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VALUE AS A PRINCIPAL DIMENSION IN BUSINESS MODEL

Abstract:

The aim of the study is to present the concept of value creation as a principal dimension in a business model of the enterprise. The problem of creating value has been attracting interest among theorists and practitioners of management. These problems are of interdisciplinary character. Generation of value depends on numerous variables in the enterprises and the factors that remain outside the influence of the entity. Suitable configuration of resources used by the enterprise allows for building competitive advantage which is conducive to creating value. Ability to define and redefine business models depends on key competencies which are conducive to building enterprise's value. Architecture of business model can be considered as a system of connections and cause-and-effect correlations between individual components of this model configured in order to implement the assumptions adopted by the enterprise. Therefore, it is essential for building competitiveness to ensure proper conditions that are conducive to supplying the value for stakeholders. The most of definitions that have described the problems of business model in the related literature points to value as a central category of long-term decision processes in the enterprise. Consequently, it can be indicated that the concept of business models is inherent in the problems of management of enterprises value. It should be emphasized that strategy of the increase in value and the respective concept of building business model represent the essential source of achievement of success through contemporary enterprises which are at risk of unpredictable behaviour from the market environment. Turbulent environment substantially changes market conditions of enterprise's operation. The relations between stakeholders are changing. This concerns in particular relationships with customers. In order to maintain competitive ability of the enterprise, they have to regularly adjust their offer to customer need, thus verifying the value they supply. This translates into the necessity of verification of business models used previously in the enterprise.

Keywords:

business model, value creation

Introduction

Management theorists and practitioners are more and more often focused on the problems of management of enterprise value. This is connected with assumptions of financial theory of the enterprise, which emphasizes the increase in enterprise value as a principal objective for activities in the enterprise. Ability to create value is especially important in the context of variable and turbulent environment, unstable competitive advantage, shortened business cycles and presence of specific tendencies in terms of innovative products. With respect to those factors, numerous studies have attempted to face the challenges of analysis of contemporary markets and conditions of enterprise operation. One of the major challenges the managers and researchers in the field of management have to face is construction and analysis of proper business model that contributes to creation of value for the enterprise. It is emphasized that enterprises are competing with not only products and services (in terms of their quality and price) but they also use business models to compete in the market. (Jabłoński, 2013) The studies carried out by Ghaziani and Ventresca (2005) indicated that among a variety of contexts in which the concept of business model was discussed, the top place in scientific publications is taken by its combination with problems of creation of enterprise value, thus showing the substantial interest of the scientific world in these problems and pointing to the need and legitimacy of further research and analysis in this field.

Value as a central category in definitional approach to business model

The concept of business model focuses on a variety of tendencies and approaches that are incorporated in management sciences. Definitional approaches to these problems presented in the literature point to varied interpretations. However, the multitude and variety of definitions emphasize the importance of the concept of business model in the area of management sciences. It seems necessary to present selected definitions that interpret business model and emphasize the complexity and multidimensional nature of this problem. Table 1 illustrates selected definitions of business model in chronological terms.

Table 1: Selected definitions of business model (chronological approach)

Author (year)	Definition
Mahadevan (2000)	a unique combination of two streams that relate to business activity of the enterprise; the first of them is value oriented at business partners and customers, the other is revenue flow and the third is the logistics flow, composed of the number of components in the supply chain
Hamel (2000)	a composition interrelated with customers, composed of a key strategy, strategic resources and networks of value
Afuah, Tucci (2001)	a method adopted by the enterprise in order to increase and utilize the resources, aimed at presentation of the range of products and services with the value higher than in the competitors and ensuring profitability for the enterprise
Amit, Zott (2001)	a presentation of contents, structures and principles of management of transactions in order to create value through utilization of business opportunities
Oblój (2002)	a systematic concept which includes a number of components which are included in the type of competitive advantage, major resources and competencies that represent the substance of operation in the enterprise and configuration of the value chain

Magretta J. (2003)	a set of assumptions that allow organizations to perform activities to create value for all the enterprises it depends on, which means that a specific organization does not create the value only for the customers
Rappa (2004)	a method to perform business activities, expressed by determination of the method to create value, definition of the place of the enterprise among partners in the value chain and identification of the form of cooperation with customers that generate revenues
Afuah (2004)	activities carried out by the enterprise and the methods and time of these activities while using the resources that lead to creation of the highest value for the customer (reflected by low costs or unique products) and ensures that the enterprise has the position for overtaking value
Nogalski (2009)	a developed form of the organizational model of enterprise management
Chesbrough (2010)	(1) it expresses a proposal of value for the customers; (2) it identifies and defines the market segments and mechanisms for generating incomes; (3) it determines the structure of the value chain required for creation and distribution of the range of products offered and determines complementary assets necessary for supporting the position in this chain; (4) it determines the structure of costs and potential income; (5) it describes the position of the enterprise in the network of value that connects the suppliers and customers; (6) it formulates the competitive strategy that supports innovations in order for the enterprise to obtain and maintain the competitive advantage
Osterwalder, Pigneur (2010)	a method used by the organization to create, supply and capture the value
Bieger, Reinhold (2011)	basic principles of logics used by the organization to create value, thus determining: (1) a range of products offered by the organization that represent the value for the customer; (2) a method used to create this value in an organization; (3) a method used to transfer the value to customers; (4) a method used to "capture" the value by the organization in the form of profits; (5) a method used to distribute the generated value among stakeholders in the organization, and (6) the basic logics of operation that leads to further creation of value and ensures sustainable development in the business model in the future
Falencikowski (2012)	a relatively secluded, multi-component conceptual object, which describes running business through determination of logics of creating value for the customer and capturing the part of this value by the enterprise
Jabłoński (2014)	logics of utilization of resources and performing the activities that guarantee the ability for creation, development and achievement of the set objectives in the enterprise

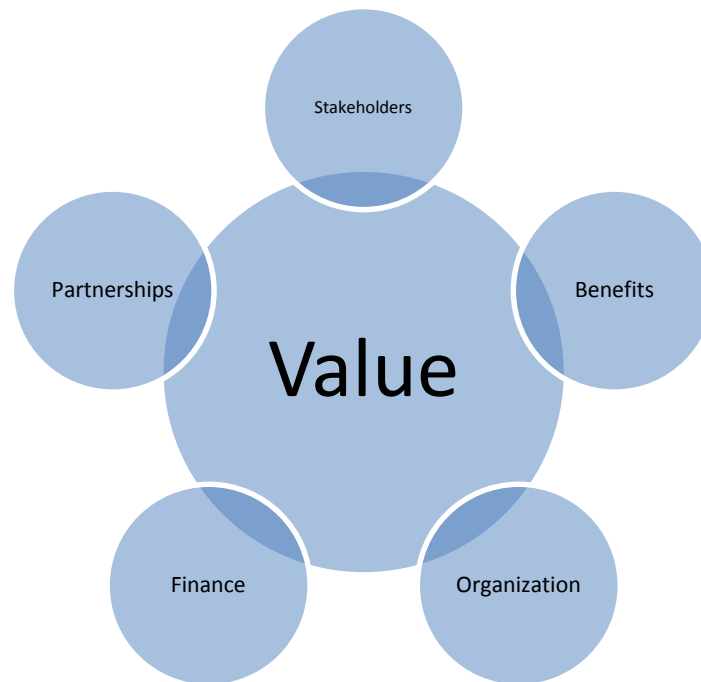
Source: author's own elaboration

The above definitions characterize and describe the problems of business models in a varied manner. Both simplified and extended structures should be emphasized. However, it can be indicated that the concept of value is one of the principal components of these definitions. Value is approached in various contexts. They concern creation, capturing or supplying. Furthermore, with respect to the objects that are attributed to the value, the definitions of business model emphasize both

customers as direct value beneficiaries, and the enterprise that captures the value. Therefore, it can be demonstrated that the value generated based on the business model is used both for strengthening of relations with customers and it is useful in supporting competitive position of the enterprise and creation of competitive advantage in the enterprise over its market competitors.

However, value is the principal (but not the only) dimension in the definitions of business model. Other dimensions include: stakeholders, benefits, organization, partnership and finance. (see Fig. 1)

Figure 1: Definitional dimensions of business model



Source: author's own elaboration

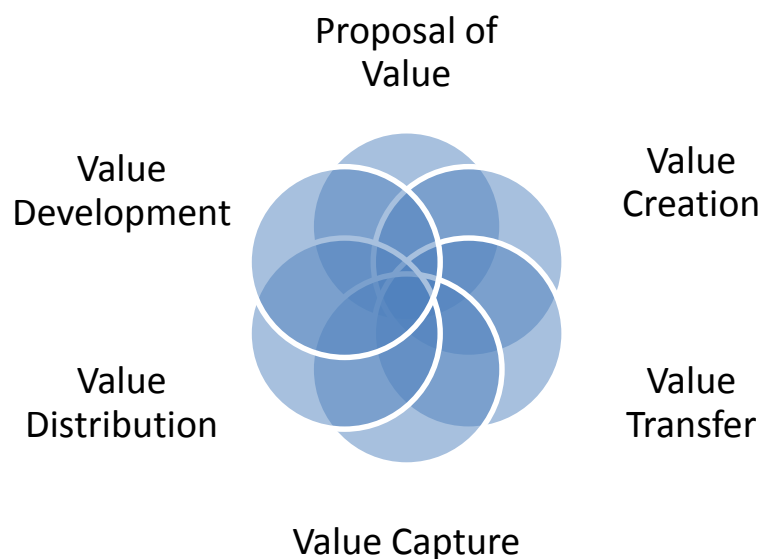
The first of the dimensions for which value is generated is stakeholders. It relates to the segments (groups) and channels used to distribute value and interrelations that occur between individual groups of stakeholders. It should be emphasized that the specific place in this group is taken by customers. The most of definitions of business model are focused on creation of value directly for customers. However, the dimension of benefits relates to the dimensions which are possible to be achieved as a result of implementation of business model. Various definitions relate to such points of reference in the business model as the most attractive range of products and services to customers, profitability for the enterprise or achievement of competitive advantage. The organizational dimension refers to utilization of the resources, competencies and performance of processes that form a holistic system of logics of enterprise operation. The dimension of partnership emphasizes mutual relations between the enterprises and its stakeholders. In particular, the definitional approaches of business model emphasize the partnership relation that occurs between the enterprises as a value generator and the customer as the value beneficiary. The last dimension (finance) focuses on costs incurred during creation of value and revenues generated as a consequence of providing customers or other stakeholders with the value.

Dimensions of value in the structure of business model

With constantly increasing challenges and requirements that enterprises have to face, the necessity emerges to improve management processes in the context of building capability of generating profits for stakeholders. The essential role in this process is played by the awareness of the strength of value creation that is inherent in the business model configuration used by the enterprise. The ability to construe business model can be numbered among key competencies that are conducive to building value in the enterprise. Therefore, striving for market success, measured by the ability for generation of value added, requires a multidimensional approach to business model management. It can be indicated that the effective business model is one of the most important factors in creation of value in enterprises and a driver in creation of this value for both customers and stakeholders. It is emphasized that concentration of management practitioners is oriented at achievement of continuous ability of the enterprise to create value while the level of the value generated is determined by the condition of the business model used (Jabłoński, Jabłoński, 2013).

However, it should be noted that the importance of value creation as a result of implementation of the business model needs a broader interpretation of its dimensions that represent the specific areas in the construction and architecture of business model. Using the approach presented by Bieger and Reinhold, business model based on creating value concerns in general terms its six principal dimensions. (Bieger, Reinhold, 2011) These include: proposal of value, value creation, value capture, value distribution and value development. (see Fig. 2)

Figure 2: Dimensions of value of business model



Source: author's own elaboration

Proposal of value relates to groups of customer at whom the range of products and services in the enterprises are oriented. Naturally, it might adopt both physical and non-physical forms. However, the great challenge for the enterprises is determination of the needs and interests of customers. The consequence of these activities is determination of the values for individual groups of customers in the form of the offer prepared by the enterprise that concern not only concrete products or services but also a set of systematic activities connected with supplying and the use of products. The literature terms the proposal of value used by the specific business model as

Customer Value (Belz, Bieger, 2004). With this approach, it represents the difference between the benefits provided by the customers and the costs of obtaining this value with respect to alternative benefits offered by competitors. According to Kotler, the total value for a customer is a sum of benefits which are expected by him or her with respect to specific products or services. (Kotler, 1999) However, the concepts of values for the customer and the customer value should be distinguished from each other. In the first case, the party that analyses the proposal of value is customer, whereas in the second case, it is the enterprise that evaluates benefits which can be achieved using the offer oriented at a particular group of customers. The customer value should be considered not only from the financial standpoint but also in the context of relational capital, which includes e.g. references or the effect on potential other customers that are present in the enterprise surroundings.

Value creation determines the methods to create value. It determines a combination of resources and capabilities that can be used by the enterprise and are necessary for value generation. Therefore, it should be emphasized that the basis for value creation are resources in the enterprise, which can be related directly to the concept of resource theory present in the literature (Wernerfelt, 1984; Barney, 1991). With this theory, each organization represents a unique set of resources and competencies. Furthermore, it is adopted that with the resource approach, value generation is also affected by a combination of the competitive strategy and resource basis (Otolá, 2013). In light of this theory, the resources concern the factors that affect the production processes in the enterprise and are transformed into a final product or service. Furthermore, the competencies allow the enterprises to utilize the available resources. Approaching value creation, enterprises have to determine and interpret its resources and competencies. It is emphasized that value creation depends on the abilities to use a systematic and holistic approach to the enterprise potential and the effectiveness of utilization of this potential. (Jabłoński, Jabłoński, 2013). Therefore, the importance of a business model in light of value creation is reflected by the specific construction of this model and its adjustment to resources and competencies in the enterprise.

The next stage after value creation is value transfer. It occurs through specific channels of communication with customers and distribution channels. With the channels, value proposal in the enterprise is transferred. The transfer might include flows connected with providing information about products or concerning collecting information about the customer needs. The consequence of these activities is distribution of products i.e. transfer of value proposal for customers. It is essential for the architecture of business model to determine the type of interactions with the customer used by the enterprise to transfer value to them.

Another dimension of the value in business model is its capturing, which consists in determination of the methods to return of the value transferred to the customers back to the enterprise. Therefore, this dimension represents a specific feedback for the transfer of value between a customer and enterprise. Using the simplest approach, the value transferred to the customer returns to the enterprise in the form of revenues on sales. Another perspective can be used to viewing value capture from the standpoint of value added in the enterprise. Therefore, it can be indicated that both inflow and outflow of the value occurs during value capture. The presence of these flows in an enterprise depends on the effectiveness of business model developed at individual stages of the enterprise life cycle.

Division of these values concerns the method of its distribution among individual stakeholders in the enterprise. The expectations of the groups of stakeholders connected with the value generated by the enterprise might often vary. Therefore, the

principal role of business model is to ensure distribution of value in the context of corporate responsibility and sustainable development.

The dimension of value development with respect to business model concerns the method to generate value as a result of development or implementation of changes in the previous business model. With this respect, the opportunities to implement innovative solutions into business model are taken into consideration. It is emphasized that due to turbulent environment the enterprises have to operate in, the competitive advantage can be achieved through modern and original solutions used in previous business models. (Skowron-Grabowska, 2014) Under contemporary economic conditions, market success is increasingly dependent on regular verification of the business model used.

Conclusion

The approach to the dimension of the value in business model presented in this study points to the complexity and multi-dimensional nature of this problem. It should be emphasized that the importance of value as a principal dimension of business model is noticeable both in the theory (with multi-dimensional approach to these problems and in the practice of management. The properly formed and effectively implemented business model is conducive to maintaining the enterprise's ability to create value, thus contributing to achievement of the principal aim of the enterprise's activity in the context of assumptions of the financial theory of the enterprise. It can be indicated that the effectiveness of business model determines enterprise's ability to create value. Furthermore, the theoretical investigations presented in this study demonstrated the inhomogeneous nature of the dimensions of value in the concept of business model. They also helped emphasize the importance of the specific architecture of the components of business model necessary for performance of the processes of value management in the context of its individual dimension.

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