

Chapter 6

Dynamic Business Model: Capture of value and generation of sustainable competitive advantage

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ABSTRACT

The goal of this chapter is to demonstrate theoretically that a Business Model Canvas (BMC) might become dynamic to capture value and generate a sustainable competitive advantage. This chapter defines the differences between and definitions of static and dynamic business models. Furthermore, it develops the Dynamic Business Model (DBM) for the assessment of the BMC from a dynamic perspective. This chapter argues that business models are static when they are tools that merely describe the business logic of firms. However, when associated with the dynamic capacity perspective, those business models interact with the business ecosystem, allowing firms to capture value and sustainable competitive advantage.

INTRODUCTION

The changes that the business environment undergoes as a result of the use of information and communication technology mark the business scene with movements that are lively and open to global competition. That leads to the reduction of the product lifecycle and affects the integration and organization of activities that involve partners, stakeholders, and customers in informational networks that can generate more value and competitive advantage.

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These changes impact on the understanding of the term ‘competitive advantage,’ raising two perspectives: temporary and sustainable. The first addresses the dynamism of the environment in the short time (D’Aveni et al., 2010). The second perspective seeks value creation and capture, business uniqueness, non-replicability of business models and resource substitution (Adner and Zemsky, 2006), which guarantees the maintenance of competitiveness in the long term (Teece, 2014).

Traditional business models have failed due to technological innovation, new customer needs, and new business formats. Given that business models apply to environments that require constant changes, is not suitable to count on static business models. Because of that, the dynamic business model (DBM) has gained relevance in the literature on strategy, which defines it as the basis for creating and capturing value between the relevant parts (Amit and Zott, 2014).

The DBM reinforces competitive sustainability since it can rethink, adapt, transform or substitute the traditional business model in a competitive environment (Amit and Zott, 2014; Osterwalder and Pigneur, 2010, 2002; Teece, 2018) Hence, the DBM allow firms to capture value and generate sustainable, competitive advantage. Amit and Zott (2014) show that is mandatory to consider the dynamic nature of the model. That occurs because of the continuing impacts of dynamic business ecosystems on the definition, adaptation, and redefinition of business models. Those impacts are relevant to the firm’s ecosystem because they lead to a holistic approach to the model in its capacity to renew itself as well as to bring innovative aspects from the market.

The Business Model Canvas (BMC) became popular in the business environment, emerging as an alternative for highly dynamic markets, which brings this model closer to the conceptual approach to the business models focused on innovation markets. On a first conceptualization, Osterwalder (2004) understands the BMC as the logic of how a company makes money. Nevertheless, if the BMC were to perform with this perspective, it would achieve a dynamic management, being able to transform itself and alter the business plan. As a result, it would no longer perform as a visual and static map of the business. Osterwalder (2004) argues, however, that the nature of the model is static, indicating apparent incoherence between the function and the execution of the model. Considering an unstable and volatile business environment, how can the dynamic BMC lead to a conceptual perspective?

The answer holds further into the literature on business models, on value capture and dynamic capacities for the generation of sustainable advantage. The present study has identified three conceptual assumptions that constitute the DBM. First, there is the design of the business models – interdependence and connection between their constitutive elements. Second, the business models linked to dynamic capabilities. Finally, the search for the capture of value and generation of sustainable competitive advantages by the companies. By those assumptions, it was possible to introduce a conceptual model for DBM and BMC evaluation from the perspective of a dynamic model.

This study presupposes the importance of strengthening the business model literature on the competitive dynamic perspective. It defines the assumptions of a DMB and differentiates it from a static model. That enables the evaluation of the factors that cause a BMC to become static and, thus, not equipped to allow a business logic that creates value and generates competitive advantage. Furthermore, this study also understands the business model as a development of the strategic conception of value creation and capture, which contributes to the competitive advantage of the business (Casadesus-Masanell and Ricart, 2010; Pitelis, 2009).

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