Chapter 7

Proposal of a Business Model Based on the Triple Business Performance-E

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ABSTRACT

This chapter aims to analyze the relationship between business models and dynamic capabilities in firms of the systems development sector of Bogota (Colombia). Based on the theoretical framework of business models, the author applies an analysis based on principal categorical components and categorical regression. Results show a correlation between the elements of the business model (strategy and dynamic capabilities) and business performance. In conclusion, the author proposes a business model endowed with efficiency, effectiveness, and efficacy for newly created micro, small, and medium-sized family firms that highly correlates with business performance.

INTRODUCTION

This chapter emerges from the necessity to answer the following questions: how to maximize business results to compete better? And how to manage these dynamic environments? (Porter, 1991; Rumelt, Schendel & Teece, 1994; Becerra, 2009). Initially, this analysis was addressed to look over the position of the firm in the market and the external factors affecting it, where business behavior and its performance are both established in the market industry. Based on this fact, Porter (1980, 1985) develops a strategic model grounded on the sectorial analysis of the Porterian’s five forces and the value chain. However, inefficient business performance invites stakeholders to analyze internal factors (Schmalensee, 1985; Rumelt, 1991), where business advantages are based on the resources and capabilities of the firm (Grant, 1991).

According to Barney (2007), the words “resources” and “capabilities” have been used as interchangeable words and sometimes are parallel. According to Grant (1991), “the resources and capabilities of a firm are the central considerations in formulating its strategy: they are the primary constants upon which a firm can establish its identity and frame its strategy, and they are the primary source of the

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firms’ profitability” (p. 133). As a result, the resources of the firm have an idiosyncratic meaning and are heterogeneous, and these resources are not sometimes available in the market, what is a problem in the strategic positioning model (Brunet, 2011; Dávila, 2009; Teece, 2009). Despite this fact, the competency model does not replace, but complements, the strategic positioning model (Barney, 1991; Mahoney & Pandian, 1992; Peteraf & Barney, 2003).

The quality of the resources and the coordination coming from the firm leads to maintaining the firm’s competitive advantage in the long term (Brunet, 2011). The approach to resources and capabilities is considered the most influential theoretical framework to understand the achievement of competitive advantages, and how these advantages can be timeless (Eisenhardt & Martin, 2000).

However, in most countries, their business context is now defined for having an ambiguous, unpredictable and non-linear fluctuations on their industrial structures, with blurred limits and changing business models and players (Eisenhardt & Martin, 2000) affecting to the loss of value of resources as a source of competitive advantage (Priem & Butler, 2001a,b). So, it is necessary to perform a constant change by using the dynamic capabilities of the firm by renewing knowledge for a more competitive one (Eisenhardt & Martin, 2000).

Dynamic capabilities arise in response to the difficulties that companies have in dynamic market environments (Eisenhardt & Martin, 2000), and consist of their ability to integrate, build and reconfigure their internal and external competencies to adapt to fast-track contexts change. Therefore, they reflect the organizational ability to achieve new and innovative forms of competitive advantage (Teece, Pisano, & Shuen, 1997; Teece, 2009). Moreover, it is important to have in mind that the management and performance of micro, small, and medium-sized enterprises (MSMEs) are influenced by the external environment where they operate (Zhara, 1996), and their ability to respond to these changes as part of their survival (Camisón, 1997).

Similarly, the analysis becomes relevant when talking about family business, since they are very important in the economy of practically all the countries of the world (Astrachan, Zahra, & Sharma, 2003). Between 80% and 98% of the firms in the planet are family businesses, and “around 85% of them fail within their first five years of operations” (Poza, 2005, p. 3), mainly because of financial problems and lack of education (Saiz-Álvarez, Muñiz, & Huezo, 2016).

The purpose of this chapter is to propose a business model based on performance and founded on the dynamic capabilities approach to allow newly-created families MSMEs to be adapted to changing business environments. The article is divided into four sections: first, we theoretically develop the thematic areas of research where assumptions are present; second, we analyze the variables to propose and validate a proposed business model by using field research and different tools to proof the research hypotheses; third, the results are shown, and finally, we set some conclusions and recommendations.

THEORETICAL FRAMEWORK

The business model is at the heart of stories explaining how a firm works and answer questions like who is the consumer? How is the money obtained? How is the value distributed to the consumers? And how do firms appropriate this value? (Magretta, 2010). A business model is placed between the resources entry in a firm and the results of this at the market, which means “the business model is more than the financial market” (Teece, 2010, p. 179), and help to explain the creation and capture of the firm value,