

# Chapter 1

## Choosing a Business Model: Entrepreneurship, Strategy and Competition

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### **ABSTRACT**

*This chapter discusses the critical choice for a business manager, when a business model must be considered for its posterior design and implementation. Different modalities are available today and adaptations or changes are completely admissible, as competition evolves. A solid conceptualization of business models is studied, and some typical initiatives analyzed, observing their potentialities, requirements, and risks. As a market solution, several considerations are proposed at the end, regarding BM adoption in real cases, serving as a basic motivation for a clearer decision process to be pursued by business readers. This chapter contributions reach both scholars, researchers, managers, stakeholders and investors on increasing the comprehension about business models' propositions, characteristics and implementation aspects.*

### **INTRODUCTION**

Some years ago, the choice of a business model looked like a risky enigma: if an entrepreneur committed a mistake on choosing this important element of his or her intention on making business, it will be the first and, very likely, the last one. No recovery will be possible, because changing ideas, adapting propositions and dealing with changes could be impossible and immensely costly, posing a situation where the entrepreneur had to consider this option with all delimitations just at the start of his or her ideas, intentions and wishes and live with it almost forever (Mullins, 2014; Papadopoulos, 2016).

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Obviously, things change in the competitive scenarios. One of the most remarkable changes is... exactly! Accepting changes! But, to change a strategic alternative, as the business model option is still costly, risky and can be of a difficult modification, depending on the situation. The acceptance is better, but it does not justify unstable improvisations, brand bad exposition, precarious or uncontrolled negotiations or even informality. The choice of a business model, more flexible and provided with an immense record of experiences and ideas, is still a critical decision to be made (Zalewska-Kurek et al., 2016).

However, some confusion is attributed to business model concept. In some ways, it is confused with strategy, some practitioners, for example, suggest that a business model choice can replace strategic planning – it is a wrong way to think, no doubt. Others, maybe at an opposite side, define that a business model is the operation guide for a firm, being tutored by tactical planning, not serving for a continuous dialogue among managers, suppliers, customers and other economic agents towards entrepreneurial perfection – another mistake that leads to face business model just a bureaucratic map for an entrepreneurial action (Casadesus-Masanell & Ricart, 2010; Zott & Amit, 2010).

Complicating a bit this choice, we have those habitual factors, cited and detected everywhere: economic demands, dynamics and turbulence; emerging of new, disruptive technologies; globalization and anti-globalizations waves; startups movement which proposes new productive chains arrangement and other factors that pressure entrepreneurs, legislators, customers and all decision-makers to implement new economic solutions, new ways to compete and provide value for customers.

The choice of a business model involves the precise negotiation and positioning of value for a specific customer, understanding the customer relationship negotiations to know if there is any other segment with potential attractiveness, business development with the coordination for its tactics and operations, personnel preparation and delegation, supply chain adjustments and other characteristics (Casadesus-Masanell & Ricart, 2007; Sako, 2012). The overall coordination for this valuable arrangement is attributed to corporative strategy, in a relationship that will be developed in the beginning of this chapter. So, a strategy must be thought at the beginning, at the initiative step of the entrepreneurial intention.

Discussing strategic factors for business negotiations, however, is not a simple task, in the complete picture. It involves internal and external perceptions, critical decisions – maybe eliminating alternatives and implementation issues which, alone, already encompass observations, such as human resources preparation, outsourcing, information and technology systems and other elements that should deserve their own level of project planning and risk management (Jamil, Lema & Peñalver, 2018).

In a turbulent, fast-moving, challenging scenario of maturity-related choice, the business model alternative, is possible. Business people must pay attention to it carefully, analyzing factors such as those related above among many others and work severely on executing the strategy-oriented execution, keeping governance and monitoring levels all the time (Porter and Magretta, 2011; Sako, 2012; Pfeifer, Peterka & Stanić, 2017). This defines a scenario where the complete comprehension about business models – that is not a nice drawing picture to serve as a vague compass for business guidance – that can result in progressive maturity levels and business strategy resilience, must be understood by business decision-making personnel (Tadeu et al., 2018).

Initiating this remarkable discussion, it is mandatory to develop a solid comprehension about the business model concept. Along with the presentation made above, a development will be made in this chapter, aiming to foresee the width of his or her decision when choosing a business model for one organization. After this, reflections around the structural components, issues on implementing, perceptions based on cases and a first view of associated risks can be debated. This is a difficult context to limit. The discussion promoted here is to contribute for its development around initial ideas and market

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