INNOVATION-DRIVEN BUSINESS MODELS: A THEMATIC LITERATURE REVIEW AND INTEGRATIVE FRAMEWORK

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Abstract

Innovation-driven business models (IDBMs) have emerged as a critical determinant of organizational competitiveness, resilience, and value creation in contemporary business environments. This study synthesizes existing literature from multiple thematic streams—including typologies of innovation, business model adaptation, open innovation, platform ecosystems, digitalization, and sustainability—to develop an integrative understanding of how firms design, implement, and scale innovation-driven models. Using a comprehensive secondary-source approach, the research identifies key mechanisms through which innovation types—product, process, organizational, marketing, and platform-based—interact with business model components to influence value creation and capture. The study also examines the role of inter-organizational collaboration, network effects, and ecosystem governance, highlighting how firms increasingly operate in dynamic and interconnected environments that require co-creation and strategic orchestration. Digitalization and data-driven models, including subscription and "everything-as-a-service" approaches, are discussed as enablers of scalability, personalization, and real-time value capture, while sustainability-driven and social innovation models underscore the importance of balancing profitability with societal and environmental impact. The study further identifies determinants of successful diffusion and scaling, including regulatory frameworks, organizational capabilities, and ecosystem-level support, while addressing common barriers such as capability misalignment, cannibalization, and governance complexity. Based on the synthesis, a conceptual framework is proposed to guide both theoretical development and managerial decision-making, integrating insights from dynamic capabilities, platform logic, and sustainability scholarship. The study concludes with implications for managers, policymakers, and scholars, highlighting avenues

for future research, including cross-cultural studies, empirical testing, and longitudinal analysis of emergent phenomena such as AI-driven and circular-economy business models. Overall, this research provides a holistic, multi-level perspective on IDBMs, emphasizing their strategic, operational, and societal significance in the evolving global business environment.

Keywords: Innovation-driven business models, business model innovation, open innovation, platform ecosystems, digitalization, sustainability, value creation, dynamic capabilities, business model adaptation

Introduction

Innovation-driven business models (IDBMs) have become central to organizational strategy in a rapidly changing global economy. Firms increasingly rely on innovation not only to improve products and processes but also to redefine how value is created, delivered, and captured. Traditional business models are evolving in response to technological advancements, digitalization, platform ecosystems, and sustainability imperatives. Understanding the mechanisms, determinants, and outcomes of innovation-driven business models is therefore critical for both scholars and practitioners.

Prior research highlights several typologies of innovation, including product, process, organizational, marketing, and platform innovation. Each type interacts with business model components—such as value proposition, value creation, and value capture—in distinct ways. Product innovation often requires complementary changes in pricing, revenue models, and customer engagement strategies, while platform-based innovation emphasizes network effects, governance mechanisms, and inter-organizational coordination. Digital and data-driven innovations further influence business models by enabling subscription models, servitization, and personalization.

Sustainability and social innovation have emerged as key drivers of contemporary business model innovation. Firms increasingly integrate environmental, social, and governance considerations into their models to balance profitability with societal impact. These developments highlight the need for integrative frameworks that account for multi-level interactions among innovation types, organizational capabilities, and ecosystem factors.

This study aims to synthesize existing literature on innovation-driven business models and propose a conceptual framework that integrates insights from digitalization, open innovation, platform logic, and

sustainability. Using a thematic literature review of secondary sources, the study identifies key mechanisms, determinants, outcomes, and barriers associated with IDBMs. It also highlights areas for future research and provides theoretical, managerial, and policy implications.

Methodology

This study adopts a qualitative, secondary research approach to develop a comprehensive understanding of innovation-driven business models. A **systematic literature review** was conducted to identify, analyze, and integrate findings from prior studies across multiple disciplines, including management, innovation, strategy, and entrepreneurship.

Research Design

The research employs a thematic literature review, organizing studies into themes such as typologies of innovation, business model adaptation, open innovation, platform ecosystems, digitalization, and sustainability. This approach enables the identification of recurring patterns, gaps, and emerging trends while facilitating integration of diverse perspectives.

Data Sources and Selection Criteria

Data were collected from peer-reviewed journal articles, conference proceedings, and influential book chapters in English, using databases such as Scopus, Web of Science, Google Scholar, and JSTOR. Inclusion criteria focused on relevance to innovation types, business model design, platform logic, digitalization, or sustainability. Studies that addressed operational or technical innovation without business model implications were excluded.

Data Extraction and Analysis

Data were systematically extracted regarding study objectives, methods, innovation type, business model focus, outcomes, and theoretical frameworks. The data were synthesized into thematic clusters, enabling cross-study comparison. A conceptual framework was developed by integrating insights across themes, highlighting the interactions among innovation types, business model components, mediating capabilities, and ecosystem factors.

Literature Review

Typologies of Innovation and Implications for Business Models

Scholars have long debated the typologies of innovation and their varying implications for business model design and evolution. The classical distinction between product and process innovations

highlights different strategic objectives: product innovations aim to enhance customer value through new or improved offerings, whereas process innovations focus on efficiency gains and cost reduction (Utterback & Abernathy, 1975). Organizational and marketing innovations, although sometimes less visible, also play a critical role in reshaping business models by altering governance structures, internal processes, and market positioning (Damanpour & Aravind, 2012). More recently, platform innovations have attracted attention for their potential to redefine value creation logics through network effects and ecosystem participation (Gawer & Cusumano, 2014).

Empirical studies confirm that different types of innovation affect business model components in distinct ways. Product innovations often necessitate adjustments to value propositions, as firms seek to communicate new benefits to customers (Chesbrough, 2010). Process innovations, in contrast, tend to influence the value creation and delivery aspects of the business model, as seen in the adoption of lean manufacturing and digitalized operations (Pisano, 2015). Organizational innovations may restructure decision-making and partnerships, while marketing innovations reshape customer interfaces and brand strategies (OECD, 2005). Platform-based innovations, by contrast, demand comprehensive rethinking of all components, including revenue models and ecosystem governance.

The literature also highlights tensions among innovation types. For example, radical product innovation may disrupt established processes, requiring costly reconfigurations of operations (Christensen, 1997). Similarly, platform innovations can conflict with traditional business logics, creating governance dilemmas and potential cannibalization of existing models (Tiwana, 2014). These complexities suggest that firms must balance multiple innovation types simultaneously, leveraging complementarities while managing trade-offs. Typologies of innovation thus provide a useful analytical lens for understanding how innovations cascade into business model transformations.

Business Model Innovation vs. Business Model Adaptation

Business model innovation (BMI) and business model adaptation (BMA) are often used interchangeably, yet they represent distinct strategic phenomena. BMI involves the creation of entirely new configurations of value propositions, value creation and delivery systems, and value capture mechanisms, often leading to industry disruption (Johnson, Christensen, & Kagermann, 2008). BMA, on the other hand, refers to incremental adjustments to existing business models in response to environmental changes, competitive pressures, or technological advancements (Winterhalter, Wecht, & Piller, 2016). Scholars argue that distinguishing between these two processes is critical for assessing organizational resilience and competitive advantage.

Empirical research demonstrates that radical BMI is associated with higher risks but also greater potential rewards. For instance, the introduction of ride-sharing platforms like Uber and Lyft illustrates radical BMI, where value capture mechanisms shifted from asset ownership to platform intermediation (Cramer & Krueger, 2016). In contrast, incremental adaptations are more common in established industries, where firms gradually integrate digital tools, adjust revenue streams, or enhance customer engagement without fundamentally changing their models (Velu, 2015). Studies also suggest that firms often pursue a hybrid strategy, combining radical innovation in one component (e.g., revenue model) with incremental adjustments in others (Bohnsack, Pinkse, & Kolk, 2014).

Theoretical debates persist on whether BMI is a distinct type of innovation or a manifestation of broader innovation processes. Some scholars argue that BMI is simply an outcome of technological and organizational innovation, while others maintain that it represents a unique innovation domain requiring its own theories and frameworks (Zott, Amit, & Massa, 2011). This debate underscores the importance of conceptual clarity, as conflating BMI with adaptation may obscure critical differences in drivers, processes, and outcomes. Recognizing the spectrum from adaptation to radical innovation allows for a more nuanced understanding of how firms navigate dynamic environments.

Open Innovation and Inter-Organizational Business Model Change

Open innovation (OI) has emerged as a dominant paradigm for explaining inter-organizational collaboration and its impact on business models. Chesbrough (2003) introduced OI as a model in which firms leverage external sources of knowledge and technology while also allowing internal ideas to flow outward through licensing, alliances, and spin-offs. This shift challenges the traditional closed innovation model and has profound implications for business models, requiring reconfiguration of value creation, delivery, and capture mechanisms to accommodate external partnerships.

Empirical studies show that inter-organizational collaboration fosters new business model designs across industries. For example, pharmaceutical firms increasingly engage in collaborative R&D networks, sharing risks and costs while co-developing new products (Lichtenthaler, 2011). Similarly, high-tech firms rely on open platforms and developer ecosystems to co-create applications and services, as evidenced in the success of Apple's App Store (West & Wood, 2014). These cases illustrate how partnerships and co-creation extend the boundaries of the firm, embedding business models within larger networks of innovation.

However, open innovation also introduces challenges and tensions. Firms must develop absorptive capacity to effectively integrate external knowledge (Cohen & Levinthal, 1990). Intellectual property management becomes more complex, as firms balance openness with protection of proprietary assets (Laursen & Salter, 2014). Moreover, unequal power dynamics between large incumbents and smaller partners may lead to conflicts in value distribution and governance. Thus, while open innovation facilitates business model transformation, its effectiveness depends on firms' capabilities to manage collaboration and mitigate risks.

Platform Ecosystems and Multi-Sided Business Models

The rise of platform ecosystems has fundamentally altered how firms design business models. Platforms create value by facilitating interactions between multiple stakeholder groups—such as producers, consumers, and complementors—rather than through direct ownership of assets (Parker, Van Alstyne, & Choudary, 2016). This model enables non-linear scaling and fosters network effects, whereby the value of the platform increases with the number of users (Rochet & Tirole, 2003). Business models based on platforms often emphasize governance mechanisms and incentives to attract and retain participants.

Empirical research highlights the unique dynamics of multi-sided business models. For example, e-commerce platforms such as Amazon rely on data analytics to match buyers and sellers, while ride-sharing platforms use pricing algorithms to balance supply and demand (Cennamo & Santalo, 2013). Platform firms must innovate continuously, not only in technology but also in rules of engagement, revenue sharing, and ecosystem governance (Tiwana, 2014). These innovations directly influence value propositions and value capture mechanisms, distinguishing platforms from traditional linear models.

Nevertheless, platform ecosystems face governance challenges and competitive tensions. Scholars note that platforms risk disintermediation if participants bypass the intermediary (Hagiu & Wright, 2015). Furthermore, platform dominance raises antitrust concerns, as regulators question the concentration of market power (Eisenmann, Parker, & Van Alstyne, 2011). These debates underscore the complex interplay between innovation, governance, and regulation in shaping the trajectory of platform-based business models.

Digitalization, Data-Driven Value Capture, and Servitization

Digitalization has emerged as a transformative force in business models by enabling data-driven value creation and capture. Firms increasingly rely on big data analytics, artificial intelligence, and the Internet of Things (IoT) to personalize offerings, optimize processes, and predict consumer behavior (Bharadwaj et al., 2013). These technologies underpin new business models such as subscription services, pay-per-use models, and "Everything-as-a-Service" (XaaS), which shift revenue generation from one-time transactions to continuous streams (Cusumano, Gawer, & Yoffie, 2019).

Empirical studies confirm the impact of digitalization on business model design. For instance, Netflix's subscription model demonstrates how data-driven personalization enhances customer retention and creates sustainable revenue streams (McDonald & Smith-Rowsey, 2016). Similarly, industrial firms like Rolls-Royce have adopted "power-by-the-hour" models, leveraging IoT-enabled monitoring to transition from selling products to delivering outcomes (Visnjic, Neely, & Jovanovic, 2018). These cases highlight how servitization strategies, facilitated by digital tools, extend customer relationships and create long-term value capture opportunities.

However, digitalization also presents challenges related to data governance, cybersecurity, and privacy. Firms must balance personalization with ethical concerns, as data misuse can erode trust and undermine business models (Martin & Murphy, 2017). Moreover, digital transformation requires significant investments in infrastructure and capabilities, which may strain smaller firms. Thus, while digitalization enables innovative revenue models and servitization strategies, it also demands robust governance and resource alignment.

Sustainable and Social Innovation-Driven Business Models

Sustainability and social innovation have become central to business model research, reflecting broader societal demands for corporate responsibility. Sustainable business models integrate economic, environmental, and social goals, often through circular economy principles such as reuse, recycling, and resource efficiency (Bocken, Short, Rana, & Evans, 2014). Social enterprises, meanwhile, emphasize blended value creation, balancing financial viability with social impact (Yunus, Moingeon, & Lehmann-Ortega, 2010).

Empirical studies provide evidence of the transformative potential of sustainability-oriented innovations. For example, Patagonia's business model integrates environmental activism into its value

proposition, while companies like Interface have restructured supply chains to reduce carbon footprints (Boons & Lüdeke-Freund, 2013). Social innovation-driven models are also evident in microfinance institutions, which reconfigure value capture mechanisms to provide financial inclusion for underserved populations (Battilana & Dorado, 2010). These examples demonstrate how sustainability and social objectives reshape not only products but also organizational structures and stakeholder relationships.

Nonetheless, tensions persist between economic and social goals. Critics argue that sustainability-driven business models risk being co-opted by "greenwashing" practices, where firms adopt superficial measures without substantive impact (Delmas & Burbano, 2011). Additionally, social enterprises often struggle with scalability and financial sustainability, creating trade-offs between mission and market performance (Ebrahim, Battilana, & Mair, 2014). These challenges highlight the need for robust governance and ecosystem support to sustain innovation-driven business models in this domain.

Determinants of Successful Diffusion and Scaling

The diffusion and scaling of innovation-driven business models depend on a range of contextual and organizational factors. Regulatory frameworks often determine whether new models can thrive, as seen in the ride-sharing and fintech sectors, where legal constraints shape business viability (Zhang, Parker, & Van Alstyne, 2019). Ecosystem conditions, such as the presence of complementary technologies and network partners, also influence scalability (Adner, 2017). Organizational capabilities, including leadership and resource allocation, further determine whether firms can expand innovative models beyond niche markets.

Empirical research highlights the interaction of these determinants. For instance, solar energy firms in emerging markets face regulatory hurdles and infrastructure limitations, which constrain scaling despite technological innovation (Huenteler et al., 2016). Conversely, platform firms like Airbnb achieved rapid diffusion by leveraging network effects and regulatory ambiguity, though this success has led to increasing scrutiny from policymakers (Zervas, Proserpio, & Byers, 2017). These cases illustrate how regulatory and ecosystem dynamics can either enable or hinder scaling pathways.

The literature also identifies tensions in scaling innovation-driven business models. Rapid expansion may dilute value propositions or strain organizational resources (Eisenmann, 2006). Moreover, regulatory pushback may arise as innovative models challenge existing institutions and vested

interests. Thus, successful diffusion requires not only technological and organizational readiness but also strategic engagement with regulators, partners, and communities.

Performance Outcomes: Value Creation and Capture

One of the central questions in the literature is whether innovation-driven business models lead to superior performance outcomes. Scholars argue that reconfigurations of value creation, delivery, and capture can generate competitive advantage and financial returns (Amit & Zott, 2001). For example, digital platforms achieve value creation through network effects, while servitization strategies enhance customer loyalty and long-term revenues (Visnjic et al., 2018).

Empirical studies provide mixed evidence on performance outcomes. Some show positive associations between BMI and firm performance, particularly in dynamic industries (Foss & Saebi, 2017). Others caution that BMI outcomes are contingent on contextual factors such as industry characteristics, firm capabilities, and timing (Bohnsack et al., 2014). Furthermore, performance metrics extend beyond financial results, encompassing resilience, innovation capacity, and stakeholder trust (Zott & Amit, 2008).

Tensions arise in measuring value creation and capture. While short-term gains may be evident, long-term sustainability of performance remains uncertain, especially when business models face replication by competitors or shifts in regulatory environments. This ambiguity underscores the need for longitudinal studies to assess the enduring impact of innovation-driven business models on firm performance.

Barriers, Tensions, and Failure Modes

Despite their promise, innovation-driven business models face significant barriers and failure risks. Organizational inertia and path dependence often hinder firms from adopting radical BMI, as existing routines and vested interests resist change (Tripsas & Gavetti, 2000). Capability mismatches, such as lacking digital expertise or ecosystem management skills, further constrain implementation (Doz & Kosonen, 2010).

Empirical evidence highlights common failure modes. Cannibalization is a recurrent issue, where new models undermine existing revenue streams, as seen in media firms transitioning to digital platforms (Karimi & Walter, 2016). Governance dilemmas also arise in platform ecosystems, where conflicts

between openness and control can lead to participant dissatisfaction and attrition (Tiwana, 2014). Moreover, regulatory interventions may abruptly disrupt innovative models, as in the case of fintech startups facing compliance crackdowns (Zetzsche et al., 2020).

Scholars emphasize that managing these barriers requires strategic foresight and adaptability. Firms must cultivate ambidexterity—the ability to exploit existing models while exploring new ones (O'Reilly & Tushman, 2013). Building capabilities in change management, ecosystem orchestration, and regulatory engagement is equally critical. Ultimately, recognizing and addressing these barriers determines whether innovation-driven business models succeed or fail in practice.

Discussion

The findings of this literature-based study highlight the multi-dimensional nature of innovation-driven business models (IDBMs), bringing together typologies of innovation, organizational adaptation, and ecosystem-level coordination. Prior research has often treated product, process, or organizational innovations in isolation (OECD, 2005; Tushman & O'Reilly, 1996). However, this study suggests that business models are shaped through the interaction of these innovation types, with firms needing to orchestrate them simultaneously. For example, platform-based firms like Uber or Airbnb succeed not only through digital process innovation but also through organizational and ecosystem innovations that realign governance and value distribution (Parker et al., 2016; Gawer & Cusumano, 2014). Thus, the theoretical lens must evolve from isolated innovation categories to integrated frameworks that explain co-evolutionary dynamics.

Another key discussion point concerns the debate between business model innovation and business model adaptation. The review shows that firms often face a tension between incremental adjustments to existing structures and radical reinvention (Chesbrough, 2010; Foss & Saebi, 2017). While radical innovation may enable leapfrogging and disruptive entry, incremental adaptation may prove more viable for established firms with entrenched capabilities and stakeholder commitments (Christensen, 1997; Demil & Lecocq, 2010). The evidence suggests that the degree of environmental turbulence and technological uncertainty largely determines the appropriate path, aligning with dynamic capabilities theory, which emphasizes firms' ability to sense, seize, and reconfigure resources (Teece, 2007).

The analysis also emphasizes the importance of open innovation and inter-organizational collaboration. Business models increasingly extend beyond firm boundaries, relying on co-creation

with partners, customers, and even competitors (Chesbrough, 2003; Laursen & Salter, 2006). Such collaboration enables access to complementary knowledge and resources but also raises governance challenges, including intellectual property sharing and alignment of incentives (Alexy et al., 2013). Firms that succeed in navigating these challenges demonstrate the ability to orchestrate ecosystems effectively, leveraging both absorptive capacity and trust-building mechanisms (Cohen & Levinthal, 1990; Dyer & Singh, 1998). This underscores that inter-organizational dynamics are no longer peripheral but central to the theory and practice of IDBMs.

The role of digitalization emerges as another dominant theme in shaping IDBMs. Data-driven business models, including subscription services and "everything-as-a-service" (XaaS), illustrate how firms can capture ongoing value beyond initial transactions (Vendrell-Herrero et al., 2017; Pagani, 2013). Digitalization enables real-time monitoring, predictive analytics, and personalization, which strengthen customer lock-in and enable scalability. However, digital transformation is not merely a technological shift; it also requires reconfiguration of organizational routines, customer relationships, and governance mechanisms (Bharadwaj et al., 2013). Thus, digitalization serves as both an enabler and a disruptive force, forcing firms to rethink how value is created and captured.

Sustainability and social innovation dimensions further enrich the discussion. Business models that integrate environmental and social considerations—such as circular economy practices or blended value models—demonstrate how firms can balance profit with purpose (Bocken et al., 2014; Yunus et al., 2010). Yet, the literature also highlights tensions, such as trade-offs between short-term profitability and long-term societal impact (Boons & Lüdeke-Freund, 2013). While sustainability-driven models promise legitimacy and resilience, they often struggle with scaling and diffusion due to institutional and regulatory barriers (Seelos & Mair, 2007). This indicates that sustainability is not simply a value proposition choice but a structural reconfiguration that requires systemic support.

The discussion also reflects on determinants of diffusion and scaling of IDBMs. Evidence suggests that successful diffusion depends on regulatory environments, availability of ecosystem partners, and organizational capabilities (Cennamo & Santalo, 2013; Autio & Thomas, 2014). For instance, platforms scale rapidly when network effects are strong, but face constraints when regulatory frameworks impose limits on market entry or data usage (Kenney & Zysman, 2016). Similarly, SMEs often struggle to diffuse innovation-driven models due to limited financial and absorptive capacities (Vanhaverbeke, 2017). These insights point to the need for multi-level analysis that considers firm, ecosystem, and policy-level determinants simultaneously.

In terms of performance outcomes, the evidence is mixed but instructive. IDBMs can enhance revenue growth, profitability, and resilience, particularly when firms align innovation types with appropriate business model design (Zott & Amit, 2007; Massa et al., 2017). However, benefits are contingent on managerial choices, governance structures, and ecosystem health. For example, digital platforms achieve high margins through network effects, while sustainability-driven models may sacrifice short-term financial performance for long-term resilience and legitimacy (Evans et al., 2017). This suggests that outcomes cannot be evaluated solely on financial metrics but must include broader measures of value creation and capture.

Another area of discussion concerns barriers and tensions in implementing IDBMs. Firms frequently encounter challenges such as cannibalization of existing offerings, capability misalignment, and governance complexity (Markides, 2006; Chesbrough, 2010). Established firms often hesitate to disrupt their own revenue streams, while new entrants may lack the resources to sustain radical models. Governance issues arise in platforms where value distribution between orchestrators and complementors becomes contested (Tiwana, 2014). These barriers indicate that innovation-driven business models are not universally positive but involve strategic risks and trade-offs.

By synthesizing these themes, the discussion reveals that IDBMs cannot be understood through single-theory lenses. Instead, they require integrative perspectives that combine dynamic capabilities, institutional theory, platform logic, and sustainability scholarship. This multi-theoretical approach enables a richer understanding of how innovations reshape business models across diverse contexts (Teece, 2007; Zott & Amit, 2010). The framework proposed in this study advances theory by mapping how innovation types interact with business model components, mediated by capabilities and contextual enablers, to produce differentiated outcomes.

Finally, the discussion points to a future research agenda. Empirical studies should test the framework across industries, comparing platform-based versus sustainability-driven models, or SMEs versus multinationals. Longitudinal designs may help uncover how IDBMs evolve over time, while cross-country comparisons can reveal the role of institutional contexts (Demil & Lecocq, 2010). Methodologically, mixed-methods studies combining case studies with large-scale quantitative analysis could address current fragmentation in the field. Such directions can help build a cumulative body of knowledge on the antecedents, mechanisms, and outcomes of IDBMs.

Implications

Theoretical Implications

This study contributes theoretically by integrating diverse research streams into a single conceptual framework of IDBMs. It extends dynamic capabilities theory (Teece, 2007) by incorporating platform logic (Parker et al., 2016) and sustainability perspectives (Bocken et al., 2014), thereby bridging previously siloed literatures. The framework highlights how innovation types—digital, open, sustainable, and platform-based—differentially affect business model components, advancing understanding of contingent pathways. Furthermore, it reframes business model adaptation as a dynamic process shaped by both firm-level capabilities and ecosystem-level governance, extending beyond firm-centric views.

Managerial Implications

For managers, the study offers practical insights into designing business models aligned with specific innovation types. Firms can use the framework as a decision tool to evaluate whether radical or incremental changes are appropriate, depending on environmental turbulence and organizational readiness. Managers pursuing digitalization can focus on data-driven value capture mechanisms, while those pursuing sustainability should design blended value propositions supported by ecosystem partnerships. Importantly, the framework suggests a checklist approach: assess innovation type, align business model component, identify mediating enablers, and anticipate performance outcomes. This structured approach helps managers balance innovation opportunities with strategic risks.

Policy Implications

Policymakers play a critical role in enabling diffusion and scaling of IDBMs. Regulatory clarity, intellectual property frameworks, and digital standards are crucial for supporting platform ecosystem. Policies that encourage SME participation through financial incentives, training programs, and R&D subsidies can help overcome capability barriers. Additionally, sustainability-driven models require supportive policies such as carbon pricing, circular economy legislation, and social innovation funds. By fostering ecosystems that integrate firms, universities, and communities, policymakers can amplify the societal benefits of IDBMs.

Integrative Implications

Overall, the framework offers a holistic perspective for theory, practice, and policy. By highlighting interactions across levels—firm, ecosystem, and society—it suggests that innovation-driven business

models should be understood as embedded in broader institutional and technological systems. Managers and policymakers must therefore collaborate to design enabling environments, while scholars can continue to refine integrative frameworks. This alignment of theory, managerial practice, and policy can help ensure that innovation-driven business models achieve both competitive advantage and societal impact.

Limitations

This study, while offering a comprehensive synthesis of innovation-driven business models, is constrained by several methodological and contextual limitations.

First, the reliance on secondary sources introduces the potential for publication bias. Literature that reports positive or novel findings is more likely to be published and cited, while studies documenting null results, failures, or incremental insights may remain underrepresented. As a result, the review may unintentionally overemphasize success cases of innovation-driven business models and underreport the nuances or failures that are equally critical for theoretical and practical understanding.

Second, the language limitation of English-only sources narrows the scope of this review. Much of the scholarship on innovation, particularly in rapidly emerging economies such as China, Brazil, or parts of Africa, is published in local languages and remains underexplored in mainstream international journals. This exclusion limits the global diversity of perspectives, contexts, and indigenous business model practices captured in the study.

Third, the review is restricted by database coverage. Despite using reputable academic databases, grey literature such as industry reports, white papers, and unpublished working papers are less represented. Given that business model innovation often emerges in practice before academic codification, omitting these practitioner-oriented insights may lead to an incomplete representation of the current state of the field.

Finally, the study faces temporal constraints. Literature published after the cutoff period may contain new developments, especially with the rapid evolution of AI-driven, blockchain-based, or green innovation-driven business models. These emergent phenomena are likely to reshape theoretical and practical debates in the near future. Consequently, while the review captures dominant paradigms up to the point of analysis, it cannot claim to account for innovations that have emerged since.

Future Research Directions

Building on the limitations acknowledged, several promising avenues for future research emerge that could deepen and broaden the understanding of innovation-driven business models.

First, future studies should adopt multi-method approaches to address the constraints of secondary-only reviews. Combining systematic literature reviews with empirical case studies, bibliometric analyses, and meta-analyses could provide a more nuanced understanding of how different innovation typologies translate into business model design and performance outcomes. Such mixed methodologies would also allow researchers to capture failures, tensions, and unintended consequences that are often underreported in academic publishing.

Second, there is an urgent need for cross-cultural and multilingual scholarship. Much of the current theorization is rooted in Western and English-language contexts, limiting the applicability of frameworks in diverse institutional, cultural, and economic settings. Research conducted in non-Western contexts—such as India, China, Africa, and Latin America—can uncover unique pathways of business model innovation, particularly in resource-constrained environments where frugal, grassroots, or indigenous innovations flourish. Comparative studies across regions would further enrich global theory-building.

Third, temporal and technological dynamics require greater scholarly attention. The rapid evolution of AI, blockchain, and digital platforms necessitates longitudinal research to trace how these technologies reshape business model configurations over time. In particular, studies examining how firms integrate emerging technologies into sustainable and circular models could generate actionable insights for both theory and practice. Future work should also investigate resilience-oriented innovations, focusing on how firms adapt their models to crises such as climate shocks, pandemics, or geopolitical disruptions.

Fourth, there is scope to explore ecosystem-level analyses of business model innovation. Much of the current literature focuses on firm-level strategies, but platform ecosystems, industry consortia, and public-private partnerships are increasingly central to innovation and value creation. Future research could investigate governance mechanisms, power asymmetries, and collaborative arrangements that drive ecosystem-level transformations. Integrating perspectives from institutional theory, systems thinking, and network theory may provide a richer analytical lens.

Fifth, researchers should pay closer attention to the scaling and diffusion of innovation-driven business models. While typologies and frameworks abound, less is known about the enabling conditions for successful adoption across industries and geographies. Future studies might examine how regulation, financial systems, or organizational capabilities mediate the scaling process. Insights into barriers such as institutional voids, capability gaps, and resistance to change could also inform more practical strategies for implementation.

Lastly, there is a clear need to advance sustainability and inclusivity-focused research. Future work should interrogate how business model innovation can contribute not only to economic growth but also to addressing societal and environmental challenges. Concepts such as blended value, social innovation, and circular economy models warrant deeper empirical exploration. This direction is particularly salient in the context of the United Nations' Sustainable Development Goals (SDGs), where business model innovation can serve as a mechanism for balancing profitability with societal impact.

Conclusion

This study has provided a comprehensive examination of innovation-driven business models, synthesizing insights from diverse thematic streams including typologies of innovation, business model adaptation, open innovation, platform ecosystems, digitalization, and sustainability. By integrating these perspectives, the study highlights that business models are not static configurations but dynamic structures shaped by firm capabilities, ecosystem interactions, and contextual factors. The proposed framework offers a holistic lens to understand how different types of innovation—ranging from incremental adjustments to radical transformations—affect value creation, value capture, and overall organizational performance.

A central contribution of the study lies in illustrating the interplay between firm-level innovations and broader ecosystem dynamics. The analysis shows that successful business models increasingly rely on collaboration across organizational boundaries, partnerships with external actors, and strategic orchestration of platform or network effects. At the same time, firms must navigate tensions such as cannibalization of existing offerings, governance complexity, and capability mismatches, which underscores that innovation-driven business models involve both opportunities and strategic risks.

Digitalization and data-driven models emerge as critical enablers of business model evolution, enabling firms to enhance scalability, personalization, and real-time value capture. Sustainability and social innovation further expand the theoretical and practical boundaries of business model design, highlighting the growing importance of balancing financial performance with societal and environmental impact. The study demonstrates that business model innovation is not merely an operational choice but a strategic imperative that shapes long-term resilience and competitive advantage.

The discussion also emphasizes the contingent nature of business model innovation. Firms must carefully consider environmental turbulence, technological change, organizational readiness, and stakeholder alignment when deciding between incremental adaptation and radical transformation. By offering a structured framework, the study provides managers with a decision-oriented tool to assess innovation types, align business model components, and anticipate potential performance outcomes. While limitations exist, particularly the reliance on secondary sources and temporal cutoffs, the study offers a foundation for future empirical research and theoretical development. Emerging technologies, evolving ecosystems, and sustainability-driven imperatives present ongoing opportunities to refine the framework and test its applicability across industries, geographies, and organizational contexts. This dynamic perspective is essential for advancing both scholarship and practice in the field of innovation-driven business models.

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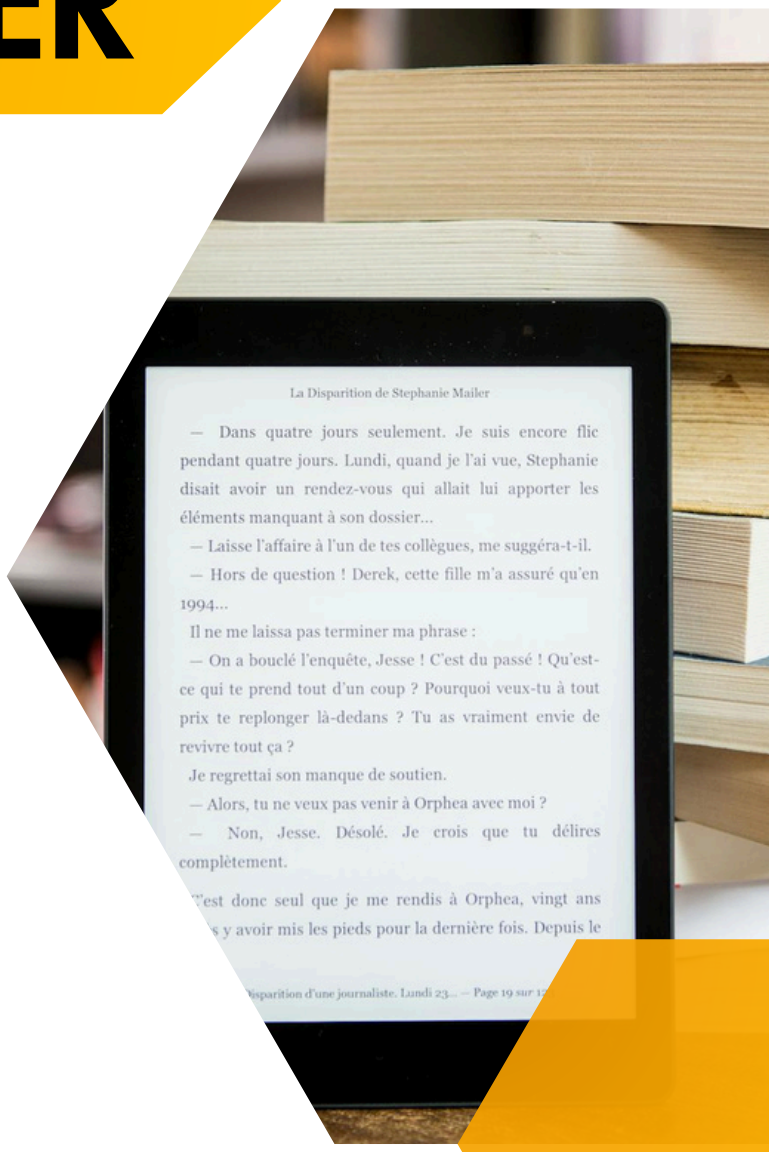

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