

VALUES AND MODEL OF MODERN ENTERPRISE. ADOPTING NEW STRATEGIC MODEL

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Abstract

Entrepreneurship forces significant changes in product and service offerings and new business models development. The involvement of companies into collaborative projects and developing them becomes common business approach in various industries in multinational level.

As result the economic structures of two types countries and the development stages are mutually dependent. The most prevalent industry sectors in efficiency-driven economies are wholesale/retail (51%) and ICT, financial and other services (26%) and manufacturing (13%). The economic structure of innovation-driven economies has another tendency: the most prevalent entrepreneurial activity is in ICT, financial and other services (50%), followed by wholesale/retail (31%) and manufacturing (10%).

The differences in prevalent entrepreneurial activities in specific sectors reflect changes in the relative contributions of each industry sector in each stage of the country's economic development. (Singer, S., et al. (2018)).

The main solving problem in this paper is to raise effectiveness of the business model from system approach point of view. Specifically, the paper identifies five main points from strategic view, but personnel part wasn't analyzed in details in this research. The main gain in our case is to show main linkages of business model, including:

- *Components of internal environments development with identifying of performance and productivity in financial, knowledge, risk, product, personnel management*
- *Components of external environment development with identifying of performance and productivity in collaboration model, partnering industries etc.*

This paper is prepared according to the business model value evaluation method and system analysis. The aim is to define the existence and level of relation between two or more variables. The hypotheses of the study are:

First hypothesis is a significant relationship between company's vision implementation and the value that the company develops in its business model;

Second hypothesis is a significant relationship between business model development and development in knowledge management and transfer in the organization;

Third hypothesis is a significant relationship between the knowledge management implementation and development of performance and productivity.

Keywords: *system thinking, business model, collaborative management approach*

1. INTRODUCTION

This paper is according to the business model value evaluation method and relational scanning model. Relational scanning models aim to define the existence and level of relation between two or more variables. The hypotheses of the study are:

First hypothesis is a significant relationship between company's vision implementation and the value that the company develops its business model;

Second hypothesis is a significant relationship between business model development and development in knowledge management and transfer in the organization;

Third hypothesis is a significant relationship between the knowledge management implementation and development of performance and productivity.

2. METHODS

In preparing this paper, the following research methods were used: analysis of literature, system thinking concepts and the visual modeling of linkages. The main elements and factors included in the model are chosen according to the results of the previous researches and actual analysis of literature.

Systems thinking offers a methodology that gives a framework for understanding the nature and the behavioral characteristics of multi-systems, of which innovation systems are an example, and also provides a practical way to define managerial problems and design solutions for them. Furthermore, a systems approach provides the researcher and the manager with a dynamic tool that projects the implications of a decision over time (Checkland, 1993; Gharajedaghi, 1999). Senge (1990) and argues that the use of systems thinking uncovers the complexity of the system by revealing the underlying structures which generate change. This approach adds that systems thinking illustrates how a complex problem is generated and which factors influence it in one or another way over time.

3. RESULTS

After theoretical analysis the main values of up-skilled business model and its efficiency were identified. Approved management approach for technological companies consists of many diverse tasks and is performed in many different contexts. Main success factors have emerged to be very important as main points of implications for SME are:

Management (Strategic level)

The perspective of top management is pecking order in raising funds for the firm. The pecking sequence is determined by the managers and their will to maximize their discretionary power over the use of funds. In this context, retained earnings will be the first to be picked, debt the second and new equity the last. In practice, the latest will have a higher level of scrutiny from outsiders: shareholders and markets in general will want know what is the purpose and rationale of the capital increase.

Technology

In technological competitive analyses and when analyzing technological trends, often technology is considered. Because this technology differs tremendously in value and as result the average quality of technology differs according to the company's development strategy.

Risks

Risk management in this case has an active risk management policy, that is, a company that is actively mitigating the impact of the variation of prices (planned development and own product licensing) in its operational and development processes. As most important from strategic point of view is stable stream of cash flows and profits will be rewarded with eased access to debt and in better conditions. Traditional risk analysis approach nowadays transforms to the complexity problems.

Infrastructure

The company can easily get needed IT infrastructure in place. Especially for smaller newer companies. If we are looking from external environment or outstanding finances attraction part, investors, for example, venture capitalists, the entrepreneurs themselves, do not have to make heavy IT infrastructure investments at the early stage of the companies, which has been the case for previous development stages. Each company can get relatively quick feedback and only later in more higher

development stage the company can consider about an option of purchasing their own infrastructure much more for security reasons or total cost minimization.

4. DISCUSSION

Despite profound critiques, the understanding of entrepreneurial growth processes is still largely based on stage models, such as the models of Clarysse and Moray (2004), Greiner (1972), and Lewis and Churchill (1983). Stage models are critiqued for drawing on assumptions of linearity, such as that all firms grow through a unified and fixed number of sequential stages Phelps etc., 2007; Levie and Lichtenstein, 2010). Recently, an increasing number of studies are re-conceptualizing firm growth as a dynamic phenomenon, and call for exploratory empirical investigations to shed light on the underlying processes (Davidsson et al., 2010; Levie and Lichtenstein, 2010; Phelps, Adams, and Bessant, 2007). In this respect, Levie and Lichtenstein (2010) suggest that a firm evolves through iteratively aligning between business model configuration and when stimulated by untapped opportunities. However, to understand growth dynamics, further theoretical investigation is needed to address the processes of opportunities pursue and business model reconfiguration and how they can facilitate or hinder growth. An entrepreneurial society refers to places where knowledge-based entrepreneurship has emerged as a driving force for economic growth, employment creation and competitiveness in global markets (Audretsch 2007a&b).

The biggest part of companies tries to find and to develop new ideas, to create high performance teams and to reduce the risks. On the other hand, the least focused but probably the most effective one is creating “business development model”. It is a value system which defines the way of thinking of employees and the managers. The scenario includes implementation of two types innovations: product and services. Now days very important is to choose and develop transformative business model. As result, business model innovation is probably the most challenging and it will likely present an organization with major requirements for change in all internal and external environment components.

For this research were chosen 3 hypothesis, which includes main components for business development model and shows main linkages between internal and external environments.

Business model consists of many diverse tasks and is performed in many different contexts. Drawing on research results on the success factors of business development, a short overview is given of some of the most important components.

H1: There is a significant relationship between company’s vision implementation and the value that the company develops in its business model;

Business model innovation does not necessarily imply changes in the product or even in the collaborative product development process, but in the way as it is brought to the target market. Business model innovation is probably the most challenging of the innovation types as it will likely present an organization with major requirements for change. Often, the very capabilities or processes that have been optimized to make a company successful and profitable will become the targets for transformation. In some cases, these changes can threaten elements of the company identity and come into conflict with brand expectations or promises. Business model always is transformative.

As first step were identified possible components of company's business model.

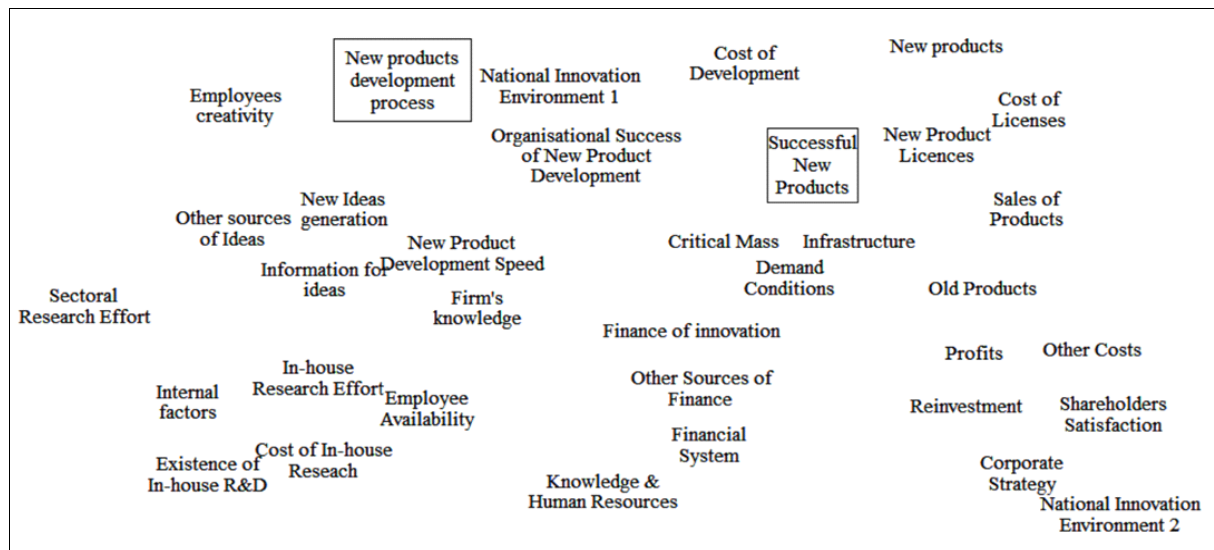


Illustration 1. Components of Company's business model

Source: Author prepared drawing

Components in box illustrate different types of influencing factors and main two strategic goals: development process and successful products as result.

In our case the most important factors are connected to 2 points and one for future development:

1. Technology development process: cost of development, speed of new ideas and product development, in-house research effort, existence of in-house R&D.
2. Finances and management: corporate strategy, finance resources for R&D, sales, reinvestment.
3. Personnel: not included in our research part.

All factors were divided and analyzed from 2 points of view: internal and external environment (micro and macro). Each factors group consists of detailed factors description.

As next steps were identified and illustrated main linkages between development process and main analysis factors groups.

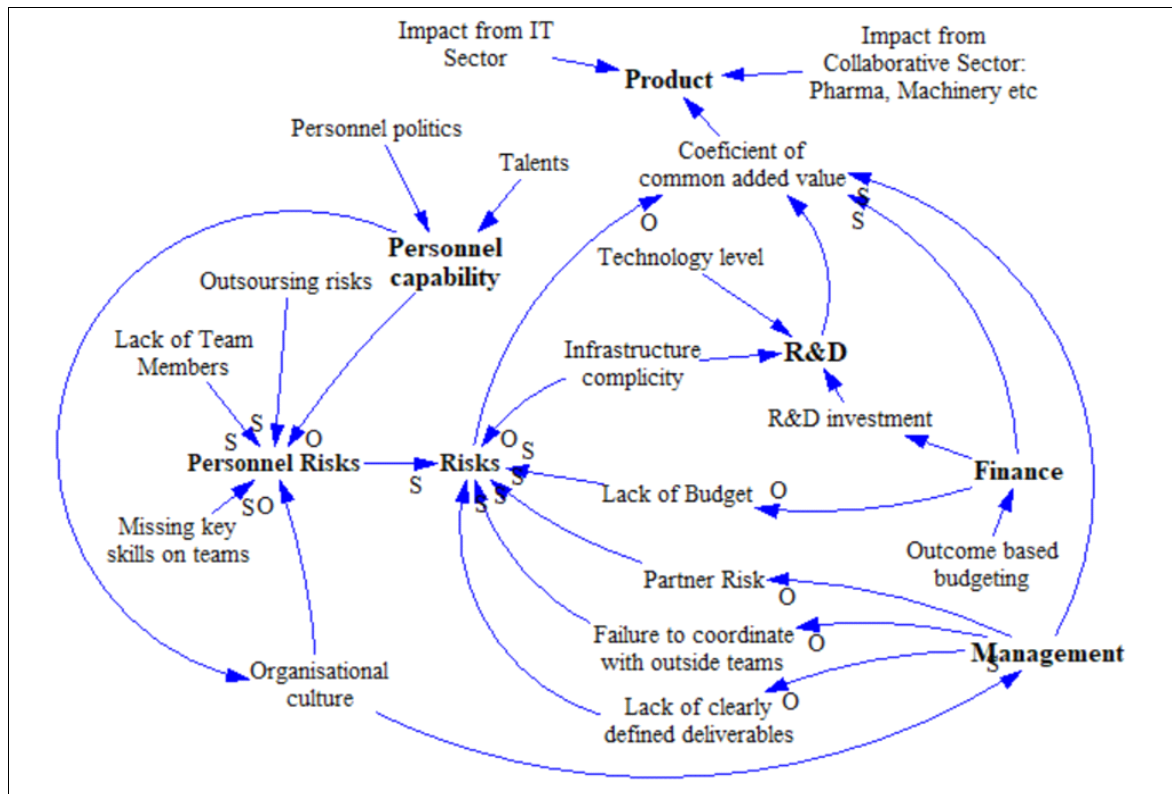


Illustration 2. Main linkages among business model components (Two elements connected by arrow with S index operates in the same direction, and with index O in the opposite direction)

Source: Author prepared model in Ventana Systems Inc. tool Vensim

H2: There is a significant relationship between business model development and development in knowledge management and transfer in the organization;

In this business model we have used approach of Lambert technology transfer mechanism. There is any specific form of interaction among two or more social entities during which technology is transferred (Lambert, 2003):

- internal transfer: delivery of internally developed systems or equipment within a company or organization (division-to-division transfer);
- external transfer: movement of new knowledge into or out of organization, including acquisition of technologies from outside sources, licensing, and alliances at many levels, including collaborative development and industry consortia. This is the traditional way of technology transfer;
- mergers and acquisitions: purchase of both technologies and technical capabilities by acquiring whole company or business.

Additionally, also in collaboration model part is used the same approach.

H3: There is a significant relationship between the knowledge management implementation and development of performance and productivity.

As result of previous analysis is prepared model, which shows main linkages among all components.

Our approach shows that an authoritative third party that reduces search costs is important in sustaining growing market share. However, it is unnecessary to reduce search costs to zero. In

situation analyzed we have many factors which are quite conflicted in different evaluation systems among the same stakeholders.

In complex project scenarios, the systems would consist of all the activities that make up the project. Management when using systems thinking would focus on the factor networks analyzing the effect of risk on an activity on the network as a whole.

Analyzing productivity from a different perspective often produces a different result. Traditional productivity managements methodology is problem-centric, tries to reduce the identified risk in an activity and thus neglecting the resultant effect on other activities and the system as a whole. In our case, a problem-solving approach is adopted to complex productivity management. Analyzing productivity from the system perspective gives the project manager the ability to address activity interdependencies and relationship. The result is often better and comprehensive productivity management within organizations.

5. CONCLUSIONS

This paper conducts literature review on system modelling aspects in the context of business models in order to analyze the state of the art, to identify research gaps and to define a future research agenda. The main findings highlight that, even though there is an increasing number of papers on the topic of companies' business models and new development approaches. Also, high number of interaction and a high number of components are regarded as making a complex system including company's internal and external environment. This can be managed using systems thinking as a complex management research and adopting process of planned detailed model.

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