Chapter 3
Business Model Design:
Novelty and Efficiency

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ABSTRACT

Business model design refers to the design of transactions operated by an organization represented by the content, structure, and governance of all transactions that occur in an organization in order to create value through exploration of a business opportunity. This study has as objective to analyze the impact of one or more business model design has on the performance. Through the conduct of surveys, a sample of 30 companies was collected between Europe and Brazil. The results showed that it was not possible to obtain correlations to validate the hypotheses, due to the great difficulty of obtaining the data by the companies, thus leading to a reduced number of respondents. This study contributes significantly to the theory of innovation and entrepreneurship, as a response to a latent need on the part of the literature to consistently homogenize the understanding about the theme and clear recommendations and practices for management.

INTRODUCTION

The current scenario imposed on companies the modification of their production processes and consequent reduction of costs to become more competitive. According to Casadesus-Masanell and Ricart (2011), the theme: strategy has been the slogan of competitiveness in the last three decades. However, in the future, questions about sustainable competitive advantage will start with the following term: business model design.

DOI: 10.4018/978-1-7998-1843-4.ch003

When Apple released the Ipod, it did more than launch a new music device with good technology and attractive design. Apple combined the digital music distribution hardware, software, and digital music distribution service through a new business model design, giving the customer the task of downloading songs (Johnson et al., 2008).

In its history, Apple was focused on launching innovative hardware and software, but with the Ipod creation, associated with Itunes, this was the first computer company to include music distribution as an activity, linking it to the development of hardware and the Ipod software. By connecting these new activities to its business model (associating legal music distribution with its customers), the company simply radicalized the design of its business model and transformed the music distribution around the world. Rather than just introducing new hardware or software on the market, it has completely transformed its business model in order to achieve a lasting relationship with its customers (Zott and Amit, 2012).

Today, there are many good companies on the market, especially in Europe, and they are constantly adding innovations to their products. But, many of these companies will not survive, even with all their ability to create innovative products. Gassmann et al., 2013 ask themselves how it is possible that companies like Kodak, for example, that remained leader for many years in its branch and worldwide known for its innovations, was simply forgotten and outdated? Faced with this questioning, the authors state that many companies have lost the ability to adapt their business models in a highly volatile business environment. And they say that in the future, business competition will be focused on innovative business models and not on product and service innovations.

The interesting thing about BM is that it has grown substantially both in the academic area and in the business world. However, this growth has not been accompanied by the increase of quantitative empirical evidence capable of relating the different designs of business models with the improvement of companies' performance (Gerdoçi, Bortoluzzi and Dibra, 2017).

Foss and Saebi (2017) also agree that, over the last 15 years, the term BM has gained increasing interest among researchers and entrepreneurs, but despite the fact that it brings up an important phenomenon in the business world, a great lack of knowledge and lack of theoretical support, which has not been accompanied by empirical research. The authors state that there is a latent need on the part of the literature to explore this topic in a more explicit and systematic way, in order to improve this knowledge and to help this research field to develop.

Thus, this study aims to leave its contribution to the literature of business models, providing empirical evidence on the impact of different business models on the performance, and the conflict of choice generated when a company decides to adopt more than one business model.

The rest of this paper is arranged as follows: the second section presents the theoretical background and hypotheses, the third section introduces the research methodology, the fourth section presents the analysis results, and the fifth section discusses the findings, theoretical contributions, managerial implications, limitations, and future research directions.

THEORETICAL BACKGROUND

For Chesbrough and Rosenbloom (2002), the theme business model is currently the most discussed subject in terms of management and the least understood concept on the web so far. There is a lot of discussion about how the web has changed traditional business models, but little evidence on what exactly the subject means.

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