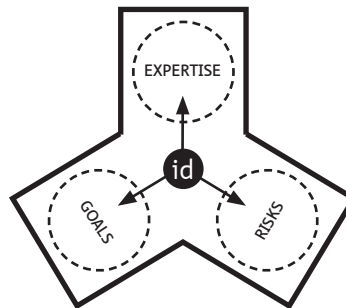


## 5 Constructing project business around professional identity: business model strategizing of architectural firms



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## Abstract

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Creative professional service firms experience difficulties in establishing healthy and sustainable business models, as they must reconcile the often competing value systems upon which the models are based. They continuously negotiate between professional values and beliefs and the firm's commercial goals, resulting in struggles between identity and strategy. Adopting a work lens, this study investigates the reciprocal tensions between identity and strategy in 17 business model design workshops with members of architectural firms. Observational data show that practitioners collaboratively construct their business models around professional values, thereby strengthening organizational identity, but constraining innovation in their business models. The research contributes to the body of literature on business model design processes by articulating how professional aspects of identity enable and constrain practitioners in shaping and being shaped by their strategic actions and decisions.

## Keywords

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Architectural firms, business model, identity work, strategy-as-practice, strategy work, value capture.

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## § 5.1 Introduction

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Creative professional service firms continuously deal with tensions between identity and strategy, as they operate on the basis of a professional and a commercial value system and therefore pursue multiple strategic goals. Unlike many other types of firms, their strategic focus extends beyond profit and efficiency to include professional goals such as reputation (Greenwood et al., 2005). However, professional and commercial goals often conflict with one another, which can result in strategic tensions and tensions in organizational identity (Foreman and Whetten, 2002). Because organizational members identify with different social groups – such as the organization, the inter-organizational project team and the profession – and the values and beliefs of each may be in conflict, they are likely to experience different identity tensions (Vough, 2012). Identity-strategy tensions complicate the creation and maintenance of healthy business models. It has been found, for example, that architectural firms regularly prioritize professional value over monetary value, as the

architects of these firms attempt to be good professionals (Bos-de Vos et al., 2016). Thus, organizational outcomes can suffer from the identity-strategy tensions that firms encounter.

A better understanding of the relationship between strategy and identity seems crucial to unravelling the dynamics involved in business model strategizing processes and in the outcomes of creative professional service firms. Oliver (2015) argues that identity and strategy practice mutually shape each other. Strategy enacts identity claims and may also lead to changes in the identity of organizations or organizational members (Oliver, 2015). Although strategic organization scholars have increasingly called for more consideration of identity work in strategy research (Jarzabkowski and Spee, 2009; Oliver, 2015), empirical studies on how identity and strategy influence each other in the context of business model strategizing remain limited. Creative professional service firms are also under-studied in strategy research, despite the fact that the importance and distinctive nature of the creative industries and professional service field are widely acknowledged (e.g. Hinings et al., 2015; Jones et al., 2016). This might be attributed to the reluctance of creative professionals to think in strategic terms because of their strong professional ethos and creative needs (Winch and Schneider, 1993). Nevertheless, creative professional service firms represent an interesting field in which to study the relationship between identity and strategy in business model strategizing, as the strategic actions and decisions of organizational members are inseparably connected to their professional duties and commitment.

In this study, we investigate how identity-strategy tensions play a role in business model strategizing processes within architectural firms. Looking specifically at group interactions during 17 business model design workshops in Dutch architectural firms, we address the following research question: *How do members of architectural firms negotiate identity-strategy tensions in their business model designs, and how do their business models impact on existing identity claims?* A 'work lens' (Phillips and Lawrence, 2012) was adopted to investigate the links between the actors' strategy work and identity work. The study contributes to the literature on business model design processes by improving the understanding of how the micro actions of individuals and groups in creative professional service firms shape the business model designs of the projects towards which those actions are directed and to which they contribute (Jarzabkowski and Spee, 2009). The study also enhances the understanding of how firms deal with paradoxical tensions in their strategy-making (Jarzabkowski et al., 2013). Practical implications can be derived from the insights into the tensions that members of creative professional service firms experience when constructing business models in practice and how these are dealt with. These insights support attempts by practitioners to improve their business model strategizing activities.

## § 5.2 Theoretical background

### § 5.2.1 Identity work in organizations

Identity is a multilevel construct that can be understood as the self-concept of an individual or social group (Ashforth et al., 2008). It 'is a self-referential description that provides contextually appropriate answers to the question "Who am I?" or "Who are we?"' (Ashforth et al., 2008, p. 327). The shared belief among organizational members about the organization's central, enduring and distinctive characteristics is what defines organizational identity (Albert and Whetten, 1985).

Although identity has often been conceptualized as 'stable' (Albert and Whetten, 1985), scholars increasingly emphasize the socially constructed and fluid nature of identity (e.g. Gioia et al., 2000; Ibarra, 1999). According to Alvesson et al. (2015, pp. 3-4), identities 'are constituted, negotiated, reproduced, and threatened in social interaction, in the form of narratives, and also in material practices'. Identification is an ongoing process in which relationships between the self and group are continuously negotiated (Ashforth et al., 2008). Identities thus require a sustained effort to be constructed and maintained. The concept of 'identity work' captures the dynamic nature of creating a sense of self in relation to the environment in which one is embedded (Phillips and Lawrence, 2012; Sveningsson and Alvesson, 2003). It 'refers to people being engaged in forming, repairing, maintaining, strengthening or revising the constructions that are productive of a sense of coherence and distinctiveness' (Sveningsson and Alvesson, 2003, p. 1165). Identity work links individual agency with the broader social context (Kreiner and Murphy, 2016). On the one hand, individuals are influenced by the norms, opportunities and constraints of the broader social structure, and on the other hand, individual feelings, thoughts and behaviours collectively build, change or even transcend social structures (Kreiner and Murphy, 2016).

As individuals and groups occupy positions in many different networks of relationships, they maintain different social identities at the same time (Stryker and Burke, 2000), often causing identity struggles or conflicts. In the context of organizations, the existence of multiple social identities encourages identity work at and across different levels, including the individual, group and organizational levels. Previous research demonstrates how certain kinds of organizations – often referred to as hybrid-identity organizations – have different and possibly competing organizational identities

(Foreman and Whetten, 2002). Creative professional service firms are exemplary of these kinds of organizations, as they are constituted on the basis of two seemingly opposed value systems. The professional value system emphasizes traditions, the internalization of an ideology and altruism, while the commercial value system is characterized by economic rationality, maximization of profits, and self-interest (Foreman and Whetten, 2002, p. 621).

Organizational members of creative professional service firms employ discursive, cognitive and behavioural processes to individually or collectively create, sustain, share or change the organization's identity in relation to the profession or market (Kreiner and Murphy, 2016). At the individual and group levels, organizational members' identification with different groups forms the arena in which people negotiate their sense of self vis-à-vis their environment. As Vough (2012) argues, individuals in creative professional service firms strongly identify with their workgroup, organization and profession, the values of which can be mutually reinforcing or conflicting. Identity tensions thus play an important role in creative professional service firms at multiple levels.

## § 5.2.2 Relationships between identity work and strategy work

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The relationships between people's identities and their strategizing activities has gained increased attention in management research (Johnson et al., 2010). Recent research has emphasized that identity and strategy have a mutually shaping relationship (Oliver, 2015). Actors enact identity claims in their strategizing activities, and their strategizing processes may also lead to changes in their own identities, those of their group, or those of their organization (Oliver, 2015). Research avenues for studying the reciprocal relationship between identity and strategy seem especially connected to the strategy-as-practice (SAP) perspective (Jarzabkowski and Spee, 2009; Vaara and Whittington, 2012). SAP scholars consider strategy something that organizational members do, and not just something that an organization has (Whittington, 2006)(Jarzabkowski & Spee, 2009; Whittington, 2006). A strong process orientation helps SAP researchers to provide important, context sensitive insights into how practitioners are enabled and constrained in their strategic actions and decisions by wider organizational and/or social practices (Vaara and Whittington, 2012). Strategizing thus refers to the 'doing of strategy' (Johnson et al., 2003). Strategizing research explicitly focuses on the human activity that is involved in strategy by studying the 'actions and interactions of multiple actors and the practices that they draw upon' at the intersection of praxis, practices and practitioners (Jarzabkowski et al., 2007, p. 8).

In line with the 'turn to work' in management research, Phillips and Lawrence (2012) emphasize the importance of studying different forms of 'work' in relation to strategizing. A work lens helps to look beyond the day-to-day work of organizations by focusing on the 'goal-directed efforts' that actors individually or collectively use 'to manipulate some aspect of their social-symbolic context' (Phillips and Lawrence, 2012, p. 227). The lens thus makes a connection between what actors are doing to influence their own paths (action), why they are doing this (intention), and what the consequences for the organization are (outcomes). Considering how actors involved in strategizing are constrained and enabled by their context and how this in turn influences organizational outcomes is recognized as important to further advance the strategy-as-practice field (Jarzabkowski and Spee, 2009). Explicitly calling for more 'cross-work' related research, Phillips and Lawrence (2012) argue that scholars can significantly enrich the understanding of strategic organization by becoming engaged in how individuals and organizations purposefully relate their activities and decisions to their surrounding contexts with different forms of work.

Building on the definition of strategy work as 'the purposeful activities carried out by actors in the production of strategies' (Phillips and Lawrence, 2012, p. 225), in this paper, we specifically examine tensions that arise from the interaction between actors' identity work and strategy work.

### § 5.2.3 Business model strategizing

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Value capture represents an area of strategic decision-making in which identity-strategy tensions are particularly salient for creative professional service firms. Value capture decisions of creative professional service firms are aimed at generating profit, but also at realizing a certain amount of professional value professional goals (Bos-de Vos et al., 2016). As the professional goals of creative professional service firms do not always align with their commercial goals, value capture strategizing can be a challenging process.

Business models can be helpful tools in the strategizing process. A business model comprises a multitude of interrelated strategic decisions, including decisions about customer value propositions, necessary resources and partners, suitable cost structures and revenue streams (Zott et al., 2011). By representing an organization's essential value creation and capture activities in an abstract and reduced form, business models can serve as 'cognitive devices that mediate between managerial thinking and engagement in economic activities' (Aversa et al., 2015, p. 2). Good business model designs are important for firms, as they help to build and maintain a competitive

advantage (Teece, 2010). Although the business model literature offers substantial knowledge about how business models work or are innovated, relatively little is known about how business models are crafted in practice (Rumble and Mangematin, 2015), or how this process is influenced by tensions between identity and strategy. This research addresses this gap in the literature by examining how identity-strategy tensions play a role in the business model strategizing of creative professional service firms.

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## § 5.3 Research approach and methods

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

### § 5.3.1 Empirical setting

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Architectural firms provide an interesting empirical context for studying the relationship between identity and strategy practice, as firms and their members always pursue multiple goals and identify with multiple targets (Vough, 2012). Architectural firms generally employ multiple business models, as they predominantly work in temporary project settings that all have unique environmental contexts (Wikström et al., 2010). Each individual project thus requires a slightly different strategy and business model. Firms are often relatively small and predominantly organized as partnerships or private corporations in which professionals dominate the decision-making hierarchy (Greenwood and Empson, 2003; Pinnington and Morris, 2002). Due to their strong professional ethos, strategic decisions are always taken against the backdrop of professional beliefs. A strong service orientation, the desire to deliver something to society and an urge to do something artistically distinct are generally considered important professional values for architectural firms (DeFillippi et al.,

2007). However, these professional values often jeopardize the pursuit of commercial interests (Bos-de Vos et al., 2016). Identity-strategy tensions are thus inextricably linked to the business models designs of architectural firms.

Due to the background of the authors, we chose to study business model strategizing by Dutch architectural firms. In the Netherlands, many architectural firms currently struggle to maintain viable business models, as the sector suffered severely from the global economic recession. Between 2008 and 2015, firms saw their turnover decrease by nearly 50% (Vogels, 2016). Many of the surviving firms are now looking for ways to regain or enhance their competitive advantage and to become more sustainable, sometimes by altering their service delivery and professional identity. Thus, both identity and strategy are topical issues for Dutch architectural firms.

### § 5.3.2 Sample

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We used the purposeful sampling technique of maximum variation (Patton, 2005) to obtain our research sample. We wanted the sample to cover different types of architectural firms so as to investigate whether the business model strategizing process would be different for firms of different age, size or leadership positions (Hart and Quinn, 1993; Mintzberg, 1979). This resulted in 17 diverse architectural firms (see [Table 5.1](#)).



FIRM	FOUNDED IN	ANNUAL TURNOVER (€)	NO. OF EMPLOYEES	NO. OF ARCHITECTS	NO. OF OWNERS	NO. OF DIRECTORS
A	1955	2,000,000	25	13	2	2
B	2015	300,000 (2015)	9	3	4	4
C	1953	1,400,000	13	3	5	3
D	1931	14,000,000	106	33	10	10
E	2015	12,000 (2015)	2	1	1	1
F	2006	3,000,000	55	30	4	1
G	1956	500,000	6	2	1	1
H	2013	4,000,000	45	30	3	3
I	1914	1,000,000	9	5	3	3
J	1973	not available	60	45	3	2
K	1979	6,500,000	70	35	4	2
L	1988	4,000,000	50	12	5	5
M	1933	3,000,000	31	10	5	5
N	1968	6,000,000	75	25	4	2
O	2004	400,000	4	3	1	1
P	1993	6,000,000	165	155	3	3
Q	1985	3,300,000	43	49	9	2

TABLE 5.1 Firm selection

### § 5.3.3 Data collection

Data were collected over a period of two months, during which we organized business model design workshops in 17 different firms. The 17 workshops were all conducted by the same two researchers, including the first author, to ensure robustness. One researcher acted as the moderator, while the first author had a participatory observant role and kept track of the process, decisions and outcomes of the workshop in an event log. The workshops were video-recorded entirely and further documented with photographs. We used a group setting to enable participants to interact with each other and ask specific questions that might reveal aspects of their struggles. Group dynamics can reveal insights that are difficult to attain in individual interviews (Balogun et al., 2003).

The format for the workshop was developed to be similar to each firm's regular strategy meetings on a structural level, with the aim of enhancing the credibility of the results; as well as being similar to each other on a content level to allow cross-

case comparisons. To achieve the desired similarity between the workshop and the firms' regular strategy meetings, we collected the data at each firm and asked the management of each firm to select the participants of the sessions. The groups of participants ranged between 2 and 7 people. In one workshop at a small firm, only one person participated. Of 47 participants, 23 were owner-architects (i.e. senior managers), 3 were architects and members of the management team (i.e. middle managers) and 9 were architects (i.e. employees). In total, 12 of the 47 participants had a technical background or background in business, of which 6 were owners (i.e. senior managers) and 3 were members of the management team (i.e. middle managers). At the beginning of the workshop we asked each firm to select a new or recently started project as the topic of discussion to ensure actual strategizing.

To achieve content similarity across the different workshops, we chose to use precisely the same methodology for each workshop. In each session, we hung a large poster with a project-oriented business model design framework on the wall and used this framework as a cognitive mapping tool (Ambrosini and Bowman, 2001). The framework was specifically developed for architectural firms in a previous study (Bos-de Vos et al., 2017), on the basis of business model and project governance literature, field reports and interviews with Dutch architects and clients. The participants were given post-its to fill in the framework. This process was divided into nine steps, which successively paid attention to the firm's value proposition, value capture goals, activities, risks, resources, partners, costs, revenue model and agreements in the project. The workshops all started with an introduction, in which we presented the framework and explained each step with examples of possible answers.

After the workshop, the participants were asked to reflect on the strategizing process. They were asked about the decision-making process during the meeting and the outcomes of it. Firm-specific and project-specific information were also gathered for triangulation purposes.

#### § 5.3.4 Data analysis

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The data analysis consisted of four iterative steps. We used the software program MAXQDA as a supporting tool. In the first analytical step, the strategizing process of each workshop was thoroughly analysed by replaying videos and on the basis of the event log. We further refined the observational data in our event logs and added additional detail with specific quotes.

In the second step, we coded instances of identity work in the observational data. We particularly focused on the purposeful efforts of actors to form, repair, maintain, strengthen or revise their sense of self vis-à-vis the surrounding contexts of the group, the organization, the inter-organizational project team and the profession (Phillips and Lawrence, 2012; Sveningsson and Alvesson, 2003).

Third, we searched the data for different forms of strategy work. We coded all the efforts that actors engaged in to arrive at a business model design. The framework that participants filled in during the meeting was used as a reference frame for the strategic decisions that were taken during the meeting.

Our fourth analytical step aimed to locate specific interactions in which identity work and strategy work were strongly interrelated. This revealed two preliminary strategic topics around which the identity-strategy link was highly salient: 1) the choice of the project that was discussed in the meeting, and 2) the question of whether or not to innovate the firm's business approach for the particular project.

In the final step, we aimed to identify overarching patterns related to identity and strategy in the data of the different workshops. We closely examined the different identity-strategy interactions that were found along the spectrum of what actors were doing (action), why they were doing it (intention) and what the consequences for the organization were (outcomes) (Phillips and Lawrence, 2012). The outcomes of our analysis will be discussed with practitioners for validation and authorization purposes.

We used strategizing episodes from the workshops at two firms, ARCADE and A-COMP, to present and discuss the findings of our study. The ARCADE and A-COMP workshops were chosen as examples because they represented the core aspects of the interaction that we observed in different strategy workshops.

## § 5.4 Findings

### § 5.4.1 What are the actors doing?

#### **Identity-strategy reinforcements: Enhancing competitive advantage and strengthening organizational identity**

##### STRATEGIZING EPISODE 1A: ARCADE

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*While Alan, an owner-architect, is quietly contemplating the framework hanging on the wall, office manager Leon thoroughly explains that what they are doing in the project can be further abstracted to what they want to do as a firm. 'How do we as an office make sure that we acquire the portfolio that we want to work on?' He argues that although his organization's established 'stature' in the field previously generated the public work that employees were willing and happy to work on, they now had to adopt a more active attitude to gain this kind of work. Alan seems to agree completely. He walks back to his chair with a neutral facial expression. Alan and Leon both acknowledge that the 'public work' that they have extensive experience in is simply becoming less available over time, which is forcing them to enter a new market segment.*

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The episode above illustrates how strategy and identity were often interwoven during the workshops. The question: 'How do we as an office make sure that we acquire the portfolio that we want to work on?', demonstrates that the actors chose to discuss projects not only with respect to gaining future work, thereby ensuring organizational continuity; the projects also needed to fit the organization and the professional beliefs of organizational members. Actors saw the project discussed as an intermediary between strategy (i.e. what they wanted to do to enhance their competitiveness) and identity (i.e. what they wanted to represent as a team of professionals). The strategy-related discussions brought to the fore that organizations did not want to just take on any type of project. Strategy work helped the actors to reaffirm who they were and what they stood for as an organization, thereby strengthening their professional identity.

Regarding this identity, we often observed a strong consensus between the actors. Alan's calmness and neutral facial expression during Leon's explanation, for example, illustrate that Leon's narrative is something that they have discussed before and which has developed into a shared understanding. Similar situations were observed in other meetings. This strong organizational identity also seemed to influence the strategy work that the actors engaged in to enhance their commercial position. It was because of their strong professional identity that firms decided to engage in the projects discussed. Actors perceived the chosen project as a perfect representation of who they were or who they wanted to be. They also felt that the project would represent work that was attractive to their people. Participants thereby saw the project as a way to further express their organizational identity in the field and to demonstrate what they stood for as a team of professionals.

The styles of referring to organizational identity differed. While the participants from some firms repeatedly told each other (and us) what they considered to be the most distinctive characteristics of their organization, others did not do so explicitly. In the latter situation, participants merely nodded and agreed when, for example, one of them explained how a client had requested the firm based on its specific expertise.

## STRATEGIZING EPISODE 2A: A-COMP

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*Hesitant that he had not yet discussed it within the team, urban planner and founder Roy formulates: 'The project aligns well with what we do'. His statement echoes something that his colleague David, also an urban planner and partner in the firm, pointed out at the beginning of the meeting. David had subtly laughed when he said: 'Our ambition is to become the twenty-first century Berlage<sup>1</sup>, maybe we already are'. David specifically compared his firm to Berlage because of the way in which his organization integrates urban planning and architectural design. Roy, David and Hugo (another owner-architect) all seem to agree that this is exactly how their firm distinguishes itself from many other Dutch offices. Although they indicated that they had not talked about this project prior to the session, they almost naturally seemed to agree that this project would be the perfect way to propagate their firm's distinctiveness.*

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<sup>1</sup> Hendrik Petrus Berlage, a famous Dutch architect (1856-1934), had a huge impact on urban planning. His town planning work in Amsterdam and his plan for Amsterdam South inspired generations of architects and urban planners to improve social housing conditions, beginning at already the urban design level (Mumford, 2002).

In episode 2a, the actors agree that it is the integration of architecture and urban design that makes them the professionals who they are and who they want to be. By making the analogy with a famous architect, they further explicate what they mean. They explicitly link their identity work to strategy work by identifying this aspect of their organizational identity as a distinctive feature in relation to other architectural firms. They recognized a competitive advantage within their organizational identity, which they wanted to use in the project. 'The project aligns well with what we do', suggests that the actors perceive the project as a perfect match with their professional values and the goals of their organization and its members, and therefore as an interesting business opportunity. Episodes 1a and 2a both show how identity and strategy are mutually reinforcing.

### **Identity-strategy negotiations: waiving commercial alternatives to safeguard professional identity**

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Many of the strategy processes that we observed also highlighted how identity work framed or even constrained the group's strategy work. The tensions between strategic aims and professional identity were often surprisingly quickly 'resolved' by the practitioners. It was remarkable to see how commercial alternatives were often disregarded or communicatively dismissed because of professional beliefs. Episode 1b provides an example:

#### STRATEGIZING EPISODE 1B: ARCADE

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*While considering which revenue models would be appropriate for the project, Alan almost immediately points out that his organization uses two types of revenue models: a fixed fee or an hourly based fee. He mentions that the fixed fee is the most attractive because it allows his firm to make money because his team can produce a design very quickly. Leon agrees and emphasizes that, in this particular case, the second model (an hourly based fee) could also have its benefits, especially because of the uncertainties that may be associated with the existing real estate that they have to deal with in the project. After a quick comparison of the two, Alan and Leon unanimously decide that there is no real desire to go for the second option and that the fixed fee model would do just fine in this project.*

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

Participants who did consider strategic alternatives during the session, often communicatively dismissed these after some deliberation. This is illustrated in Episode 2b:

#### STRATEGIZING EPISODE 2B: A-COMP

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*'If you realize that assignments change rapidly, the world changes, do you then need other kinds of people? And if this was the ultimate new project, what would you then need? Would you need a social geographer for example?' Hugo asks these questions to his partners to explore whether it would be fruitful to innovate the firm's business model design approach in the project by hiring new people or attracting specific partners. While David frowns heavily, Roy says: 'I can image it would make sense, although I don't really know what it would bring us'. After Roy initiates a not so relevant pronunciation discussion, David states that 'It's probably nice to experiment, but it's not absolutely necessary to bring this to a successful end; actually, I would consider it a risk'. Roy agrees with a simple 'yes'. Then, David further elaborates and explains that the project is mainly interesting for him because it really fits all the knowledge and expertise that they have in-house. 'I would kind of like to experiment in another project, with other experts, but not in this project that is so important'. Although Hugo's body language (sulking and moving his hand) suggests that he does not entirely agree yet, he follows his companion by saying, 'No, that could be [done]'.*

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The type of discussion illustrated in Episode 2b characterized the strategizing process of many sessions. The episode shows how the three actors from A-COMP become involved in a discussion about resources and partners, as possible business innovations for their project. The participants in our sample often engaged in these kinds of lively

debate on possible business innovations because one of the actors triggered such a discussion. In some sessions, the discussion was characterized by an extremely friendly and collaborative atmosphere in which participants traded ideas back and forth or asked each other questions, such as: 'Are we going to maintain our original offer or are we going to do it differently?' The discussions in other sessions were more heated, with questions such as: 'Is this really what we want?' or 'Are we actually able to do this?', directly linking the strategic alternative to the identity of the firm.

## § 5.4.2 Why are the actors doing this?

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The examples above are illustrative of how a large majority of the architects avoided the exploration of commercial options during the workshops. This might partly be explained by a lack of knowledge among the participants. Apart from some individuals who expressed a clear interest or expertise in the business side of their work, the participants often seemed unaware of what a revenue model was exactly, or the different types of revenue models that could be used. An owner-architect, for example, explicitly stated that 'I don't have any experience with that; it may partly also be ignorance of which revenue models you can use on projects'. Episode 1c illustrates another reason for the participants' disregarding commercial alternatives.

### STRATEGIZING EPISODE 1C: ARCADE

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*It is only after the moderator's intervention that Alan and Leon start to discuss other options that could be financially attractive. They immediately agree that this project is just not suitable for innovative revenue models. Talking about a fee based on the sales price of the real estate to be developed, they both continue to shake their heads and Leon summarizes that it would not enable them to work with the enjoyment and enthusiasm that they aim for. He argues that it does not fit their firm's intentions to design something that is commercially attractive. Chuckling, Leon says to Alan: 'I think we have quite a strong opinion about things that do well in the market: that's not necessarily architecture, it does not fit the signature that we deliver and have'.*

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This episode illustrates how practitioners feared that new revenue models would jeopardize their professional duty towards the client or society, or would be detrimental to their own professional fulfilment. Leon's call for enjoyment and enthusiasm in their work is a clear example of the latter. The interaction between Alan and Leon reveals that the two individuals have a strong shared belief about what the end result of their architectural work should be, which, in their opinion, is not in line with what people are currently willing to pay for. Their interaction thus suggests that the firm's professional service is not suitable for commercial optimizations.

Other observations underline how the professionals feared that the core values of their architectural work would not remain intact if they engaged in other, more commercial revenue streams. An owner-architect, for example, stated that even if he had the money, he definitely would not want to co-finance the project. Direct commercial ties to the project were not considered lucrative by firms, as the professionals would then no longer be in a position to comment on the project as independent advisors. In the opinion of many participants, this independence is crucial to guarantee a 'pure' service provision role and thereby to deliver optimal quality of the end-product. Participants argued that a revenue model that allows the firm to profit from product optimizations would give firm members the wrong incentive.

Similar to other participants, Alan and Leon referred to the principles they stood for as a professional organization to justify why they refrained from exploring alternative business approaches to the project. Other examples in which business model innovation was consciously avoided include firms that initiated a project but deliberately did not make any financial agreements with their potential clients. Although participants acknowledged that it would probably have been better to make such arrangements, they argued that it 'might give the wrong signal to the client' and harm their mutual trust.

Episode 2c also highlights how practitioners frequently agree that it is probably not really necessary to innovate their business approach. Referring to the project as one of the most important for his firm, David stated that the project was just not ideal for experimenting. The context in which he makes this remark seems to point both directly and indirectly towards the project's commercial importance. The project is not only needed so they can earn money and run the firm, it is also crucial to ensure future business by further enhancing who they are and what kind of work they do. The risk of jeopardizing their professional reputation by experimenting with new business approaches simply did not outweigh the possible benefits that innovations could have:

*Referring to a lesson that he once learned from Paul Arden, the creative director of the global communications and advertising agency network Saatchi & Saatchi, David sets forth his business approach for the project. 'Don't ever put your best people on the most important projects. They will go way beyond the client, while less advanced people carry the client along much better'. Hugo responds by referring to something that was said earlier: 'If the client indeed wants this project even more than we do, then you could say, and that is called with a beautiful word "something disruptive", then maybe you do need the best people after all?' David nods fiercely: 'Yes, then in that case maybe we do'. While Roy is frowning, David already starts to back down from his previous statement. He argues that there is still a risk that a less conservative approach would not be appreciated by the client's client. While focusing the discussion on the issue that they are considering – whether or not to approach a partner for the project – Hugo starts reasoning: 'Do you search for someone to add to the project?, but more importantly: What do you want to add to the project? A social geographer or an artist or a philosopher is not that interesting, but what we increasingly consider important is that we can create an interesting story besides the actual assignment. [...] Can we create that story ourselves? Yes, I also believe we can'. Based on his reasoning, Hugo acknowledges that the project won't necessarily become better by involving more people. Roy adds: 'I really get itchy around that philosopher, so to speak'. And David finishes the discussion: 'You don't want to experiment with your team when you're in the Champions' League'.*

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The episode highlights how, during the process of considering commercial alternatives, practitioners come to a mutual understanding based on different professional reasons that are put on the table. Although Hugo continuously brought up ideas for alternative business approaches, including, for example, hiring new people with distinctive knowledge and skills, Episode 2c shows how he and his partners decide to place their trust in the strength of their own proven practices. As the example illustrates, practitioners want to provide their client with the business approach that best fits the project. They themselves also have to feel comfortable with this. Collaborating with a philosopher, for example, seems clearly out of Roy's comfort zone. As the three actors gradually discover that they already have the knowledge and skills to provide the service that would be in the client's best interest, they decide that it is not necessary, and could even be harmful to alter their established way of doing business.

### § 5.4.3 What are the consequences for the organization?

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The observations illustrate how identity and strategy played a mutually shaping role during the process of business model design in two ways. First, we found how strategy work helped practitioners to strengthen their organizational identity during business model design. The interaction among participants helped them to put identity on the table and to contrast their specific organizational identity to that of other organizations. While pondering strategic options, actors made explicit what they wanted to represent as professionals, thereby reinstating or strengthening their shared understanding of their organization's central, enduring and distinctive characteristics (Albert and Whetten, 1985). In many of the situations, the professional identity of participants seemed surprisingly well aligned. Even actors who were not educated or trained as architects, such as office managers or owners with a non-design background, exhibited a strong sense of professional belonging. This reveals how the organizational identity of an architectural firm is inextricably linked to the professional identity of its members.

Second, the observations also show how practitioners used identity work to frame their own strategies during the process of business model design. The data provide evidence that actors continuously relate their strategic options and decisions to the values and beliefs that they have as professionals. Because of their strong professional identity, practitioners often waived commercial alternatives, thereby constraining the strategic options that might be suitable. We found evidence that a similar framing also occurred prior to the workshop. Although the projects discussed had only recently started or still had to be initiated, the firms' business model designs were often largely already crystalized. This became apparent through the way in which actors discussed the project in retrospect and/or gave many explicit examples of decisions that had already been made.

Whether the framing of the strategizing process is a good thing or a bad thing with respect to organizational outcomes is an interesting question. On the one hand, the practitioners' framing allows the organization to avoid risks, as they can simply follow the business approach that they had successfully used in many other projects. A context in which the professional organization is valued because of its services and approach would be an ideal environment for this risk-adverse behaviour. On the other hand, this seems to make organizations additionally vulnerable to constraints coming from outside, such as unexpected budget cuts or unforeseen difficulties in the relationship with other organizations. As Vough et al. (2013) argue, professional services are increasingly devalued and contested. When operating under such conditions, organizations often have to fight for a desired role in the collaboration with other organizations (Liefstink and Bos-de Vos, 2017). They can either attempt to

claim the role they desire by demonstrating their professional expertise; or change their business approach and, consequently, also their organizational and individual members' identities to acquire a role in new ways. Professionals who do not want to change their identity might benefit from communicating their strategic decisions and underlying rationale to the other actors involved, so that they become aware of why it is so important to use a traditional revenue model or to avoid interference by partners.

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## § 5.5 Discussion and theoretical implications

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The aim of this paper was to develop an understanding of how identity-strategy tensions play a role in the business model strategizing processes of actors who have to negotiate multiple strategic goals and different identities. As the goals and identities of organizations become increasingly diverse and dynamic, more empirical insight into the business model strategizing process within firms that are used to operate under such challenging conditions seems highly relevant. In this paper, we adopted a 'work lens' (Phillips and Lawrence, 2012) to investigate the strategizing processes within architectural firms with particular attention paid to the tensions that coevolved from the relationship between identity and strategy. Looking at 'identity work' and 'strategy work' enabled us to ascertain common identity-strategy ties and to investigate how identity-strategy tensions were handled by different groups of actors. Our study highlights how members of architectural firms collaboratively deal with identity-strategy issues in their strategy-making and influence their multiple (shared) identities with their strategic decisions. This improves the understanding of how the professional identities of groups of organizational members both shape and are shaped by the business models they use, thereby contributing to the literature on business model design processes (Aversa et al., 2015; Baden-Fuller and Mangematin, 2015). Our findings are of significance to this body of literature in three ways.

First, our analysis highlighted strong identity-strategy ties throughout the entire process in all workshop sessions, including instances in which identity shaped the strategic actions of actors; instances in which strategizing shaped the identity of the actors and/or the organization; and instances in which the relationship between identity and strategy was reciprocal. Our empirical data complement earlier work on the relationship between identity and strategy (e.g. Oliver, 2015). However, we also demonstrated the importance of using a 'work lens' (Phillips and Lawrence, 2012) to study organizational strategizing and to highlight the importance of cross-work related research to develop a better understanding of the dynamics that are involved

in organizations with multiple strategic goals and multiple identities. Although this study only focused on the link between identity work and strategy work, we found many connections to other types of work, such as 'values work', 'boundary work' and 'institutional work'. We therefore strongly agree with the suggestion of Phillips and Lawrence (2012) to address relationships between different forms of work in future strategic organization research.

Second, the findings demonstrate the importance of examining the context in strategic organization studies. Our findings illustrate how the strong professional identity of the actors helped them to shape their strategic decisions throughout the entire strategizing process. The sessions that were dominated by discussion revealed how the participants used their professional identity to quickly determine whether a commercial option would be interesting or not. The sessions that were characterized by immediate consensus revealed how participants were entirely in agreement about who they wanted to be and what they wanted to do. These participants simply did not need words to make decisions. The data thus provide evidence of how actors continuously relate their strategic options and decisions to the values and beliefs that they have as professionals, thereby framing their own strategizing process. Although the practitioners were all used to being creative in their work, creativity in their business approaches seemed limited and further constrained by their strong professional identity. This shows that the professional context highly influences the strategizing of creative professionals and the outcomes for their firms. It supports the idea that although actors are able to influence their own paths, they always carry with them the enabling and constraining factors of the context that they are embedded in and with which they identify (Phillips & Lawrence, 2012).

Third, we found how strategizing helped the participants to discuss and further strengthen their organizational identity. The interaction among participants helped to put identity on the table and to contrast their specific organizational identity to that of other organizations. This in turn helped the groups to further explicate their own competitive advantage in the project and the most suitable business approach. While pondering strategic options, actors expressed what they wanted to represent as professionals. In many of the situations, the professional identity of participants seemed surprisingly well aligned. As we saw, even actors who were not educated or trained as architects, such as office managers or owners with a non-design background, shared the strong sense of professional belonging that characterized their colleagues. This reveals how the organizational identity of creative professional service firms is inextricably linked to the professional identity of their members. It demonstrates the importance of considering individual identity in strategic organization research, especially in highly institutionalized environments.

### § 5.5.1 Practical implications

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As mentioned above, although the practitioners involved were used to being creative, creativity during business model strategizing seemed limited and further constrained by their professional identity. This shows that the professional context highly influences the strategizing of professionals and the outcomes for their firms. It also suggests that practitioners who wish to determine healthy business models need to pay more attention to unravelling the benefits and threats of the surrounding context during business model design to respond to these in ways that align with both their professional identity and commercial goals.

The feedback that we received at the end of the strategy meetings showed that the practitioners involved were not used to strategizing in a systematic way. Many participants described their regular strategizing activities as 'ad hoc', and 'sporadic'. Participants were, however, surprisingly enthusiastic about the structure that was provided. Although some people explained that the way in which the strategy workshop was organized would just not work for their organization – being too time-consuming, or because the firm leaders would go their own way – a majority of participants argued that the workshop had clarified relationships and tensions that they normally do not consider in depth. This shows that creative professional service firms may benefit from more structured strategizing on a regular basis.

### § 5.5.2 Boundary conditions and directions for future research

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Based on the boundary conditions and limitations of our study, we highlight two avenues for further research that we consider especially relevant. First, we chose to organize the strategy sessions on the basis of a structured workshop format to examine the same aspects of strategizing in multiple organizations and to explore if and how the strategizing processes in these organizations differed. As the sessions differed from the firms' actual day-to-day strategizing, we would like to encourage researchers to further investigate business model strategizing processes in creative professional service firms on a daily basis. A process approach (Langley, 2007) would be extremely helpful to study the evolution of these processes in relation to interim and final outcomes for the organization.

Second, the results that are presented in this paper are based on data that were gathered at architectural firms. Architectural firms are characterized as 'classic'

professional service firms because they reflect the archetypal view of professions, which includes ideology and self-regulation (Von Nordenflycht, 2010). Practitioners are educated to be architects in architectural schools and further trained to be a professional in their jobs. Similar to medicine and law, it is a licensed profession. The high degree of institutionalization evokes a strong sense of belonging among members of the profession. Architectural schools, for example, teach students certain ideologies on the basis of historical role models. As we found, the professional identity of firm members highly influences their business model strategizing processes. To generate a more general understanding of the interplay between identity and strategy in business model strategizing by creative professional service firms, it would be interesting to investigate how professional identity plays a role in the strategizing processes undertaken by creative professionals in less institutionalized or more recently emerging fields, such as industrial design and game design. Do actors in firms that operate in these sectors demonstrate more creativity in their strategizing processes as they feel less constrained by professional norms, or is there a general lack of need or desire for it in the creative industries, and if so why?





## PART 2 Design-oriented research

