SHAPING THE BUSINESS MODEL AND THE VALUE OF THE ENTERPRISE

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ABSTRACT

The company, operating within the changing reality of the business world, must be able to utilize its resources in such a way as to maintain the continuity of its business while renewing operational strategies. Integrating resources with an innovative business model that is supported by good strategy, should be conducive to the production of expected value for the customer. Exchanging of mutual values ensures the continuity of the functioning of the enterprise and the satisfaction of customers. Then begins the process of value migration and the migration of a wide range of stakeholders (who are waiting to capture part of this value). The company, via its effective and efficient business model, becomes the carrier of this value. Managers should concentrate on building capacity to be able to continuously provide value. The purpose of this article is to show the role of the business model in the process of value exchange and its impact on the economic condition of the company.

Keywords: Management system, business model, managers, value of the enterprise.

INTRODUCTION

At present, a dynamic and variable market environment has brought about new mechanisms for achieving competitive advantage in enterprises and has defined new attributes for their business models. As a result, the shape of the company value management system has undergone changes. This is particularly important not only in the context of the life cycle of the company, but also in the context of the life cycle of its value. The carrier of this value are companies with appropriate business models. Hence, managers' focus should be directed at developing an organization's continued ability to create appropriate value, where the condition of the implemented business model is the determinant of the value produced.

Contemporary market conditions, characterized by instability and uncertainty, force theoreticians and practitioners of management and economics to seek relatively stable carriers of value for the enterprise. It should be noted that the business model is nowadays one of the most popular concepts cited in the literature. In addition, its appearance is usually associated with the concept of value creation (Wirtz, 2011, pp. 11-12). This association has led to the desire to examine the business model in terms of its impact on the creation of enterprise value.

RESEARCH METHODOLOGY

Concepts of financial management and human resource management have been the subject of analysis in economics and management for many years, and the scientific and practical output is significant. The concept of the business model in terms of its impact on the value of the company is a recent topic of examination, and there is a large gap in both the theory and practical adaptation of this concept. The author of this publication has set a target to fill, at least partially, this gap.

Companies are using specific business models on a more frequent basis and have felt the benefits of doing so. The subject of this article is the analysis of issues related to the shaping of the business model in the context of company value. Analysis was made about the current direction of development of customer equity management and its practical adaptation in constructing company value. In the framework of this study, the mechanisms for the creation of company value are also shown.

In this work the following methods were used: review of literature and source materials in electronic form, observation and analysis of case studies. In this study, the method of descriptive analysis, based on extensive literature, was used. The work also presents the results of research and analysis conducted by well-known scientists around the world in the field of management.

Attributes of a business model

If we accept the premise that companies do not currently compete with products but with business models, and the most effective source of value creation is a well implemented business model, this means that one should carefully invest in a sound business model to reap the full potential inherent to it. B. Demil and X. Lecocq define a business model as the way in which an organization operates in order to ensure its stability (Demil & Lecocq, 2010).

Thus, the main tool to generate value is the business model of the organization, which is the carrier of its competitive advantage. This crucial ontological entity allows one to create the value of the enterprise in the short and long term. However, designing a business model is not easy. The right approach is necessary to determine the proper way to develop and grow the company.

Among the many theoretical frameworks for the construction and operation of business models, systems and network thinking are of most importance. The realization of this configuration allows one to build mechanisms to ensure the success of a company in the dynamic variability of the market environment (Zott & Amit, 2010). The assumptions of systems and network thinking pave the way to logical management of the enterprise, indicating the potential of the enterprise and its business environment, which help to shape an effective business model.

The business model is characterized by how the company delivers value to the customer and how payment is transformed into profits (Teece, 2010, pp 173-174). This perception of contemporary management and economics, through the concept of the business model, requires one to reflect on the nature and the depth of business objectives and the forces that affect its durability. It also forces one to question the potential that lies in the specific business solution. It is not the company itself, but how it is operated, that results in the creation or destruction of shareholder value. Therefore, investors and shareholders not only expect good and credible strategic and operational plans, but also a description of the attributes of the business model, on which the success of the project is based.

The most commonly defined attributes of the business model, cited by different authors, include: the logic of income generation, the proposition of value for the customer, the types

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of customers and the relationship between them and the company, the way value is delivered to the customer, the position of the company in its value network, and revenue streams (Onetti, Zucchella & Jones, 2012, pp. 345-356). These attributes determine business processes and the methods for improving them. Identification of business processes should not only be made in the context of the enterprise and its aims, but particularly also in the context of the attributes of the business model. This approach allows the organization to maintain strong relations between the needs of customers and the way expected value is generated an delivered.

At the beginning, one needs to design a business model and define its attributes to later identify the processes necessary to comply with all attributes. The relationship between individual attributes should be consistent with the business model (Falencikowski, 2013, pp. 96-98). Consideration of the business model should include the internal structure, as well as interactions with the environment, in the context of value creation.

Striving to continuously achieve success in business is the job of managers. Not everyone is able to realize the materialization of sustained value creation. This requires a multi-dimensional approach to the management of the business model; from the designing and redesigning of its utilization, to its strategic renewal. Here, there is a transition from the development of the business model to the achievement of the status of a sustainable business model (Drnevich & Kriauciunas, 2011). Business models evolve in the context of the life cycle of companies. If the attributes are not conducive to the creation of value, there arises a need to modernize. When a company reaches a state of maturity and the business model is still profitable, one needs to apply methods and techniques to maintain the strength of the model.

Mechanisms for the creation of value for the company

In the modern economy, the condition of particular industrial sectors play are very important. The sector of the company and its unique differentiators determine the parameters of individual carriers of value. These include the life cycle of the sector, its attractiveness and stability.

The economic condition of the company mainly depends on:

- Time of entry into the sector in which there is rivalry for customer value;
- Possessed and offered value for customers (relative distinguished value in comparison with the value offered by competitors),
- Knowledge possessed by management, the intellectual capital of the enterprise,
- The state of possessed resources, and access to them,
- The ability to create value for the company,
- The ability to eliminate factors that destroy company value,
- the quality of the realized business model and strategy.

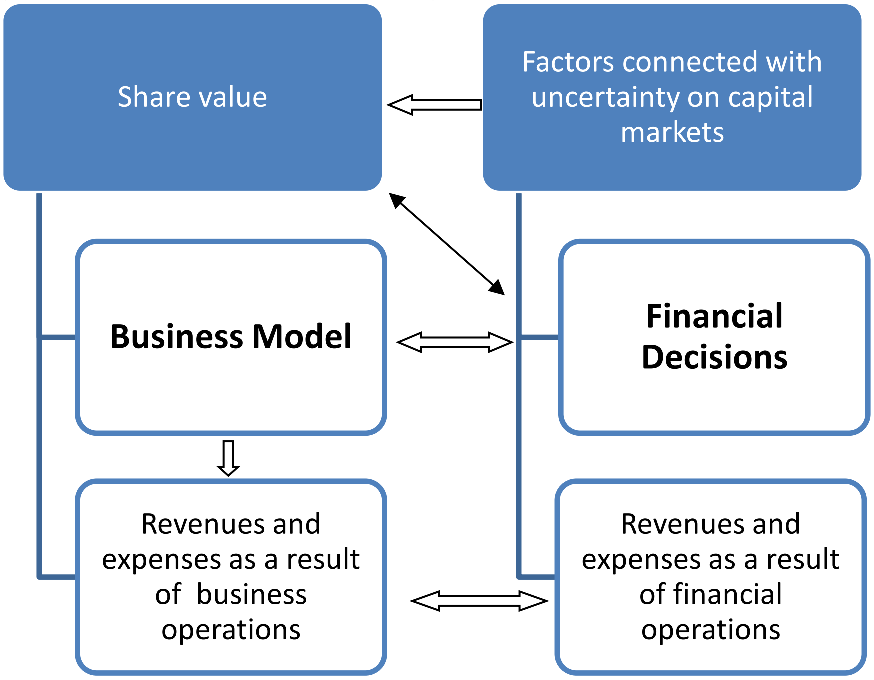
The company can and should protect its operational and development model. This can be done through mechanisms built into the business model that prevent its imitation. There are also important mechanisms to support a specific business model, making it impossible to copy (Niemczyk, 2011, pp. 108-110).

The migration of value and the process of stakeholder migration currently play one of the key roles in shaping and managing the business model. A. Slywotzky, creator of the concept of "migration value", believes it illustrates the flow of income and wealth of shareholders on a business chessboard. It is a process where value departs from economically outdated business models and flows into new ones, which are more effective in creating value for customers and in acquiring value for the owner (Slywotzky, 1996, pp. 21-22).

As D. Siudak writes, the current stock price of a company is a result of the evaluation of the value of the capital of the company by the capital market. The current share price includes the expectations of the capital market concerning the financial results of a company, which is determined by the degree of effectiveness of the designed business model. The stock price of the company is determined based on an assessment of the company's value by the capital market. Consequently, the migration of value between enterprises occurs. The capital market constantly measures the present value of enterprises (Siudak, 2013, pp. 38-39). Value migrates with the change in expectations of investors regarding the potential of creating added value with the realization of the company's strategy, based on its business model.

Various factors affect the share value of listed companies (Figure 1). One of the factors that affect share value is financial decisions. The business model and its configuration is another factor affecting the value of shares. The business model and a company's financial decisions, complemented by factors characterizing the uncertainty of capital markets, constitute important elements of the final value of shares of listed companies.

Figure 1: The mechanism of shaping the value of shares of listed companies



Source: own research

In the process of value management, the company experiences inflows and outflows of value. This is dependent on the efficiency of the business model shaped at different stages of the life cycle of the company.

The inflow of values causes:

- An increase in innovation capital based on knowledge of stakeholders,
- Revitalization and renewal of strategic resources of the enterprise,
- Increased acceptance of risk,
- A more competitive position on the market.

Stakeholders migrate to enterprises which are in good economic condition. Customers migrate to those companies which are able to generate the values they need.

The outflow of values causes a loss of power inherent in the social and intellectual capital of the company. It also decreases the possibility of developing the enterprise through innovation diffusion (Jablonski, 2011, p. 9). All this leads to a deterioration of the company's competitive position in the market.

Table 1: Factors determining the dynamic formation of the business model in terms of value creation in companies

External factors	Internal factors
Very high expectations of investors associated with investment risk	Desire for developmental restructuring
The specifics of the innovative market, where the life cycle of products is short	Culture promoting innovation
The publishing of business model descriptions in informational documentation makes entry into the market easier	An organization that is continuously learning
Weak protection of the business model due to the transparency of the company and the lack of adequate legislation to protect innovation	High flexibility and innovativeness
Creativity of competition depreciates existing business models	Competences of managers adequate to high technology markets
Demand-side constraints; Customer weariness of products / services because they are surrounded by other proposals	Active participation in networks, such as clusters, etc.

Source: own research based on Jablonski, 2013, p.28

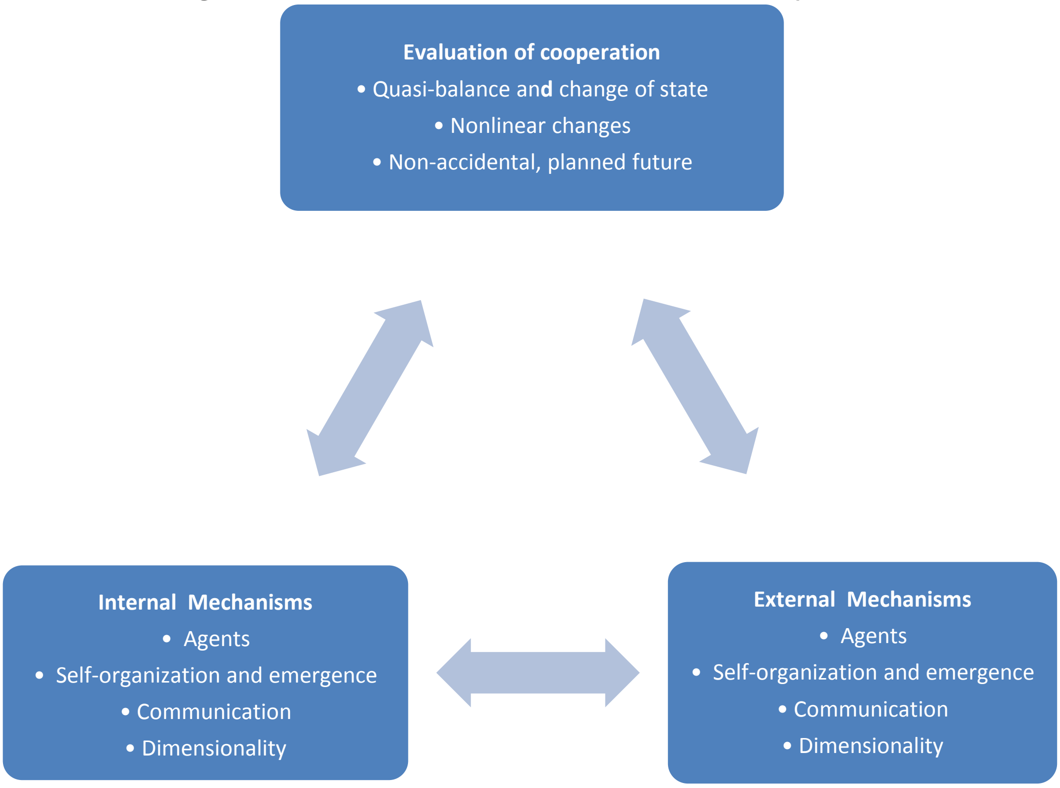
Currently, companies that have a high growth potential in the early stages of their development are mostly "high-tech" companies in innovative markets. Table 1 shows the factors determining the dynamic formation of business models in terms of value creation. The internal and external factors that directly or indirectly affect the company's value were listed.

The appropriate business model may positively influence the efficiency of resource utilization, enable the company to maintain its competitive advantage, and ensure strategic balance in the company, understood as a state of equilibrium between two states of chaos. The longer the strategic state of equilibrium lasts, the longer the period of achieving higher returns on invested capital. During this time period, there is a relatively perfect fit between the business model and the needs of the market (Håkanson & Snehota 2005, pp. 23-30).

Systems thinking results in the construction of an effective management system in the enterprise. A management system, together with other business processes, a business model and strategy, create a coherent whole. The result of this is the creation of an effective management platform that determines the development and growth of the company (Czarniewski, 2014, pp. 69-75).

Systems thinking is related to the theory of complexity which can be described by evoking the adaptive model of a complex system developed by T.Y. Choi, K.J. Dooley and M. Rungtusanatham. This model presents the interdependencies between the evolutionary approach, the internal mechanisms of the organization and its environment (Choi, Dooley, Rungtusanatham, 2001).

Figure 2: The dynamics of complex adaptive systems



Source: Choi, Dooley & Rungtusanatham, 2001.

In this concept, it is important to link internal mechanisms with the business community to assess the cooperation between the various entities affiliated with the company (see Figure 2). Embedding this relationship within systems thinking lets one shape the image of the company in the form that is represented in the business model of the company.

Constructing an effective business model requires a specific approach. The ability to construct an effective business model determines not only the growth and development of the company, but above all the ability to create value and sustainability of the company. In order for this to occur, it is necessary to take full advantage of the theoretical assumptions existing in management sciences.

CONCLUSION

1. The variability of the business environment is caused by the chaos that occurs in the market, and managers must seek mechanisms to combat it. They often try to counteract chaos by redirecting resources to make the most advantageous use of what is available, and by shaping strategic factors in the form of construction of optimal business models.
2. In a highly competitive market an important issue is the development of creative thinking in entrepreneurs that enables them to forecast and plan effectively to make proper business decisions. Lack of analytical ability may result not only in failure to achieve assumed results, but also in the loss of skills to generate company value.
3. The attractiveness and efficiency of the business model are the key criteria for selecting a project for funding. The ability to move from one business model to another or to effectively amend the model to ensure the company's ability to generate value, is a desirable trait of managers.
4. By using systems and network thinking in business management, managers are able to effectively and efficiently construct a business model for their company. Only such models ensure an increase in the value of the company.

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