

KEY CONCEPTS OF CREATING AND IMPLEMENTING INNOVATIVE BUSINESS MODELS

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Abstract. *Actuality: creation of business models and their innovative transformation. The aim is the study of business models. Methods: SWOT, benchmark comparisons, matrix, value chain. Results: business models were systematized in companies in the world and in Moldova.*

Keywords: *business model, organization, efficiency, development, implementation.*

JEL CLASSIFICATION : M10; M13

INTRODUCTION

The importance and relevance of this article is dictated by the rapidly changing business environment and new challenges. The task of creating business models and their innovative transformation is of great importance for doing business successfully. In this regard, the value of this publication lies in understanding the key concepts of business models and identifying the agents of change on an innovative basis.

According to Peter Drucker, "The business model is assumed to be responsible for who your customer is, how much value you can create/add for the customer, and how you can do it at an appropriate cost". Another American scientist, Clayton Christensen, the author of the term "disruptive innovation", defines several components in the concept of a "business model": value proposition, revenue formula, company's core resources and key business processes. [4; p.41]

Modern business development takes place with rapid changes and constant transformations of business processes, caused by the relentless development of production technologies, as well as the modernization of the processes of successful implementation of the created "values". This may be achieved through the timely modernization of the current business model, by identifying its strengths and weaknesses, opportunities and risks, using the classic SWOT analysis.

Many companies are working on excellent high-tech products. Especially in developed countries, the business world has always been able to amaze with its innovative ability. Why do companies, be it in the East or in the West, suddenly lose their competitive edge? Giants such as Agfa, AEG, American Airlines, Lehman Brothers, DEC, Grundig, Loewe, Nakamichi, Nixdorf Computer, Motorola, Nokia, Takefuji, Triumph, and Kodak are instantly losing ground after many decades of successful work. What is their mistake? The answer lies on the surface. These companies have failed to adapt their business models to the changing environment. [2; p. 9]

The aim of this article is to research business models, demonstrate the success of new approaches, and design transformations of business models in response to modern realities. The ultimate goal of the work is to describe these transformations. This knowledge will prove to be

essential for modern companies, helping them to continuously adapt to the conditions of a changing market. The expertise will lead to winning the competition, to development and prosperity.

Research objectives:

- Examine, research, analyze the literature and experience of various business organizations for the use and modernization of operating business models.

- Review the functioning of a business model, using the example of a Moldovan company,

- Draw conclusions and recommendations for business development in the long run.

Description of the problem. Companies in Moldova in modern realities get a unique chance of rapid development, but at the same time are subject to acquisition by progressive international companies that can enter the Moldovan market and easily leave domestic companies without a single chance to survive. The secret to success is choosing the right business model.

Using the example of the Moldovan company "Kamoto" SRL (Ltd.), founded in 2013, we can review the dynamics of its development by fostering three business models:

1. Wholesaler (distributor),
2. Retailer (chain stores),
3. Online store.

THEORETICAL FRAMEWORKS AND METHODOLOGY OF RESEARCH

The business model represents a description of the rationale of how the company creates, delivers and captures value for itself, as well as for the customer.

Each business model consists of three parts:

- everything, that deals with designing and producing a product,
- everything, related to selling a product, from finding the right customers to distributing the product,
- everything, reflecting how the client will pay and how the company will create value.

Basing on the studied literature, I identified and systematized the methods that need to be used when developing the models:

1. Classic SWOT analysis;
2. The method of benchmarking (international, global context);
3. Matrix methods for analyzing transformations of business models (I. Ansoff) [3; p.114-118]:
 - balance of the life cycles of a company's product,
 - Product-Market matrix,
 - triple life cycle of Product-Technology-Demand;
4. Michael Porter's research method - the company's value chain. [8; p.320]

5. Method of financial diagnostics.



Picture 1. Business Model Canvas

Source [7; p. 42]

The most popular and relevant business modeling tool today is the Business Model Canvas, developed by Alexander Osterwalder and Yves Pigneur. This template was presented in the work "Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers" and is still used by companies of various levels, from startups to multinational corporations. Canvas (or as it is sometimes translated: template, mockup) is a universal language for describing, presenting, analyzing and transforming business models.

Given below is the structure of the stages of modernizing an effective business model, which represent an analysis of the current model by obtaining answers to key questions:

1. Analysis of the business model of the industry.

- How does our industry work?
- What type of competition prevails?
- What types of players and business models are represented in it?
- How are they connected?
- In what way and why are industry leaders changing?
- What core competencies of marketing should they have?

2. Analysis of the current business model of the company.

- How is our company organized?
- What is the business / s of the company?
- What are our signature core competencies?
- What core competencies of marketing do we need to acquire?

–What are the contradictions between the individual components and processes of the business model?

- How do we stay competitive?
- What isn't effective in the existing business model?
- In what way are we embedded in the industry's business model?

3. Benchmarks of the company's development strategy.

- What basic strategy are we implementing?
- What are the strategic goals we are planning to achieve?
- How is our strategy formulated?
- What changes in the existing business model does the implemented strategy require?
- What is the typical business model that best suits our strategy?
- How will we position ourselves, according to a number of key parameters: the degree of vertical integration, the degree of diversification, the degree of intelligence of the finished product?

4. Defining a new business model.

- What typical business model is the new business model based on?
- What are the main work characteristics of a business model?
- What are its specifics?
- What are its advantages and disadvantages?
- How is it embedded in the industry's business model?
- What is the estimated cost-effectiveness of the new business model?

5. Specification of the new business model.

- How do the main components of a business model correlate?
- What is appropriate to keep in the new business model from the old one?
- How should production, innovation, marketing, etc. be arranged?
- How should management system be designed?
- What are the mechanisms and procedures to ensure that the business model works effectively?

Common factors driving the transformation of a company's business model are:

- development of telecommunication technologies and the Internet.
- changes in the competitive environment.
- signs and consequences of macroeconomic shocks and crises.

The most essential aspect, defining the degree of influence of certain factors, is the characteristics of the company's business model itself: how developed are the promotion channels and to what extent they are used, how the existing product is formed and a new product is designed, the way management and business processes are organized.

PRACTICALITIES AND RESULTS OF THE STUDY

World leaders

The study of business models was based on the example of world leaders:

- wholesaler (Coca-Cola),
- retailer (Walmart),
- online store (Amazon).

Research company

In the future, we will be adapting the strong points of the business models of world leaders to the Moldovan company "Kamoto" SRL (Ltd.).

In the course of the work the Moldovan company "Kamoto" SRL (Ltd.) is studied, within its framework the adjustments of business models are carried out in the context of modern trends.

The Kamoto trademark appeared for the first time on the Moldovan market in 2014. Kamoto SRL (Ltd.) is the exclusive distributor. Today in Moldova Kamoto presents a wide range of high quality power tools, gardening, power and construction equipment for home use.

Exceptionally high quality products of various product groups are manufactured under the Kamoto trademark. The main factories, producing Kamoto products, are located in China, but at the same time there is a strict selection of manufacturers, quality control of components and spare parts, regular participation in exhibitions in order to expand the pool of suppliers and continuous improvement of the quality of products, given the achievements in the field of R&D.

When starting a company in Moldova, a wholesale business model was used, which showed good dynamics of sales growth. In pursuit of the stability of the company's development in the conditions of glut in the market and intense competition, the company introduced a retail business model by opening its own chain stores. As 3 years of the stores' activity passed, the volumes of retail sales approached the volumes of wholesale. In the context of rapidly developing online commerce, the company has opened its online store and is developing a new promising business model.

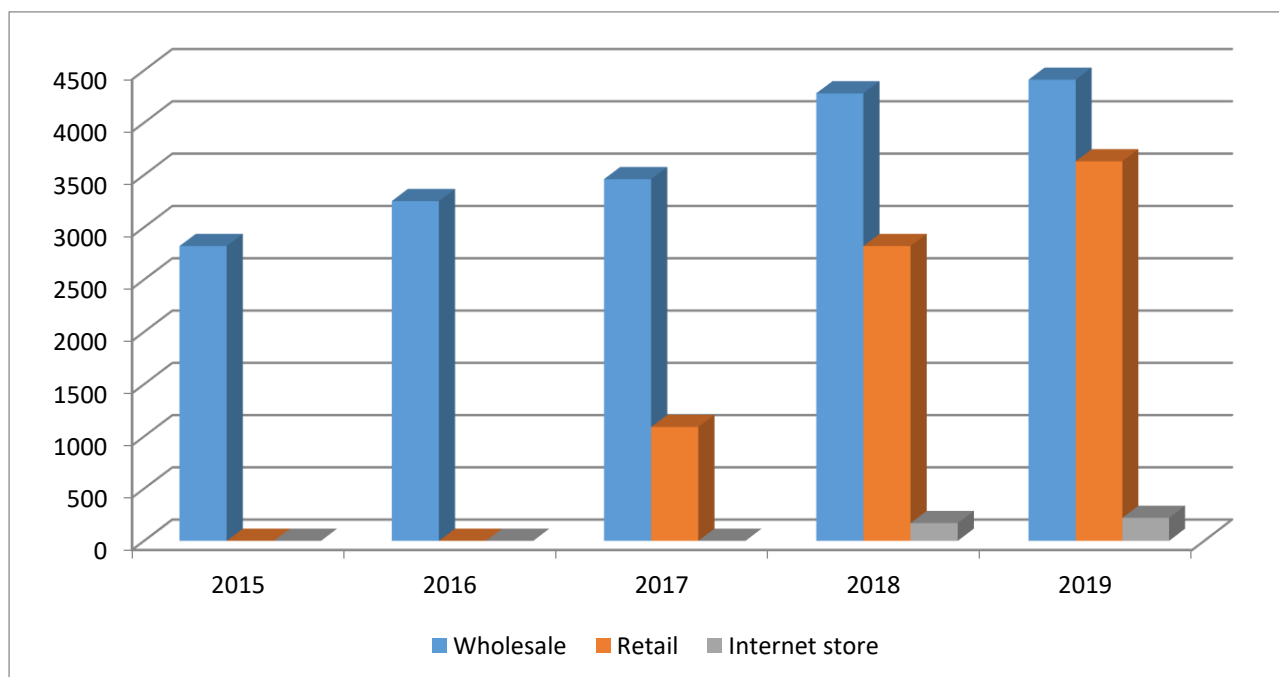
The company "Kamoto" SRL is dynamically developing, as constant monitoring of the situation on the sales market and analysis of the main financial and economic indices allows it to respond to external and internal development threats in a timely manner.

Table 1. Structure of sales revenue by type of activity of Kamoto SRL (Ltd.) for the period 2015-2019

Year	Unit of Measurement	Wholesale	Retail	Internet store	In Total
2015	thousand lei	2820	0	0	2820
2016	thousand lei	3250	0	0	3250
2017	thousand lei	3460	1090	0	4550
2018	thousand lei	4280	2820	170	7270
2019	thousand lei	4410	3630	220	8260

* The data in the table and chart is notional, but the proportions are maintained.

Compiled by the author, based on the work of the Kamoto SRL enterprise.



Picture 2. Diagram of the structure of sales revenue by type of activity of Kamoto SRL for the period 2015-2019

Source: The data in the chart is notional, but the proportions are maintained. Compiled by the author based on the data of the Kamoto SRL enterprise. Business models will continue their innovative adjustments within the company, which is the subject of future research.

CONCLUSIONS

Considering lessons learned in the field of creating and developing business models, the following conclusions can be drawn:

- Conducting scientific research in this area contributes to the creation and development of business models on an innovative basis,
- A systematic multifactorial approach is required, when studying business models,
- Dissemination of business modeling experience is required in various fields of activity.

RECOMMENDATIONS

- Training and development of staff in all business units of the company, in the field of marketing, finance and all types of management (HR, IT, quality, etc.),
- Monitoring of the financial performance of the company,
- Development of relationships with partners and clients and optimization of addressing their needs.

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