding how things evolve over time and why they evolve in this way"(Langley, 1999). Therefore, in the data collection process, rather than focusing on explaining the relationship between the variables, we focused on exploring the sequence of events based on the stories and narratives (Van de Ven & Huber, 1990). Viewing BMI as a process allowed us to collect data on multiple dimensions, embracing the genuine complexity of the BMI phenomenon.

To illustrate the processes of BMI within Candiani, capture its particularities, and understand the driving forces of these processes, we collected data from primary (interviews, observations) and secondary sources (online archives and external publications). The data collection process started in May 2023, concluded in January 2024 and included ten months of active data collection.

We initially approached the Company through the store manager, who gave us a comprehensive overview of the activities the firm is currently engaged in and provided some key insights into the context. Through this initial contact, we reached the marketing specialist who helped identify and select the key figures in the company who are primarily engaged in critical strategic decisions. Our objective was to reach people actively involved in the process of BMI and people who have gone through the process these days. In the first round, we reached (i) the current President of the Company, (ii) the Chef Marketing Officer (CMO), and (iii) the Retail Manager. Following the flow of the first interviews, we contacted other people in the team referred to by company members as the "core innovation team." In total, we collected data from 7 in-depth long interviews (McCracken, 1988). We conducted interviews in a semi-structured manner. Because Candiani is an Italian textile manufacturing firm, almost all the information was collected in Italian (excluding some videos and articles published online). Our strategic decision was to perform interviews in pairs since one of us is a native Italian speaker and could quickly enter into a trusted contact with the informants.

In contrast, the second interviewer observed the environment and the context, following the pace of the conversation and providing occasional inputs for the inquiries. Each interview lasted, on average, 90 minutes. All the interviews were voice-recorded with respect to the privacy preferences of the informants. Further, we transcribed all the interviews in vivo and translated them into English for data analysis. Each interviewee then received a transcribed version of the interview to double-check the information and express their preferences in terms of disclosing information. The final archive of translated interviews amounted to 130 pages of single-spaced text.

For triangulation of the conducted interviews, we performed direct ethnographic and participatory observations of the firm, combining them with informal, non-recorded conversations with the company members. We had a chance to perform a participatory observation of the custom experience in the Candiani store that the firm introduced as one of its business model innovations, which involved producing a custom-made pair of jeans from Candiani's denim textile. The whole experience took around two weeks and included informal interactions with the President of the Company, CMO, Store Manager, and the tailor responsible for executing the item. During all the observations at the company, both researchers in the field kept a handwritten diary to highlight the particularities of the interactions and the environment itself. After the observation sessions, we had a discussion session to compare our notes and interpretations. These discussion sessions were recorded and then transcribed as well. While we did not use the discussion notes as the data for further analysis, consulting our initial interpretations with the emerging conceptual model was undoubtedly useful during the theory-building phase.

Additionally, we used secondary sources, such as online archives of publications and video contents produced by Candiani throughout the time, and external publications from different sources that helped to familiarize ourselves with the company and its context and partially to restore the chronology of the entire BMI process within Candiani. During the data collection process, we remained in touch with our contact person within Candiani, who resolved some doubts about the data and the interviews.

2.3 Data Analysis

Due to the exploratory nature of the Candiani Denim case, we followed the grounded theory method in data analysis. It allowed us to follow interactions as they unfolded throughout the process, allowing a certain level of initial “messiness” of our data (Ravasi, 2019).

We use phase representation of the analytical process to ensure methodological transparency in analysis and ground and rigor in further theorizing key conceptual categories (Suddaby, 2006). Although presented in order of sequential steps, in reality, our strategy strived to follow the organic process of theory emergence (Glaser & Strauss, 1967). It involved multiple iterations in data analysis since the evolving conceptualization required theoretical consultations with existing literature and further reconsideration and reorganization of some aggregate concepts. For example, we often concurrently collected and analyzed data wrote memos during the interviews and observations and voice-recorded our initial theoretical assumptions. After the first interview with the President of Candiani, we conducted an initial coding to outline emerging themes. Later, when all the data was collected, the initial codes of the first interviews were entirely revisited, but this "trial" coding helped to gain insight into the investigated process.

Phase 1. Initial coding and data categorization.

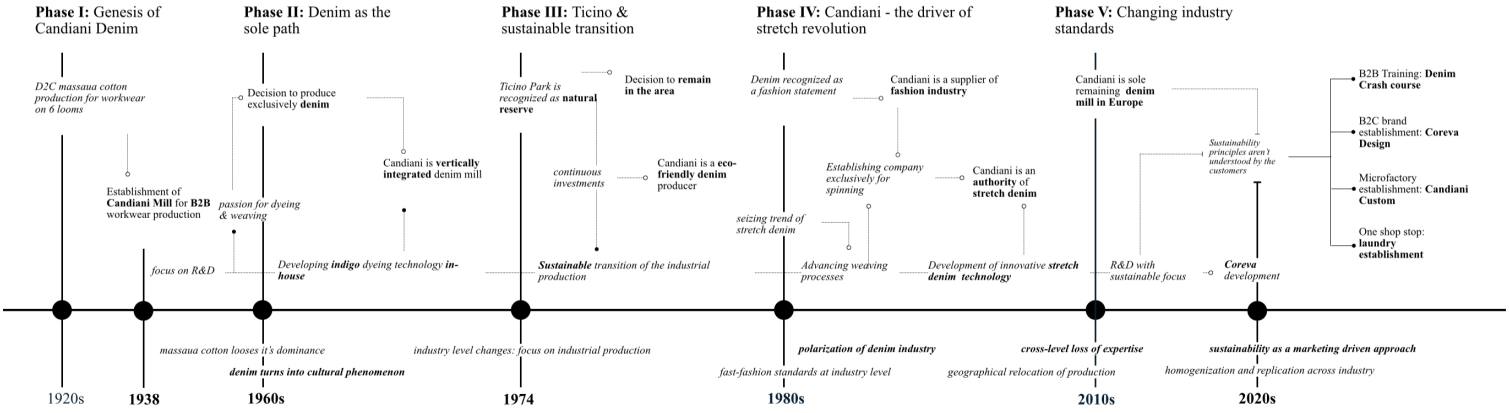
Adopting a systematic approach to qualitative research, we applied the so-called Gioia method in data analysis and structure (Gioia et al., 2013; Gioia, 2021). We started the data analysis process with open coding, using sentences and, in some cases, paragraphs as coding units. At this stage, we mainly used descriptive coding or in vivo codes, with the sole ambition of discovering patterns in events and informants' accounts (Gioia & Chittipeddi, 1991) to avoid any data contamination with our interpretations. While, as expected, initially, we had a hard time bridging them together, we decided to embrace the complexity of the process and engaged with every fragment of some emerging first-order concepts. We wrote them down and color-coded them for more straightforward visual identification. We performed this process separately and then grouped these initial "labels" in first-order codes in collaborative sessions.

Phase 2. Reconstructing the sequence of the events and creation of the archive.

Initial coding was used to build the basis for our process research by reconstructing, in a simplistic way, the process within Candiani BMI. We started with a written chronology of the history of Candiani from 1924 to 2023. We managed to establish pivotal moments in the BMI process and produce a timeline with key events **(Figure 1)**.

This step allowed us to focus our research on the period from the 00s till these days as it represents the richest period of BMI within the firm. We used the period before the 00s to better define what we call Sustainable Innovation Imprinting.

Figure 1. The Timeline of the key events that contributed to the establishment of BMI process in Candiani Denim

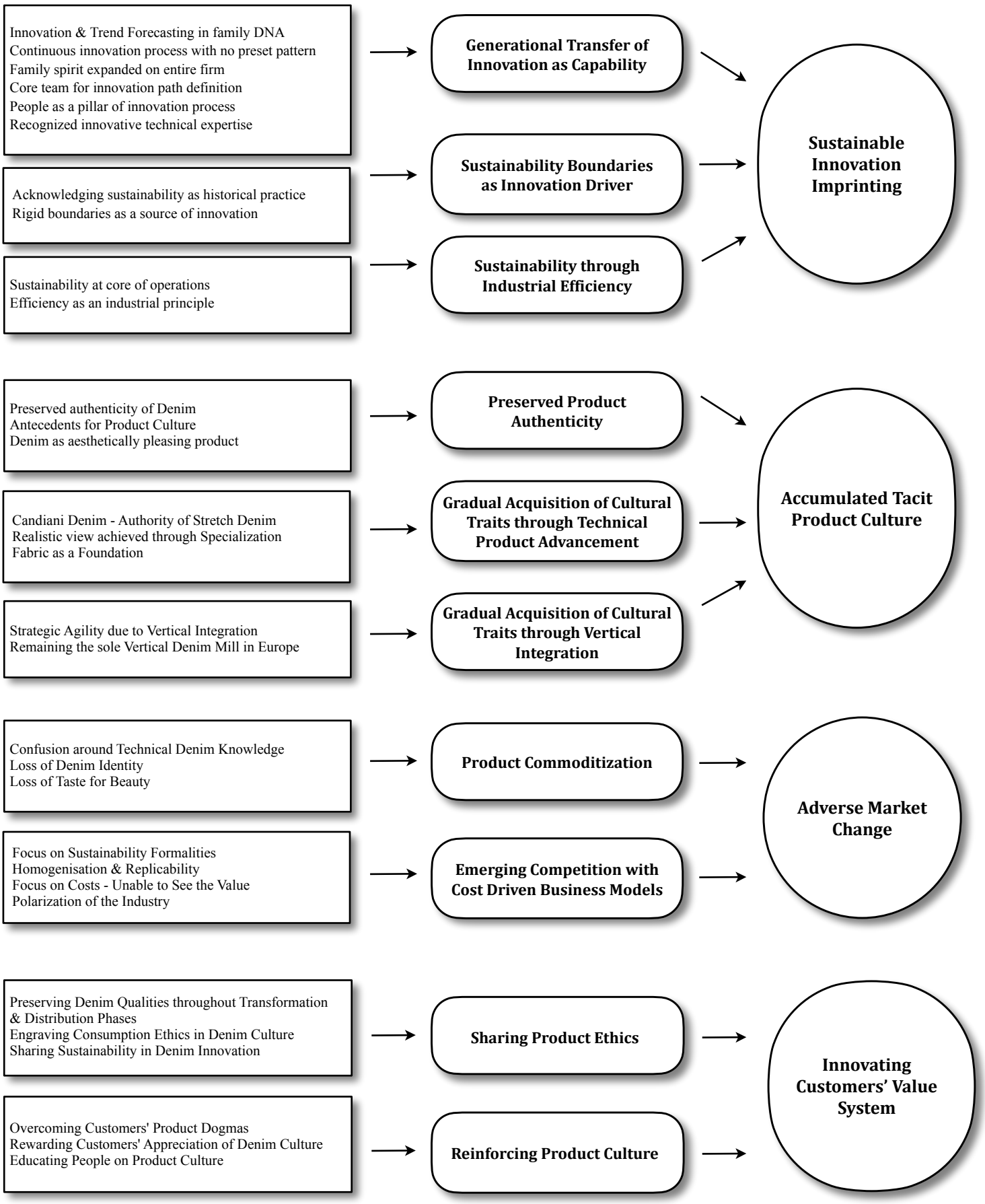


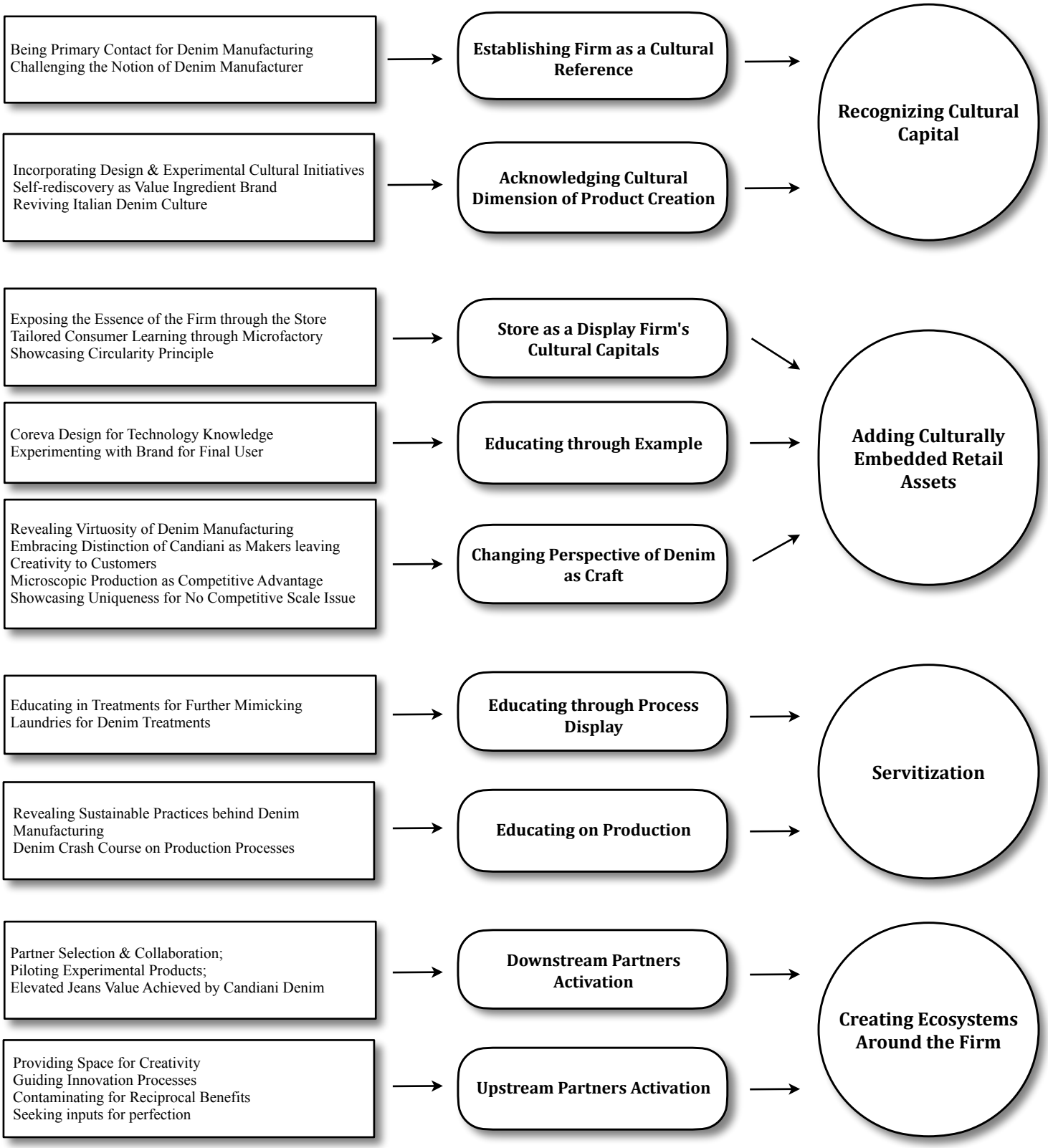
Phase 3. Building theoretical interpretation of the process.

We then moved further in our analytical process, which involved a more theoretical interpretation of the events (Williams & Moser, 2019). We were constantly revising our first-order categories with findings from prior research. While it seems linear, the process looked like a loop of rereading the codes, consulting with the literature and experts in the field, going back to the codes, and reorganizing them into second-order categories (Gioia et al., 2013). In order to engage with the data more and "bring order to a chaotic flow," we used visual techniques to assemble second-order codes and aggregate dimensions to simplify the conceptualization process (Ravasi, 2017).

After the reconstruction of the events' sequence, we noticed the focus on so-called frustrations or negative signals from the external environment received by the company. We decided to review our data and have an additional round of coding for the challenges. This step provided much more robustness in understanding the drivers of the process and forced us to engage in more creative reasoning for the theoretical conceptualization. We present our final data structure in **Figure 2.** The conceptualization process combined led us to design our theoretical model (Eisenhardt et al., 2016).

Figure 2. Data Structure for further theory building



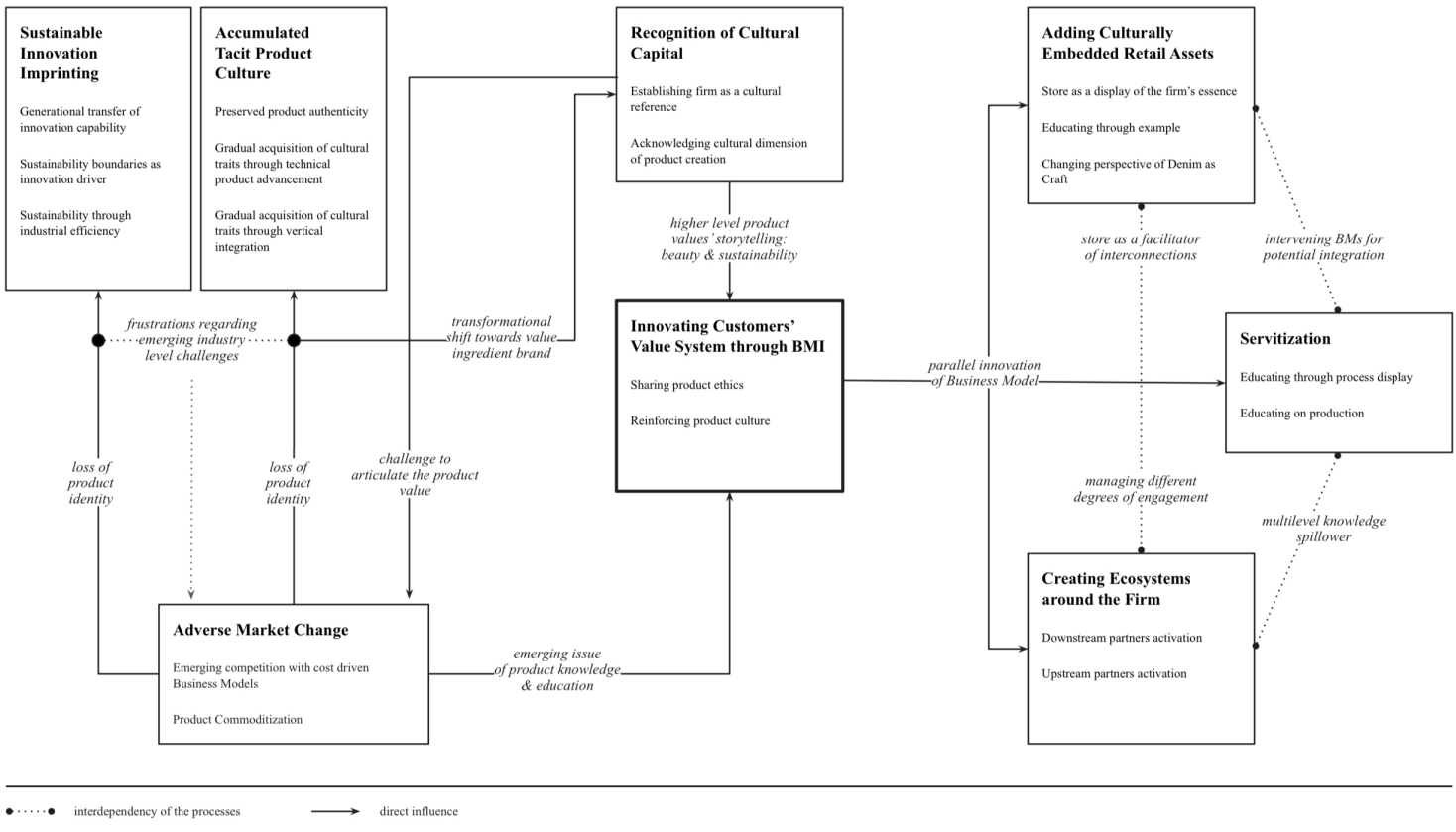

Being Primary Contact for Denim Manufacturing
Challenging the Notion of Denim Manufacturer
Establishing Firm as a Cultural Reference
Incorporating Design & Experimental Cultural Initiatives
Self-rediscovery as Value Ingredient Brand
Reviving Italian Denim Culture
Acknowledging Cultural Dimension of Product Creation
Recognizing Cultural Capital
Exposing the Essence of the Firm through the Store
Tailored Consumer Learning through Microfactory
Showcasing Circularity Principle
Store as a Display Firm's Cultural Capitals
Coreva Design for Technology Knowledge
Experimenting with Brand for Final User
Educating through Example
Revealing Virtuosity of Denim Manufacturing
Embracing Distinction of Candiani as Makers leaving Creativity to Customers
Microscopic Production as Competitive Advantage
Showcasing Uniqueness for No Competitive Scale Issue
Changing Perspective of Denim as Craft
Adding Culturally Embedded Retail Assets
Educating in Treatments for Further Mimicking
Laundries for Denim Treatments
Educating through Process Display
Revealing Sustainable Practices behind Denim Manufacturing
Denim Crash Course on Production Processes
Educating on Production
Servitization
Partner Selection & Collaboration;
Piloting Experimental Products;
Elevated Jeans Value Achieved by Candiani Denim
Downstream Partners Activation
Providing Space for Creativity
Guiding Innovation Processes
Contaminating for Reciprocal Benefits
Seeking inputs for perfection
Upstream Partners Activation
Creating Ecosystems Around the Firm

3. Findings

3.1 How Candiani Innovated its Business Model through its Cultural Capital

In this part, we present our conclusions, derived from both empirical observations and theoretical insights. **Figure 3** illustrates our grounded model, comprising its eight core blocks. The initial two blocks, "Sustainable Innovation Imprinting" and "Accumulation of Tacit Product Culture," delineate the conditions for establishing the firm's Culture Capital. While the firm followed its innovation process patterns, the global demand for cost-effective products led to the emergence and growth of manufacturers better equipped to fulfill the need for cost reductions. This progression is depicted in the "Adverse Market Change" block. Remarkably, the firm tackled this shift in market preferences through a counterintuitive strategy.

Figure 3. The Grounded Model of BMI process in Candiani Denim



Rather than pursuing a conventional path of continuous cost reduction, it opted to enlighten customers about the profound aesthetic and sustainable values inherent in its production. This strategic shift is exemplified in the "Innovating Customers' Value System" block. To achieve this,

top management underwent the explicitization of tacit company cultural capital, a process denoted as "Recognizing Cultural Capital." This process was subsequently manifested in the business model's radical parallel innovation process, stimulating demand for products deeply rooted in cultural richness.

The Business Model Innovation process is presented in the blocks: "Adding Culturally Embedded Retail Assets," "Servitization," and "Creating Ecosystems Around the Firm." In the ensuing discussion, we delve into the evidence and insights linked to each block. The selective evidence for each block within the grounded model could be consulted in **Tables 1,2,3,4,5,6,7,8** presented in Annex.

3.2 Sustainable Innovation Imprinting

This section describes the process of gradual inheritance of sustainable innovation practices by the firm that is expressed through (i) Generational transfer of innovation capability, (ii) Innovation process as modus operandi, (iii) Sustainability boundaries as an innovation driver, (iv) Achieving sustainability through industrial efficiency.

Generational transfer of innovation capability.

Candiani has been a family-owned and operated company since its establishment in 1938. Throughout its history, the entrepreneur has consistently been a catalyst for innovation, instigating transformative changes. Each generation of entrepreneurs brought radical innovations to the firm's business model, progressively specializing and integrating the firm into sustainable denim manufacturing. It can be asserted that innovation is deeply ingrained in the company's spirit, constituting a generational capability. This innovation capability is interrelated with the capacity to anticipate forthcoming trends or market shifts. In interviews, the informants frequently refer to the visionary approach exhibited by the presidents; for example, this is how it was expressed:

> *"It's been four generations of the Candiani family in this business, and they have truly excelled. There's definitely an incredibly strong spirit of innovation within the family. The unique advantage we have within the team, which I've been a part of for 12 years now, is that we can say: we have broad shoulders having built a solid company over 85 years. Our wealth of experience allows us the freedom to pursue seemingly wild ideas."* (INF2, line 295)

Innovation practices have involved, over the generations, a core team supporting the entrepreneur in strategic decisions. This team has changed composition over decades but is present across generations at any stage of the BMI process. The composition of this innovation team ensures a harmonious blend of an adventurous innovation spirit, a heightened aesthetic sense, a pragmatic and realistic approach to implementation, and a keen understanding of innovation aligned with market demand;

> *"The working group with Alberto has slightly expanded. Similarly, the previous group with Alberto's father had also involved three individuals. Alberto has retained his father's working methods within the company and has continued to incorporate them...I would say that [his] father was more oriented towards industrialization and innovation, Alberto - he emphasizes innovation, and there's also a significant element of experimentation that sets them apart. Nevertheless, the team's working approach remains consistent, regardless of the individuals within the team."* (INF4; line 108)

The generational inheritance of innovation capabilities by the firm's ownership has, in a sense, penetrated the entire organization of Candiani. Notably, a substantial segment of the workforce has been with the company for more than one generation, exposing them to the entrepreneurial innovation culture and influencing their approach to work, aligned with these values. For instance, they embrace risk and experimentation while adhering to a practical approach regarding the feasibility of operations. The remarkably low turnover of the workforce is another way through which the innovation culture becomes embedded in the firm, extending not only at the management level but throughout the entire firm, as highlighted by one of the informants:

> *"The company's ability to foresee trends and adapt accordingly is deeply rooted in its DNA. And then surely there is a great team, and undoubtedly the knowledge..this is because, apart from Alberto, who is from the Candiani family that owns the company, there are other families working there. Some of these families have been part of the workforce for two or three generations, passing down the work from father to son. It's remarkable that they may have spent their entire careers at the company."* (INF6; line 63)

Innovation processes engage various stakeholders and occur at any level within the value chain, underscoring the significance of Candiani's employees as a fundamental component of the

innovation process. This aspect accentuates the pivotal role of individuals and/or teams as motivators and sources of inspiration.

Sustainability boundaries as an innovation driver.

In 1974, the establishment of Ticino Natural Park brought a set of stricter environmental regulations for companies operating in that area. Candiani was among the companies that had to decide whether to relocate their plants elsewhere or remain and face higher costs for environmental regulation compliance. The decision to remain in the area made by the father of Alberto Candiani has brought a long process of sustainable transformation of industrial production, and sustainable practices were gradually imprinted throughout the firm across all the levels of engagement and operations:

> *"There is no boundary to where innovation could be integrated. Let me give you an example: the use of ultrasound for dyeing. The development wasn't too complicated and happened quite rapidly…shock waves were created at a molecular level, acting on water molecules, indigo, and other products. This facilitated the easier attachment of the products to the cotton in the bath. They adhere more easily which leads to a reduction in the use of chemicals during the dyeing process. Additionally, during washing ultrasound reduces the water usage by 50%. This innovation serves an industrial purpose of resource conservation."* (INF3; line 194)

Sustainability through industrial efficiency.

In the historical context, it was initially challenging for the firm to see the transition towards sustainability beyond financial consequences. However, the acknowledgment of sustainable practices has gradually evolved to the extent that it is now considered a standard within the firm. Furthermore, sustainability has become so ingrained in everyday practices that it gives a perception of standard universally accepted routine from a narrative perspective. Initially, sustainable practices were perceived as an efficiency-driven process within industrial production, fundamentally aimed at resource conservation. Over time, the entrepreneur has come to recognize the intrinsic value that the transition to a sustainable business model brings to product innovation. Candiani has emerged as a pioneer in the denim industry, leading the implementation of sustainable practices and altering the traditional paradigm of denim manufacturing as an environmentally polluting process. This strategic shift has endowed Candiani with a distinctive value proposition.

> *"We realized that very few textile operations at our scale were required to adhere to specific regulations…Consequently, we found ourselves in a sustainability-oriented environment, even during years when my father had to bear investment costs that others did not. Initially, it was challenging. However, we sought to turn this challenge into an advantage by explaining what sets us apart from others."* (INF1; line 130)

3.3 Accumulation of Tacit Product Culture

This section describes the process of accumulation of tacit product culture through the (i) preservation of product authenticity, (ii) the progressive acquisition of cultural traits of denim through product advancement, and (iii) vertical integration.

Preserved product authenticity

The history of Candiani is a story of progressive specialization and sophistication in denim manufacturing. Since the early stages of the firm, a strong passion for denim has characterized several strategic decisions and has progressively modified the firm's business model. In this sense, Denim is seen as an expressive material that helps unleash fashion designers' creativity and promote their uniqueness and creativity. Candiani has accumulated the traces of denim culture following the critical business model innovation decisions: (i) specialization of the firm in denim manufacturing, abandoning other fabrics; (ii) industrialization and progressive vertical integration to have complete control of the product quality and characteristics; (iii) transforming denim from functional to expressive fabric with the introduction of stretch denim; (iv) promoting denim and sustainability culture to retailers and fashion brands. Over time, these stages of transformation have accumulated a large set of product knowledge and a general commitment to the intrinsic beauty of the fabric and its industrial quality. These aspects are viewed as antecedents of the denim culture of the firm. As stated by one of the informants:

> *"In my previous work in another firm I tried to work with other fabrics, too, such as cotton or corduroy, but all the other products are boring. I see the beauty of denim in its semi-finished state: the possibilities for alterations of raw fabric seem endless, not just in terms of design, but also in the treatments applied to the garment to meet customer needs and fit the brand as well as the collection"; "the distinctive smell of denim finishing that I found captivating, or rather, I immensely enjoy it.. Even now, I*

> *take pleasure in using unwashed fabric for the same reason, because it retains that particular scent. It's something personal to me."* (INF4; line 11)

The diminished denim culture in the fashion industry has forced the firm to research new applications to propose to customers continuously. Moreover, the firm has begun recognizing denim culture as a broader phenomenon. This covers an acknowledgment of the distinctive Japanese denim tradition and an understanding of the nuances in the approaches to denim between Italy and Japan.

Gradual acquisition of cultural traits through technical product advancement

The inner meaning of denim as a fabric has been reshaped by a comprehensive set of product and process innovations within the firm. The invention of stretch denim, initially considered a passing trend, inspired the entrepreneur to change the fabric technology to make it more aesthetically pleasing. The technological breakthrough promoted by the firm completely reshaped the perception of denim on a global scale, turning it into a fashion statement and identity builder for pioneering premium denim brands from Los Angeles. On a global scale, this technological advancement turned Candiani into an authority in stretch denim, which then brought substantial investments into the addition of spinning mills into the firm's assets. The acknowledgment of this phenomenon was recognized as a stretch revolution across the firm. At this stage, the cultural shift happens within the firm, as denim fabric gains new values as fabric that could be "played with":

> *"These brands utilized Candiani stretch fabrics, driven by the explosive trend of women's "sexy" denim. Hollywood stars with shapely figures popularized this trend, and it necessitated the use of such fabrics. Our fabrics played a pivotal role in creating a strong brand identity. Just by looking at a garment, even from a distance of 50 meters, you could recognize it as 7 for All Mankind based on the fabric and its unique treatments, without needing to see the label or pocket design. The fit and aesthetic of the fabric were distinctive enough."* (INF1; line 58)

Gradual acquisition of cultural traits through vertical integration

The progressive evolution into vertical integration has been a core aspect of the accumulation of traces of product culture. The perception of denim as an expressive material, together with vertical integration of the mill, permitted the expansion of R&D activities into new

domains and processes. The firm progressively has acquired more “freedom” to explore all the aesthetic aspects of denim. This aesthetic aspect required the integration of traditional R&D competencies with ones more related to beauty and cultural interpretations.

> *“The key is interpretation. Interpreting it involves understanding the foundational work we've undertaken. This understanding encompasses the nuances of color, particularly how that color will adhere and release during the dyeing process. Comprehending the intricacies of the finishing process is crucial.”* (INF4, line 23)

Because of the consequent re-localization of denim plants outside Europe, Candiani remained Europe's only vertically integrated denim mill. The firm gradually and steadily took pride in this position, considering key differentiating factors in the way they approach denim manufacturing

3.4 Adverse Market Change

While Candiani has been accumulating deep product knowledge and transformation skills to turn denim into a sustainable, expressive fabric, fast fashion strategies, and business models have strongly influenced the fashion industry over the past years. It required large volumes of cheap fabrics to match the cost targets of the different collections. At the same time, the need to create an ever-increasing number of collections per year forced designers to simplify their research in terms of fabric quality and performance in favor of creativity and pure product design. This market phase brought a significant threat to Candiani, who had to face (i) the progressive commoditization of denim as the fashion fabric and, at the same time, (ii) the surge of competitors with cost-driven business models that were better for the requests from the fashion system.

Product commoditization

As stated by one of the informants: *“There has been an excessive emphasis on the past rather than the future, and many brands have sought to recreate the classic 501-style jeans. However, creating jeans in the style of the old 501 is relatively straightforward. It doesn't require exceptional fabrics; instead, good-quality 100% cotton fabrics can achieve the desired slightly salt and pepper effect after undergoing a few rounds of stonewashing. This trend has led to a homogenization of the market, with products from luxury to fast fashion appearing increasingly similar.”* (INF1; line 52)

At the same time, most fashion brands increase their market presence by adopting total look strategies. This strategic choice shifts designers' focus on collections more than single product category qualities and differentiation, "diluting their unique brand identity." Even the brands that traditionally operate in the premium and luxury market segment, including those specializing in denim, have adopted the fast fashion business model, which led to a progressive loss of technical knowledge of raw materials and their contributing factors to beauty and quality.

Emerging competitors with cost driven business models

Market changes gave birth to the emergence of competitors with extended supply chains in developing countries with lower-cost production, accounting for the most significant portion of denim sold globally. Meanwhile, high-quality denim manufacturing mainly remained in Japan and Italy. Providing cheap denim in large volumes matched the demand of the fast fashion system that needs to reach the market with several collections per year, in large volumes and at a very accessible cost. At the same time, the presence of a large number of mediocre denim suppliers reinforced the perception of denim as an undifferentiated fabric that can not allow designers to express their creativity and brands to differentiate their offers. The need for more sustainable practices has been recognized across the industry, leading to compliance formalities and marketing-driven sustainability actions that contributed to the dilution of the product's cultural value.

3.5 Recognizing Cultural Capital

To face market challenges, Candiani went through a relevant process of recognizing its cultural capital by acknowledging the cultural dimension of product creation and promoting and establishing the firm as a cultural reference in denim.

Establishing a firm as a cultural reference

There is a strong perception of being unique in Candiani, as reported by several informants:

> *"We genuinely believe that we produce fabrics that are just exceptional in terms of performance and quality"* (INF1, line 13), *"Company is widely and deeply renowned - it is the Ferrari of the denim world in every sense"* (INF2, line 80).

Making Candiani Denim the reference for denim producers is in the ambitions of its president: *"Alberto is very eager to establish [Candiani] as the primary point of contact for denim because it is the foundation."* (INF5, line 111).

This ambition is rooted in generational product knowledge of continuous product innovation and the uniqueness of the stance toward sustainability that characterizes the company. These characteristics have brought Candiani to challenge the notion of denim manufacturers over time. The complete integration of the mill challenged the notion of the three separate steps of denim manufacturing (milling, dying, and laundry). This integration dramatically increased the span and depth of fabric processing and helped the company provide highly tailored solutions for fashion brands and designers. The high standard of product knowledge and complete control of all the phases allow Candiani to intercept and anticipate trends and technological solutions, making it a recognized stop shop for product innovation, product aesthetics, and sustainability. Candiani successfully created a sustainable ecosystem for its Candiani Custom project, intuitively engaging several small Italian manufacturers in custom-made jeans manufacturing that share the same value and sustainability practices to create a pair of jeans with the shortest supply chain in the world. At the same time, the micro-factory in downtown Milan is an achievement that shows Candiani's mastery of denim manufacturing. In downtown Milan, a micro-factory, including the laundry phase for product finishing, is operated. It is relevant to highlight that it is a genuine small-scale factory and not a tailoring atelier, reinforcing the company's solid industrial vocation and uncompromising approach to denim. The cultural dimension of denim manufacturing characterizes the BMI at Candiani. This cultural dimension is activated through the rediscovery of the Italian origins of denim, the implementation of design initiatives connected to the firm, the self-rediscovery of superior manufacturing values as antecedent to ingredient branding, and the exhalation of manufacturing heritage through experimental music initiatives.

Acknowledging the cultural dimension of product creation

The location of Candiani in Italy has been rediscovered and interpreted as a potential source of competitive advantage. The presence of an archetypical “genius loci” characterizes the uniqueness of denim production in Italy:

> *“We need to explore the history of Italian denim, which offers numerous references and evidence of fabrics that can be considered the precursors of denim dating as far back as the 13th to 14th centuries in the western region of Italy, specifically in the Milan - Genoa - Turin triangle. We can affirm that denim's roots are undeniably of Italian origin, and this early adaptation solidifies denim as a fabric with Italian heritage.”* (INF 3; line 105)

The connection to the remote Italian origins of denim and the aesthetics of Italian fashion and design industries are cultural aspects shaping the way Candiani operates and innovates. The firm's desire to promote this newly recognized trait led to opening a design center in Los Angeles in collaboration with its technical partners. Also, among other creative initiatives by Candiani to promote its unique industrial heritage and cultural capital is the "Candiani Denim Symphony." As musicians in the past, the management team composed music using the sound of a heritage 1950s Picanol denim weaving loom as a beat for a song performed by Giorgio Moroder presented at the Bread & Butter event in 2014. The project is based on combining the creation process of denim with the creation process of music. These examples show how the firm, through explicitation of its tacit product culture, rediscovered itself as a value ingredient brand with distinct capability to bring back the identity of denim to the product. The firm engaged in a total brand image makeover, adding marketing into the denim manufacturing, starting from the name, which was very technical, Tessitura Robecchetto Candiani (Weaving Mill Robecchetto Candiani) to Candiani Denim. This name embraces the family heritage and cultural roots of the denim manufacturer.

3.6 Innovating Customers' Value System

Candiani had to face the adverse change in the market and the rise of competitors that fit the fashion demand more. The firm's decision to address this threat could be described as counterintuitive. Instead of adopting strategies of delocalization and cost-cutting initiatives, the firm exploited its newly recognized cultural capital as the basis of the value creation, promoting denim cultural values and sustainability practices. The design of this value proposition based on a) sharing product ethics and b) reinforcing product culture led to the innovation of Candiani's business model through the recognition of its cultural capital.

Sharing product ethics

This approach was described by one informant as: *"virtuosity as opposite of mass production":*

> *"This was the strategy we put into practice ten years ago. We focused all our efforts to provide education that equips our customers with the right questions they should ask others when they have to make a decision. It wasn't about asserting , 'We are better than others,' because what does 'better' even mean in terms of what? Instead, we could guide them by saying, "When assessing a fabric, you should consider*

> *factors A, B, C, D, and E. These questions, when posed to others, allow you to evaluate and determine whether you are satisfied"* (INF2; line 31)

The loss of denim identity in the market pushed the company to focus on the processual aspect of denim creation, emphasizing its investments in sustainable actions, technologies, and patents.

> *"Take into account that today our production doesn't take place in an industrial area of a European city; rather, we operate within a nature reserve. Eleven years ago [we] conducted a comprehensive analysis, benchmarking against the top five denim-producing countries, namely Turkey, Bangladesh, Pakistan, India, and China. This evaluation involved a thorough assessment of the specific conditions within each department of a vertically integrated company. The results vividly highlighted our distinctive approach, placing us in a league of our own."* (INF7; line 20)

Reinforcing product culture

The greatest threat to high-quality denim products is dogmas fashion brands and designers developed over time. In the words of one informant:

> *"Changing our customers' mindset - it definitely comes from within. The act of progressing and enhancing, encouraging our clients to explore an innovative and more aesthetically pleasing product."* (INF4, line 88)

The company hopes that, by overcoming these dogmas, a new interest in denim will spark, helping fashion brands to explore new paths of product differentiation and, by doing so, provide a *"...solution to boredom for potential customers"* (INF4, line 63). Candiani is not only actively promoting its denim culture at the manufacturing, retail, and consumer levels but also rewarding customers who have adopted its philosophy of sustainability and denim quality. By allowing the use of the "Rivetto d'Oro" (Golden Rivet) on its denim products, it recognizes the higher quality and sustainable practices in denim products of its customers. Moreover, the firm is also labeling denim final products made with its fabric, becoming an ingredient brand for the manufacturer or fashion brands.

3.7 Adding Culturally Embedded Retail Assets

The view of the Customers' Value System required Candiani to extract and capture the different sets of values within the business model innovation process, which implied an activation of its cultural capital as a differentiating factor. This activation required the integration of culturally embedded retail assets (Dacin et al., 1999; Sasaki et al., 2021) that would unveil the authenticity of denim and the high specialization of Candiani in this product. This downstream integration works as a display for (i) the firm's cultural capital, (ii) the virtuous examples in denim sustainability and product quality, and (iii) the virtuosity of denim production as a craft.

Store as a display of the firm's cultural capitals

The main culturally embedded retail asset, the Candiani store in downtown Milan, is conceived as a multifunctional space that might address different publics. One of the pivotal functions of the store is to expose the company's essence through the display of denim products and fabrics and rich storytelling provided by space design and displays:

> *"There's a connection to the concept of textiles, and the same fundamental principles we aim to implement in this highly specialized project, almost tailor-made.. in fact, all the machines are customized for this space by various partners.. This approach is also employed at Candiani, highlighting the company name to its fullest extent. This emphasis is particularly significant here, as it essentially serves as a word-of-mouth advertisement along the way."* (INF5, line 35);

> *"Our endeavor is to similarly illustrate our ongoing custom initiatives, shedding light on our motivations, partnerships, and the environmental impact of processes such as jeans washing"* (INF7, line 54)

Educating through example

The development of COREVA™ technology took 11 years. It is the first entirely sustainable stretch denim, thanks to the substitution of elastane with natural rubber. The cost of this fabric is notably higher than conventional stretch denim, and fashion brands have been reluctant to adopt COREVA™ technology due to this price gap. To tackle this issue and promote its use. The firm established its first consumer brand: Coreva Design. Coreva Design collection, in collaboration with the external designer, has been displayed in the Candiani store.

Changing perspective of Denim as Craft

The store's establishment is a direct representation and a window to illustrate the essence of Candiani as a cultural reference. Therefore, it was of utmost importance for the firm to reveal and visualize the entire production process of denim, highlighting the craftsmanship behind it. The purpose was to demonstrate the virtuosity of the Italian denim craft and acknowledge the difference between Italian and Japanese denim. This led to the transformation of part of the retail space into a micro-factory, Candiani Custom industrial unit, producing made-to-measure jeans. As reported by one informant:

> *"The workshop itself serves a purpose, as the sight of the machinery often draws in a crowd, including many curious onlookers."* (INF7, line 47)

The uniqueness of the custom experience implies that jeans are produced one piece at a time. All produced jeans are numbered and carry the name of the person who assembled them and all partners who provided their components (threads, tags, buttons, pocket lining, etc.). All the suppliers (including the machinery ones) are Italian and located in maximum proximity to the Milan area, making the Candiani Custom pair of jeans the jeans with the shortest and most sustainable supply chain. The micro-factory also provides mending and adjustment services for the jeans, increasing their life cycle and, implicitly, remarking on the profound expressive role of denim with its aging process and rich texture. The small scale of the initiative shows Candiani's intention to remain focused on denim manufacturing while using Candiani Custom primarily for showcasing the quality of denim and its aesthetics, as well as the company's approach to sustainability:

> *"When we craft our garments with exceptionally high and traditional quality, the entire process is meticulously constructed to ensure flawless seams and hidden stitches within the garment. When you examine it, the cleanliness extends to the finished details, the careful trims, and the bindings. All this precision and effort are often unnoticed by our customers until we walk them through it."* (INF2; line 180)

The virtuosity of denim craftsmanship within this space was granted by the uniqueness of the facility in general and the transparent representation of each step in the process, performed by tailors with high specialization and competencies in working with denim fabric:

> *"We undertake the process with all the principles associated with Denim [...]. It might seem banal, but it remains a highly sought-after service. Our chain-stitch hem*

is tailored for passionate individuals, designed to bring back the essence of a lost hem with careful craftsmanship. It is our way of honoring the craftsmanship, striving to replicate it as accurately as possible, a dedication that Manolo [tailor] has embodied." (INF5; line 92)

3.8 Servitization

Similar to the addition of culturally embedded retail assets such as the Candiani Store opening, servitization had the purpose of reinforcing the product culture, educating through process display alongside education on production in general.

Educating through process display

As a textile, Denim uniquely undergoes intentional "damage" through treatments to achieve a desired aesthetic. In traditional denim manufacturing, these treatments are typically by customers themselves using external industrial laundries. Candiani, through its imprinted sustainable innovation practices, has introduced textile innovations to the market, optimizing resource utilization, reducing waste, and eliminating the application of harsh chemicals in denim production. The implemented innovative techniques have altered the textile's properties, calling for the optimization of subsequent washing treatments.

However, it is noteworthy that many brands acquiring denim fabric from Candiani have continued to treat them in conventional ways, inadvertently diminishing the fabric's quality and compromising its aesthetic appeal. This realization has prompted Candiani to recognize the lost value resulting from a lack of supporting knowledge in the downstream processes.

*"Subjecting our 'Black Black' fabric to regular laundering is unnecessary; a simple rinse would suffice…With black and blue hues, the more they're laundered, the more they tend to lose their color intensity. It's a surface dye, a molecule that doesn't penetrate the fiber but sits on the surface. Hence, we thought of developing technology that allows the color to hold longer. However, if I create this 'no fade' fabric and then *the brand* gets hold of it and decides to distress it thoroughly, creating a collection inspired by Joshua Tree, then the concept fails, the fabric loses its essence. There was an issue of knowledge and education."* (INF2, line 222)

Accordingly, the company has strategically invested in acquiring industrial washing machines dedicated to denim laundry, thereby expanding the conventional framework of "three-stop-shop" denim manufacturing that separates denim fabric production, denim fabric treatments, and the production of jeans. The underlying strategy involved soliciting customers to provide mood boards outlining their desired aesthetics, then conducting trials and samples in Candiani in-house laundries and proposing these options to the customer along with guidelines for further denim treatment in external laundries. This operational shift introduced an additional service layer for brands that procure Candiani fabric. This service encompassed the formulation of protocols for subsequent fabric washing, coupled with active participation in the creative process of the brands. Importantly, this was a deliberate decision made with the educational purpose of sharing practices within the industry. It also allowed Candiani to realize capsule collections of denim fabric with various treatments and washes with and for brands and for its Candiani Custom project in-store.

Educating on production

Candiani has cultivated enduring relationships with fashion brands throughout its history, actively involving the firm in shaping its product strategies. In a proactive move towards heightened customer support and to bolster the reverence for denim production, Candiani opted to introduce an additional service layer — the Denim Crash Course. This initiative was extended to selected customers willing to integrate Candiani into their strategies. The course's primary objective was to underscore the importance of maintaining product discipline across various facets, spanning design and production and extending into marketing, wholesale, and retail training. Over three days, brand representatives would undergo theoretical and practical education conducted within the Candiani facility in Robecchetto con Induno, as one of the informants said:

> *"As the business [with the customer] expands, we provide more extensive support. This entails that at a certain point, we offer training for their sales force, deliver comprehensive back-end presentations, and even invite them here. Then, we suggest, [for example]: bring your top store managers from Germany to participate in a tailored three-day training program at our facility. This approach also serves as a trial for team building and education for them. These efforts result in robust feedback and as we've noticed leading to a noticeable, direct impact on sales."* (INF2, line 58)

Essentially, the aim was to position Candiani as a reference and authority in product culture.

3.9 Creating Ecosystems Around the Firm

Additional elevated levels of customer support for the brands provided by the firm opened a new way of approaching denim production. Having been an active part of the denim system, particularly the Italian one in close proximity to Milan, highlighted the importance of some relationships with brands and partners that embrace and share the values of innovation and sustainability established by Candiani. Naturally, their relationship started to evolve from (i) downstream and (ii) upstream partnerships to an ecosystem with firms that share the same views of denim culture, contribute to the values that go beyond firm performance and serve a broader purpose. The firm became a reference for sustainable, innovative practices, naturally aggregating the ecosystem around the firm. It brought a series of deliberate steps in ecosystem formalization and further contamination.

Downstream partners activation

Candiani started to engage in joint communication campaigns with fashion brands, placing Candiani labels inside the garments. For the brands, it was a way to communicate the strength of their collection, built around the identity of Candiani fabric. This led to joint experimental products bringing Candiani to the end consumer, such as placing the already mentioned “rivetto d’oro,” the golden rivet. The Rivet, traditionally made of copper, is usually placed at the corner of the jeans pockets and the base of the fly to avoid being ripped too rapidly, which makes a rivet detail of a finished consumer good, not a fabric. The change of metal to gold meant higher recognition of the brands that endorsed the culture of denim and elevated the value of jeans, revived by Candiani. At the same time, Candiani, through its Custom project, encouraged members of its denim ecosystem to mimic the way of producing a pair of jeans. For example, the inner side of the Candiani custom-made jeans has the stamp of all the “chosen ingredients.” The same communication tactic has been replicated by some of the brands of the ecosystem.

Upstream partners activation

Due to established harmonious and trusted relationships, partners seamlessly integrated into the Candiani ecosystem, fostering genuine synergy with the collective goal of enhancing visibility and creating a comprehensive, holistic solution. An example of this type of collaboration is the development of "Graphyto," a fabric imbued with technology provided by one of Candiani's partners, conferring antiviral and antibacterial properties to the material. Candiani has been actively

involving its partners in communication initiatives, simultaneously offering access to its client base and providing a platform for creative input, resulting in mutual benefits.

> *"Being unique also means having the ability to engage partners who share the project. For those in the B2B textile industry looking for an entry into the B2C space, we are skilled communicators, especially in the world of Denim. We excel in B2B communication, which extends to the B2C arena due to our experience as a value ingredient brand. Our partners are highly attracted to this opportunity. Involving them in our communication efforts means contributing to their positioning in the B2B market."* (INF1; line 220)

In the case of the Candiani Custom project, the ecosystem was intentionally structured to ensure a circular approach to jeans production and embrace the zero-kilometer principle. Being a catalyst within its ecosystem, Candiani assumes a guiding role in the innovation processes of its operations and the broader ecosystem, unifying suppliers and fashion brands.

4. Discussions and Research Implications

Our exploratory research illustrated how Candiani has been innovating its business model in recent years. Based on our data analysis, the theoretical model we propose revealed that the BMI processes could be arranged in a parallel way that embraces three different processes connected with each other. It also provides insights into the contributing factors that make parallel business model processes possible. Specifically, our model proposes four theoretical contributions.

4.1 Sustainable Innovation Imprinting as an Antecedent of BMI

One of the key findings of our study is related to what we term "Sustainable Innovation Imprinting," i.e., the gradual inheritance of sustainable innovation practices within the firm and its embeddedness in its modus operandi. Our research revealed that Sustainable Innovation Imprinting, as a subset of imprinting practices (Snihur & Zott, 2020), functions as an antecedent of the BMI process that determines its fate and, as a result, guides it in a specific direction depending on a purpose for BMI in the first place. While it has been generally accepted that imprinting practices inevitably lead to the formation of inertia or dogmatic thinking (Beckman & Burton, 2008; Hsu & Lim, 2014), we argue that depending on the inherited practices and conditions of the firm, the imprinting could be viewed as a precursor for innovation of BMI. Indeed, our research revealed that a series of historical disruptions that force the firm to innovate could drastically impact the

imprinted practices, changing the "forma mentis" of the ownership and then imprinting it in the "modus operandi" of the entire firm. In the case of Candiani, the decision to remain in the Ticino Natural Reserve played a pivotal role in altering the approach towards innovation by the owner of the firm, which forced him to encourage innovative practices and processes throughout the organization that then imprinted in a way to approach the workflow, resulting in the novel approach of boundary conditions as innovation driver. Previous research has shown how imprinting could drive the firm's BMI (Snihur & Zott, 2020) and affect entrepreneurial inclinations toward innovation (Ellis et al., 2017). We extend this stream of literature by arguing that due to the growing interest in sustainable business modeling (Boons & Lüdeke-Freund, 2013; Evans et al., 2017; Snihur & Bocken, 2022) the business model research could benefit from considering the possibility of engraving sustainable innovation as an imprint. The case of Candiani revealed a unique research setting that could be viewed as a platform for BMI in the future. Viewing the firm as the one that has successfully transitioned into sustainable business opens a new perspective on what could be a consequence of that process and how to turn it into a continuous BMI. While some research considered sustainability a competitive advantage (Rodriguez et al., 2002; Cantele & Zardini, 2018), we argue that it may not be sustainable for long-term strategic consideration. For a prolonged period, Candiani had to bear the issue of wasted value (Broccardo et al., 2023) because of adverse market changes where technological advancement of sustainable denim innovation was not appreciated. Following this argument, future research could extend this proposition by studying the conjunctive process (Tsoukas, 2017; Cloutier & Langley, 2020) of sustainable innovation imprinting for BMI, connecting these seemingly contradicting processes to embrace holistic BMI phenomena (Foss, 2023) and its complexity.

4.2 The Role of Firm's Cultural Capital in Driving BMI process

Following the discourse of our findings, if Sustainable Innovation Imprinting can be viewed as an antecedent for the BMI process, firms need to be driven by a broader set of triggers to ensure its continuity. In our research, we argue that the firm, driven by a desire to innovate customers' value systems compromised due to adverse market changes, can establish a dynamic process of parallel BMI that generates value through interconnections of these parallel processes. Nevertheless, an essential step in this approach to BMI is recognizing dormant cultural traits within the firm. For example, the case of Candiani reveals how to tackle the purpose of innovating customers' value system; the firm first rediscovers its cultural capital related to denim as a cultural phenomenon and, based on newly acquired assets, transforms its strategy towards value ingredient

brand. This transformation further allowed the firm to implement a plan for a societal change starting from the end user, which was implemented through BMI. This finding aligns with the research stream that considers cultural resources could be used to redefine firms' strategies. For example, cultural capital is proven to be used in strategy formation (Rindova et al., 2011), its innovation (Holt & Cameron, 2010), as a source of differentiation for competitive advantage (Grant, 1991), as a source of unconventional entrepreneurship (Pedeliento et al., 2018). In addition, we argue that cultural capital, as a driving force of the BMI process, provides value beyond financial performance, adding the capability to alter customer value systems previously compromised by adverse market changes. This is particularly relevant in the context of manufacturing firms. In the case of Candiani, to address the loss of technical knowledge and identity of denim in textile manufacturing, the firm rediscovered its cultural capital in denim heritage and sustainable innovation. It introduced it as a driver for BMI innovation that aimed at altering consumption, production ethics, and product discipline of denim and jeans as its extension. A similar process has been conceptualized as cultural innovation (Holt & Cameron, 2010; Pedeliento et al., 2018). The proposition of consideration of a BMI driver that goes beyond firm performance is in line with the stream of literature focused on the impact of BMI, which suggests that firms should actively seek to create positive societal and environmental value and optimize value for themselves while optimizing value for the 'system' (Stubbs & Cocklin, 2008).

Similarly, scholars considered how to reverse the adverse market change and emergence of cost driven business models (Bocken & Short, 2021) rather than continuously generate negative impacts (Roome & Louche, 2016). Following this argument, our research proposes Cultural strategies as drivers of BMI. The case of Candiani shows how the addition of culturally embedded firm assets related to Italian denim heritage, including its innovation, sustainability, and aesthetics, can facilitate the BMI for positive societal value. This encompasses a changed perception of denim by end users, disseminated through the ecosystem the firm has created around the idea of denim culture.

4.3 BMI process of industrial manufacturing through craftsmanship

Candiani Denim, a historic Italian manufacturing company, embodies Italy's rich heritage where tradition and innovation coexist. By recognizing the dormant cultural capital within the company, Candiani initiated a Business Model Innovation (BMI) process that rediscovered the artisanal tradition of denim making. Acknowledging the different cultural approaches to denim

craftsmanship in Italy and Japan, Candiani appreciates the ancient Japanese traditions of handcrafting denim textiles and industrial garment production. Italian tradition, in contrast, focuses on the historical industrial production of denim textiles. Building on this premise, Candiani's BMI included the introduction of jeans handcrafting for end users through a micro-factory, showcasing traditional Italian tailoring and craftsmanship. This approach not only revives the cultural view of the Italian denim tradition as an artisanal product but also promotes ethical consumption by transparently demonstrating the production process and educating society on its complexities. Additionally, through its focus on craftsmanship, Candiani shares deep knowledge about Italian denim traditions, materials, and innovations, truly embracing sustainability and promoting Italy's inherent competencies.

Therefore, the business model innovation (BMI) process is driven by cultural strategies, as revealed by Candiani's case study, which directly impacts the content of the new business model and benefits both local communities and society. While traditional BMI processes primarily aim to enhance financial performance by innovating elements of the existing business model, our research suggests that a culturally driven BMI process holds significant potential to generate more excellent social value and improve societal well-being. Similar processes have been previously theorized as Slow Design-Driven Innovation, a concept at the intersection between innovation management, design studies, and the Anthropocene, that aims to propose concrete business-oriented responses to the climate crises (Gasparin et al., 2020). The study emphasizes the "lack of slow business models appropriate to capture current social, ecological and economic value." To contribute to this discussion, the study of Candiani Denim provides a comprehensive process framework of how an established large manufacturing firm innovates beyond the mainstream norms of the BMI process, focusing instead on embracing innovation through hyper-localization and craftsmanship driven by cultural strategies.

4.4 The Interconnections of Parallel BMI Processes

The fundamental contribution revealed by our theoretical model is the representation of the BMI processes as parallel but diverse. The research demonstrated at least three parallel processes that included (1) the introduction of culturally embedded retail assets that revolutionized the industry standards, (2) the servitization of a core product (Witell & Löfgren, 2013; Kastalli & Van Looy, 2013; Tian et al., 2022), that fostered elevated customer support and higher levels of innovative technology adoption, and (3) creation of the ecosystem around the firm (Van der Borgh

et al., 2012; Snihur, et al., 2018; Madsen, 2020) that allowed faster delivery of societal value. While past research has been exploring these processes of BMI separately, to our knowledge, no study has considered them parallel. Moreover, the crucial element in the triple parallel BMI process of that kind lies in its interconnectedness.

Our analysis revealed that not only does the firm manage those complex links between the processes but also purposefully creates their multiple entanglements, as in them lies an additional value for further capturing. In the case of Candiani, the firm used them as a source for knowledge spillover related to innovative technologies and sustainable practices that embrace the promoted denim culture. Additionally, the firm should manage these established connections to receive new knowledge from the outside or the ecosystem. A designated space for the interactions could facilitate this process. For example, for Candiani, the space is the store that includes symbolic representations of the firm and its partners, as well as visual and transparent process demonstrations that reveal the firm's values.

Additionally, the role of agents that enable those interactions is of great importance. Although it was not conceptualized in our research, we argue that the described triple parallels BMI processes within Candiani were of a recursive nature. Each of these processes has been adapting and transforming, receiving constant feedback from the external environment. Further research could be extended to explore this phenomenon and conceptually ground the possibility of combining parallel and recursive processes within a unified BMI process.

5. Annex

Table 1. Selective Evidence for *Accumulated Tacit Product Culture*

Preserved product authenticity	**Preserved authenticity of Denim** - *The reason behind this endurance lies in the exhilarating moments, especially during the initial client visits with a fresh collection. It's a moment that signifies authenticity, as if you are already aware of the inherent worth of your product. This juncture, for me, is akin to the birth of one's own child. It holds a similar significance. This enduring passion is why I have never grown weary.* - *While we have always preserved the authenticity of denim, unlike our Japanese counterparts, we led the way in embracing sustainability, making a substantial contribution to the fashion denim phenomenon.* **Antecedents for Product Culture** - *In my previous work in another firm I tried to work with other fabrics, too, such as cotton or corduroy, but all the other products are boring. I see the beauty of denim in its semi-finished state: the possibilities for alterations of raw fabric seem endless, not just in terms of design, but also in the treatments applied to the garment to meet customer needs and fit the brand as well as the collection"; "the distinctive smell of denim finishing that I found captivating, or rather, I immensely enjoy it.. Even now, I take pleasure in using unwashed fabric for the same reason, because it retains that particular scent. It's something personal to me.* - *It represents a different, more sophisticated world here. It's a polished and refined environment, to put it mildly. There's the essence of elegance underlying the denim here. It's a lifestyle thing.* **Denim as aesthetically pleasing product** - *I take pride in producing denim that is not only superior to others but also more environmentally friendly and aesthetically pleasing.* - *I see the appeal of denim in its semi-finished state. When we offer a 'raw' fabric, the possibilities for alterations seem endless, not just in terms of design, but also in the treatments applied to the garment. There are countless avenues to explore, so it's also nice to imagine that product based on the customer in front of you and understand what they can do with it, and offer valuable recommendations.*
Gradual acquisition of cultural traits through technical product advancement	**Candiani Denim - Authority of Stretch Denim** - *We were pioneers in using stretch materials without the appearance of being stretchy. Subsequently, we successfully catered to the emerging generation of premium brands, which were established in the late 90s and early 2000s. We made a substantial impact with our innovative stretch fabrics, which helped us establish strong relationships with these brands. We continue to collaborate with some of them.* - *My father primarily grasped that, apart from 100% cotton denim, there was also the world of stretch denim. He insisted heavily on these investments. In the denim industry, it's worth noting that during the 1980s, stretch denim was considered a passing trend. Moreover, the idea of introducing stretch into denim was a bit of a bold move; initially, people contemplated vertical stretch. Subsequently, we adopted it in the weft, although we didn't invent it ourselves, we certainly executed it much better than others did, both in terms of aesthetics and performance.* **Realistic view achieved through Specialization** - *We don't do things knowing they won't turn out well in the end. As I mentioned, everything is always carefully considered. Maybe at the highest level, Alberto and the commercial director operate at an abstract level. Then, there's the technical manager who, technically, can say that this won't work. We handle it this way, not to imply that your idea is impossible, but perhaps it's achievable with a minor adjustment.* - *[We] belong to the mainstream textile industry, specializing in denim production., I believe that denim, as a category, has a widespread use, diverse origins, and accessibility.* **Fabric as a Foundation** - *I believe that Candiani does it better for a simple reason - we manufacture the fabric that forms the foundation of it all. We have the means to make it vertical and circular.* - *Starting from raw materials to which we give significant importance. Because, in the end, it's the core of our B2B operation, which is the parent of everything.* - *Our fabrics provide the foundation for creating something unique, but executing it properly requires the expertise of external professionals who can evaluate the situation with fresh perspectives, less influenced by the B2B textile industry.*
Gradual acquisition of cultural traits through vertical integration	**Strategic Agility due to Vertical Integration** - *This realization led me to understand that for us, being vertically integrated, meaning having the complete production setup in Robecchetto con Induno, holds immense significance. This production facilitates innovation and offers customers a comprehensive understanding of our entire production cycle.* - *We're somewhat like "The Incredible Army of Brancaleone" quite different from a corporate setup. This, in fact, significantly contributes to our capacity for innovation and exploring new avenues because our management structure is very agile and communicative. We discuss, decide, and evaluate. We aren't a Ministry with its bureaucracy often seen in larger organizations, where you have to approve decisions in time. So, you've seen Alberto. I sometimes introduce him as the intern of the company... Just kidding.* - *I must emphasize that the state of being vertical and almost fully functional, apart from a few items we need to purchase externally, is immensely beneficial. It precisely identifies the areas that require intervention, just like when you need to decide whether or not to proceed. That sums it up.* **Remaining the sole Vertical Denim Mill in Europe** - *In the United States, this industry is virtually extinct, with just one major player remaining in Japan. In Europe, Candiani is the sole remaining mill of this kind.* - *On one hand, the name Candiani is a well-established name, an 85-year-old company that has survived the textile extinction in Italy and still stands strong today.* - *You ultimately go directly to the source to buy, you go to buy fruit directly at the farmer's market from the farmer who sells it, here you come to buy jeans directly from those who make them. I mean, we start our journey from the cotton seed, entirely ours, to the final product, the pair of jeans. This vertical integration doesn't exist anywhere else in the world.*

Table 2. Selective Evidence for *Sustainable Innovation Imprinting*

Generational transfer of innovation capability	**Innovation & Trend Forecasting in family DNA** - *It's been four generations of the Candiani family in this business, and they have truly excelled. There's definitely an incredibly strong spirit of innovation within the family. The unique advantage we have within the team, which I've been a part of for 12 years now, is that we can say: we have broad shoulders having built a solid company over 85 years. Our wealth of experience allows us the freedom to pursue seemingly wild ideas.* - *It is in the family's DNA, that trait seems to be ingrained within the family. The company was established in 1938, focusing solely on producing fabric for workwear. Luigi Candiani founded the company operating as a weaving mill. In the 1960s, Luigi's son, Primo, shifted the company's focus towards denim, recognizing its emerging trend, and integrated various other departments. During the 1980s, Gianluigi Alberto's father was among the pioneers in the development of stretch denim, which significantly expanded the market, particularly in the United States. Candiani's stretch fabric became a staple for the denim brands in Los Angeles during the 1980s and 1990s. Presently, Alberto is taking to a higher level the company's commitment to sustainability, while maintaining its trendsetting legacy.* **Continuous innovation process with no preset pattern** - *These projects are akin to 'the little sparks that occur from time to time. The endeavor that demands a substantially higher level of energy is our collection; from winter collections to summer ones, it represents a continuous innovation process with a well-established framework.* - *There no boundary to where innovation could be integrated. It could be at the beginning, in the middle, or at the end. Let me give you another example of innovation: the use of ultrasound for dyeing. That was a development of innovation that wasn't too complicated and happened quite rapidly, but it was placed right in the middle of a ready yarn process.When the dyeing process was taking place, this innovation was incorporated. There isn't a specific point where innovation must occur; it can happen at any stage—be it the beginning, middle, or end. It's about the principle throughout all three stages.* **Family spirit expanded on entire firm** - *Staying in a company for many years is like undergoing a course at a school. The distinction lies in the fact that the workplace serves as the daily classroom, facilitating continuous learning with an initial solid foundation. With this in mind, having a minimal turnover rate among staff is a significant contributing factor. I consider this to be a significant factor.* - *Keep in mind that we are among 600 employees, with more than nine third-generation families working inside, and over 60 second-generation families. We have four departments, which are like four realms, the four dynasties. This knowledge is genuinely passed down through generations, fostering an environment where individuals grow up within the production. The strength is that people know how to do their job and want to stay there, growing within the realm, the structure.* **Core team for innovation path definition** - *The working group with Alberto has slightly expanded. Similarly, the previous group with Alberto's father had also involved three individuals. Alberto has retained his father's working methods within the company and has continued to incorporate them...I would say that [his] father was more oriented towards industrialization and innovation, Alberto - he emphasizes innovation, and there's also a significant element of experimentation that sets them apart. Nevertheless, the team's working approach remains consistent, regardless of the individuals within the team.* - *We gather quite frequently, once a month or at most every 45 days. When a season comes to an end, typically in July, we make an evaluation. We select a range of articles that we intend to carry forward. Some of these articles have been part of our collection for over thirty years. That's the initial step. Moving on to the second step, we have Alberto, Devis Grimi, our product manager, and myself. Occasionally, Eduardo is also present, whom you may know. It might be the case that the first three are consistently present, while others may come and go. These initial three [people], however, are always there. Our client visits in the preceding months serve as the basis. Additionally, we rely on occasional research trips with Alberto, often to Japan. We gather all our ideas and present them for discussion. Each person justifies their ideas, explaining the reasoning behind them. Subsequently, we generate an initial draft of innovative concepts and new articles to be produced.* **People as a pillar of innovation process** - *There's always something new to learn, from production to the marketing aspect. So, there's a team that provides motivation and inspiration, which drives me forward. That's what makes it enjoyable.* - *Our Marketing Director, Simon, whom I believe you may have known in the past, deserves great credit for this. He possesses excellent sales, coordination, and entertainment skills. He achieved remarkable results through his professionalism and was directly involved.* - *Devis, whose father was the director of the weaving department for an extensive period, around 60 years or so at Candiani, will be able to explain this more comprehensively. His father is indeed one of the main pillars. Therefore, it's certain that there is a unique depth of knowledge that might be hard to come across elsewhere. It's quite rare to find a company that has been operating for so long, with several generations of families working there.* **Recognised innovative technical expertise** - *We continue to excel at what we do best—innovation.This allows us to differentiate ourselves more and more and to create increasing distance from what is a so-called mediocre product, making the value of our products clearer and clearer* - *Notably, we won the last ITMA Sustainable Innovation Award. It marked the fourth consecutive year we received this recognition, the previous time being for a fabric with a high percentage of post-consumer recycled (PCR) content, which was a more technically oriented achievement.*
Sustainability boundaries as innovation driver	**Acknowledging sustainability as historical practice** - *The concept of sustainability was introduced by Candiani, and I simply brought attention to this issue eleven years ago, considering it an essential aspect of our company that was being largely overlooked.* - *Presently, Alberto continues to build on this foundation, emphasizing sustainability, which has been a part of the company since the establishment of the Ticino Park in 1974.* **Rigid boundaries as a source of innovation** - *I wouldn't say that the [sustainability] restrictions are constraints, but they help in thinking about the process differently. Paradoxically, these very stringent boundaries also lead to even more cutting-edge innovation, and it compel us more to seek innovative solutions that were not available previously.* - *We found ourselves in a sustainability-oriented environment, even during years when my father had to bear investment costs that others did not, which temporarily pushed us slightly out of the market. Initially, it was challenging. However, we sought to turn this challenge into an advantage by explaining what sets us apart from others.*
Sustainability through industrial efficiency	**Sustainability at core of operations** - *We were the pioneers in the denim industry to initiate discussions about sustainability in denim, and subsequently, others followed us. This has now become such a natural part of our operations that we no longer need to explicitly mention it. When someone inquires, we gladly share our practices, but otherwise, there's no necessity to discuss it, as those who purchase from Candiani are well aware of the company's enduring commitment to sustainability.* - *This was primarily due to the long-standing tradition of 'that's how we've done it for eighty-five years'. Particularly in our region, adhering to this tradition is considered the norm, leaving little room for alternative approaches. It's not merely about being appealing; when it comes to competition, there are three key factors: either a product that no one makes, a price that no one has, or ensuring compliance - the latter being us.* **Efficiency as an industrial principle** - *Perfection, in our case and in the broader industry context, is rooted in a fundamental principle: efficiency. It means finding ways to trim costs wherever possible to generate profit in the cotton textile sector, which is challenging to achieve attractive margins in. Therefore, efficiency stands as the industrial principle underlying sustainability when discussing product-focused industries and best practices. I have truly emphasized this aspect, and it became almost an obsession.* - *Alberto's father said, "What the hell are you talking about, — sustainable innovation! It's called industrial efficiency. Industrial efficiency means that everything is already recycled, and every bit of waste has a specific category and purpose.*

Table 3. Selective Evidence for *Adverse Market Change*

Product Commoditization	**Confusion around Technical Denim Knowledge** - *The design studies have increasingly moved away from what was once a technical product understanding of the product and production methods, favoring many other aspects, which is fine, too. But it's very unlikely for a contemporary designer to fully understand the value of a fabric beyond its color, weight, and so on, right?* - *A brand might say [to our competitors]: 'Perfect, we sampled this fabric from Candiani, now please make it for me at half the price'. Then these companies come to us, complaining, saying, 'How can we turn a profit if it takes us two years to reverse-engineer, replicate it, only to sell it at a third of our original price?' It's astounding and baffling. I can't understand. To me, it seems like a rather outdated market system. Consider when a luxury brand conducts laundry workshop research, but brings in Zara garments instead... it just highlights that something is seriously not right.* **Loss of Denim Identity** - *There has been an excessive emphasis on the past rather than the future, and many brands have sought to recreate the classic 501-style jeans. However, creating jeans in the style of the old 501 is relatively straightforward. It doesn't require exceptional fabrics; instead, good-quality 100% cotton fabrics can achieve the desired slightly salt and pepper effect after undergoing a few rounds of stonewashing. This trend has led to a homogenization of the market, with products from luxury to fast fashion appearing increasingly similar.* - *Luxury [for example] can provide the opportunity to work with superior materials, although this hasn't always been the case with denim. In many instances, luxury brands have viewed denim as a commodity fabric and used it as a canvas to create specific aesthetics, even utilizing low-quality denim. Regardless, through various treatments and processes, they achieved the desired luxury aesthetic.* **Loss of Taste for Beauty** - *Nowadays, we often encounter customers who simply have to fill in an Excel spreadsheet. What do I mean? They fail to consider that this particular fabric incurs a higher cost, while in a subsequent process such as packaging, washing, or any other step, it might eventually lead to savings. Customers who think in this manner are gradually diminishing; they possess Excel spreadsheets where they assert that the fabric cannot exceed, for example, €5. Therefore, if you present a fabric that costs €7, they don't bother to consider the bigger picture; they simply discard it.* - *There's another substantial aspect to consider. When it comes to denim, most people fail to find any significance in its appearance when it's unwashed. Therefore, the key is interpretation. Interpreting it involves understanding the foundational work we've undertaken. This understanding encompasses the nuances of color, particularly how that color will adhere and release during the dyeing process. Comprehending the intricacies of the finishing process is crucial.*
Emerging competition with cost driven Business Models	**Focus on Sustainability Formalities** - *There has been a notable lack of research into superior materials that could genuinely offer something different, better, and cleaner. Instead, the industry often fixates on easy checkboxes like organic cotton, certificates, and formalities.* - *However, with our developed dyeing technologies facilitating easier washing and ensuring superior color retention, we encountered an issue: many customers would select the fabric based on the preference but then wouldn't pay attention to its technical aspects. They might subject a fabric that wasn't meant for heavy treatments to extensive processes, only to end up with a mishmash and blame the fabric for not performing as expected.* - *Sustainability, particularly concerning product technologies, has, in a somewhat thought-provoking manner, contributed to the industry's homogenization. Unfortunately, what began as a non-applied, intangible aspect of sustainability has evolved into a marketing-driven phenomenon, where adherence to guidelines became more about avoiding accusations of unsustainability than about genuine environmental impact.This trend has led to a fervent race for compliance, sometimes at the expense of true innovation.* **Homogenisation & Replicability** - *Regrettably, in recent years, there has been a prevailing trend towards medium-heavy, authentic fabrics that are all stone-washed and often rigid. Both premium and fast fashion segments have offered a remarkably uniform range of products.There has been a strong focus on developing multiple identities rather than evolving and maintaining a consistent brand identity. Sustainability, particularly concerning product technologies, has, in a somewhat thought-provoking manner, contributed to the industry's homogenization.* - *I often look at Turkey because, they are our primary competitors. There are 36 denim-producing companies in Turkey, with the smallest being comparable to ours. Turnover is notably high in these companies. This is because, naturally, employees always seek to enhance their skills, and with 36 companies to choose from, the opportunity inevitably arises sooner or later. Consequently, we encounter a considerable number of individuals, particularly technicians who move between these companies. They start in one company (A), then work for two years in another (B), followed by three years in yet another (C), and so on. What results is that when you examine the collections of these companies today, they all appear quite similar. There isn't a single Turkish company where you can say, 'I'll go there because that company excels in that particular product.' They all offer more or less the same range of products, so whether you choose one or another, you'll find a similar assortment.* **Focus on Costs - Unable to See the Value** - *Let's say that certain products are well-crafted, as they incorporate cutting-edge technology. Purchasing the machine is a simple process nowadays. However, operationalizing it remains a challenge. Nevertheless, some companies perform well; yet, there's always, so to speak, a lingering inefficiency. As if they can never hit a perfect score of 100, always reaching 95 but never the full 100. Something is invariably lacking.* - *Many of [brands] regrettably fail to implement it due to financial constraints, opting for lower-priced products. This trend is becoming increasingly prevalent. We are witnessing a growing number of brands prioritizing costs over product quality. Focusing solely on costs inevitably leads to the inability to produce a superior product.* **Polarization of the Industry** - *The frustration arises because the world of denim production has seen a shift away from developed regions, leaving our vertical denim mill as one of the last remaining in Europe.* - *The denim industry is increasingly polarized, with a focus on Western-style fabric production. When you consider Japan, Italy, and the United States, they represent only 1% of global denim production. Moreover, these regions specialize in denim production. In the United States, this industry is virtually extinct, with just one major player remaining in Japan.* -

Table 4. Selective Evidence for *Recognition of Cultural Capital*

Acknowledging Cultural Dimension of Product Creation	**Reviving Italian Denim Culture** - *We need to explore the history of Italian denim, which offers numerous references and evidence of fabrics that can be considered the precursors of denim dating as far back as the 13th to 14th centuries in the western region of Italy, specifically in the Milan - Genoa - Turin triangle. We can affirm that denim's roots are undeniably of Italian origin, and this early adaptation solidifies denim as a fabric with Italian heritage.* - *It's a concept first and foremost, and that's what makes [work] enjoyable.'L'italianità - a concept of Italian pride within our company, making us the historical store, a company that not only produces denim [fabric].* - *It's all Italian, closely sourced, and of extremely high quality. Prices start at 300 euros and go up to 500 euros. It's an experience that also allows us to tell the end customer about Italian denim, about Candiani, about what we do.* **Incorporating Design & Experimental Cultural Initiatives** - *We oversee the production of the clothing pieces through an industrial tailor, ensuring that the fabrics are matched with the appropriate designs. For instance, we create trousers suitable for super stretch fabrics rather than work trousers, as it would be counterintuitive.* - *We have also built a beautiful, cutting-edge design center in Los Angeles, always in collaboration with technological partners.* - *We started another innovation, the Candiani Denim Symphony, where we sampled the sound of a shuttle loom a 45 vintage machine, by the way. It was a performance where we woven denim tales, narrating what a company of this millennium embodies - a completely different spirit.* **Self-rediscovery as Value Ingredient Brand** - *Building an ingredient brand, our positioning in the consumer's mind depends on the brand we supply, how much space they give us, how much they want to communicate about us. So we introduced labels inside the garments, proudly stating 'Made in Milan, Italy since 1938.'* - *There's a whole journey of becoming a value ingredient brand, somewhat akin to the paths taken by companies like Vibram or Goretex. Consider that approximately 12 million garments are made, and at least 3 million of these garments carry the Candiani label.*
Establishing Firm as a Cultural Reference	**Being Primary Contact for Denim Manufacturing** - *In the short term, the mission was essentially to reintroduce and reposition the company in the global arena where it was already widely and deeply renowned - it is the Ferrari of the denim world in every sense.* - *If you buy denim, you want to use it well. Alberto [wants to] highlight the process of reimagining one's denim. There is a strong willingness to do it quickly, considering the logistics and everything else. However, Alberto is very eager to establish [Candiani] as the primary point of contact for denim because it's evidently the foundation.* - *Other [businesses] that specialized in total denim unfortunately went out of business. Hence, Candiani brand, could potentially become the go-to choice for purchasing or customizing jeans.* **Challenging the Notion of Denim Manufacturer** - *In 2012, we established an in-house laundry within our textile company. It was a groundbreaking move, never attempted before. You see, when making jeans, there's what is called a three-stop-shop: one produces the fabric, another cuts and sews it, and a third one externally launders it adding specific washed effects, and so on. We established an in-house laundry to test all our fabrics and fine-tune the production technologies, regulating the types of dyes.* - *The [sustainability] restrictions are constraints, but they help in thinking about the [denim manufacturing] process differently. It compels you more to seek innovative solutions that were not available to you previously.*

Table 5. Selective Evidence for *Servitization*

Educating through Process Display	**Educating in Treatments for Further Mimicking** - *We suggested, 'Let's have workshops here with our clients. Send us your mood board, and we'll already prepare the sample. We'll match your final image with the fabrics that best suit the desired effect, minimizing the need for excessive treatments and fostering efficiency in the fabric-washing process.' They leave with the already washed collection, I look for prototypes that they then choose from here and proceed with production. These workshops have been extremely vital in conveying knowledge about the product and its evolution, and also in creating business.* - *Consider our longstanding relationship with Hugo Boss, which has seen various shifts over the years depending on the leadership's priorities on supplier preferences. We identified key elements that could help them in aligning their approach with the company's overarching strategy. Subsequently, we provided support in crafting a clear, precise, and well-presented plan within their organization, which has been warmly embraced and integrated, as evidenced in the results.What we do is unlock heightened levels of customer support. As the business [with the customer] expands, we correspondingly provide more extensive support. This entails that at a certain point, we offer training for their sales force, deliver comprehensive back-end presentations, and even invite them here.* **Laundries for Denim Treatments** - *Subjecting our 'Black Black' fabric to regular laundering is unnecessary; a simple rinse would suffice…With black and blue hues, the more they're laundered, the more they tend to lose their color intensity. It's a surface dye, a molecule that doesn't penetrate the fiber but sits on the surface.We thought it would be better to develop technology that allows the color to hold longer. However, if I create this 'no fade' fabric and then Ralph Lauren gets hold of it and decides to distress it thoroughly, creating a collection inspired by Joshua Tree, then the concept fails, the fabric loses its essence. So, once again, there was an issue of knowledge and education. We established an in-house laundry to test all our fabrics and fine-tune the production technologies, regulating the types of dyes.* - *For the first time, we made an effort to bring home something that wasn't originally ours, challenging industry norms i.e., those who didn't wash, now wash, and give us the work and simple research practices. We have also increased the number of laundries that produce for our clients and conduct workshops with them.*
Educating on Production	**Revealing Sustainable Practices behind Denim Manufacturing** - *Regarding social responsibility: these all are local guys-artisans, they've been trained by us. Transparency and traceability, where transparency is clearly evident from the production on display; and traceability is expressed in the following: when you configure your jeans, you have to go through a complex journey through my supply chain.* - *The final point is proximity, which means that all the elements to make jeans, all the machinery to produce jeans have been manufactured within 238 kilometers of the store. We are talking about the shortest supply chain in the world in jeans making, with the lowest impact chain in the world as a result. It's virtuosity, in an extreme opposite of mass production.* **Denim Crash Course on Production Processes** - *This was the strategy we put into practice ten years ago. Within the company, we designed an educational pathway, creating distinct segments for 'Denim Crash Course,' that we offer to our clients. It involves a theoretical component, a hands-on, practical component, and a guided tour in the company, turning it into an "edutainment" experience, primarily due to the highly visual nature of our production facility. While not everyone might grasp the intricacies of production within three days, the impressiveness of the facility leaves a lasting impact on each individual.* - *Through this training module and the company tours, we managed to alter the preconceived notion or concept of jeans that visitors had before entering, compared to their perception upon leaving. As a result, we significantly reinforced respect for production, reverence for the product, and an overall appreciation for the culture of our product.* - *Then, we suggest, [for example]: bring your top store managers from Germany to participate in a tailored three-day training program at our facility. This approach also serves as a trial for team building and education for them. These efforts result in robust feedback and as we've noticed leading to a noticeable, direct impact on sales.*

Table 6. Selective Evidence for *Innovating Customers' Value System through BMI*

Sharing Product Ethics	**Preserving Denim Qualities throughout Transformation & Distribution Phases** - *This was the strategy we put into practice ten years ago. We focused all our efforts to provide education that equips our customers with the right questions they should ask others when they have to make a decision. It wasn't about asserting, 'We are better than others,' because what does 'better' even mean in terms of what? Instead, we could guide them by saying, "When assessing a fabric, you should consider factors A, B, C, D, and E. These questions, when posed to others, allow you to evaluate and determine whether you are satisfied.* - *Today our production doesn't take place in an industrial area of a European city; rather, we operate within a nature reserve. Eleven years ago [we] conducted a comprehensive analysis, benchmarking against the top five denim-producing countries, namely Turkey, Bangladesh, Pakistan, India, and China. This evaluation involved a thorough assessment of the specific conditions within each department of a vertically integrated company. The results vividly highlighted our distinctive approach, placing us in a league of our own.* - *[..] we conduct extensive training sessions not just for our product managers but also emphasize to the brands the significance of maintaining product discipline across design, production, and extending to marketing, wholesale, and retail training.* **Engraving Consumption Ethics in Denim Culture** - *The distinction is essential - All the components, be it the fabric, accessories, etc., are studied with end-of-life considerations to have a positive impact on the environment.* - *Candiani's primary role, however, lies in narrating the essence of our projects, emphasizing the ethics of consumption and production. Thus, it aims to reinforce the notion that making an informed, conscious purchase is preferable.* **Sharing Sustainability in Denim Innovation** - *Our aim was to pioneer the creation of the first virtuous recycled fabric, where the complete elimination of virgin cotton became a reality. We created a blend consisting of 50% post-industrial recycled cotton, and 50% recycled Tencel as a fiber for a premium fabric, that was then embraced by all the top companies because it was simply more beautiful.* - *We are attempting to illustrate why a good denim should possess specific features, but this is a time-consuming process. I must acknowledge that our marketing director is doing an excellent job in this regard. It requires patience.*
Reinforcing Product Culture	**Overcoming Customers' Product Dogmas** - *It primarily constitutes an internal decision, something that we feel from within. The act of progressing and enhancing, encouraging our clients to explore an innovative and more aesthetically pleasing product. We have a 5-10% customer base that comprehends it quite well. Additionally, there is a substantial portion where the primary obstacle remains the quotation, persistently so.* - *They say, '[your jeans] like in other [brands] are done on a machine, how is it possible that they [fast fashion produced jeans] cost so little? You must have been screwing us all this time, because I had to pay €150 for jeans that, in reality, can be made for much less.' So, from there, it was about explaining justifying the need of spending more - it is in fact an extremely difficult thing, extremely difficult.* **Rewarding Customers' Appreciation of Denim Culture** - *The Golden Rivet was introduced to commemorate the 75th anniversary. It was awarded to brands that adhered to certain innovation standards, such as Candiani's sustainability, innovation. For instance, Valstar's jackets feature the golden rivet, showcasing these innovative elements. One might say it was an exclusive recognition, highlighting brands that maintained the highest standards. It served as a kind of...like a souvenir, yes, for additional acknowledgment beyond the label.* - *I'd say, these are brands [that we collaborate with] that resonate with Candiani's values, especially in terms of, for example, craftsmanship. It is a structured way that acknowledges the competence of these companies.* - *We were pioneers in using stretch materials without the appearance of being stretchy. Subsequently, we successfully catered to the emerging generation of premium brands, which were established in the late 90s and early 2000s. [..] From that point onward, there was a significant upward trend.* **Educating People on Product Culture** - *Changing our customers' mindset - it definitely comes from within. The act of progressing and enhancing, encouraging our clients to explore an innovative and more aesthetically pleasing product.* - *Indeed, the understanding of balancing aesthetics with costs should be taught. It can be done! it always depends on who is buying. When considering buyers, it is important to note that they will make purchases based on the specific profit margin they aim to achieve. For instance, if a buyer plans to sell jeans for €250 in their store, they would aim to purchase jeans costing no more than €70, for example, to maintain their desired profit margin. So, it is obvious to me that it is wrong. Perhaps [customers] will argue that I am mistaken because today, the end consumer does not grasp certain things. This might be true, but I believe we should... I am uncertain about how to achieve this; We should devise a system to clarify certain distinctions to the end consumer.* - *They used to say it, 'No, we are superior because we are more performant and more beautiful.' Speaking of the 'more beautiful' aspect, I believe that without a keen understanding, it's impossible to determine the true beauty of a fabric. Regarding performance, it's something that you can judge after wearing it for a bit longer. Therefore, [...] I need a tangible, concrete element where I can say, 'No one else has this.' Hence, sustainable innovation and [culture] became our strength, and the family embraced it.*

Table 7. Selective Evidence for *Adding Culturally Embedded Retail Assets*

Store as a Display Firm's Cultural Capitals	**Exposing the Essence of the Firm through the Store** - *There's a connection to the concept of textiles, and it's discussed within the company that the same fundamental principles we aim to implement in this highly specialized project, almost tailor-made (in fact, all the machines are customized for this space by various partners), are also applied at Candiani. This approach is also employed at Candiani, highlighting the company name to its fullest extent. This emphasis is particularly significant here, as it essentially serves as a word-of-mouth advertisement along the way.* - *What does the store signify for Candiani? It serves as a prominent representation in the heart of Milan, displaying the brand name.* - *[Our customers] have always recognized our attitude to innovate, to lead, and so everyone wants to be part of our initiatives. Each of them contributes significantly to the value chain. So, for me, the true synergy here lies in the amplified visibility we achieve collectively, enabling the creation of a holistic comprehensive solution. While I specialize in fabric production, there are others specializing in washing technologies, sewing machines, buttons, and more; a pair of jeans entails a collaboration of all these elements.* **Tailored Consumer Learning through Microfactory** - *The laboratory has a strong emphasis on education. In fact, the ability to observe the entire process fosters the idea that the consumer becomes aware, as we mentioned earlier, of the processes which were previously unknown to people. I, too, was unaware before coming here, naturally. Hence, this aspect is indeed of great significance.* - *For a consumer who isn't familiar with this, it's the visual spectacle that creates engagement, truly captivates, creating an immersive experience that transcends any numerical explanation. This enables us, for the first time, to provide an education here that isn't like the kind delivered by a professor, which nobody enjoys, especially in fashion, rather it embraces a more engaging form of learning, particularly tailored to the world of fashion and consumer consciousness.* - *In fact, there's an educational aspect that can often be shared. We've taken a step into this, almost within the store. People have shown interest. It's subjective when it comes to denim. You can spend up to 500 euros on customizations, but you're customizing a pair of jeans with premium fabric that you can treat as you wish, and you get to choose all the components.* **Showcasing Circularity Principle** - *Our endeavor is to similarly illustrate our ongoing custom initiatives, shedding light on our motivations, partnerships, and the environmental impact of processes such as jeans washing* - *Everything is crafted following sustainable principles, with a circular approach starting from zero kilometer, involving partners who have contributed not only to setting up the payments, machinery, and the micro-factory but also from thread to button.* - *We promote this [approach] that serves another crucial reason: to show our customers that it is a scalable technology and allows to truly create circular collections*
Educating through Example	**Coreva Design for Technology Knowledge** - *Coreva.Design embodies an educational element because people are familiar with the brand, but the consumer lacks an understanding of the technology behind the environmental impact of stretch jeans. With a brand that communicates directly with the end consumer, it assists other brands seeking to introduce technology to consumers interested in learning.* - *What we have created here is extremely virtuous, in the sense that it is based on an educational intention. [Alberto] says, that we need to reach a wider audience to communicate the value of a patented technology Coreva, without having to wait for our customers to wake up and apply, spread, and communicate it giving it the right value.* - *This is an additional effort, as I explain not only to journalists but also to clients, and so on, saying: 'Guys, it's not about competing with our B2B clients. Our objectives are crystal clear: to promote the Coreva technology, to explain to our clients that it's a scalable technology, and to create an awareness among consumers. This way, when the time comes, brands like Hugo Boss can say, 'Okay, let's launch a collection using this technology because people are already asking for it,' rather than being stuck with stretch, which is less sustainable.* **Experimenting with Brand for Final User** - *To validate the merit of the patent and bring it into a B2C form,I've decided to establish it as a brand to genuinely convey the circularity at the core of its design. It's worth noting that we are literally launching Coreva Design these days. Given that we are using high-quality fabrics and aiming to produce everything in Italy, it naturally incurs higher costs. We are talking about a premium brand with a high-end positioning, where garments will start at a price point of 250 euros or more. It's primarily a brand targeted at the female audience.* - *There is the famous Coreva.design that was introduced after several releases. Following multiple product drops, the distribution of Coreva.design began this year through corevadesign.com. Consequently, the primary website for the Candiani brand has transitioned from Candiani Denim Store to Coreva.design, indicating the production of Candiani stretch fabrics designed for both genders, with a wide array of styles and diverse types of Coreva fabric. We offer a few range of references with varying degrees of natural rubber stretch within the organic cotton fiber, all meticulously curated in collaboration with our in-house team, particularly with the assistance of the product office members, Mattia and Bianca, as well as external designers involved in the Coreva.design project.*
Changing Perspective of Denim as Craft	**Revealing Virtuosity of Denim Manufacturing** - *When we craft our garments with exceptionally high and traditional quality, the entire process is meticulously constructed to ensure flawless seams and hidden stitches within the garment. When you examine it, the cleanliness extends to the finished details, the careful trims, and the bindings. All this precision and effort are often unnoticed by our customers until we walk them through it.* - *We undertake the process with all the principles associated with Denim […]. It might seem banal, but it remains a highly sought-after service. Our chain-stitch hem is tailored for passionate individuals, designed to bring back the essence of a lost hem with careful craftsmanship. It is our way of honoring the craftsmanship, striving to replicate it as accurately as possible, a dedication that Manolo [tailor] has embodied.* **Embracing Distinction of Candiani as Makers leaving Creativity to Customers** - *We've practically incorporated this gamification of the garment configuration process. there's a showcase production where people can see that we position ourselves as makers, not as designers. This distinction is essential. We don't have anything designed here. Our clients are the creative ones; we're the ones who execute.* - *It's not just about [customer] assuming the role of a designer with a much higher attention span than any conventional purchase, but also, at this moment, I can pass on messages that would never have otherwise reached you.* - *After that, we set up a store specifically to provide support to our clients when the market was slowing down. The proposed support revolves around effectively communicating the product, fostering a product culture. There's the design aspect, which our client used to handle.* **Microscopic Production as Competitive Advantage** - *The workshop itself serves a purpose, as the sight of the machinery often draws in a crowd, including curious onlookers.* - *For those who understand, it's a marvel of manufacturing, and calculation measurements.For a consumer who isn't familiar with this, it's the visual spectacle that creates engagement, truly captivates, creating an immersive experience that transcends any numerical explanation.For those who understand, it's a marvel of manufacturing, and calculation measurements.For a consumer who isn't familiar with this, it's the visual spectacle that creates engagement, truly captivates, creating an immersive experience that transcends any numerical explanation.* **Showcasing Uniqueness for No Competitive Scale Issue** - *It hasn't been negatively received because, in the end, we produce just four pairs of pants a day, and there's no competitive scale issue that concerns customers.* - *[Candiani Custom] was our initial tentative approach to the B2C world. And the fact that there have been no negative reactions from the B2B market has somewhat legitimized us, so to speak.*

Table 8. Selective Evidence for *Creating Ecosystems around the Firm*

Downstream Partners Activation

Partner Selection & Collaboration

- *I'd say, these are brands [that we collaborate with] that resonate with Candiani's values, especially in terms of, for example, craftsmanship.*
- *For example, we didn't even present Coreva at the fair. Instead, we selected ten, long standing partners, offering them exclusive access beforehand. By providing them with this advantage, we created some custom offers, and, communicating them together, we managed to generate significant buzz around it.*
- *Let me think... Triarchy, for example. You may not know, but they have the exclusive rights to use the Coreva fabric in North America for 2023-2024.*

Piloting Experimental Products

- *In fact, within ten years, we established our first store that didn't have Candiani products but featured collaborations with our favorite clients. I say 'favorite' because they are in line with our way of thinking, from Stella McCartney to Benzak from Amsterdam, who is relatively unknown. We've curated, I believe, around ten limited series capsule collections. These collections have showcased a broad range, spanning from women's washed stretch jeans to men's raw, heavy fabric jeans, exemplifying the vast spectrum within the denim landscape, which, in reality, is highly diverse. This was our initial tentative approach to the B2C world.*
- *Upon closer examination, it becomes apparent that it operates in an unconventional manner - deeply entrenched yet extensively interconnected, highly networked because: "I produce yarns within this one, then there's another, I work on another project, then there's another - I work on a project, then there's another…" Furthermore, this approach involves a cyclical process: establishing supply chains for each project, from sourcing the yarn to accommodating additional requirements such as engraving and other specialized tasks like the Coreva project that recently came to mind. Consequently, on one end, there's a constant need to identify suppliers capable of managing diverse operations. Simultaneously, on the other end, this unique structure functions seamlessly with various brands, exemplified by collaboration with Gucci and the development of exclusive product lines. This dual dynamic creates a paradoxical yet captivating organizational model that thrives on collaboration - it's very interesting.*

Elevated Jeans Value Achieved by Candiani Denim

- *We made a substantial impact with our innovative stretch fabrics, which helped us establish strong relationships with brands. We continue to collaborate with some of them. That was a revolutionary shift for us; the company made a significant advancement. This has resulted in us being recognized as the authorities in [denim manufacturing] techniques.*
- *Our fabrics played a pivotal role in creating a strong brand identity. Just by looking at a garment, even from a distance of 50 meters, you could recognize it as 7 for All Mankind based on the fabric and its unique treatments, without needing to see the label or pocket design. The fit and aesthetic of the fabric were distinctive enough.*

Upstream Partners Activation

Providing Space for Creativity

- *The development of Graffito over time was a joint effort with the graphene supplier. Therefore, from the initial trial to the last one, we were essentially engaged in discussions about concentrations, drying temperatures, color, circulation - every aspect was meticulously handled. Hence, it varies depending on the projects where we collaborate and those where we have to work independently.*
- *[The supplier of elastomer] was not very open minded to the idea of providing us with materials or explaining the "hows" of their work, or materials they had in their domain, including the thicknesses of their materials; nothing was shared. The situation shifted due to Candiani's persistence when Alberto Candiani personally visited the supplier in the country where their product was manufactured. He then met the owner of the company and explained his idea. The owner agreed to help by creating a product specifically for him.*

Guiding Innovation Processes

- *We have two types of customers: those who are the pioneers, and those who follow. The former group is highly attentive to emerging trends and constantly strives to maintain a cutting-edge position for their brand, always presenting innovative concepts. These customers are particularly receptive to any new developments we introduce at any level.*
- *Today, we have a clientele that is eager to see our collection. They might not necessarily purchase the entire range, but they could use a small part of it. Nonetheless, they are interested in understanding our direction because we are setting trends. Even our competitors are keeping an eye on us.*
- *And we achieved this [engagement from partners] because this dimension of sustainability, this aspect of uniqueness, offering something that isn't pre-produced but is made on-demand, represents a significant aspect of purchasing sustainability. Being part of this unique micro-factory in the heart of one of the world's fashion capitals has generated significant interest*
- *On one hand, the name Candiani is a well-established name, an 85-year-old company that has survived the textile extinction in Italy and still stands strong today. People often exclaim, 'Wow, you must be working some kind of black magic!' Alternatively, they might say, 'Let me join you for a moment, don't let me miss out even for a second'. Then, we work with a very extensive client base, so stepping in at this point can bring a lot of benefits.*

Contaminating for Reciprocal Benefits

- *The true synergy here lies in the amplified visibility we achieve collectively, enabling the creation of a holistic comprehensive solution. While I specialize in fabric production, there are others specializing in washing technologies, sewing machines, buttons, and more; a pair of jeans entails a collaboration of all these elements.*
- *So, talking about the collaboration with our industrial partners, I certainly found myself in a relatively favorable position to build these relationships and initiate projects with the utmost dedication from these companies. They have always recognized our attitude to innovate, to lead, and so everyone wants to be part of our initiatives.*
- *There's another element here, a certain constancy in mindsets. I appreciate this aspect. While others may not find it as valuable in a wealthier corporation, here, there is a consistent presence among your counterparts. They remain unchanged. Consequently, you know precisely who the person is, how they think, and what to expect.In a corporate setting, if your counterpart is present one day, you get accustomed to them, but then they get promoted or leave, and that sense of constancy disappears. Here, this reliability is something that resonates with me and brings me joy.*

Seeking inputs for perfection

- *The finishing process offers various options, including different mesh types, resins, or plating. We rely on our suppliers to help us understand the possibilities of different finishing techniques, and subsequently, we determine the appropriate application and the suitable fabrics for implementation.*
- *There are continuous improvements, primarily of a technical nature, because the elastomer remains imperceptible in a stretch fabric. Based on this, we choose to test it, and if its performance is satisfactory, we then decide to incorporate it into our production or introduce it into a new product. This incorporation may involve either replacing an existing item or creating an entirely new one with this innovation*
- *I wrestled with the idea for several years, exploring latex and other available technologies, persisting until I stumbled upon this natural rubber from salami. It literally wasn't a random discovery; it evolved this way. Then, I traced the origin of this substantial elastic and pushed the producer relentlessly to create a finer version that could be incorporated into our yarns. This entailed modifications on their part and adjustments on ours, facilitating the development of the patent.*

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