

# Chapter 6.1

## Business Models for Development: The Global Capability Sourcing Model

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### ABSTRACT

*Organizations are increasingly inter-connected as they source talent, goods and services from other organizations located in disparate parts of the world and enable social and economic development to take place. They seek new ways of creating value for themselves, customers and partners, increasingly operating outside and across traditional industry boundaries and definitions. These innovations have lead to a focus on business models as a fundamental statement of direction and identity as they enable development to take place. This chapter considers the fundamental tenets of the business model concept and ways in which value can be created for development efforts. The contribution of this chapter is the application of Global Capability Sourcing Model to enable businesses to compete globally. This chapter concludes with insights into the sustainability of business models for development.*

### INTRODUCTION

Development is improvement in the lives of people. The effects of information technology on development have been studied by assessing improvements in the lives of people in their

communities, regions, countries or even groups of countries. This can be studied by investigating the social impacts on development of the technologies. The social concept of development suggests that people participate in improving their circumstances through the development of healthcare, education, environment and community services (Apthorpe 1999, Arce 2003, and Midgley 2003).

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Social development considers improvements in the lives of people through programs in healthcare, education, and the environment that are often implemented by governments. When governments make use of information and communication technologies to improve their services, they might also contribute social development. Some authors suggest that governments make policy based on discourse that has recourse to neat, easily available and powerfully constructed sets of institutional, legislative and financial resources (Apthorpe 1999, Midgley 2003). These policies are implemented to bring about social development. Social development activities are designed to raise living standards, increase local participation in development and address the needs of vulnerable and oppressed groups (Midgley 2003).

Economic development is a means of studying development that considers improvements in the lives of people through income generation, job creation, and other factors such as trade and migration. Theories of economic development try and predict the choices people make in order to improve the quality of their lives and offer tools that policy makers can use to balance the cyclical changes in economies. Development theorists such as Schumpeter (2002) offer empirical evidence of how economies can benefit from innovation, education and foreign investments. In particular the effects of ICT on economic growth have been studied by authors such as Avgerou (1998), Qiang et al (2003), Balamoune Lutz (2003), Cecchini and Scott (2003), and Kottmann and Boyer-Wright (2009). It seems that while there is a relationship between ICT and growth in countries, the gains from ICTs are not always as expected. It seems that more open government policies can be conducive for the uptake and use of ICTs for economic and social development.

This suggests that current business models may not be suited helping businesses use ICTs for growth. In particular, when businesses grow using ICTs they generate income and opportunities for the people their communities and can potentially

support social development. This chapter reviews business model thought and practice in terms of its contributions and illustrates how these may be used to support development efforts. The term “business model” is a recent addition to the management literature and needs to address the needs of businesses in developing regions. The aim of this chapter is to point towards an agenda for building such a base. Following an overview of key concepts underlying business models, this chapter highlights the basic principles upon which business models can be designed and provides an example of a business model that addresses these principles to support social and economic development. The implementation of business models influences the ways and degree to which organizations transform their structures to ensure the capabilities needed to move to capture value. The contribution of the chapter is in the insight it provides into the many applications of business models and their effects on social and economic development. It concludes with implications for research and practice.

## **CONCEPTS UNDERLYING BUSINESS MODELS**

We examine business models from the perspective of necessary construct versus superfluous neologism. This requires filtering out the signals from a great deal of noise. As Hawkins states: “as the [dot com] bubble grew, the market filled up with books and articles about business models, ranging from the vaguely analytic to the *quasi* instructional.... . The business model seemed to fill a niche even if no one could explain exactly what it was.” (Hawkins, 2004, page 65). Even today, most work on business models is taxonomic and descriptive, classifying types of business model in lists, heavily derived from multiple case examples. Typical is Afuah and Tucci’s eight categories: brokerage, advertising, intermediary, merchant, manufacturing, affiliate, community,

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