AN INVESTIGATION ASSOCIATING STRATEGIC GOALS TO BUSINESS AND INNOVATION MODELS

Abstract

Business models are crucial for transforming innovative technology into valuable products. All firm, in terms of connecting concepts and technology to profitable outputs, has an implicit business model. But the new businesses were the ones who had to explain their business plan, especially because they needed the money up front. If a great fresh innovation doesn't have the "go to market" channels to generate value for users, it won't be used.

Business strategists began to pay more attention to the business model as it became clear that it was centered on creating value for customers. At the strategic level, a business model determines the complete business concept of an organization, as opposed to business process design at the operational level. As an example, Apple offers users a unique interaction with its iPods, iTunes, iPhones, and iPads by focusing on a customer segment that values functionality and style.

Entrepreneurial Spirit By seeking new models of value generation and capture processes, it may be an innovation topic in and of itself. New business models may play a crucial role in ensuring the success of a company even without breakthrough technologies. For instance, Dell developed its supply chain and distribution systems in order to provide end consumers with appealing value rather than concentrating on enhancing the desktop or laptop computer.

Authors

Akshay Kumar Sahu
Department of Mechanical Engineering
National Institute of Technology
Raipur, Chhattisgarh, India.

Suraj Kumar Mukti
Department of Mechanical Engineering
National Institute of Technology
Raipur, Chhattisgarh, India.

This article's goal is to clarify the importance of business models and investigate how they relate to business strategy, innovation management, and economic theory.

Keywords: Business model, business strategy, innovation management and economic theory

I. INTRODUCTION

The traditional interaction between suppliers and customers has transformed as a result of modifications to the world economy. Thanks to advancements in information and technology for computers as well as the creation of generally open world trade networks, consumers now have more alternatives, a wider range of customer desires may be satisfied, and supply possibilities are more transparent. Businesses must thus become more customer-centric since technology has advanced to enable the lower cost provision of information and customer solutions (Mor et al., 2021). The supply-side logic that characterized the industrial period is no longer appropriate in many industries, necessitating an analysis of the value propositions that businesses provide to customers.

As a result of the changing environment, it is more important than ever to carefully consider how to deliver new services and goods while also better meeting customer needs.

Innovation leaders won't be able to use their discoveries or access into their full economic potential without a solid strategy for their company. This is particularly relevant for internet businesses, as customers frequently expect to get basic services for liberated making the generation of revenue streams more challenging.

A business model provides information and other proof to support the logic behind how an organization generates and delivers value to customers. Furthermore, it illustrates the organization of the income, expenses, and profits related to the business providing that value.

Figure lists the many components that must be decided upon while designing a business model.

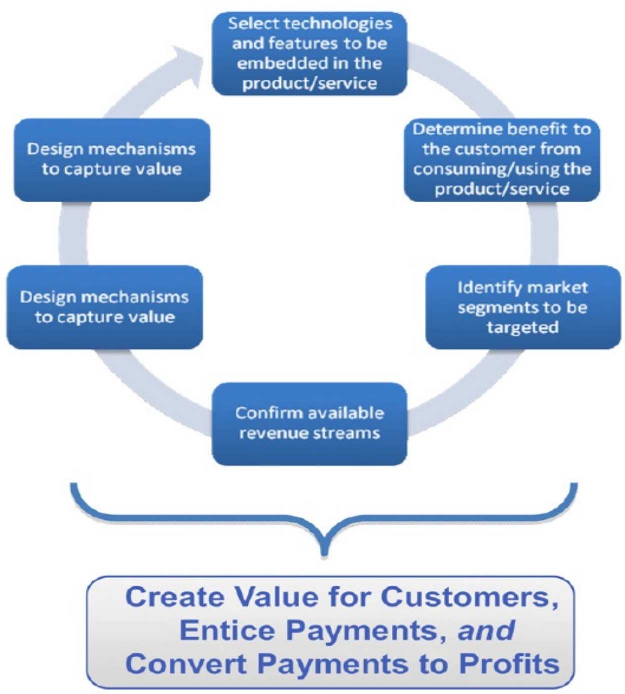

Figure 1: Elements of Business Model Design

A business model defines the way a business generates and supplies value to customers as well as how it transforms payments from customers into profits. To profit from innovation, business innovators must be experts at both product and business model innovation, understanding business design options as well as consumer needs and technology trajectories.

A distinctive (and difficult to mimic) but effective and efficient business model is more likely to produce profits. Creating a good business model alone is inadequate to ensure competitive advantage because imitation is frequently simple. If a business strategy is sufficiently innovative and challenging for both incumbents and new entrants to copy, it might serve as a road to competitive advantage.

A business model essentially represents the 'architecture' of a company's financial and management structures. It is not a spreadsheet or computer model, however a business model might very well be involved into an income statement and cash flow projection in a company plan. However, it is obvious that the idea first pertains to a conceptual company model rather than a financial one. It contains implicit assumptions about users, how revenues and expenses behave, how user demands change over time, and what other companies would likely do in response.

When implemented, it demonstrates how the organization "goes to market" and outlines the business logic required to make a profit (assuming one can be made). However, it is not quite comparable to a strategy; the difference and how they relate to one another will be explored later.

A successful business model produces value propositions that are appealing to consumers, achieves favorable cost and risk structures, and allows the business that creates and provides services and products to significantly increase value capture. Enterprise success depends on successfully "designing" an organization and determining, putting into practice, and then improving commercially acceptable revenue and cost structures. It is crucial while the business is just starting out, but managing the model's viability is probably going to be a continuous challenge.

Exceptional innovation and goods, great workers, strong administration, and leadership are unable to produce sustained success if the business model configuration is not well suited to the market.

II. BUSINESS MODELS: CONCEPTUAL FOUNDATIONS

A theoretical underpinning in economics or business studies does not exist for the concept of a business model. Simply said, business models have no established place in the field of economic theory, and not a single scientific research published in the top economics institutions has examined or analyzed business models in the manner suggested here. (The literature on investing in basic research, which economists believe is unsupported by private business models, and the literature on bundling, which insinuates that it addresses diverse revenue sources, are probable alternatives.) Due to the presence of theoretical systems that have markets resolve the issues that business models are designed to address in the actual world, business models are not taken seriously in economic theory.

In other words, developing a business model for a new or existing product or company is not necessary in textbook economics, which frequently uses concepts from theory that depend on fully developed forward and spot markets, strong property rights, the free flow of information, perfect arbitrage, and no innovation. The value offer to the consumer, the structure of revenues and costs, or ways to capture value are simply ignored in conventional approaches.

Customers will purchase if the price is lower than the service they receive, and businesses will provide if the price is at or above all expenses, especially any return on investment. As a result, there are no problems with company strategy thanks to the pricing structure. However, overall equilibrium model that assume equal competition and (one-sided) marketplaces are a parody of reality.

Customers demand answers to their actual or perceived needs, besides physical items, and double-sided marketplaces are frequent. Furthermore, conceptual products are everywhere. Businesses may need to create organizations to carry out tasks for which markets are not yet ready because in certain situations, marketplaces may not even exist. Therefore, in the real world, business owners and managers must carefully analyze how business models are designed and even develop businesses to carry out activities that the market is unable to already complete.

It's simply obvious that, similarly to in a fully competitive marketplace, business models have no place in the theoretical models of planned economies. Although executives must comprehend the many stages of the manufacturing system, business models are simply not required in a supply-driven economy, because customers simply get what the system generates. Manufacturers not only don't need to capture value, but the state selects what to create, how to make it, and how to pay for it all, thus there is no issue with manufacturers doing so.

Business models are irrelevant regarding economic theory, just as they are irrelevant to organizational and strategic studies, as well as marketing research. However, there has only been a small amount of study and discussion on novel systems of organization.

1. **Business Model Examples:** Market economies with customer choice, costs associated with transactions, producer and customer variance, and rivalry need business models to function. Profit-seeking businesses in conditions of competition will make an effort to satisfy a variety of customer requirements by continuously creating and presenting fresh value propositions to customers. Business models are frequently required by innovations in technology since it makes it necessary to commercialize findings and provide the chance to meet unmet consumer requirements.

    New business models can also be an innovation in individuals, as was before mentioned. There are many possible business models, some of which will be more suitable to customer wants and business circumstances than others. Business model selection, modification, and/or improvement is a difficult art. An iterative approaches are likely to be used in the design process, and good designs are likely to be highly conditional. As history shows, new business models may both symbolize and promote creativity.

2. **Conventional Businesses:** Swift & Company's "reengineering" of the meat packing industry is a popular early American example of the era of nineteenth business model creativity. Cattle were shipped by train from Midwest stockyard centers like Omaha, Kansas City, and Chicago to markets on the East Coast, where the animals were slaughtered and meat from them was sold by local butchers, before the 1870s. According to Gustavus Swift, if the cattle could be slaughtered in the Midwest and transported already dressed to distant markets in refrigerated shipping cars, significant savings in "manufacturing," "centralization," and transportation could be realized, as well as an improvement in the overall quality of the finished good. Swift's creative marketing approach quickly supplanted old ones like the railroads, a broad network of merchants, and butchers on the East Coast. The major problem was that the existing distribution system did not include chilled facilities where the beef could be kept close to the point of distribution.

   Southwest Airlines is other successful example of a new business model in the United States. Its creator believed that most consumers desired direct flights, affordable prices, dependability, and excellent customer service but didn't want "frills." Southwest does not allow the interfacing of travelers and luggage, sell tickets through travel agents, or enable interfacing of people and luggage in order to accomplish these aims. All ticket sales are made directly through Southwest. By standardizing on the Boeing 737, aircraft are more efficient and operationally flexible. Southwest's business strategy, that was considerably different from that of the big airlines, was based in part on the budget aircraft model that Freddie Laker originally popularized in the United Kingdom. Despite its success, Laker Airways gradually collapsed, as did other early adopters in the U.S. like People's Express, Easy Jet has so far been profitable in implementing a comparable strategy in Europe.

III. INTERNET/ INFORMATION INDUSTRIES

Because information is usually challenging to price and customers have various methods to acquire certain types without making a payment, the information industries have historically presented considerable business model challenges. A significant (though not the sole) aspect of developing a business model in the information industry is knowing how to make money (i.e., capture value) from providing information to users or customers. The Shapiro and Varian standards for strategic interaction are essential elements of strategy in the information services sector.

Newspapers, which traditionally have provided information, have operated under a paradigm where the paper is sold for a very cheap price (sometimes at a minimal level, insufficient to pay costs), and publishers rely on advertising income to satisfy the remaining expenses and turn a profit. Numerous newspapers have shut down as a result of this economic model being undermined by websites like eBay and Craigslist, which steal advertising revenue from classified advertisements, job postings, and real estate listings.

Traditional companies, like DVD rentals, may now assume a more contemporary online posture thanks to the Internet. Customers may buy DVDs from Netflix (http://www.netflix.com) online for expedited delivery via the U.S. Mail, which is a more practical option than visiting a rental facility, renting the DVD, and then returning it a few days later. Netflix is funded by monthly subscription fees.

An additional example is the Nokia "Comes with Music" (CWM) device, which offers limitless, "free" music downloads for a year in exchange for a charge that Nokia pays to the music industry.

IV. STRATEGIES, BUSINESS MODELS, AND LONG-TERM COMPETITIVE ADVANTAGES

A business model explains the reasoning behind a value offer for the client as well as a workable income and expenditure model for the firm providing that value. In a nutshell, it pertains to the advantage the business will provide to clients, how it will be organized to do so, and how it will be able to retain some of the economic benefit it generates.

A strong business model will offer the client a lot of value while also generating a sizable share of the client's income for the business model's creator or implementer. However, creating a successful business model (no matter how creative) does not guarantee competitive advantage. Usually, it takes only a few years, if not months, for attempts to copy a plainly effective fresh business model. Once deployed, the basic components of business models are frequently extremely apparent and (in theory) simple to copy. In reality, profitable company strategies are frequently "shared" by a number of rivals to some extent.

Compared a business strategy, a business model is more all-encompassing. To protect any competitive advantage that results from the development and use of new business models, it is imperative to integrate strategy research with business model research. Creating a company model is a broad endeavor; choosing a business strategy is more specific. Classifying the market, developing an offering of value for each section, setting up the delivery system, and then determining out multiple "Isolating mechanisms" that can be applied to avoid rivals' or customers' disassociation from undermining the company strategy or approach are all necessary steps in linking competitive strategy assessment to business model design.

Creating a competitively viable business model therefore requires strategy analysis as a key stage. Because a lot of elements of a business model are simply duplicated, a business model is unlikely to be sustainable unless it can withstand the filters imposed by strategy analysis. One obvious trait of company models that rivals might copy is the preference for leasing over owning. The "newspaper revenue model," which uses advertising (including classifieds) to offset the expenses of producing content, is simple to copy and has been used with little alteration in hundreds of geographically distinct "markets" throughout the world.

In other words, creating innovative business models won't create a competitive edge at the firm level by themselves. However, new business models or improvements to existing ones, similar to new products themselves, frequently result in reduced expenses or better value for the consumer; if not easily replicated by rivals, they can offer an opportunity to generate greater earnings for the innovator, at least until their unique traits are imitated. Figure presents a summary of these difficulties, which are ultimately discussed in greater depth.

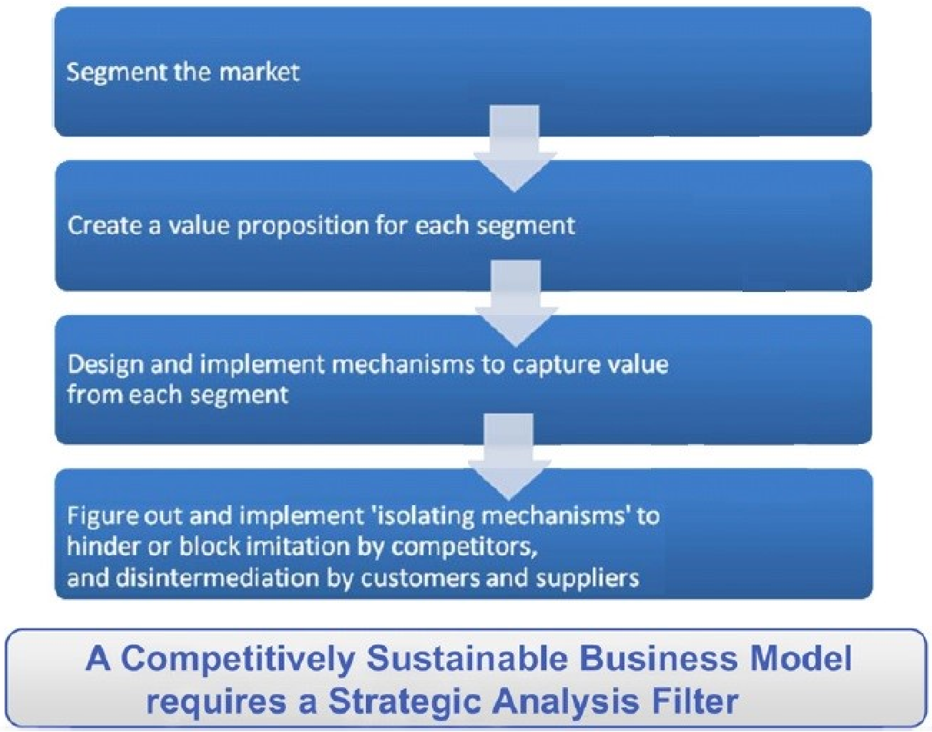

Figure: Steps to achieve sustainable business models

V. BARRIERS TO IMITATING BUSINESS MODELS

The following subsection aims to highlight the elements that either make copying company concepts simple or difficult. A newly developed model's underlying concept and business logic are rarely to be protected by intellectual property rights, despite the fact that all business models first appear to be simple to copy. A novel business model is especially unlikely to qualify for a patent since it is more generic than a business technique, even though some of the business procedures that support it could be patentable.

Even if a business model's specifications may be covered by copyright, its fundamental 'concept' is unlikely to be protected. What, if something is likely to prevent the imitation of successful company models that may so easily undermine their advantage? Three elements would appear to be significant.

First, establishing a business model could need hard-to-replicate systems, procedures, and resources, as was the case with potential competitors in cities too tiny to support a Wall-mart rival.

Second, there could be enough obscurity that it's difficult for outsiders to fully understand how a business model is implemented or to pinpoint which of its elements genuinely helps to increase consumer acceptance.

Third, even though it is blatantly evident how to copy a pioneer's business model, existing players in the market could be hesitant to do so if doing so will undermine their current sales and profits or jeopardize other crucial business ties.

VI. BUSINESS STRATEGIES FOR LEVERAGING TECHNOLOGICAL INNOVATION

1. **The Strategy for Making Money Out of Innovation:** Learning how to take advantage of innovation is a critical component of developing a company strategy. Since the vocabulary of business model design has not been used in the analysis up to this point, the creator has written extensively on the subject. This section is more accessible in that respect.

   A business model that details the product's "go to market" and "capturing value" strategies should be developed in tandem with every new product development endeavor. It is clear that technology advancement on its own does not automatically guarantee business or economic success—far from it. The author addressed this issue in his prior book, "Profiting from Innovation."

   By highlighting key aspects of business model selection and projecting the results of those decisions, the Profiting from Innovation framework aims to assist business owners and strategists in selecting the best business models, designs, and technological strategies. The model makes use of the contracting theory and identifies two extreme strategies (models) for innovators to derive value from their innovations:

   - The integrated business model represents one extreme of the spectrum, where a firm that innovates integrates product innovation and development with value chain management from A to Z, encompassing engineering, manufacturing, and marketing.

   - The opposite extreme scenario is the outsourced (pure licensing) business strategy, which has been adopted by a number of businesses, including Rambus (semiconductor memory) and Dolby (high fidelity noise reduction technology).
     Hybrid strategies, which combine the two strategies, are an intermediate option (examples include outsourcing manufacturing and offering company-owned services and maintenance).

   The Benefiting from Innovative thinking technique can be seen as a tool that can to help in the design of business models because it enables one to map business model selection to type of innovation while also enabling one to ascertain whether or not vertical integration or the monetization of intellectual property through licensing is likely to be viable in a given situation.

2. **Business models as Innovation:** In most developed civilizations, technical innovation is revered; this is a natural and desired reflection of the ideals of a technologically evolved society. The development of new organizational structures, such as the Skunk Works and the multidivisional organizational structure, as well as organizational processes, such as the moving assembly line, are, however, of equal, if not greater, significance to society and the business sector as a whole. Even while many researchers and technologists, as well as many citizens, may not view such innovation as powerful, without it countries, corporations, and individuals that are pioneers in their fields may not be rewarded for their efforts.

   A firm's (or a country's) ability to capture value will be severely hampered if new business models cannot be developed. As previously mentioned, even a famous inventor like Thomas Edison had a dubious track record when it came to business model innovation, giving up on the recording industry and failing to convince the industry to adopt direct current (instead of alternating current) as the norm for electricity generation and transmission. History demonstrates that even if an innovation is remarkable and ends up being widely adopted by society, the innovator will fail unless they can establish (profitable) business systems to satisfy customers/users with the necessary quality at reasonable price points. Naturally, this makes management, entrepreneurship, and the creation and application of business models just as crucial to economic growth as technology innovation itself.

   Without business innovation and creativity (in the form of building business models), technological creativity may not result in benefits for the creator or even for their society.

   As stated and shown in several earlier situations, technology innovation typically has to be linked with business model innovation if the inventor is to reap value. Of course, there are examples. For example, little manufacturing process improvements (even if they add up to a lot) often don't necessitate the development of new business models; instead, value may be achieved by minimizing expenses and expanding the marketplace and share of the market. But if the innovation becomes more innovative and the business model becomes greater in complexity, the more adjustments to conventional business models are probably going to be needed. Additionally, as some of the prior instances have shown, business model innovation may aid in creating a distinct competitive edge.

   New industries can occasionally emerge as a result of the development of new business models. Think about the payment card sector, which relies heavily on credit and debit cards. The banks that provide the cards, the acquirers who sign up retailers to take credit cards and the card firms all collaborate to offer network services.

   Businesses should always be looking for and taking into account business model enhancements, especially those that offer value for consumers. Since changing the company's business model entails fundamentally altering the way it approaches the market, there will likely be significant inertia.

VII. CONCLUSION

The phrase "business model" is commonly heard but rarely formally defined. When anybody future asks, "What is the business model?" remember this. You are at least aware of how your company develops and conveys value to consumers. Some strategists would also be interested in learning how the business extracts innovation and turns it into profitability. If this theory is accepted, the creation and application of business models is the essence of strategy in order to secure long-term competitive advantage.

Business model is still a crucial concept having certain fundamental uncertainty due of its comprehensive character. For the creation (and capture) of additional value for consumers, business model innovation necessitates multidisciplinary procedures, compared to technology innovation headed by the research and development group.

Additionally, business models have a unique role at the core of innovation. First, new technology open doors for fresh company strategies. Second, to convert technological accomplishment into profits, suitable business models are required. Third, business models themselves are open to innovation, which entails abrupt shifts in the strategy that companies take to enter new markets. In this regard, the most significant driver of business model innovation may be the capacity to feel the fundamental realities about what customers actually desire and to meet their hidden requirements.

REFERENCE

[1] Amit, R., & Zott, C. (2001). Value creation in e - business. Strategic management journal, 22(6-7), 493-520.
[2] Chesbrough, H., & Rosenbloom, R. S. (2002). The role of the business model in capturing value from innovation: evidence from Xerox Corporation's technology spin off companies. Industrial and corporate change, 11(3), 529-555.
[3] Williamson, O. E. (1980). Organizational innovation: the transaction cost approach. University of Pennsylvania, Center for the Study of Organizational Innovation.
[4] Miles, R., Miles, G., Snow, C., Blomquist, K., & Rocha, H. (2009). Business Models, Organizational Forms, and Managerial Values. Working paper, UC Berkeley, Haas School of Business.
[5] Magretta, J. (2002). Why business models matter.
[6] Teece, D. J., Pisano, G., & Shuen, A. (1997). Dynamic capabilities and strategic management. Strategic management journal, 18(7), 509-533.
[7] Pisano, G. P., & Teece, D. J. (2007). How to capture value from innovation: Shaping intellectual property and industry architecture. California management review, 50(1), 278-296.
[8] Figueiredo, J. M. D., & Teece, D. J. (1996). Mitigating procurement hazards in the context of innovation. Industrial and Corporate Change, 5(2), 537-559.
[9] Teece, D. J. (1986). Profiting from technological innovation: Implications for integration, collaboration, licensing and public policy. Research policy, 15(6), 285-305.
[10] Teece, D. J. (2007). Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance. Strategic management journal, 28(13), 1319-1350.
[11] Mitchell, W. (1991). Dual clocks: Entry order influences on incumbent and newcomer market share and survival when specialized assets retain their value. Strategic Management Journal, 12(2), 85-100.

[12] Animesh Agrawal, Swatantra Kumar Jaiswal, Suraj Kumar Mukti, “Role of Knowledge Management to Identify the Factors Affecting Innovative Culture to Achieve Sustainability in an Organization”, international conference on Innovations in Technology, Management & Design for Achieving Sustainable Development Goals (ICSDG-2020) held during February 06-07, 2020, at JK Lakshmipat University, Jaipur.
[13] A. Agrawal and S. K. Mukti, “Knowledge Management to Minimize the Marketing Challenges using Strategic Management as a Tool”, Proceedings of the International Conference on Industrial Engineering and Operations Management Pilsen, Czech Republic, July 23-26, 2019.
[14] Animesh Agrawal and Suraj Kumar Mukti “Knowledge Management & It's Origin, Success Factors, Plannings, Tools, Applications, Barriers and Enablers: A Review”, International Journal of Knowledge Management (IJKM), Volume 16, Issue 1, Article 4.
[15] Suraj Kumar Mukti, “Change Management: Leading Tool to Successful ERP System Implementation” International Journal of Innovations & Advancement in Computer Science (IJIACS) ISSN 2347 – 8616, Vol.6, Issue 11, Nov. 2017, pp. 20-30.
[16] Suraj Kumar Mukti “Success of ERP System Implementation: Change Management Perspective” International Journal of Engineering Technology Science and Research (IJETSR) ISSN 2394 – 3386, Vol.4, Issue 11, Nov. 2017, pp. 55-64.
[17] Suraj Kumar Mukti, “Enterprise Resource Planning System Implementation: After Effects” International Journal of Computer & Mathematical Sciences (IJCMS), ISSN: 2347 – 8527, Vol. 6, Issue 11, Nov.2017, pp. 15-24.
[18] Suraj Kumar Mukti and A.M. Rawani, “ERP system implementation issues and challenges in developing nations”, ARPN Journal of Engineering and Applied Sciences, ISSN 1819-6608, Vol. 11, No. 12, June 2016, pp. 7989-7996.
[19] Suraj Kumar Mukti and A.M. Rawani, “ERP System Success Models: A Literature Review”, ARPN Journal of Engineering and Applied Sciences, ISSN: 1819-6608; Feb. 2016, Vol. 11, No. 3, pp. 1861-1875.
[20] Suraj Kumar Mukti and A.M. Rawani, “ERP System Implementation in India: Case of Tata Steel Ltd.,” Australian Journal of Basic and Applied Sciences, ISSN: 1991-8178, 10(1) January 2016, pp. 564-570.
[21] Suraj Kumar Mukti “Knowledge management –A power full Tool to Success of ERP System,” at “Shaastrarth-2016,” An International Multidisciplinary Conference on 8th-9th Feb. 2013, organisaed by Rungta Group of Colleges, Bhilai, Chhattisgarh, India.
[22] Suraj Kumar Mukti “Observations on Information System and ERP System Success Models: A Review Literature Report,” International Conference on Advance Technologies in Mechanical Engineering (ATME2012) held on Nov. 25th, 2012, at Raipur, Chhattisgarh, India.
[23] Suraj Kumar Mukti “Enterprise resource planning implementation in Indian context”, International Conference on Operations and Management Sciences (ICOMS-11) held during Jan. 28, 29th 2011 at Institute of Management Technology (IMT), Nagpur Maharashtra (India).
[24] Industry 4.0: Advances and Applications by Suraj Kumar Mukti ,Ajay Vikram Ahirwar ,Animesh Agrawal, ISBN 978-93-5547-287-8 (Print), ISBN 978-93-5547-288-5 (eBook), Published: 2021-11-26,DOI: 10.9734/bpi/mono/978-93-5547-287-8
[25] Knowledge Management: Implementation Models and Strategies by Suraj Kumar Mukti, LAP Lambert Academic Publishing, ISBN-10 : 6202078405, ISBN-13 : 978-6202078405, 1st Edition (1 Jan 2017), https://www.amazon.in/-/hi/Suraj-Kumar-Mukti/dp/6202078405
[26] Execution of ERP system: A Case Study Approach, by Suraj Kumar Mukti, LAP LAMBERT Academic Publishing (December 12, 2017), ISBN-10 : 6202197897, ISBN-13: 978-6202197892, https://www.amazon.com/Execution-ERP-system-Study-Approach/dp/6202197897
[27] Customer Relationship Management: A Management Perspective by Suraj Kumar Mukti (Author), Vivek Kumar Gaba, LAP LAMBERT Academic Publishing (November 23, 2017), ISBN-10, 6202077913,ISBN-13:978-6202077910, https://www.amazon.com/Customer-Relationship-Management-Perspective/dp/6202077913

