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**The Conceptualization of an Innovative Business Model
– the Case of a Technology Enterprise**

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Keywords: *business models; entrepreneurship; intellectual potential; sustainability; technological solutions*

Abstract

Research background: The complexity and dynamic changes of external conditions necessary for enterprises to function and increased competition in the local and global markets impose constant search for the most effective business model for the development of organizations. Its accurate identification and measurement influence the utilization of internal capacity of organizations, market opportunities and application of adequate instruments of competition.

Purpose of the article: The scientific purpose of the study is to conduct a creative synthesis of the theoretical framework concerning business models. The empirical part of the paper is an attempt to present the conceptualization and descriptions of a real business model. It has been developed by young Polish IT enterprise for the implementation of a service for creating modern technological-programming solutions on the international market.

Methodology/methods: The paper is of analytical and conceptual character. The application of the empirical method of a case study has made it possible to characterize the essence of creating an innovative business model and illustrate the progress of the studied phenomenon in business practice. The exploratory research has been conducted with regard to technological solutions offered by MindsEater Ltd.

Findings & Value added: The research results reveal the existence of interdependencies between intellectual potential of staff members and success in business practice. By creating and implementing innovative business model, the enterprise must take into account the context of micro-business as well as social, economic and political environment in which it operates and the goals and mission of its activity. The conducted research is an authorial attempt to explain the concept of an innovative business model.

Introduction

Young and innovative companies, particularly those operating in the IT sector, more and more often decide to offer their services abroad. Export of goods and services constitutes an important aspect of their development. Domestic market often turns out to be too small for the needs of growing companies in the IT sector. Enterprises are looking for broader perspectives, new business partners and engaging and promising projects, which involve the need to present their offer in foreign markets. This determines the development of innovative and sustainable business models because organizations are forced to compete with new and often more innovative entities.

The phenomena that take place in today's economy contribute to the creation of a new framework that is mapping the fundamental assumptions of success, constitute the foundations of currently adopted business models (Jabłoński, 2009, pp. 27-37). Societies should be looking for a new balance which would reconcile short-term profitability and long-term durability: a new model of society known as "Sustainable Development" (Brundtland, 1987) that should be embedded in the pragmatism of the legal national economy. The conceptualization of an innovative and sustainable business model is as a complex phenomenon that still needs explanation in the rapidly changing environment (Raczkowski *et al.*, 2016, 123-150).

The scientific purpose of the study is to compile the views of scholars on business model concept. Attention was paid to a widely accepted conceptual apparatus and the multidimensionality of this phenomenon. The paper identifies the terminology used to describe a business model and try to build the foundations to clarify understandings in the business model concept. The empirical part of the paper is an attempt to present the conceptualization of a real business model. It has been developed by young Polish enterprise for the implementation of a service for creating modern technological-programming solutions in the UK market. For this purpose, Business Model Canvas template by Osterwalder and Pigneur (2010, pp.16-44) has been used. The application of the empirical method of a case study has made it possible to characterize the essence of creating an innovative business model. Particular attention was paid to the potential of intellectual resources and the value proposition offered by the enterprise on the international market. Creative and innovative entrepreneurship involves processes through which organizations generate value from their intellectual capital and knowledge-based assets (Badzińska, 2017, pp. 46-64). This paper may provide a starting point for an in-depth empirical research and contribution to the discussion on the methodological dilemmas associated with conducting research in this area.

Method of the Research

The first part of the study is both theoretical and analytical. A review of scientific literature has been conducted along with the analysis of secondary research results on the nature of business models. Attention has been drawn to the concept and the characteristics of this phenomenon. The following methods were used: defining, comparing, attribute analysis, inference. A further part of the study is empirical in its nature as it is based on a qualitative case study analysis of a technology firm. The cognitive aim of this research is to identify the potential of intellectual resources and the value proposition offered by the enterprise on the international market.

In order to ensure the reliability of data, the triangulation principle was adopted. The logic is based on the fact that a single method can never adequately solve the problem of rival causal factors (Jick, 1979, pp. 602-611). The confrontation of multiple data sources justifies the cyclical nature of data collection procedures in the case under examination. Qualitative data was obtained from in-depth interviews conducted with three owners of the analyzed enterprise. A semi-structured interview questionnaire was prepared. To expand the database on the company an analysis of materials from the available secondary sources was also conducted. They included websites, publications and opinions of cooperation partners.

The wide problem area of innovative and sustainable business models requires the acceptance of the limitations of the study area. The empirical method makes use of a case study involving the analysis of processes implemented in the selected enterprise (Dyer & Nobeoka, 2000, pp. 345-367). The rationale for the use of a case study is its usefulness related to the timeliness of the analyzed phenomenon and the dynamism of its effects. The findings of case studies can help practitioners in a better allocation of resources and better efficiency in general (Czakon, 2013, pp. 92-113; Salerno et al., 2015, pp. 59-70). The studied technology enterprise was selected with a purposeful sampling technique (Maxwell, 2005). The purposeful selection of MindsEater resulted from the following (i) the pragmatic criterion of availability of data, (ii) clarity of the explained phenomenon of innovative business model, (iii) the diagnosed unique value proposition. The above criteria lead to the conclusion that a single case study would help to attain the objectives of the research. The applied case study has helped to recognize the studied phenomenon under real conditions (Yin, 1984). Both descriptive and explanatory techniques were used in the presented case study.

Business Model Concept – Theoretical Background

A review of the literature shows a broad diversity of understandings, usages, and places of business model concept in business practice. The multidimensionality of this phenomenon raises a number of difficulties in assessing a widely accepted definition. The topic of business models is discussed in various different domains, such as e-business, information systems, strategy, and management (Szpringer, 2012, pp. 67-82). The popularity of the term “business model” is a relatively young phenomenon. Initially, the notion of the business model was used in the context of data and process modelling for IT systems (Konczal, 1975, pp. 12-15). It rose to prominence towards the end of the 1990s and was often used in relationship with the Internet (Osterwalder *et al.*, 2005, p. 7-9). That is, the business design choices for managers increased substantially based on cheap and available information technology.

From a company perspective, it can be distinguished between a more value/customer oriented approach, a more activity/role related sphere, as well as a conceptual/tool approach. These different viewpoints refer to the conceptualization of the way a company does business in order to reduce complexity to an understandable level. In other words, for business models, the quest is to identify the elements and relationships that describe the business a company does. Chesbrough and Rosenbloom (2002, pp. 529-555), for example, see business model as a mediating construct between technology and economic value, and its role in capturing value from innovation. In turn, Osterwalder, Pigneur, and Tucci (2005, pp. 1-25) as well Morris, Schindehutte, and Allen (2005, pp. 726-735) see a business model as a building plan that allows designing and realizing the business structure and systems that constitute the company’s economic, operational, and strategic form.

A review of the business model literature shows that the expression “a company’s business model” essentially focuses on value creation and customers (Afuah & Tucci, 2003; Applegate, 2001, pp. 79-87; Linder & Cantrell, 2000, pp. 1-15; Weill & Vitale, 2001). It is generally understood as the way of value creation for the client and the owners of the business unit, as a statement of how a firm will make money and sustain its profit stream over time (Stewart & Zhao, 2000, pp. 287-296). A more dynamic way of the business model definition indicates that it describes the rules of business operation and gives an explanation of the competitive advantage sources (Porter & Kramer, 2006, pp. 78-92).

A practical distinction describes business models as a system that shows how the pieces of a business fit together, while strategy also includes competition (Magretta, 2002, p. 86-92). In contrast, others understand the busi-

ness model as an abstraction of a firm's strategy that may potentially apply to many firms (Seddon & Lewis, 2004, pp. 427-442).

Many authors emphasize that a business model needs to be understood as a much more holistic concept that embraces all such elements as pricing mechanisms, customer relationships, partnering, and revenue sharing (Linder & Cantrell, 2000, pp. 1-15; Dubosson-Torbay *et al.*, 2001, pp. 5-23; Weill & Vitale, 2001; Alt & Zimmerman, 2001, pp. 3-9; Betz, 2002, pp. 21-24; Afuah & Tucci, 2003; Osterwalder & Pigneur, 2010). Business models are a firm's strategic response to their environment and require adaptation to new challenges and expectations (Voelpel *et al.*, 2004, pp. 259-276; Morris *et al.*, 2005, pp. 726-735; Zott & Amit, 2007, pp. 181-199). There is a common agreement that for the companies to be effective they need to develop novel business models.

Today's global social, environmental, political, and technological trends shape the foundations of current business models. Regardless of the accepted definition, it is always most common to include into the business model the Corporate Social Responsibility (CSR) of companies. This novel approach to the business model provides new directions of business activities that are focused not only on the exclusive objective of profit generation and value creation, but also on acting in a "responsible" way. This responsibility embraces new fields: actions towards creation of a more comfortable workplace, taking care of the environment and strengthening relations with shareholders (Raczkowski *et al.*, 2016, pp. 123-150; Sułkowski & Fiżałkowska, 2013, pp. 60-75). Designing a coherent business model where all the elements are mutually reinforcing or at least optimized individually is not an easy task. Because business models are quite complex, their success is often based on the interaction of a number of apparently minor elements.

Research results and discussion

The subject of the study is a young technology firm MindsEater that has been on the market since 2013. In its ICT solutions the company uses modern tools of communication and focuses on the customization of modern technological-programming services dedicated to individual business customer needs. The involvement of the team, a shared vision of the present and the future of the company constitute the basis for its development and directly translate into global market success. The creativity, capabilities, dynamism, and innovativeness of the entrepreneurs in a country are important aspects of the absorptive capacity, which is such a distinctive characteristic of successful development experiences (Szirmai *et al.*, 2011). According to Foss and Klein (2012, p. 69) an entrepreneur has to be alert,

creative, and leader – and not some abstract, hypothetical discoverer – who is the driving force of the market.

External funding of the innovative platform ITProjectPlace (created by MindsEater with support from the European Regional Development Fund under the OPIE 8.1., 2014) has enabled the company to develop its range of online services and support customers in the implementation of projects, which resulted in further development of the company. The company's commitment to the development of export to the UK market has stemmed from its desire for self-development and growing importance in the international arena. The process of spreading activities across other countries can not only provide tangible economic benefits, primarily related to the diversification of the sources of income, but also increase its value and image on the domestic market. An important goal in the development of exports is also to strengthen the company's position on the international market and increase its online market share.

The Conceptualization of an Innovative Business Model

The business model describes rationale behind the way in which organizations create value and profit from it. By simplifying and clarifying the described reality the business model allows entrepreneurs to make right decisions and achieve efficient management. Fundamental to the concept of an innovative business model is to establish a common definition of the model and develop a comprehensive, factually adequate concept. This allows verifying assumptions systematically regarding own business model and formulating subsequent tasks and alternatives. The competence of the company to compete internationally depends on a set of endogenous as well as exogenous factors. The obtained results and the concept of an innovative business model are presented synthetically in Table 1 using Canvas model template¹. The elements of the business model concern essential, interdependent areas of each company's business activity.

Table 1. The Concept of Business Model for innovative ICT Solutions

Building Blocks	Explanation
Customer Segments	B2B Segment: small and medium-sized enterprises on the UK market B2C Segment: programmers, IT professionals, freelancers

¹ The author is a co-founder of the concept of the business model for the analyzed enterprise. Due to the confidentiality of certain information, the paper presents only certain aspects, which exemplify an innovative approach to create a business model on the demanding foreign market.

Value Proposition	Original and unconventional ICT solutions, high quality services, dedicated offers for the B2B market, individualization and customization, lower cost of services
Channels	Own and direct: Internet sales, distribution network, representative office Affiliate and indirect: a foreign agent, a local distributor, joint venture
Customer Relationships	A prerequisite for success → customer satisfaction Direct support, dedicated guardian, value co-creation, automated service
Revenue Streams	Transaction revenue and periodic revenue Sales of IT services, subscription fee for the use of certain services, commission from intermediation, after-sales services and advertising fees
Key Resources	Intellectual assets: knowledge, experience, creativity, competence of management, management style and leadership, organizational culture Material resources: developer server, IT infrastructure
Key Activities	Copyright, advanced technology and software solutions, professional IT consulting, implementation and after-sales support
Key Partners	Specialized companies, micro and small enterprises offering technology and programming, graphic and ICT services Consulting companies in the field of marketing, finance, business law
Cost Structure	Fixed costs: maintaining own intellectual, administrative, technological infrastructure and office resources Variable costs: salaries for business partners for specialist services

Source: own research based on conducted survey

MindsEater focuses on serving specific customer segments – on the one hand those ordering specific services, and on the other, ICT and software projects performers. Moreover, value proposition, distribution channels and customer relationships shall all be adapted to specific requirements of the representatives of these particular segments.

Modern technology and software solutions offered by MindsEater on UK market must stand out, above all, with quality aspects such as expertise, experience, competence, service customization, customer recommendations and positively evaluated international projects, which had been previously implemented. Value proposition offered by the enterprise can satisfy both the new and previously undiagnosed set of needs (due to a lack of an appropriate offer on the market), and expand the existing needs of specific customers through a dedicated, profiled offer. The concept of the individualization of products and services and the co-creation of the offer by customers, and the possibility of assessment at various stages of formation of a particular service are all desired by the discerning business customers on the British market.

Conclusions and Recommendations

By engaging in something as important as creating and implementing innovative business models, a company must take into account the context of micro-business as well as social, economic and political environment in which it operates and the goals and mission of its activity. An effective

management of the business model is a necessary factor. It requires constant monitoring of all elements of the model and observing competitive environment.

Young enterprises should keep evaluating the effectiveness of their business models and work on generating new value propositions. They should always look for and address the unmet needs of customers and use them as an axis to build new sustainable business models. It is worth ensuring that there are appropriate mechanisms of obtaining feedback and recognizing the early signals of shifts in market trends. Moreover, it is extremely important to skillfully manage uncertainties and use project-based approach, involving the search for a number of different solutions, and their testing by a group of target customers. The lack of adaptation of even a very profitable model and breakthrough solutions to changes in the competitive environment may cause difficulty in maintaining market position.

Smooth functioning in business ecosystem requires taking flexible actions. It is worth experimenting with different types of relationships with business partners to seek alternative sources of income, looking for new opportunities beyond the current customer base and observing the potential role of new distribution channels. On the basis of additional information about the supported market, it is possible to successfully improve strategy and increase profitability. An innovative approach to the development, implementation and modification of the business model should be a common method of ensuring sustainable development.

Innovative companies need to create appropriate methods for the presentation of their impact on the environment and focus on greater accountability for their activities. It requires changes in the business models concerning introduction of responsibility for the activities with the environment.

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