

THEORETICAL

A Theoretical Framework for Digital Business Model Innovation in Urban Libya

An Institutional Perspective

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ABSTRACT

Digital business model innovation in urban African contexts is under-theorised, particularly in nations with complex institutional environments. Libya's urban centres present a unique setting where digitalisation efforts intersect with a fragmented institutional landscape, creating distinct challenges and opportunities for business model transformation. This article develops a novel theoretical framework to analyse the drivers and constraints of digital business model innovation in Libya's urban economy. It aims to integrate institutional theory with digital innovation literature to explain how formal and informal institutional arrangements shape entrepreneurial adaptation. The study constructs a conceptual framework through a systematic synthesis of institutional theory and digital business model literature. It employs a theory adaptation approach, contextualising established constructs to the specific institutional logics and market realities observed in the Libyan urban context. The framework posits that informal institutional norms, such as tribal affiliations and trust-based networks, exert a more significant influence on the adoption of digital business models than formal regulatory structures. A central theme is the compensatory role of these informal institutions in enabling innovation where formal support is lacking. The proposed framework provides a coherent lens for understanding digital business model innovation as an institutionally embedded process. It demonstrates that innovation trajectories in such settings are path-dependent and deeply mediated by non-market institutions. Future empirical research should apply this framework to specific urban sectors, such as retail or services. Policymakers and support organisations should design interventions that engage with, rather than bypass, prevailing informal institutional structures to foster digital entrepreneurship. digital innovation, business models, institutional theory, entrepreneurship, North Africa This article provides a novel theoretical synthesis that explicitly links the pillars of institutional theory—regulative, normative, and cultural-cognitive—to the core components of digital business models, offering a contextualised analytical tool for a hitherto neglected region.

Keywords: *Institutional theory, Digital business models, Urban Africa, Resource-based view, Institutional voids, Business model innovation, Digital entrepreneurship*

Article Highlights

- Integrates institutional theory with digital innovation literature for urban African contexts.

Core Contribution

A novel theoretical synthesis linking institutional theory's pillars—regulative, normative, cultural-cognitive—to the

<ul style="list-style-type: none">• Posits informal institutions as critical enablers where formal structures are fragmented.• Frames digital business model innovation as a path-dependent, institutionally embedded process.• Provides a contextualised analytical tool for a neglected region in innovation studies.	<p>core components of digital business models.</p> <p><i>This conceptual framework establishes a foundation for future empirical sectoral studies.</i></p>
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