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Business Model Innovation: Strategies for Creating and Capturing Value Through Novel Business Concepts

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Abstract

Business model innovation can be said to be central to the strategies that company employ when seeking to generate and appropriate value within most industries. As the business environment continues to evolve, so do the ways in which business ideas are created, this paper outlines approaches to creating new business concepts based on outcomes selling models, e-business model, and social enterprise model. It discusses the shift from a product to a service-dominant logic, digitalization effects, and organizational culture and leadership factors. The research design of the study incorporates a qualitative cross sectional multi-method approach for analyzing patterns of business model novelty across industries. The identification of key takeaways reveals the predominance of comprehensive value creation strategies, learning from various sectors, as well as the understanding that the path is filled with ongoing testing and refinements. However, risks like organizational inertia and regulatory uncertainties are factors that might act as a hurdle to the implementation of the strategy though benefits are enormous, especially with trends in AI application and Circular Economy.

Keywords: Business model innovation, value creation, value capture, outcome-based models, e-business strategies, social enterprises, digital transformation, circular economy, AI integration, sustainability.

Introduction

Business model innovation is an essential strategic evolution for enhancing organizational value proposition and shareholder returns since it forms one of the strategic of organizational strategy through which new avenues of value creation and appropriation are created. It is about reinventing the overall structure of a company and addressing the manner it meets customer needs. With the continuous advancements in technology and increasing consumer demands, the capability to create innovations across the business model has evolved into a crucial competitive advantage where it is essential to effectively manage change. It dissects approaches to ideation and processes of ideas creation towards innovative business concepts that could transform industries and create enduring competitive advantages.

Literature Review

Value creation and value capture alignment in business model innovation

According to the Sjödin *et al.*, 2020, Business Model Innovation with an emphasis on Outcome-Based Business Models (OBMs). It discuss the literature related to the generation and appropriation of value in the context of business model innovation and point to the misalignment problem. It outlines how companies have shifted from product-based strategies to adopt service-based strategies and the difficulties and possibilities related to this change. It builds on the existing literature on servitization, product-service systems and the growing dominance of services in manufacturing firms. The authors introduced the concept of OBMs, which are arrangements through which the providers are paid in proportion to results rendered to customers. They consider how this perspective influences processes of value creation and capture.

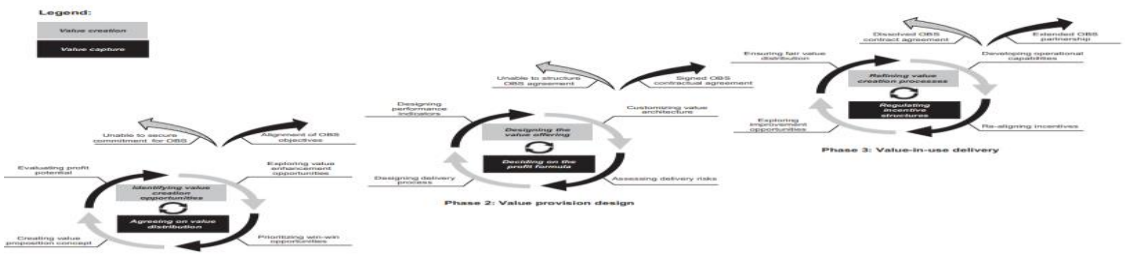

Figure 1: A Process Framework of Value Creation and Value Capture Alignment in Business Model Innovation Relationships

(Source: Sjödin *et al.*, 2020)

The paper also discusses the process view of business model innovation, which deals with how company evolve their value propositions, resources, and activities. It relies on current frameworks regarding business model components and their interconnections. Furthermore, the research aims at investigating the impact of digitalization and other technologies in supporting new and distinct business models especially in today's industrial firms (Sjödin *et al.*, 2020). It discuss literature on digital transformation with regard to value creation and capture. The study also recognises the challenges that are associated with OBMs implementation where it has stated that it involves organisational and cultural changes. These challenges are explored using change management and organisational learning theories.

Value Creation and Capture in E-Business Strategies

According to the Jelassi *et al.*, 2020, the two important ideas related to e-business strategies, value creation and value capture. Using the lens of digital technologies and online platforms, the authors explore how these concepts disrupt conventional industries and create new opportunities for value creation. It employs a number of concepts surrounding value creation in e-business such as the value chain model and the value network approach. It elaborates on how internet technologies allow companies to reposition activities and relations to stakeholders in pursuit of improved value propositions. The authors expand on the concept of value capture, pointing to the problems of converting Internet-based products and services into commercial assets. It describes various revenue models currently existent in e-business including subscription services, freemium models, and targeted advertising. It also covers the subject of network effects and platform economics in the context of e-business value creation. It explores how effective digital platforms monetise user engagement to co-create and communicate value, to discusses the role of data as a form of value within the digital economy (Jelassi *et al.*, 2020). Its discus about how businesses can use customer data to tailor products and services, enhance operational efficiency, and generate additional revenues. Several examples of leading e-businesses are discussed by the authors to present best practices examples of value creation and capture. They also examine issues related to the management of sustained competitive superiority in the context of rapidly changing digital business environments. Lastly, it discusses relatively recent developments like the blockchain technology and the sharing economy to evaluate their prospects of influencing future e-business value creation and capture propositions.

Social Enterprise Business Model Innovation

According to the Tykkyläinen and Ritala, 2021, Summarise the social entrepreneurship and underscore the difficulties such organisations have in achieving social mission and financial viability. It aims to discuss the concept of the business model with the focus on the specifics of the social enterprises as opposed to the commercial organizations. It builds upon prior research on hybrid organizations and the tensions involved in the achievement of dual objectives. The authors describe the activity system perspective as a conceptual framework of business model innovation. They discuss how this approach can be useful in understanding the relationships between the components of social enterprise business models.

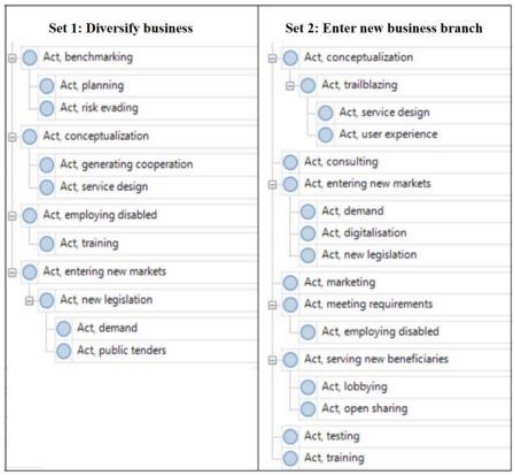

Figure 2: Hierarchy chart of the activity set
(Source: Tykkyläinen and Ritala, 2021)

The discussion also explores the dynamics of business model innovation in the context of SEs, with particular attention to the changes in these organisations value creation and delivery mechanisms. Moreover, it advances knowledge in the area of organizational change and innovation in mission-oriented organizations. Further, the study explores stakeholder engagement in the determination of business model innovation of social enterprises (Tykkyläinen and Ritala, 2021). In their paper, it discuss prior studies on co-creation and participation in the creation of value in social contexts. The paper also recognizes the contextual environment in which social enterprises exist, admitting the role of funders, policymakers, and beneficiaries in shaping the business models. Using institutional theory, it explains these external pressures and opportunities.

Methods

Research approach

This research utilizes a mix-methods to examine strategies for business model innovation for value creation and capture through business ideas. This paper is based on interpretive research, as business model innovation is a contextual phenomenon that involves numerous contingencies. It provide more detailed analysis of different sectors and various organisations. This approach makes it possible to obtain a vast amount of information regarding processes, difficulties and results connected with the implementation of changes in business models.

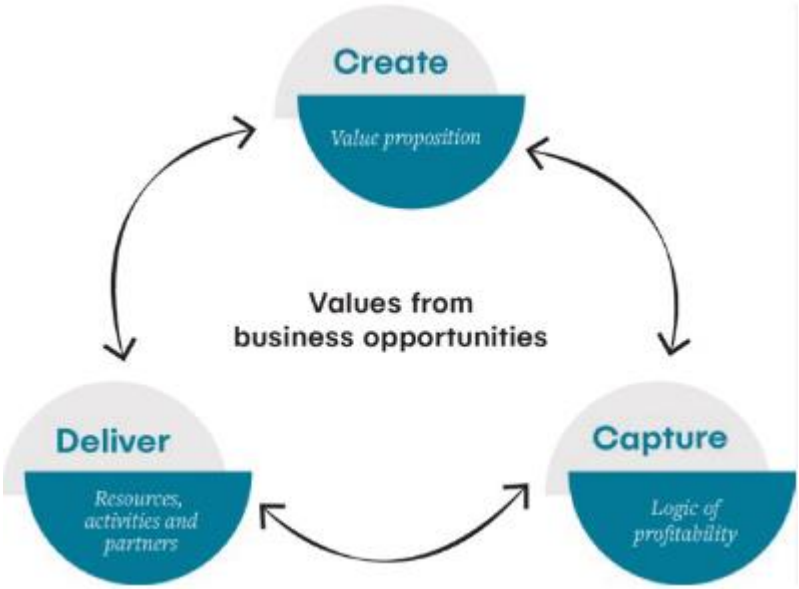

Figure 3: Values from business opportunities
(Source: https://www.researchgate.net/)

The chosen rationale for the study is abductive reasoning, which involves movement between data and theory. This technique allows building new theoretical concepts while maintaining contact with the actual state of affairs (Amit and Zott, 2020). The research is geared toward identifying key patterns and processes of successful business model innovations resulting in theoretical advancements in the domain of strategic management and innovation as well as practical implications for practitioners.

Data collection methods

The sources of data collection involve both primary and secondary methods of data collection in order to have a broader view on business model innovation initiatives.

1. Semi-structured interviews: The interviews were made with the top executives and officials of selected companies including CEOs, innovation managers, and strategy executives (Kraus *et al.*, 2020). These interviews help in offering basic details about the innovation process and the issues involved, along with the proposed value creation activities.
2. Document analysis: Review of company annual reports, press releases and other publications for context and to cross check interview findings.

3. Observational data: In cases where more extensive access to the innovation process is possible, on-site observations with the ability to attend strategy sessions.
4. Expert panels: Meeting with other specialists and scholars for confirmation and to obtain more input.
5. Archival research: Adaption of timelines to examine the changes that has occurred in the business models over a period of time.
6. Surveys: A quantitative survey of a wider population of organisations to obtain numerical responses about targeted areas of business model innovation.

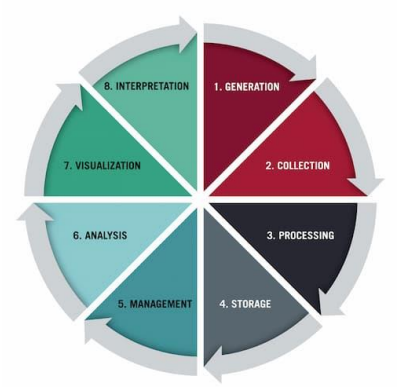

Figure 4: Type of collection of data
(Source: https://online.hbs.edu/)

Data analysis techniques
In order to provide significant insights, the analysis of data collected uses an organized and iterative process:
1. Thematic analysis: Exploratory analysis to detect patterns within FMCG companies for comparing different business model innovations.
2. Cross-case analysis: Examining one case with another in order to make comparisons between the identified innovation patterns.
3. Process mapping: The use of time line diagrams at mapping the business model innovation process and the decisions that accompany it.
4. Content analysis: The organized coding of the interview texts with an aim of numerically determining the main ideas and approaches within them.
5. Network analysis: Analyzing the contingency of various elements of business models and their effect on value proposition and appropriation.
6. Narrative analysis: Developing rich case descriptions to offer the background information on the innovation processes.

Results
Key findings on successful business model innovation strategies

- BM changes are normally at a strategic level where businesses seek to transform their value proposition rather than making incremental improvements to the existing product or service.
- The finding that cross-industry value creation is a strong source of inspiration also shows that company seek to transfer ideas from one industry to another as a way of unlocking value.
- Innovative business concepts become a significant focus, and incremental, fast-paced experimentation and development are identified as key processes that enable firms to continuously experiment with and improve such ideas (Madsen, 2020).
- Business model innovation requires commitment from the leadership and an organisation culture that supports innovation.

Analysis of value creation mechanisms in novel business concepts

- Platform-based models signify massive value creation opportunities due to the support of multi-sided exchanges and network effects.

- The trends highlighted by this research demonstrate a growing ability of sustainability-oriented business models to generate value through resource preservation and environmental enhancement.
- Analytical business models can be identified as significant sources of sustainable value by commodifying analytics and providing tailored services.

Patterns or trends in value capture across different industries or sectors

- Technology sectors suggest a pattern of creating value through ecosystem domination and data commercialization.
- In sharing economy models, it is possible to observe the concept of value capture through transaction fees and premium services.
- In all industries, there is an increasing practice of value capture through subscription and other forms of a perpetual revenue stream.

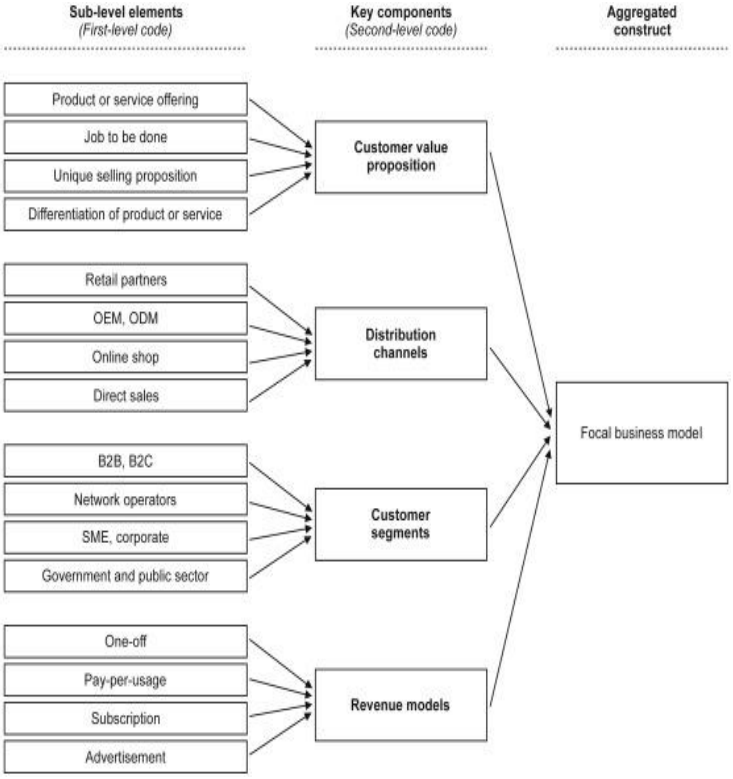

Figure 5: Business model

(Source: https://www.sciencedirect.com/)

Discussion

Implications for Businesses and Managers

This brings implications into the business environment wherein it compels the businesses and managers to have a culture of innovation and cooperation across functional boundaries. It is crucial to create competencies in data analysis and platform operations to sustain competitive advantage (Lüdeke-Freund, 2020). There is the need to enhance the flexibility of organizational structures to accommodate the required experimentation and innovation. The focus should be placed on the long-term customer relationships and achieving the recurring revenues to ensure the sustainable business success.

Challenges and Limitations in Implementing Business Model Innovations

The several challenges and limitations emerge in relation to the implementation of business model innovations. Culture and resistance to change within organizations can be a real problem when it comes to innovation. Although managing short-term performance pressures and encouraging long-term innovation continues to be a significant issue that many organisations face.

Figure 6: Challenges in innovation management
(Source: https://www.itonics-innovation.com/

Also, regulatory risks, especially in new technologies, present threats to new business models and structures. The need to make large initial capital investments can also be an issue especially for the small players (Sharmelly and Ray, 2021). Such factors explain why the execution of business model innovations may be challenging despite the opportunities that it offers.

Future Directions

The trends that have recently entered the practice of business model innovation pertain to artificial intelligence and machine learning, which recast business activities and value propositions. Sustainable and efficient resource management models, such as circular economy, are becoming increasingly relevant. The decentralized models based on blockchain are new organizational forms, and ecosystem-based models promote the development of cooperation between industries. Future studies should incorporate a more long-term perspective on the effectiveness of innovative business models and explore the impact of culture and leadership (Massa and Tucci, 2021). The perceived gaps require cross-cultural and cross-country comparisons and discussion of the ethics of model-based decision making. Other important research areas include techniques for propagating innovative models from start-ups to large corporations and for implementing the creation of social and environmental value.

Conclusion

Business model innovation becomes an essential process for organizations that aim at generating and capturing value in the current global environment. The following strategies of Business Architecture remodeling has been discussed, value proposition remodeling, cross-industry inspiration, and experimentation. Some main conclusions revealed its opportunities of using platform-based, sustainability-oriented, and data-driven models to generate high value. The research also captures Industry trends in value capture, including what has become apparent as ecosystem control, servitization, as well as control on recurring revenues. Thus, the threats like organisational lock-in, insufficient resources and regulatory ambiguities are still present but the rewards can be significant in the case of successful business model innovation. Thus, future research should concentrate on long-term impact evaluation, comparison of the results obtained in different countries, and identification of best practices for the further introduction of novel approaches such as AI integration or circular economy business models.

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