

MANAGING BUSINESS MODELS PORTFOLIOS IN INTERNATIONAL ENVIRONMENT: THE CASE OF POLISH ENTERPRISES

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Abstract:

Purpose – The aim of this paper is to analyze management difficulties associated with the implementation process of new business models in Polish enterprises in foreign markets as well as with constructing their relationship potential. Additionally, the study aims at determining whether these enterprises do manage by a particular business model and if so, then what the nature of the management of the entire portfolio of their business models is (in the Polish and foreign markets).

Findings – The studied enterprises do not manage by a business model in the Polish market as well as in foreign markets (they do not manage a portfolio of business models). Although they diversify their activity at home and abroad, they do not allocate resources, financing, communication channels etc. to the selected key segments of their customers.

Practical implications – Firms should develop their relations and network competence which are crucial for adopting a management system grounded in business model portfolio management. For this purpose it is essential that they regroup their customer segments quicker.

Keywords: business models, business model portfolios, management strategy, polish enterprises, international environment

1. INTRODUCTION

In the contemporary world economy the access to resources and manufacturing technologies have long ceased to be the factors which determine the long-term competitive advantages. It is becoming indispensable for the markets which suffer from the supply surplus of industrial goods to devise proper customer relationship mechanisms (which involves flexibility in product and service design), including the needs assessment of the end-customers. One answer to this challenge is employment of a business model which, due to its configuration, allows to allocate the appropriate resources and thus customized value to precisely selected customer segments. The technology revolution has increased the ability of businesses to design cooperation networks and hence to generate further resources. This in turn has facilitated reaching customers and analyzing their needs. Moreover, new specialist resources and competences, having appeared in firms, have affected new possibilities of customer service and opened additional space for designing new business models and managing competition strategies.

Business model management has therefore become an attractive alternative for modern enterprises in the area of competition at home but also in the area of international expansion. Polish firms, as business practice tells us, have been operating insufficiently in terms of the development strategy grounded in business models, and thus in terms of implementing the concepts of integrated management system. Therefore, it is highly relevant to conduct research which will determine the status, barriers and development opportunities for the concepts of business model management. A further problem is adapting new business models by Polish firms for expansion into new markets or in fact managing a business models portfolio for foreign markets.

2. LITERATURE REVIEW

The literature on the subject does not provide many studies (theoretical or practical) on the practices of business models portfolio management at home and abroad. In numerous articles published on the topic it is directly suggested to expand and intensify the research on the issue (Vives & Svejenova, 2011, pp. 239-240). It is proposed that an analysis of the relations between the processes of internationalization of an enterprise and new business model design be carried out, together with a similar analysis of the relations between the acquisition and takeover strategies and business model implementation process. It is highlighted that managing business models portfolios in foreign markets holds potential for conflict within companies since it makes it essential to include high complexity of international environment, which in turn requires further research (Vives & Svejenova, 2011, p. 240). However, the business model portfolio alone, included in one strategy, is highly significant for an enterprise: it serves to prepare the organization for functioning in a turbulent environment, as well as to protect it from losing competitiveness and to constitute an answer to any changes in the market speculation conditions.

K. Mason and S. Mouzas consider a possibility to implement flexible business models in organizations expanding internationally by analyzing the architecture of business model (including the structure of network relations and their types within this network), and analyzing the orientation of a particular business model (client-oriented, competition-oriented or cross-functional coordination-oriented). The flexibility of enterprises' operations can be expressed in their capability to effectively acquire resources from occasional suppliers (as it is a key factor constituting the architecture of a business model by its network and transactional character). The acquired transactional relationships, with simultaneous influence of the firm on the behavior of its partners within the network, enable quicker implementation and development of new innovative solutions for customers. Thus, it becomes possible and actually necessary to manage by flexible business models since they generate innovation (Mason & Mouzas, 2012, p. 1342). Moreover, in the network influence approach what is stressed is the diverse and multidimensional character of the relationships, which affects the structures of the network and, further, the structures of the organization. The ongoing interactions within the network, formed due to long-term formal and informal relationships, lead to acquiring knowledge, experience and trust from business partners. To conclude, the higher the network competence of an enterprise, the easier it is to manage by business model portfolio (Nair *et al.*, 2012, p. 1652).

Additionally, the market orientation (customer orientation) is, according to the theory of enterprise, a significant premise facilitating business model management (and business model portfolio management), in configuration with efficient functioning within the network of formal and informal

relationships (Mason & Mouzas, 2012, p. 1344, 1361). The better the knowledge of customer needs, the easier it is to understand and conceptualize a business model and then to implement flexible business models. It is also highlighted in the subject literature that the more competition-oriented an organization is (particularly in correlation with network competence), the easier it is for it to transfer to business model management.

Confidence in business partners gains in significance to become crucial, in the network economy and relationships (in foreign markets). The greater the trust, the easier it becomes to acquire resources and to design innovation, and consequently to diversify and develop the activity and business model management. An explicit characteristic of business network relationships is their infinity, which translates into the potential of businesses for expansion into new markets with new products and services for new target customer groups. While analyzing the issue from yet another perspective, it is worth to underline that the literature on the subject demonstrates the business model portfolio management by looking at the home and target market segmentation. It is then suggested, though without extensive empirical evidence, that the similarity in customer segment configuration between home and foreign markets promotes duplicating business models onto further foreign markets.

3. METHODOLOGY AND SAMPLE

In order to achieve the objectives set in the research the *case study* procedure was adopted and executed. It included the following stages: 1. Formulating the research questions, 2. Identifying the basic terminology associated with defining a business model, 3. Selecting the cases to be studied (three large firms, one in the service sector and two in the production sector, which all expand internationally and plan to intensify their expansion in the future), 4. Selecting the tools and procedures for data collection, 5. Data collection, 6. Analyzing the collected data internally, 7. Determining the cause and effect relations, and 8. Concluding and presenting recommendations for business.

The core tool for data collection on the businesses selected for study was interviewing the managers of those businesses with the use of a carefully drafted instrument - an in-depth interview questionnaire. The verification of the collected data was executed by analyzing other documentation on the studied businesses, their web content and customer opinions. Each interview in each of the three studied companies lasted 1.5 hours.

A significant stage of the entire research was identifying the basic terminology associated with defining a business model. Adopting the business model definition offered by A. Osterwalder and Y. Pigneur was the most significant decision in the research. The authors have assumed that it is possible to design a draft of a business model which includes the same elements and can be applied to any business (Osterwalder & Pigneur, 2010, pp. a-k). Their concept demonstrates that the business model construct incorporates 9 basic building blocks which concentrate on the offer, the customer, the infrastructure and financial credibility (see table 1).

Table 1: Business Model Construct

Business Model Building Block	Description	Key questions
1. Customer segments	Our groups of customers with distinct characteristics	Who do we create value for?
2. Value proposition	A bundle of products and services that satisfies a specific <i>customer segment's</i> needs	What do we offer the market?
3. Communication and distribution channels	The channels through which we communicate with our customers and through which we offer our value propositions	Through which communication and distribution channel do we reach our markets?
4. Customer relationships	Client relationships	Do we develop and maintain different types of client relationships in our business model (e.g. more or less intense, more or less personal)?
5. Revenue streams	The streams through which we earn our revenues from our customers for value creating and customer facing activities	What are our revenue streams?
6. Key resources	The key resources we need to make our business model function	What are the key resources we rely on to run our business model?
7. Key activities	The most important activities that have to be performed to run our business model	What are the main activities we operate to run our business model?
8. Partner network	The partners and suppliers we work with	Which partners and suppliers do we work with?
9. Cost structure	The costs we incur to run our business model	What are the most important cost positions in our business model?

Source: Osterwalder & Pigneur, 2010, pp. a-k.

Incorporating the 9 blocks business model concept served to analyze whether the interviewed business is managed by business model in Poland and in foreign markets. It was essential for the analysis to determine whether the business selects customer segments as the core of its business model, and then whether it is capable of providing its customers with quality and whether it is capable of allocating resources, procedures and marketing communication to those selected customer segments. A similar research method was executed to analyze potential business model in foreign markets. It was assumed that if a business decides to adopt management by business lines or by product manufacture location (even though the remaining business model characteristics relate to the blocks used in the analysis) as its starting point to deliver value to its clients, it does not manage by business model.

4. RESULTS AND DISCUSSION

This paper has been an attempt to evaluate the extent to which the three studied Polish companies integrate management system based on business model attributes and to analyze whether (and how) they construct business model portfolio in the home and foreign markets which they expand into. The evaluation, in addition to systems analysis, refers to key conditions of business model design and the elements of its construct not only in foreign markets. These include flexibility, network relationships, their market orientation range etc. The study, therefore, attempts to become an answer to the claim posed in the beginning, particularly because Polish enterprises have so far been rarely studied in similar context, if at all. The research output has made it possible to formulate the following synthetic conclusions referring to the study objectives:

1. The studied enterprises do not manage by a business model in the Polish market as well as in foreign markets (they do not manage a business model portfolio). Although they diversify their activity at home and abroad, they do not allocate the resources, financing, communication channels etc. to the

selected key segments of their customers. Lacking business model management system in the home market is the key reason why the businesses do not manage business model portfolio in foreign markets. Another equally significant factor limiting the opportunities of Polish companies to design business models in international markets is low intensity of cooperation within international networks and its over-formalization. The factors which will facilitate the implementation of business model management in the studied firms are the strong market orientation and integrated management.

2. The studied firms expand into foreign markets according to the Uppsala model. The process of relationship development in foreign markets is also sequential in nature. However it runs differently in each of the studied cases. The key conditions which determine the distinctness of the relationship creation process include the type of products and technologies offered to clients and the market character (its development stage and its geography). The research findings partly confirm the assumption that the range of formal and informal relationships as well as the sequentiality of their creation in foreign markets determine the pace of business model management implementation. Still weak network relationships (particularly the informal and transactional ones) prevent the studied businesses today from implementing the business model portfolio management system. And if the future does not bring any changes, they may still constitute a serious barrier for the diffusion of new business model, which will appear at home, to new target markets.

3. Activity diversification in the studied enterprises does not translate into selecting business model management as the major management strategy since it is not accompanied by a strong foreign network partner orientation. Still low or average level of technological development in the studied businesses (despite the intense activities aimed at changing it in each company) leads to difficulties in implementing business model management even after the first attempts to regroup customer segments in order to select potential clients interested in technologically advanced solutions.

4. The studied firms are convinced it is essential to implement the integrated management system and execute this concept in many aspects of their operating and strategic activities. Each of the studied companies integrates the strategic management (the vision, the objectives, the strategy) with the operational management. To achieve their business objectives the companies integrate not only the key functions of an enterprise (such as the marketing, the production, etc.) but also the components of the environment, health and quality management systems. Moreover, the companies in question cut the time spent on strategic planning and regularly search for new business opportunities and new market niches, thus developing their competence to anticipate any changes appearing in their environment. Such management conditions are a solid ground for implementing a full business model management and business model portfolio management in the analyzed companies in the future, which will speed up the process of creating changes and searching for new market space - that is a fully operating strategy for future functioning. An obstacle for executing a comprehensive management model based on integrated management in the studied businesses is a low level of network competence and an average skill to build trust-based business relationships (short- or long-term, tactical or strategic) with all network participants.

5. LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

The study is an introduction to further research extended onto more enterprises and intensified in the future. The research should focus on analyzing the relationship (and network) potential as well as on the management potential of Polish businesses expanding in foreign markets in terms of the prospects of implementing business model portfolio management internationally. It should include a representative sample, which requires that concluding be quantity based. The research should also answer an important question (from the point of view of business practice) whether the diversification of activities in Polish firms translates into selecting business model management.

Moreover, it is highlighted in the subject literature in the world that the more competition-oriented an organization is (particularly in correlation with network competence), the easier it is for it to migrate to business model management. It is suggested to extend the research on the issue, which can be in the form of an analysis of how Polish businesses operating in foreign markets react to activities taken up by the competition (locally and internationally) and what the strong and weak points of this competition are (in the context of the possibilities to implement business model management). The literature on the subject demonstrates the business model portfolio management also by looking at the home and target market segmentation. It is proposed, conceptually and still without sufficient empirical evidence,

that the similarity in customer segment configuration between home and foreign markets promotes duplicating business models onto further foreign markets. It is also suggested to verify the above assumption, based on the results of the research on Polish and international enterprises which manage a business model portfolio in at least several foreign markets.

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