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EXPLORING BUSINESS MODEL DEVELOPMENT: APPROACHES, STRATEGIES, AND CHALLENGES

The article is dedicated to exploring various strategies and approaches to business model development, emphasizing its role in enhancing organizational adaptability, competitiveness, and long-term sustainability. The study highlights the importance of business model development, innovation, and improvement in achieving sustainable success for organizations in dynamic market conditions. It identifies key factors that drive the need for continuous innovation of business models, including the impact of the external environment, influenced by rapid technological innovations, changing consumer preferences, economic volatility, and increasing competition.

The article characterizes the main approaches to business model innovation depending on the enterprise's strategic focus (counteracting downturns or negative industry changes or striving for breakthrough growth) and the direction of transformation (transforming the core business activity or extending beyond it). Based on these approaches, enterprises are divided into reinventors, mavericks, adapters, and adventurers.

We examine the forms of business model innovation: startups, transformation, diversification, and acquisitions, each involving different degrees of change to the business model.

Criteria for classifying a business model innovation as sustainable or contributing to sustainable development are outlined.

Popular strategies for business model innovation are summarized: integration, replacement, expansion, separation, exclusion, optimization, and relocation. For each strategy, opportunities and challenges are identified. Typical directions for business model development through these strategies are outlined.

Internal and external factors to be considered in the analysis preceding business model innovation are defined. The article emphasizes that sustainable business models integrate technological, social, and environmental factors to ensure long-term success. Innovations toward sustainable development are key to achieving economic success and a positive societal impact.

Keywords: business model, business model innovation, business model development, sustainability, strategy.

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ДОСЛІДЖЕННЯ РОЗВИТКУ БІЗНЕС-МОДЕЛЕЙ: ПІДХОДИ, СТРАТЕГІЇ ТА ВИКЛИКИ

Стаття присвячена дослідженню різних стратегій і підходів до розвитку бізнес-моделі організації, підкреслюючи її роль у підвищенні організаційної адаптивності, конкурентоспроможності та довгострокової стійкості.

У роботі акцентовано увагу на важливості розвитку та вдосконалення бізнес-моделі для досягнення стійкого успіху організації в умовах динамічного ринку. Окреслено основні фактори, що визначають потребу в постійній інновації бізнес-моделей, зокрема вплив зовнішнього середовища, зумовлений швидкими технологічними інноваціями, змінами споживчих вподобань, економічною волатильністю та зростаючою конкуренцією.

Охарактеризовано основні підходи до розвитку бізнес-моделей залежно від стратегічного фокусу підприємства (протидія спаду чи негативним змінам в галузі або прагнення до проривного зростання) та напрямку трансформації (трансформація основного виду діяльності або вихід за її межі). У межах цих підходів підприємства поділяються на трансформаторів (reinventors), бунтарів (mavericks), адаптерів (adapters) та авантюристів (adventurers).

Розглянуто форми інновації бізнес-моделі: стартап, трансформація, диверсифікація та придбання, кожна з яких передбачає різний ступінь змін в бізнес-моделі.

Визначено критерії, за якими інновація бізнес-моделі може бути класифікована як стійка, або така, що сприяє сталому розвитку. Узагальнено популярні стратегії інновації бізнес-моделей: інтеграція, заміна, розширення, виокремлення, виключення, оптимізація, перенесення. Для кожної стратегії визначено можливості та виклики. Окреслено типові напрями розвитку бізнес-моделі підприємства через зазначені стратегії.

Визначено внутрішні та зовнішні фактори, які мають бути враховані при аналізі, що передує інновації бізнес-моделі підприємства. У статті підкреслюється, що стійкі бізнес-моделі об'єднують технологічні, соціальні та екологічні фактори для забезпечення довгострокового успіху. Інновації, орієнтовані на сталий розвиток, відіграють ключову роль у досягненні як економічного успіху, так і позитивного впливу на суспільство.

Ключові слова: бізнес-модель, інновація бізнес-моделі, розвиток бізнес-моделі, стійкість, стратегія.

INTRODUCTION

Business model innovation ensures long-term success and competitiveness in an increasingly dynamic and complex market environment. A well-defined business model is a strategic framework that facilitates decision-

making, resource allocation, and value creation. It enables companies to differentiate their offerings, optimize operations, and attract investments necessary for growth and sustainability. As businesses face rapid technological advancements, shifting consumer expectations, and evolving regulatory landscapes, the ability to innovate and adapt business models becomes essential.

Numerous scholars have contributed to the research on business models, offering diverse perspectives on their structure, components, and evolution. Among the most notable researchers are Chesbrough H. and Rosenbloom R. S. [4], Johnson M. W., Christensen C. M., and Kagermann H. [8], Tapscott D. [13], Amit R. and Zott C. [1], George G. and Bock A. J. [7], and Osterwalder A. and Pigneur Y. [10]. Their work provides a foundation for understanding how businesses generate, deliver, and capture value.

Different scholars have interpreted the concept of a business model in various ways. For instance, Chesbrough H. and Rosenbloom R. S. [4] highlight the role of business models in linking technology to economic value. Amit R. and Zott C. [1] emphasize the transactional governance aspect, while Tapscott D. [13] focuses on core architecture and resource deployment. Osterwalder A. and Pigneur Y. [10] provide a structured approach through the Business Model Canvas, which comprises key building blocks such as value propositions, customer relationships, revenue streams, and key resources. A business model generally depicts the logic and core elements by which a company creates, delivers, and captures value for its customers and stakeholders within a competitive environment. It serves as a blueprint for the organization's operations, outlining the activities, resources, and processes needed to achieve its goals.

Several frameworks have been developed to analyze and structure business models, as discussed in [16]. Osterwalder A. and Pigneur Y. [10] introduced the Business Model Canvas, which visualizes business models across four main pillars: customer interface, value proposition, infrastructure management, and financial aspects. Johnson M. W., Christensen C. M., and Kagermann H. [8] proposed the Four-Box Business Model, which integrates the customer value proposition, profit formula, key resources, and key processes. Chesbrough H. [3] emphasized the role of technology-market mediation in shaping business models. Additionally, Morris M., Schindehutte M., and Allen J. [9] presented an entrepreneurial business model framework that considers economic and strategic factors influencing business model design.

A sustainable business model incorporates environmental, social, and economic considerations to create long-term value. Scholars such as Van Tulder R. and Van Mil E. [15] discuss the resilience of sustainable business models in the face of economic and environmental challenges. They highlight the need to expand the traditional business model canvas to include sustainability dimensions. Schaltegger S., Hansen E. G., and Lüdeke-Freund F. [12] emphasize integrating social and environmental factors into business models to enhance long-term viability. Organizations can develop resilient and future-proof business models by adopting circular economies, stakeholder-oriented governance, and sustainable value-creation strategies.

Business models are the foundation for strategic planning and innovation, enabling firms to create and sustain competitive advantages. Their evolution reflects the need for continuous adaptation to external changes, making their study an essential aspect of business research.

PURPOSE

This study explores various approaches and strategies for business model innovation, highlighting their role in enhancing organizational adaptability, competitiveness, and long-term sustainability. By examining established frameworks, strategic directions, and practical applications, the research aims to provide a structured understanding of how enterprises can modify, develop, or reinvent their business models in response to dynamic market conditions.

MAIN BODY

Developing, innovating, or improving a business model is imperative for success in today's dynamic market. The business environment is in a constant state of transformation, shaped by rapid technological innovation, evolving consumer demands, economic volatility, and intensifying competition. A static business model is vulnerable to disruption. Organizations can continually adapt and refine their approach to identify new opportunities, enhance customer value, optimize operations, and maintain a competitive edge. Innovation in business models is essential to unlock growth potential, increase profitability, and ensure long-term viability in an ever-changing marketplace.

Business model innovation can manifest in various ways. Specialists from Boston Consulting Group [5] distinguish the following approaches categorized based on their strategic focus. Whether they aim to defend against industry decline or disruption, aspire for breakout growth, transform the core business, or expand into non-core areas:

1. The Reinventor approach addresses significant industry challenges, such as commoditization or regulatory shifts, mainly when a declining business model and growth prospects are uncertain. Companies adopting this strategy must comprehensively redefine their customer-value proposition and restructure their operations to enhance their offerings sustainably. This often requires a fundamental shift in value creation and capture, enabling businesses to counter adverse conditions and revitalize their market position.

2. The Adapter approach is employed when even a redefined core business cannot withstand fundamental industry disruption. Adapters explore adjacent markets or entirely new industries and, if necessary, may ultimately abandon their original core business. To succeed, they must cultivate a strong innovation ecosystem that fosters

continuous experimentation and facilitates the discovery of a viable new core business model. This strategy involves a deliberate pivot or diversification, emphasizing identifying and developing new growth opportunities beyond the constraints of the existing business.

3. The Maverick approach focuses on scaling a high-potential core business by leveraging a distinct competitive advantage to reshape the industry and establish new benchmarks. Whether as emerging startups or disruptive incumbents, Mavericks drive market transformation by pioneering innovative business models and redefining industry standards. To sustain momentum, they must remain committed to continuous innovation, refining their unique edge to fuel long-term growth and challenge conventional industry norms.

4. The Adventurer approach centers on bold expansion into new or adjacent markets. This strategy requires a deep understanding of the company's competitive strengths and involves calculated, high-stakes investments in innovative applications of those strengths to succeed in uncharted territories. Adventurers adopt a forward-looking mindset, proactively navigating new landscapes and capitalizing on emerging opportunities to drive long-term growth [5].

Business model innovation involves modifying a business model – partially or entirely – to seize market opportunities, address challenges, or drive diversification and growth. According to Geissdoerfer et al., business model innovation can take several forms:

1) Business model start-ups refer to the creation of entirely new organizations built on sustainable business models;

2) Business model transformation involves modifying an existing model to enhance sustainability and adaptability;

3) Business model diversification occurs when an organization introduces an additional sustainable business model while maintaining its existing structure.

4) Business model acquisition entails identifying, acquiring, and integrating an additional sustainable business model into an organization [6].

However, the distinction between business model innovation and other forms of innovation, such as product or process innovation, is often fluid and not always clearly defined.

Essentially, business model innovation refers to creating and implementing new business models, which may involve changes to the value proposition, value creation and delivery, value capture, or the overall business model structure [6].

A business model innovation can be classified as sustainable business model innovation or business model innovation for sustainability if it prioritizes:

1. Advancing sustainable development or minimizing adverse effects on the environment, society, and the organization and its stakeholders' long-term viability.

2. Embedding sustainability-driven solutions or features within its value proposition, value creation, and value capture processes or across its broader value network [11].

Business model innovation is crucial for organizations aiming for sustained growth and a competitive edge in today's rapidly evolving marketplace. It involves strategically adapting or reinventing business models to address changing market dynamics, capitalize on emerging opportunities, and overcome critical challenges.

In their research, Aversa P. et al. identified and classified key business model innovation strategies, offering a structured framework to help organizations navigate and succeed in these complex and dynamic environments [2]. These strategies are analyzed in tab. 1.

Business model innovation is driven by rapid technological advancements, shifting consumer preferences, increased globalization, and intensifying competition [2]. Organizations that proactively identify and respond to these dynamics can enhance their market position, uncover new revenue streams, and improve operational efficiency.

A thorough understanding of the existing business model and its components is at the core of business model innovation. This includes identifying the value proposition, target customer segments, revenue streams, cost structures, key resources, key activities, key partnerships, and channels [14]. By systematically analyzing these elements, businesses can uncover opportunities for improvement or potential areas for disruption.

Strategic approaches to business model innovation involve various tactics, such as integration, substitution, augmentation, elevation, exclusion, and porting. These strategies enable organizations to modify or create new business models to achieve their objectives. For example, integration combines multiple business models, while substitution focuses on replacing specific elements. Augmentation enhances existing value propositions, transforming internal capabilities into standalone offerings. Exclusion streamlines operations by removing non-essential components while porting adapts business models for new markets [14, 2].

Table 1

Business model innovation strategies					
Strategy	Description	Challenges	Opportunities	Metrics	Examples
Integration	Combining another business model to enhance overall value	Integration costs, cultural clashes, operational complexities	Increased market share, expanded product/service offerings, access to new technologies	Revenue growth, market share, customer satisfaction	Facebook acquired WhatsApp and Instagram; Google acquired Android
Substitution	Replacing one business model element with another	Technological risks, resistance to change, investment costs	Increased efficiency, cost reduction, improved customer experience	Productivity gains, cost savings, customer satisfaction	Adobe and Microsoft are shifting to subscription models
Augmentation	Increasing the value of existing business model elements	Resource allocation, competitive imitation, customer satisfaction	Increased customer loyalty, revenue growth, and brand differentiation	Customer retention, revenue growth, customer satisfaction	Apple's continuous product updates, Netflix's expanding content library
Elevation	Transforming an internal capability into a standalone business	Resource allocation, market competition, intellectual property protection	New revenue streams, increased market reach, brand extension	Revenue generation, market share, profitability	Amazon Web Services (AWS), Pixar's RenderMan
Exclusion	Removing non-essential components to streamline the business model	Reduced product/service offerings, potential customer dissatisfaction	Cost reduction, operational efficiency, focused value proposition	Cost savings, profitability, customer satisfaction	Ryanair's no-frills model, IKEA's self-assembly concept
Porting	Transferring a business model or its components to a new industry	Market entry barriers, cultural differences, competitive landscape	New market opportunities, leveraging core competencies, diversification	Market share, revenue growth, profitability	Starbucks' expansion into the coffee market, Netflix's shift to streaming

Source: generalized based on [14, 2]

The strategic directions of enterprise business model innovation can take various forms. The most typical of them are presented in the fig. 1.

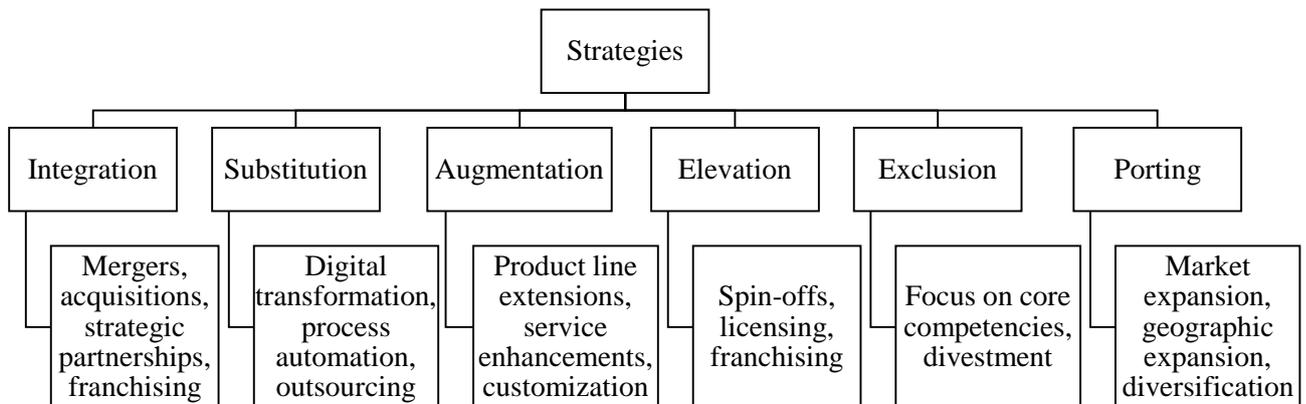


Fig. 1. Typical implementation of business model innovation strategies

Source: generalized based on [14, 2]

Successful business model innovation requires a comprehensive and holistic approach that integrates internal and external factors. The process begins with aligning innovation initiatives with the organization's overall strategy, culture, and resources. These efforts must align with the company's strategic goals, organizational values, and available capabilities to ensure they are both feasible and impactful [11].

Internally, this involves evaluating and leveraging the company's strengths, such as its technological expertise, workforce skills, and operational efficiencies. To foster innovation, organizations must cultivate a culture that encourages creativity, experimentation, and openness to change [6]. This cultural alignment is essential for sustaining innovation momentum and ensuring the effective implementation of new ideas.

Externally, a deep understanding of customer needs, market trends, and competitive dynamics is critical for developing innovative and sustainable business models. This requires continuous market research to identify emerging consumer preferences, technological advancements, and shifts in industry standards [15]. By staying attuned to these external factors, businesses can anticipate changes, adapt their models, and maintain relevance in a rapidly evolving marketplace.

Embracing business model development positions organizations for long-term success and enables them to create significant value for stakeholders, including customers, employees, investors, and partners. This proactive

approach contributes to a dynamic and resilient business landscape, equipping companies to navigate challenges and capitalize on new opportunities. Practical business model innovation ultimately helps organizations remain competitive, drive growth, and achieve sustainable performance in an ever-changing environment.

CONCLUSIONS AND PROSPECTS FOR FURTHER RESEARCH

Business model innovation is a key driver of long-term success and competitiveness in today's rapidly evolving business landscape. As companies face technological advancements, shifting consumer expectations, and increasing market disruptions, the ability to innovate and adapt business models has become essential. This study examines various strategic approaches to business model innovation, including adaptation, reinvention, diversification, and transformation. By exploring the role of internal and external factors in shaping innovative business models, the research underscores the importance of aligning innovation efforts with organizational goals, values, and capabilities while responding to dynamic market forces.

The study reveals that a sustainable and resilient business model requires a holistic approach that integrates technological, social, and environmental factors to ensure long-term viability. It emphasizes the need for organizations to continually evaluate and refine their business models to remain competitive and agile. Moreover, integrating sustainability-driven innovation is crucial for achieving economic success and positive societal impact.

Future research should focus on how companies can effectively integrate sustainability into their business models, particularly within circular economies and stakeholder-oriented governance. Further studies could also examine the influence of digital transformation on business model innovation, exploring how emerging technologies like artificial intelligence, blockchain, and big data are reshaping traditional business frameworks. More research is needed on the practical implementation of various business model innovation strategies, particularly the challenges and opportunities organizations face during the adaptation process.

In conclusion, business model innovation is not a one-time effort but a continuous process. It requires organizations to stay ahead of market trends, embrace new technologies, and foster a culture of creativity and adaptability. As businesses strive to create value for stakeholders and ensure sustainable growth, ongoing research will be critical to understanding how business models evolve and contribute to competitive advantage in a rapidly changing global market.

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