

# Chapter 65

## How to Join the Market?

### Business Models and Value Proposal

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#### ABSTRACT

*Based on teamwork in globalized working environments and linked to the balanced scorecard approach to provide a balanced view of the organizational goals, value creating Design Thinking is an applied methodology to solve problems following a creative approach to stimulate team cooperation and creativity with the ultimate purpose of achieving innovative processes to improve the organization. To do this, the author describes the Business Model Canvas, Social Business Model Canvas, and Lean Canvas Model as comprehensive tools to foster entrepreneurship. In the chapter, the author proposes the matrix of stakeholders to have a clear vision of the firm and to suggest a successful strategy focused on creating value for the company joining the market.*

#### INTRODUCTION

*Small opportunities are the beginning of the big achievements. (Demosthenes [384–322 BC] Greek statesman and orator of ancient Athens)*

Competitive firms develop their business in a multitude of national or international market niches. In overall, operating in different markets favors risk reduction, especially when the company's products and services are in full growth in the second phase of Vernon's product lifecycle, or are beginning to reach maturity in the market. As a result, the company's revenues come from different sources, which generate greater financial stability to the organization.

Not all firms find themselves with the same strength to compete simultaneously in various market niches. This fact is of particular importance in SMEs given their small degree of risk acceptance to enter into international markets. Among others, there are several reasons for this risk aversion by organizations, especially SMEs: First, the absence of enough reserves to give financial stability to the organization. Second, and in certain situations only, the lack of knowledge of the market by managers. Third, the lack

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of qualified human resources to successfully overcome the barriers to entry and then compete. Fourth, failures in the logistics that leads to losses, or inability to offer a service, and finally, the small size of the plant which makes the company cannot cope with a growing future demand.

Some corporate strategies can reduce the business risk. Among these strategies, we can highlight the use of *outsourcing*, when the objective is to control operational costs. A business strategy that transforms into *nearshoring*, when firms produce in a neighboring country with better conditions for production, and *offshoring*, when it is intended to increase the number and diversity of the products manufactured, especially with high-skilled jobs in knowledge-based production (Abramovsky, Griffith, & Miller, 2017). Positive commercial and production-related effects are both achieved when applying offshoring-based corporate strategies, despite the relocation effect and the cannibalization effect both created within multi-product firms when offshoring is used (Eckel, & Irlacher, 2017), even with the hiring of part-time workers (Kiyota, & Maruyama, 2017).

Complementary to outsourcing as a successful tool to reduce net fix costs (Saiz-Alvarez, 2008), if possible supplemented with inshoring to maximize positive externalities (Andersson, Karpaty, & Savsin, 2017), the Build-Operate-Transfer (BOT) is an emerging entry strategy for both service offshoring and engineering-related outsourcing. As a mode for entering foreign markets this strategy of activity defined by different numbers of involved parties, fee methods, and lengths of the concession period (Orzes et al., 2017).

Another strategy widely used by corporations to enter foreign markets is to sign joint ventures with local partners to achieve first-order (R&D and innovation) and second-order competitive advantages (reduce labor costs) simultaneously. The combination of these two types of competitive advantages allows companies to strengthen within their sector, and even facilitates the way for them to reach leadership positions. A leadership that, once achieved, ideally should remain in time whenever desired.

As shown in Sánchez and Heene (2014), a business model defines “how the enterprise creates and delivers value to customers, and then converts payment received to profits” (Teece, 2010, p. 173). This value creation created by following a cognitive map (Chesbrough, 2010) based on a constant actualization of decisions and actions (Tikannen, Lamberg, Parvinen, & Kallunki, 2005) for first-order competitive advantage. This constant updating in both organizational and decision-making processes in the company leads to the need to have managers with a long-term vision. If managers lack this vision, there will result in a permanent departure of the most valuable human resources of the company. Every business change progressively, not drastically, so as not to damage its corporate image, and must always adapt to the needs of the market. However, in this changing process, stakeholders are vital, and especially professionals who work in the organization. If only managers satisfy the growing customers’ needs, and they get rid of the employees’ job stability, the company will begin to lose the best professionals in the medium term, who will look for other organization to be more recognized.

In fact, the business model transformation is a significant challenge for managers, as they must be leaders and, simultaneously, must communicate and internalize a shared vision focused on the key competitive advantages of the organization. When the corporation changes, stakeholders should be involved in the process, to avoid future problems derived from misunderstandings and loss of power and influence.

The objective of this chapter is to study how design thinking and the Business Model Canvas (BMC), the Social Business Model Canvas (SBMC) if applied, and the Lean Canvas Model (LCM) help organizations to join the market. The social aspect of the firm is important, especially in developing countries, where State intervention is usually inefficient. As a result, entrepreneurs 4.0 have a vital role to play in

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