PERFECTIONING BUSINESS MODELS
IN THE CONTEXT OF THE SOURCES
OF COMPETITIVE ADVANTAGES

Abstract: The variability of the business environment causes change and improvement of the business model in the context of the sources of competitive advantage of the company and has become an important research field. Companies take action to improve their business model and implement development strategies appropriate to the changes emerging using their competitive potential which is a competitive advantage. This, based on the relevant means determines their competitive position. Nowadays having an appropriate action strategy, as well as the availability of innovative solutions and new technologies, is not an adequate key to success. Today a large guarantor of success is a properly constructed business model [Gwarda-Gruszczęńska 2012, p. 392]. This publication shows the elements of a business model, identifies factors affecting its form in conjunction with current and former sources of the competitive advantages of the company.

Keywords: business model, competitiveness of the enterprise, competitive potential, competitive strategies, competitive advantage.

JEL codes: L14, L20, L26.

Introduction

The issue of business models is of interest to both the scientific and practical spheres. The emerging questions concern not only the choice of business model, but also the improvement to the existing one in the context of the
opportunities to create value for the company itself and related stakeholders, achieving competitive advantage, using modern technologies, as well as forms of co-operation and development of inter-organizational relationships.

The business model of the company refers to the manner in which it runs its business. Each company, as a separate economic entity, creates its own business model, using all the resources, skills and abilities, so that it is able, along with various forms of cooperation with entities in the business world, to create the value for the entities associated with the relationships.

The challenges that are currently faced by managers and entrepreneurs is the ability to take action to improve existing solutions within the business model, the strategies and resource commitment, competences and abilities to achieve competitive advantage.

This article shows the existing studies on the nature and elements of the business model in the literature and its improvement in conjunction with current and former sources of competitive advantage of the company.

Attainment of the objective in these publications include:
– to demonstrate the nature and type of business model,
– to discuss the components and sources of inspiration to improve the business model and the elements of an innovative business model:
– to present two examples of the models,
– to identify current and former sources of competitive advantage and strategies in the context of their impact on the competitiveness of the company.

Part of the research sought to answer the question: how to improve the business model in the context of current and former sources of competitive advantage?

Such developments allow entrepreneurs and managers to better understand the structure of the business model in the context of the opportunities for improving its components useful for the analysis and evaluation of alternative ways of developing new business models, taking into account today’s competitive advantages.

1. The nature and types of business models

The starting point in the discussion of the problems concerning the business model will show its essence and components, as well as searching for the answer to the question, what in practice affects the choice of business model, so what are the sources for the creation of the business model,
what determines its improvement, including innovation affecting the competitiveness of enterprises?

In the literature there is not a commonly used, single definition of a business model. In general a business model is a description of how the enterprise operates, who are its customers, what these customers appreciate, how the company provides customers with value, without incurring unnecessary costs [Gwarda-Gruszczyńska 2012, p. 385].

The research by K. Wikström and others [2010, p. 835] proves that business models are most often treated by management as a way to organize business activity, with an aggregation of capabilities and the integration of business activities with external partners. It is linked to the ability to establish relationships in their environment, the attention to proper communication and a clear message concerning the vision, mission and strategy within the organization, so that a link between objectives and actions could occur at all levels [Miziołek 2010, p. 109].

In terms of T. Gołębiowski and others [2008] the business model includes a description of the value offered by the company to the group or groups of clients, including the definition of basic resources, processes (activities), as well as the company’s external relations for creating value and ensuring the company’s competitiveness in a particular area and allowing for an increase in its value.

In contrast A. Kates and J.R. Galbraith [2007, p. 6] indicate that the business model expresses the inner logic of doing business and includes the understanding of basic business values, target market segments, distribution channels, cost structure and return of investment from the project. According to K. Obłój [2002] a business model is a combination of strategic business concepts and the technology of its practical implementation, understood as the construction of a value chain allowing for efficient operation and the renewal of resources and skills. K. Storbacka and S. Nenonen [2011] complete the above definitions indicating that the business model is a constellation of interrelated elements, presenting the principles of the design, resources and opportunities connected with markets (i.e. a structural layer), offer, operations and organization (i.e. construction dimensions) [Storbacka et al. 2012, p. 60].

The above definitions focus attention on the logic of running a business, on the use of internal capacity in order to respond to the needs of the customer base in the best way. Moreover they show how resources are pooled and converted to generate value for customers and the business enterprise.

The existing studies focus on the essence of the business model from the following perspectives: strategic management (including the ability to
create value and the shaping of competitive advantage), being innovative and using the latest technologies and activities in the field of e-business [after: Moszoro and Gadomska-Lila 2013, p. 100]. According to J. Brzóska [2009, p. 16] business models can be grouped into four categories [Figure 1], i.e.:
- models based on the determinants of profitability;
- models presenting competitive advantage;
- strategic models, which are a unique combination of resources that create the value and which affect the competitiveness of the enterprise;
- business models using innovation.

**Figure 1. Types of business models**

Source: Own study based on [Brzóska 2009, p. 16]

The classification developed allows the analysis of variables of the model and their selection for specific applications in practice. Furthermore it can be particularly helpful in perfecting the existing concepts of business models, affecting the increase of the cognitive value and empirical verification by delineating the components.
2. The components and sources of inspiration in the improvement of the business model

In order to understand the key aspects and principles of the operation of the business model, it is important to discuss the components and identify the sources of inspiration for its improvement.

In terms of S.M. Shafer, H.J. Smith, and J.C. Linder [2005, pp. 199–202] it is possible to distinguish four components in the business model, i.e.: strategic choices, value networks, value creation and value retention [Figure 2].

The key issue is that all components of the model harmoniously interact and support the implementation of the objectives of the company. The components of the business model should be set up in such a way so that the exploitation of the business opportunities would constitute the value to the customer. The method for the quick and easy adaptation to changing customer needs should be the development of a flexible business model [Mason and Mouzas 2012, p. 1342]. The sources of inspiration in the creation and improvement of the business model, according to R. Śliwinski
Perfecting business models in the context of the sources of competitive advantages should be sought in specialist product knowledge and/or industry knowledge, the analysis of market information, the identification of the real needs of the market, the modification of an existing model, product, process, technological innovation, market insights, as well as in forecasting or market breakthroughs.

The need to acquire and share the knowledge about clients and the activities of competitors seems to be particularly important in the context of improving the existing solutions, monitoring clients’ needs, fostering innovation and delivering value to the customer, as well as in the ability to respond to competition.

Products and services offer added value only if you create a unique advantage, especially innovative products and services, which serve as a tool to implement corporate positioning [Mätzler et al. 2013, p. 33]. “Products and behaviour of firms are often copied by many competitors. In some cases all the major market behaviours of the company are copied. Such companies, following companies with an above-average growth rate, also

Figure 3. The elements of the innovative business model
Source: Own study based on [Eyring, Johnson, and Nair 2011, p. 93]
achieve above-average growth, but they are always behind the leader, not being able to overtake it” [Śliwinski 2011, p. 244].

In gaining the competitive advantage an innovative business model can help which means a redesign of the business model elements that will contribute to creating and delivering value to customers in a new way. Innovative business models are seen as opportunities to develop, especially in times of crisis [Amit and Zott 2012, p. 42].

In terms of M.J. Eyring, M.W. Johnson, and H. Nair [2011] an innovative business model requires the configuration of elements in four areas, i.e. the value for the customer, key resources, key processes and profits [Figure 3].

Working together to create value may depend on the availability of resources, such as the access to relevant customer segments, brand, relevant technology platforms, infrastructure that supports the flexibility and cooperation of partners and people [Storbacka et al. 2012, p. 63]. Resources are the basis for cooperation. The presence of no key resources mean that cooperation will be impossible whilst the existence of attractive resources can encourage others to cooperate.

Rapid technological development and the changing business environment promote the development of innovative business models. Companies use information and communication technologies to create flexible and efficient structures allowing them to respond to the changing needs of customers, as well as to provide a product or service of a certain value to the customer. The use of Internet should promote communication, maintaining virtual relationships, as well as the exchange of knowledge between the company and their suppliers and customers. Innovative business models that use the Internet go abroad organization?, have the prospect of unlimited access to the market. The development of new technologies requires new skills and resources and becomes the basis for the creation of a network business model in which there are a number of entities. Due to innovative business models there is an increase in the company's competitiveness and value rewarding all parties involved is generated. However it is crucial to bear in mind that the construction of an innovative business model which would ensure the further development of the company and achieve the competitive advantage is not easy.

3. Sample business models

For the purposes of this study two well-loved business models are presented. The first developed by M.W. Johnson, C.M. Christensen and H. Kager-
mann [2011, pp. 39–65], consists of four parts that together create value both for the company as well as their clients. The second model, which has gained international recognition developed by A. Osterwalder and Y. Pigneur [2010] describes the way in which the company creates, delivers and captures value. This model is used by both start-ups and corporations.

M.W. Johnson, C.M. Christensen and H. Kagermann suggest the first component of the business model surrenders the value proposition for the customer. They indicate that it is important to define the target client, creating a special value for him, as well as developing a suitable offer as a significant solution for a customer problem. Under competitive market conditions the difficult task is to find new ways to generate value.

The second element of the business model is a formula of profit. At this stage the revenue, cost structure, margins and time of the use of resources is determined.

Another element is availability of key resources. In presenting a value proposition to the customer, the company must combine human, financial resources, technology, products, equipment, information, distribution channels, and brand or decide whether to use resources existing within partnerships.

The fourth element of the model are key processes, both operational and management, through which the company provides a value proposition for the customer. This stage indicates the key and auxiliary processes, makes decisions regarding the carrying out of tasks entrusted to contractors or whether their external activities are to be outsourced.

The most popular business model is the model developed by A. Osterwalder and Y. Pigneur that describes the rationale as to how the organization creates, delivers, and captures value [2010, p. 14]. More specifically the model is built as the sum of resources and activities that the company organizes and implements in order to provide a specific value for the customer. It is around the value proposition for the specific customer that part of the revenue and cost of doing business is built, which was grouped around a few key elements, such as: ways to build relationships, distribution and communication channels, key activities, key resources, key partners [Figure 4].

Undoubtedly, the key to the concept of business models is that they involve a comprehensive look at the various aspects of the business including the interaction taking place between them [Tallman 2014, p. 119]. The secret to a successful business model is its consistency, its uniqueness and the fact that it is difficult to imitate [Mätzler et al. 2013, p. 31]. Companies
are always trying to quickly and easily adapt to changing customer needs by developing a flexible business model [Mason and Mouzas 2012, p. 1342].

4. Competitive advantage as part of the company’s competitiveness

Whilst discussing the issues of competitive advantage it cannot be considered without taking into account the issues relating to the competitiveness of the company. According to M. Gorynia and E. Łaźniewska [2010, p. 48] competitiveness refers to the ability to compete and thus the ability to operate and survive in a competitive environment. According to M.J. Stankiewicz [2005, p. 89] competitiveness is treated as a system consisting of the following sub-systems:

- potential for competitiveness – which is the sum of tangible and intangible resources of the company, key competencies and abilities necessary for the functioning in a competitive market;
- competitive advantage – which is the result of the use of the potential of competitiveness, which enables the effective generation of an attractive offer for the market;

Figure 4. Business model by A. Osterwalder and Y. Pigneur
Source: Own study based on [Osterwalder and Pigneur 2011]
Perfecting business models in the context of the sources of competitive advantage

- instruments of competition – consciously created by the company in order to obtain buyers for its offer;
- competitive position – which is the result of competition achieved by the company, considered against the background of the results achieved by competitors.

These sub-systems of competitiveness are interrelated and interact with each other. The potential of competitiveness is the primary source of competitive advantage and should foster the achievement of the expected competitive position.

The creation of competitive advantage is promoted by a well-structured business model in which the processes, resources and capabilities used are so valuable, rare, unlimited that they allow the company to gain a sustainable competitive advantage.

The proper use of the competitive potential of the company allows the creation of competitive advantage, which in turn gives rise to the preparation of the offer and use of certain instruments of competition. Instruments in the area of price competition and aside from the price can achieve a certain competitive position. The basis for achieving a strong competitive position is an effective business model, which, according to R. Casadesus-Masanell and J.E. Ricart should meet three criteria [after: E. Gwarda-Gruszczyńska 2012, p. 386]:
- it should be in line with the company’s goals – which means that the choices made during the design of the business model should consequently enable the achievement of its objectives;
- it should be of a self-trigger nature – which means that the decisions made by managers when building a business model must complement one another (the model must be internally consistent);
- it should be robust – which means that it should not lose efficiency with the passage of time and therefore it must be resistant to imitation.

It needs to be kept in mind that the competitive advantage gained is not lasting and requires a lot of effort in terms of its maintenance and reinforcement.

5. The sources of competitive advantage

The current thinking about the sources of competitive advantage can be referred to the approaches to strategy in terms of J. Niemczyk, who has identified five approaches [2014, p. 69], i.e.:


Nowadays in the conditions of the changing business environment, seeking the sources of competitive advantage based on traditional approaches may not be sufficient. Thus the question is, what are the new sources of competitive advantage? The beginning of the development of new concepts

**Figure 5. Past and present sources of competitive advantage**

Source: Own study based on [Stańczyk-Hugiet 2013, p. 89; McPhee 2014; Lorange and Datson 2014; Olson 2006]
dates back to the 1980s and 1990s [Figure 5], when a new trend analysis of competitive advantage within the resource school was developed. The resource approach was developed and popularized in the 1980s by M. Porter. He pointed out that the basis for a company’s competitive advantage is the ability to better cope with the competitive forces than other market participants. A helpful tool in the analysis of the intensity of competition in industry is the model of “Porter’s Five Forces”.

A significant factor in gaining competitive advantage is attributed to the context of the resource, whose competitive advantage is the result of the uniqueness of resources (skills, competencies) held by the company, including knowledge, experience, technology, brand or patents. The importance of knowledge as a decisive factor in achieving competitive advantage was pointed out by P. Drucker, who stressed that knowledge becomes the primary economic resource, whilst other factors are becoming important in a complementary role [Strojny 1990, p. 12]. However in order to make the resources and competences the actual source of competitive advantage, they should be: valuable, rare, difficult or impossible to imitate by competitors and well organized (model VIRO by Barney), as well as flexible and not possible to be owned [Zakrzewská-Bielawska 2014, p. 15]. In the resource approach the companies with diverse abilities compete amongst each other. Relational abilities and skills conducive to attracting resources, combining and using them are gaining in importance. Of vital significance are the relational abilities of employees, including the interpersonal skills of building and shaping relationships based on long-term relationships with current and potential customers.

The development of entrepreneurship and the increase in the importance of innovation at the beginning of the twenty-first century, as a result of the development of techniques and technologies, has helped to shape the innovation-entrepreneurial approach. The sources of competitive advantage are looked for in product and process innovation, as well as in the field of management.

Modern concepts of the competitive advantage refer to the performance of enterprises in the reality of a frequently changing market, technological and competitive environment. Currently the sources of competitive advantages should be sought in collaboration, personalization, customer relations, creating value based on inter-organizational relationships and networks.

Under the conditions of environment change, enterprises rarely have all the necessary resources and skills conducive to their development. The access to resources is promoted by inter-organizational networks. The es-
sence of business networks includes overall relationships between collaborating business partners in the market [Hauke-Lopes 2014, p. 10]. Networks are rare resources and very little prone to imitation, transfer or substitution [Czakon 2012, p. 59]. Amongst the different types of networks there are undoubtedly noteworthy cooperative, outsouring, franchising, agency networks, cluster networks, strategic alliances, holding networks or of public-private partnership nature [Niemczyk, Stańczyk-Hugiet, and Jasiński 2012, pp. 110–201]. In this category are also virtual networks, typical of high technology and complex product environments that require a combination of technological competencies with market access [Czakon 2012, p. 52].

With respect to the different types of networks business models are created which are based on the improvement of the use of various management concepts, including competitive benchmarking, i.e. comparison with competitors.

Typically companies involved in a business network due to the combination of cooperation and competition must combine cooperative and competitive behaviour in their actions [Hauke-Lopes 2014, p. 13]. The approaches to strategy presented are closely connected with the formation of the company’s competitive advantage. A durable competitive advantage is the result not only of resources, competencies and capabilities possessed, but also depends on factors outside the company or even outside the sector in which the firm operates. A business model changes over time as a result of the impact of many dynamic factors existing in the business environment which affect the development of the company.

6. Competitive strategies

In discussing the improvement of the business model it is worth pairing it with strategy. Linking the business strategy with the business model seems to be reasonable in view of the fact that the business model only specifies how the value for the customer is created, but does not specify a strategy to compete with other firms in the market. Also the corporate strategy itself does not specify how to deliver the unique value to meet the needs of customers [Abraham 2013, p. 31]. Some companies immediately after defining the business model, refine it and create a strategy of action [Śliwinski 2011, p. 258]. The business model is necessary both for ongoing operations and strategic decision-making [Palo and Tähtinen 2011, p. 383]. In dynamic market conditions fast formulation and implementation of an appropriate
Perfecting business models in the context of the sources of competitive strategy determines the competitiveness of the company. A determinant of competitiveness becomes the ability to adapt to ongoing changes in the environment in a timely manner, which often involves the need to amend the existing business model.

Types and characteristics of enterprise competitive strategy affect the types and characteristics of competitive advantage [Figure 6].

The changes in the approach to competition strategy are presented in Figure 6. A visible transition from the classical Porter’s strategies, i.e. from cost leadership, differentiation and concentration through the strategies proposed by Z. Pierścionek (of the lowest prices, product quality, service quality, reputation), to the opportunistic search strategy. In addition for small and medium-sized enterprises it is possible to show the strategies [Lemańska-Majdzik and Sipa 2009, p. 62]:
- focused on survival and the development of company strategies,
- operating in niches and beyond,
- market related companies and suppliers of large companies,
- specialized and diversified companies,
- companies with sustainable sources of competitive advantage and those without.

Figure 6. Competitive strategies
Source: Own study based on [Obłój 2007, p. 56; Kim, Chan, and Mauborgne, 2005, p. 27; Stankiewicz 2005, pp. 105–319; Porter 1999, p. 50]
An interesting approach to the strategy, based on value innovation, was presented by W. Chan Kim and R. Mauborgne, the creators of “blue ocean strategy”, based on the entire system of activities, leading to the increase in value for both the customer and for the entire enterprise. It is not about creating the competitive advantage in the traditional system of competition, but about the search for a new market area, i.e. the market space free from competition with unsatisfied demand. This is possible due to innovations that allow the reduction of the cost of products whilst increasing their value for customers. The implementation of the strategy is promoted by: creating a free space market in various industry domains (reconstruction of the market borders), concentration in building strategies for a broad vision, not the numbers, which allows the control of planning risk, which also reaches out beyond existing demand and the acquisition of new clients [Kim, Chan, and Mauborgne 2007, pp. 12–33].

Linking the business strategy with the business model, which is oriented to the outside world seems to be justified by the fact that the business model is not intended to replace the strategy, it can however play an important role in strategic management and can serve as a helpful support in the implementation of the strategy [Ghezzi 2014 p. 3]. In summary it is necessary to accept the idea that in strategic management, resources, opportunities, strategy and the organizational structure of the company must interact with each other and also with environmental requirements and the needs of customers to create competitive advantage [Tallman 2014, p. 119].

**Conclusion**

In conclusion it should be noted that the business model is a response to changes in the contemporary business environment in the context of the classic disappointment strategies, which are increasingly unable to meet the challenges of modern enterprises.

Companies build their own business models. Six exemplary models described by K. Mason and S. Mouzas [2012, pp. 1351–1363], include:
- the network business model,
- the transactional business model,
- the franchise business model,
- the agent business model,
- the sales-oriented business model,
- the retail business model.
With innovative business models the company has a chance to become a dynamic and flexible organization. Thus the business model should be a key factor in the competitiveness of the modern enterprise.

Personnel management must take into account a lot of factors within the company and its environments in order to improve the business model. A business model that does not provide value to customers and, consequently, to the company should be changed or improved. The changes can apply to selected modules within the model. They may be changes of a repair or innovative nature. Both cosmetic changes and radical ones aim to ensure that all components of the model together blend together harmoniously and support the implementation of the objectives of the company.

Assuming that each company has a unique combination of resources and operates as a whole [Battagello, Grimaldi, and Cricelli 2015], we can conclude that the improvement of the business model must also be tailored to a specific company. Especially the objectives pursued, processes, strategies, must also be tailor-made so that they are the key to creating value for stakeholders and to gain a competitive advantage. The process of creating the value of a company must be distinguished from competitors.

Managers should have the skills in planning appropriate activities and shaping business processes conducive to improving the business model for current and former sources of the competitive advantage that apply to products and markets, resources and competencies and the value generated. The ability to achieve the competitive advantage for the company not only depend on their own resources, but also on key competences and the knowledge and skills possessed. Particularly important are the key competencies that are unique, hard to imitate and give specific value to the customer. It requires a holistic approach to the enterprise and its ability to deliver value to the customer.

The source of competitive advantage can be an appropriate business model, which is a composition of resources, activities, products or services offered used for the production of value for customers [Nogalski 2009, p. 5]. Due to modern business models there is an increase in the company’s competitiveness and there is generated the value which is rewarding for all parties is generated.

The building process of the business model is connected with the managerial dynamic capabilities to open the firm to the processes of management innovation and to the ability to reconfigure the resources and the competencies that are located throughout the many value creation areas [Basile and Faraci 2015, pp. 51–52].
One of the ways to improve the business model is taking care of customer relations. This can be achieved through the respective competence of managers and employees responsible for customer relationship management. A key role is played by the relational abilities of workers, which should be encouraged by the improvement and development of relationships and in generating value for the players involved. Personalized customer relationships are gaining in importance.

Nowadays relationships which are unique and hard to imitate become important in shaping the business model, the relationships that are formed in the context of the development of cooperation, exchange of knowledge and information, shared values and procedures, including inter-organizational coordination and joint planning, etc. [Rodríguez Díaz and Espino Rodriguez 2006, p. 489]. The sources of competitive advantage are the appropriately created relationships of cooperation within the inter-organizational network. They lead to advantages in the form of: the access to resources, greater flexibility of action, reduction of transaction costs, better coordination of action or the increase in innovation [Stańczyk-Hugiet 2013, p. 86]. Furthermore, “relationships and networks allow the linking of resources of different actors, creating a relational value” [Stańczyk-Hugiet 2012, p. 78]. An effective way to improve the competitiveness of the company is to build privileged relationships with the market stakeholders and especially with customers, suppliers, competitors and the formation of partnerships and long-term public-private relationships. It is worth noting that the competitive position of the company is affected by both the processes and resources that the company owns, as well as those to which they have access and which they use within the inter-organizational cooperation. Moreover cooperating organizations also strengthen competitive advantage by: internalizing the skills and resources of the partner, learning from partners, sharing and knowledge creation, growth of the organization and a greater share in the market, risk and cost sharing in the field of R+D, protection against radical innovation, increasing the barriers to entry and for the creation of economies of scale [Stańczyk-Hugiet 2013, p. 87].

The ability to exploit the potential, especially in resource assets, becomes an important part of creating competitive advantage and thus gives the opportunity for growth of the company's value. The results of the analyses of existing studies in literature are the basis for further empirical research concerning the benefits that lead to a company with an improved business model in the context of contemporary sources of competitive advantage.
References


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