The strategic nature of business and innovation models for firms' competitiveness

La naturaleza estratégica de los modelos de negocios e innovación para la competitividad de las firmas

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Abstract

The purpose of this paper is to present the results of a theoretical review about business models and business model innovation, identifying representative authors and their contributions which have supported the work of researchers in these streams of knowledge over time in order to provide clarity on these concepts, particularly its strategic importance in a context of globalization and competition. A firm that has a different business model capable of creating more value than its competitors will have a competitive advantage. Empirical evidence supports that innovation plays an important role, therefore it requires a value creation process by which a firm manages ideas becoming products/services or processes that when developed and brought to market can create value for stakeholders and generate new economic streams, contributing to the survival and prosperity of the organization.

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Keywords: Business Model, Business Model Innovation, Competitiveness, Strategic Planning.

Resumen

El propósito de este artículo es presentar los resultados de una revisión teórica acerca de los modelos de negocios y la innovación de los modelos de negocios, identificando autores representativos y sus contribuciones que han soportado el trabajo de los investigadores en estas corrientes de conocimiento a lo largo del tiempo a fin de proveer claridad sobre estos conceptos, particularmente su importancia estratégica en un contexto de globalización y competencia. Una firma que tienen un modelo de negocios diferente capaza de crear más valor que sus competidores tendrá una ventaja competitiva. La evidencia empírica apoya que la innovación juega un papel importante, por tanto, se requiere un proceso de creación de valor por el cual una firma maneja ideas que llegan a ser productos/servicios o procesos que cuando se desarrollan y son llevados al Mercado, pueden crear valor para los stakeholders y generar nuevos flujos económicos, contribuyendo a la supervivencia y prosperidad de la organización.

Palabras clave: *Modelo de negocios, Innovación de modelo de negocios, Competitividad, Planeación Estratégica.*

Introduction

Firms require developing new capabilities when facing fast and disruptive changes on its environment (Christensen, 2011). Hamel & Välikangas (2003) have indicated that each firm is successful until it ceases to be like this, being technological discontinuities [14], regulatory changes, geopolitical impacts, deverticalization and disintermediation of industries, sudden changes in customer´s preferences and big amount of non-traditional competitors, some of the forces that are undermining the advantages of established firms. In the past, firms worked for improving but rarely they needed to change; today the change is essential.

Continuous success does not depend on impulse, but the capability of dynamically reinventing the

14 Technological discontinuity is related to the transition of a group of products or process to other different, where the new technology enhances or exceeds the foregoing. Last decades from the past century and the first of the current one are named as discontinuities age (Foster, 1986; Drucker, 1985). Regulatory changes wether by governments or international entities, as well as geopolitical events, modifications of value-chains through disverticalization by using outsourcing, modifications to the supply-chains through disintermediation that comprises to eliminate intermediaries by reducing time and costs to consumers, impacts on the permanence of firms (Porter, 1990; Feenstra, 1998; Kottler & Armstrong, 2010).

business models and strategies[15] as circumstances change. It is about anticipating and continuously adapting to deep and long terms tendencies that may interfere with its capacity of generating business profits, from having the capacity of changing before the need becomes evident. Firms that have been successful and/or enjoyed a relatively benign environment, find it difficult to reinvent its business model. Quite often the firms are victims of their past glories and die not because what they did was bad, but they keep on doing the same for a long time (Doz y Kosonen, 2008).

In the past one of the strategical purposes of average firms was growth, translating this into profits increase and earnings for shareholders. Under continuity conditions this could be generated through productivity enhancement in order to reduce costs of used resources, as well as through quality of services and products in order to stimulate a bigger demand (Dervitsiotis, 2010). New emerging conditions lead to frequent changes on customer preferences regarding products and services, making it more difficult to satisfy them with the existing offer (Drucker, 1999).

Nowadays quality of products and services have been only a pre-requirement for entering to the emerging competitive global arena, as well as productivity[16] which have been traditionally a priority for many nations in the post-war age, now is exclusively a required condition for achieving acceptable levels of cost for competing with differentiation strategies[17] (Dervitsiotis, 2011).

On this discontinuity age, the past has stopped being a reliable guide for the future. Innovation[18] more than quality[19] and productivity is the competitive way for surviving to complexities and own uncertainties of this new age (Drucker, 1985).

Hamel (2007) identified the innovation as the key basic competence for business success, stating that without it firms die. The only way in which a firm that competes in a changing environment can survive and grow is through the introduction of new successful innovations that offer greater value than the available products and/or services. By doing this, a firm may attract new clients and

15 Strategy is conceived as the determination of long term goals and basic objectives for the firm, adoption of action-courses, and designation of necessary resources in order to carry out these objectives. Also, as main link between goals and objectives that the organization wants to achieve as well as a status of fundamental ways to be used, subject to a set of restrictions in order to try to achieve such objectives (Chandler, 1962; Hofer & Schendel, 1978).

16 Productivity is understood as the value of the product generated by a work or capital unit (Porter, 1990).

17 Differentiation is the capability to provide a unique and higher value to the purchaser in terms of quality of the product, special features, post-sale service that distinguish it from the competitors (Porter, 1990).

18 OCDE (2005) defines that *"innovation is the introduction of one new, or significantly enhanced, product, good or service, process, new marketing method or new organizational method, in internal practices of the firm, workplace organization or external relationships".*

19 It is conceived as the quality such as offering products and services satisfaying to the customer at the lowest possible cost, and as the "*grade on which a set of inherent features comply with the requirements*", understanding requirement as an "established *need or expectation, generally implicit or mandatory*" (Deming, 1989; ISO 9000:2005).

retain those existing clients (Hagel and Brown, 2005; Hamel, 2007; Jaruzelski and Dehoff, 2007).

1. Development of the theory

The purpose of this study is to carry out a theoretical revision about business models and business model innovation, in order to provide clarity about these concepts, particularly about the strategical importance of applying them properly in order to secure the survival and prosperity of organizations in a globalization and competence frame. This article is composed of the following sections: introduction, theory development, business models and its importance for firms, business model innovation as competitive advantage, metrics for business model innovation, factors that promote and obstruct the business innovation, discussion and conclusions.

The methodology carried out for the preparation of this article was explanatory and descriptive. In order to deepen on the object of study, a very intense documentary investigation was carried out in libraries, databases and internet. National and international bibliographic sources focused on the study of business models and entrepreneurial innovation models were consulted. On this regard, articles related to the topic were found, from which the majority make references to European and Northamerican publications. Therefore, the research starts with the history and background of business models and business model innovation. The research is being developed from the general to the particular by analyzing the role that the business and business model innovation have had on the performance of firms; at the same time, the contributions of the representative authors are highlighted in these knowledge streams.

From the revision of academical contributions about business models and Business model innovation, in the database EBSCOhost Research Databases published between January 2008 and October 2014 were listed 3,109 articles about entrepreneurial innovation models, taking into account as search criteria documents on English language. At a general level, more than 200 articles were reviewed, and were completely read 100 of them, taking references for this current work.

Many researchers converge in citing some sources on their articles, so the most recurrent authors were identified on this knowledge stream, from which most of these researches have been supported during the passage of time.

2. Business models and its importance for firms

The concept of business model has had its origin in corporate practices (Lecocq *et al,* 2010; George

& Bock, 2011). Although the increasing academic interest about this topic, there is not yet a unique definition and unanimously accepted about the meaning of business model (Zott *et al,* 2011). Lack of consensus about this concept is attributable in part to the wide range of disciplines that show interest on it, since it is analyzed from different perspectives.

Business models can be conceived as the manner on which a firm will generate money (Stewart & Zhao, 2000), and how it works (Magretta, 2002). Business models are also described as the representation of the design or architecture for value creation, capture and delivery mechanisms of it, employed by a firm (Teece, 2010). Although is not always clear why a specific business model is successful or not, there is a consensus that a business model that works well is essential for the success of any commercial organization, whether a new firm or an established firm (Magretta, 2002; Osterwalder & Pigneur, 2010).

Business models are considered as innovation impellers, since they are useful in commercializing innovations, as well as allowing firms delivering value of an innovative product or service to their customers while capturing revenues related with these (Chesbrough & Rosenbloom, 2002; Chesbrough, 2010; Teece, 2010). Some authors state that an innovating idea or technological development does not represent any value by itself until it is traded in some manner through a business model (Chesbrough, 2010). On the dynamics of a changing environment, even a well-established and successful business model cannot be assumed as something safe and permanent (Lindgardt *et al*, 2009; Chesbrough, 2007, 2010).

The business model term came to be popular as a way to explain how an organization works in the technology and internet age, started at the end of the last century (Amit & Zott, 2001; Zott *et al*, 2011). These origins can be referred time back to reflections of Drucker (1985), on their questionings about who is the customer, which is the value, and how a firm expects to get a profit (Magretta, 2002).

Zott & Amit (2007) point the importance of value in a competitive situation; a firm with a different business model that creates more value than its competitors will have a competitive advantage, which plays an important role in the business strategy. Economists describe value as a relationship between benefits and costs. Benefits represent what stakeholders basically want, while costs are those to be reduced by the firm in order to achieve greater benefits for shareholders (Davies & Davies, 2011).

Value depends on the perspective of stakeholders or beneficiaries, thus value perception of a product for the manufacturer may differ from the value that a customer expects to obtain from such good. On the revision of literature is generalized to locate the value at the center of the business model, by describing it as the way in which the firm communicates, creates, delivers and capture value within a determined proposition (Abdelkafi, 2013).

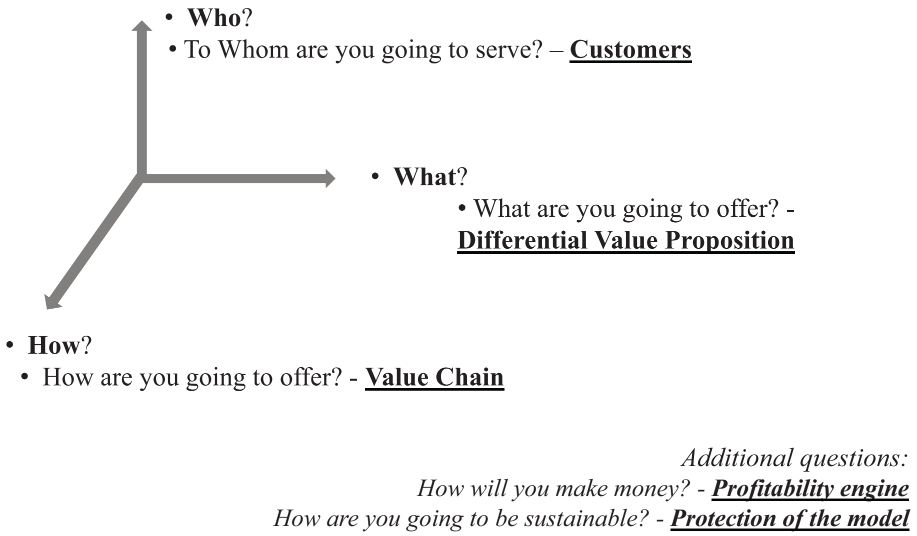
Vives & Svejenova (2009) on their contribution about the topic (Figure 1), clarify that the development of a new business model or evaluation of an existing improvement-oriented one, can be carried out starting from three key questions (Magretta, 2002):

- To whom is going to serve?
- What is going to offer?
- How is it going to be organized?

Two additional questions should be added that will determine the profitability of the business model and its sustainability:

- How is the money going to be earned?
- How is going to be sustainable?

Figure 1. Key questions for business model.



Source: Adapted from Vives & Svejenova (2009).

The answers to these basic questions while constructing or evaluating a business model are described below:

Who: To who is going to serve? Through this question, the firm should clearly identify who is or who will be its customer, what are his needs and behavior, and how is going to define its market. The firm has to segment the market in order to determine the type of client to whom the effort is going to be addressed, by differentiate him from other clients through segmenting criteria, and identifying the source of its attractiveness. What: What is it going to offer? This is related to the determination of what product or service is going to be offered to the customer, what price, and how this offer is different from the other existing offers in the market. It is the definition of the value differential proposal to the customer. How: How is it going to be organized? Here is important to understand how the main activities of the value chain are going to be configured for operating the business, by distinguishing which activities are going to be internally realized from the activities that can be externally realized.

Once these three basic questions are answered at the time of constructing or evaluating a business model, it is important to give answer to two additional questions that describe the profitability of the business model and its permanency on the market.

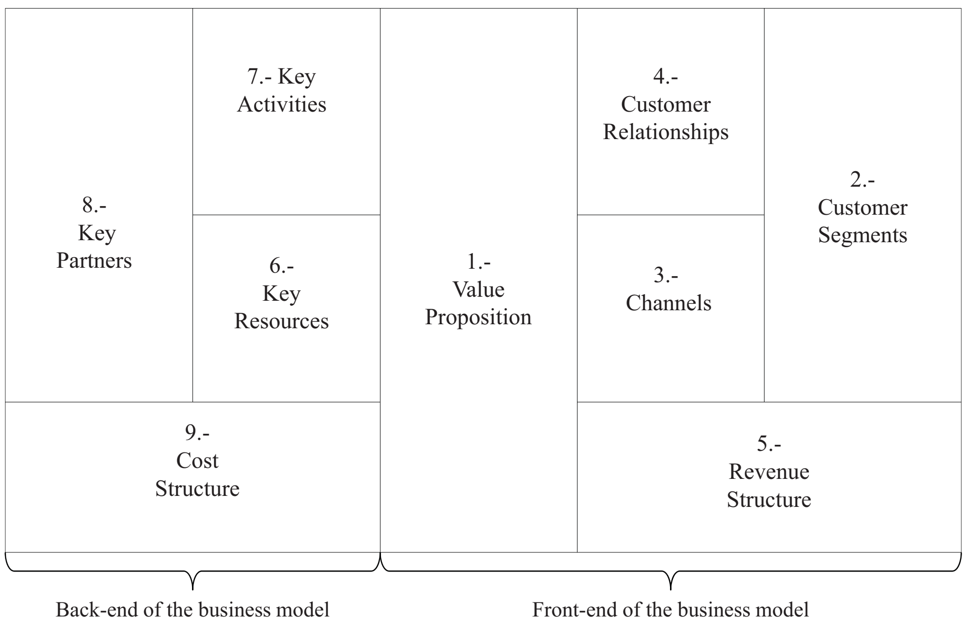
How is the money going to be earned? At moment of defining a business model, it is important to understand its profitability engine. Once the "who", the "how", and the "what" are determined, the firm should quantify the earnings it will have, as well the costs associated to the model. Thus, it can be comprehended what is the capability of the model for generating profitability, beyond the simple value creation for the customer. This is relevant because there are cases of firms that have created value without being able of appropriating a substantial part of it, therefore they cannot to stay in the long run.

How is it going to remain on the market Another crucial aspect that a business model should address is its sustainability. Creating value and appropriating a part of it is fundamental; however, a firm should be able to assure the sustainability for such creation and appropriation. By constructing its business model, the firm should evaluate if this is solid or reliable or if it can be imitated by the competitors reducing or even disappearing its differentiation and competitive advantage.

According to Gunzel & Holm (2013), a recognized business model is the one proposed by Osterwalder and Pigneur (Osterwalder & Pigneur, 2010). This business model named CANVAS is represented as a set of nine interrelated blocks (Figure 2).

1. The nine blocks are identified in the following way:
2. Value proposition of product offered to the market.
3. Customer segments to whom the value proposition is addressed.
4. Distribution and communication channels used for reaching the customers and for offering a valuable proposition.
5. Relationship established with customers.
6. Revenue stream generated by the business model.
7. Key resources needed for making possible the business model.
8. Key activities needed for executing the business model.
9. Key partners or partnerships and their motivations in order to participate in the business model.
10. Cost structure resulting from the business model.

Figure 2. Nine blocks for business model of Osterwalder & Pigneur.



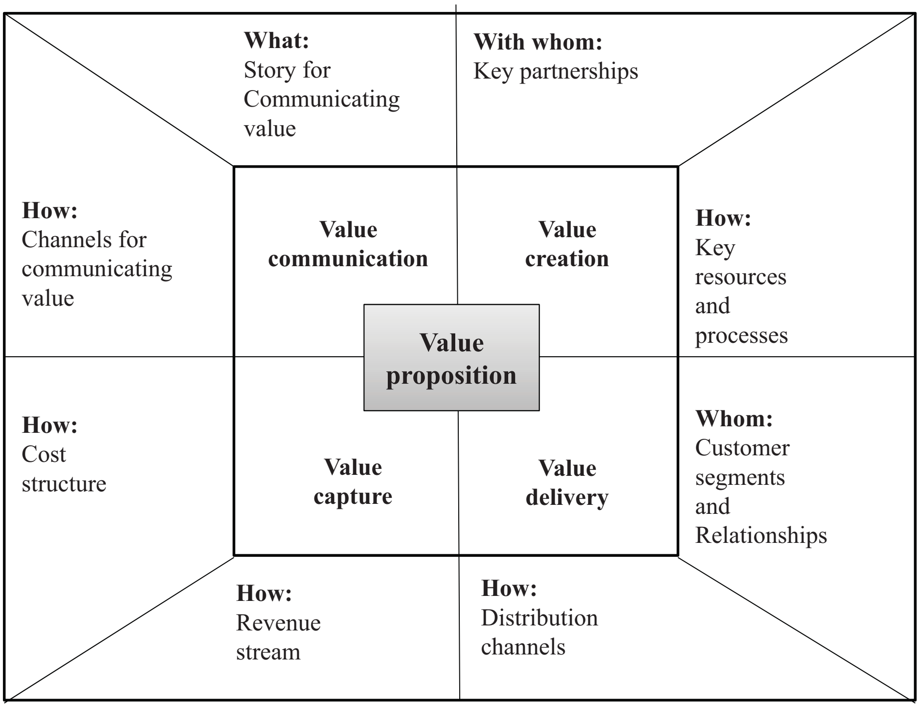
Source: Gunzel & Holm (2013) based on Osterwalder & Pigneur (2010).

Elements from two to four constitute the value delivery, from six to eight the value creation elements, while elements five and nine are related to value capture for a business model. These nine elements can be divided into two main categories; from the back-end to the front-end. Front-end emphasizes value, while back-end is mainly the driven efficiency (Osterwalder & Pigneur, 2010).

In other representation of a business model (Figure 3) proposed by Abdelkafi, Makhotin & Posselt (2013), the value proposition is placed on the center of the model, while value communication, creation, delivery and capture are placed around it.

A value proposition denotes a global vision of the firms' set of products and services that are valuable for the customer (Osterwalder, 2004). In the same manner, Johnson (2010) describes the value proposition as an offer that deals the job-to-be-done and satisfies the customers' needs knowing it or not.

Figure 3. Business model frame.



Source: Abdelkafi, Makhotin & Posselt (2013).

Value creation is basically the result of a resources trasnformation. Resources are tangible such as production facilities, materials, money, among others, and intangible such as knowledge and reputation; all of these goods are transformed into a product or service (Huff *et al*, 2009).

Value communication assures the value proposition delivery as a message to target groups, such as clients and investors. The different target groups require different information. The proposition value must be communicated in a way and with argument that should be comprehensive, attractive and consistent. The value delivery describes to whom the value proposition is addressed and how it is distributed. On the value proposition are defined the ways in which firms establish interaction with the customer in order to provide them the value proposition (Schneider & Spieth, 2013).

Value capture describes how the value proposition is transformed into a revenue stream and thus is captured as profit or benefit. Such value capture depends on the cost structure, which includes direct costs and overhead expenses[20], taking into account economies of scale (Johnson, 2010). The revenue stream is the result of the bid price and the quantity of goods sold. The difference between inflows and costs represents the earnings of the firm.

3. Business innovation model as competitive advantage source

A value generator innovation process is conceived as the one where an organization creates, captures, evaluates and develop and idea that can be converted into a product/service or useful process, and then is developed and carried on the market with the purpose of creating value to the internal or external stakeholders, and therefore generating new economic earnings streams (Dervisiotis, 2010).

Markides (2012) points that a business model innovation can be conceived as the content, structure and governance of transactions designed for creating value through the exploitation of opportunities (Amit & Zott, 2001). Amit & Zott (2012) note that nowadays, more firms are turning toward business model innovation as an alternative or complement for innovate products or processes.

The business model frame represents a tool that supports the generation of a business model innovation. A business model innovation occurs when a firm modifies or enhances at least one of the value dimensions. Innovation of products corresponds to a new value proposition through a new offer to the customer, although a firm can innovate on any other dimension. It can even innovate in the way in which value is created or captured, maintaining the other dimensions without changes. From an existing business model, the level of business model innovation depends on how many

20 Direct expenses are the cost of labor and materials that go directly to the production of a good or service. The resulting ratio is known as overhead (Arias, Portilla & Fernandez, 2010).

dimensions have been enhanced and how radical is the enhancement within every dimension (Abdelkafi, Makhotin & Posselt, 2013).

Amit & Zott (2012), argue that business model innovation can be produced by adding new activities on its content, by linking activities in different ways in the structure, and by the change of those doing governance activities. This comprehension has its roots in the business models, conceived as a system of interconnected activities that determines how the business is carried out.

Giesen, *et al* (2007) introduced a frame with three main types of business innovation models: industry model, revenue model and business model. The first one of these denotes a horizontal movement on new industries or a re-definition of the existing industry where the firm is operating. Firms innovate their revenue models when establishing new models of price fixing or when they re-configure their offers, for example by providing value-added services or by transforming its business from products to services. The innovations on the business model are related with organizational limits and with the value network where the firm is embedded.

Business model innovation have been used for representing the responses of a firm to the value creation sources changes, and demand these to consider the uncertainty of an environment as a potential source for opportunities that need to be explored and exploited (Ireland & Hitt, 1999; Hitt *et al,* 2001).

The findings on the research for this topic suggest that the type of innovation that generates a greater value for a firm is not related with the products or services, but to new ways of doing business, that is, the implementation of a new management model (Hamel, 2007). Business model innovation, essentially, deals with changing the way in which firms are doing business.

At an abstract level, business model innovation is conceived as the process of designing a new system of activities, modifying the existing in a firm (Amit & Zott, 2010), or as the discovery of business models fundamentally different in existing markets (Markides, 2006).

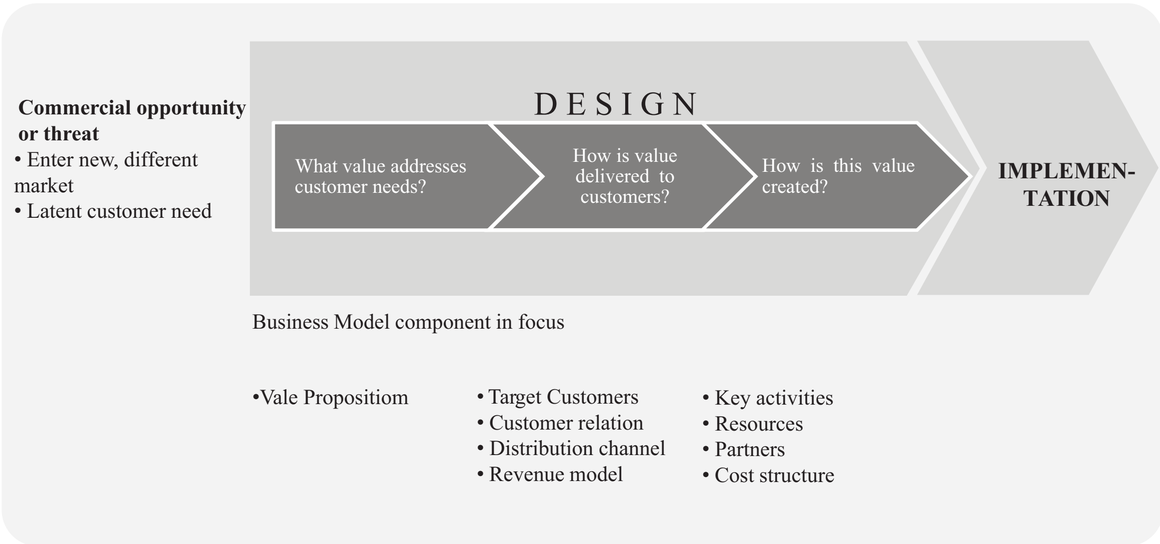
The importance of business model innovation has been increased in the last years, considering that firms do not consider products innovation as the only source of competitiveness. The excess of market-offer in products and services means that often the innovative business models differentiate global competitors (Amit & Zott, 2012).

Business model innovation is important because is a way of innovating itself; it may support other innovation practices and often is required for trading new technologies (Amit & Zott, 2001). Radical innovations on business models have the potential of shaking entire industries (Steenkamp &

Van der Walt, 2004; Demil & Lecocq, 2010), and it may result on a competitive advantage if they are hard to be replicated (Magretta, 2002).

Enkel & Mezger (2013) distinguish that the suggested sequence of steps for business model innovation can be represented starting from the determination of a value proposition and based on that, the definition about how this is created and delivered through operative activities, resources basis, distribution channels and a benefit model (Figure 4).

Figure 4. Generic process of business model innovation



Source: Enkel y Mezger (2013).

Increasing attention in business model innovation has motivated a fast growing on the amount of academic literature dedicated to this topic, in response to the yet vague comprehension and insufficient theoretical fundamentation in the business model concept (Morris *et al*, 2005; O'Connor & Yamin, 2011; Zott *et al*, 2011). The results of the research on business model innovation are being propagated through many fields such as innovation management, strategic management and literature about entrepreneurship.

In corporate practices, business innovation models have been identified as a promising approach for firms in order to respond to sources of value creation changes on high volatility moments in the environment (Pohle & Chapman, 2006).

Schneider and Spieth (2013) suggest that the concept of strategic agility has been proposed as a critical pre-requirement for firms in need of innovation on their business models (Doz & Kosonen, 2008a, 2008b, 2010) and they contribute some brightness about its role within business model innovation. The strategic agility refers to the capacity of a firm for proactively anticipate and for reacting quickly to unpredictable changes in the environment. Doz & Kosonen (2008a) identified three critical meta-capacities for achieving strategic agility; strategic sensitivity, leadership unity and resource fluency[21].

An approach of the literature within this business model innovation stream, lies on characterizing the process for such model as a continuous reaction to changes in the environment (Demil & Lecocq, 2010), as well as a evolutive process (Dunford *et al,* 2010), a learning process in progress (Chanal & Caron-Fasan, 2010; McGrath, 2010; Sosna *et al.,* 2010), as a driven discovery, and as a test and error process more than an analitycal approach (McGrath, 2010; Sosna *et al,* 2010).

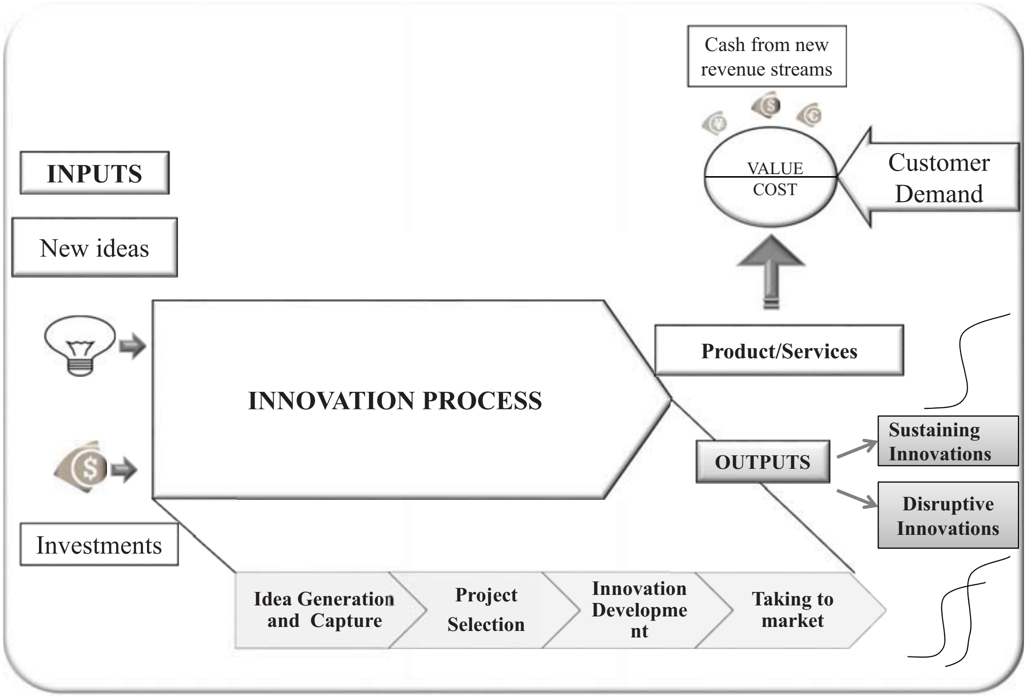
According to Schneider & Spieth (2013), studies focused on the effects of business model innovation are yet limited. Three types of effects have been analyzed within this stream of investigation: effect of business model innovation on the industry and market structure, effects on the results of a firm, and effects of driving a model with the firm's capabilities.

Considering the theoretical framework regarding the business innovation models, three theoretical perspectoves have been identified there have been identified: resources based, dynamic capabilities and strategic entrepreneurship. The three perspectives exist in their respective contexts of business model innovation, focusing each phenomenon from a different angle. Innovations come in different forms and have different impacts on the organization that introduces them and in those involved because of the increased value provided. An useful classification for the recognition of different types of innovations is based on the following criteria: the used technology, the type of business models used for innovation, and the impact on the market.

An innovation system, is defined by key supplies or *inputs*; new ideas, knowledge, capabilities, investments, transformed by a value innovation process for stakeholders via *outputs*; products/services, processes or business models, in a regular way (Figure 5).

21 According to Doz & Kosonen (2008a) strategic sensitiveness refers to sharpness on the perception and intensity of conciousness and attention about what is happening on the environment. The leadership unity is manifested in a collective commitment starting with high direction by taking quick and bold decisions. Resources fluency is the internal capability for re-configuring the business systems and re-locating the resources quickly as required.

Figure 5. Elements of an innovation system.



Source: Dervisiotsis (2011)

The innovation process as an engine is comprised as a value chain with four stages for value addition:

Stage 1: The generation, capture and documentation of value ideas exploring towards new products, processes or business models, with which an organization supports for its strategic objectives
Stage 2: Evaluation and selection of promising ideas by projects.
Stage 3: Development of selected ideas by trying them for new products and services with the help of prototypes.
Stage 4: Trading of the innovation results, by launching a new idea to the market and by generating money for the firm.

Successful innovations, especially those related with the business model of a firm, lead to the eventual transformation of the organization, in terms of its competitive position and in terms of capabilities for its renewal.

Firms may deploy one of the three basic strategies for innovation, each of them designed in order to look for a different strategic objective (Jaruzelski & Dehoff, 2007): Needs seekers, Market readers and Technology promoters.

4. Metrics for business model innovation.

In order to evaluate the performance of innovation systems a set of criteria is required to select the proposed ideas through significative metrics for every firm to evaluate the quality, efficiency and effectiveness of the innovation process.

According to Dervitsiotis (2010), known metrics for innovation have been selected as variables that measure the relative promised success and the involved risks. Initially the innovation measurements are related with the *inputs*, such as the amount of resources used, level of investment carried out, personnel assigned, research and development budget, among others. After that, the attention is addressed towards the *outputs* of innovation: the number of new products produced, amount of revenues, market participation earned, patents obtained, among others.

5. Factors that promote and obstruct the business innovation

According to Dervitsiotis (2011), in general organizations may enhance the quality of the innovation process through one or more of the following actions: strenghtening the factors for innovation capability related to leadership; process and finances; developing good metrics of innovation; balancing the innovation flow through the required interventions, making the efforts for developing and maintaining a culture of healthy innovation.

Independently of the specific indicators used, the global indicator for effectiveness of innovation should be one of economic nature, derived from innovations generated in the process or in the innovation model.

By developing an innovation project portfolio reflecting the innovation strategy, successful firms achieve a global balance sustained by their initiatives to compete in the market (Dervitsiotis, 2011). This desired condition includes: a balance between incremental and radical innovation, a balance between supply and demand of ideas after the trading scenario and a balance between internal and external R+D or market-pull innovations.

The management should have as a goal in all moment to keep a balance between incremental and radical ideas, and a balance of assumed risks by the expected rewards on the shared market, revenues and profitability. If a firm seeks a competitive advantage in an effective differentiation of their products and services, then the innovation strategy should promote the development of an incremental[22] innovation stream and periodically radical that shows this different image. New lifestyles and conditions of this age of global economy create non-satisfied needs by the customer, so there is a significant increase on the number of innovations driven by the market (Hagel y Brown, 2005).

The main principle for designing an effective innovation system is to align the *outputs* with the market demands. None innovation can be considered successful until it has reached the market and has won money from customers willing to pay for the benefits offered by the innovation. On the stage of innovation projects selection, a firm takes the most important decisions for its future and survival. These options require a well-designed business strategy about how to face emerging opportunities and threats (Prahalad y Krishnan, 2008).

According to Dervitsiotis, (2011), the creation of necessary conditions for a new innovation culture comprises the following activities:

1. Starting with a leadership from top in order to put innovation as a high priority, providing training in innovation, making innovation the core business competence of the firm, establishing the organizational infrastructure for innovation.
2. Creating time and space to people for thinking, generating new ideas and experimenting, and an internal market for talent.
3. Providing the maximum diversity possible of necessary thinking for innovation.
4. Giving place to informal and formal networks that have greater connectivity in order to facilitate knowledge sharing.

To keep a healthy innovation culture, it is required:

- To take advantage of discontinuities in order to identify the convergence of different tendencies.
- To defy established practices and beliefs.
- To leverage competencies referred to capabilities, knowledge and experiences that may be

22 Incremental innovations are those representing the enhancements, sometimes relevant, for available products or for satisfying existing needs, by manifesting through small changes oriented to enhance the functionality and benefits of the companies and/or their products or services. Radical or disruptive innovations are those that change the perception of one product, by representing a rupture with the establishment, and giving place to new products, services or process that are not a conventional evolution to those previously available, giving place to even new markets (García-Ochoa, 2007).

used for delivering benefits to the client and differentiation strategies.
- To leverage strategic assets referred to those that are difficult to acquire, imitate or develop.
- The comprehension of customers needs beyond the conventional market.

The main reasons about why many firms are weak in generating new ideas for innovating is because of some or many of the following (Dervitsiotis, 2011):

- Low employee motivation.
- Lack of trust between employees and directors that inhibits the ideas-exchange.
- Lack of feedback from the customer about firm's products and services.
- Absence of necessary infrastructure so the people may work together and creatively in new ideas.
- Lack of development for partnerships and desirable societies that facilitate and enhance the introduction of new ideas on the innovation process.

It is also required a suitable information and communication system among employees and externals, such as customers and suppliers.

Chesbrough (2010) identifies two categories of obstacles for entrepreneurial innovation models; the obstruction and the confusion, proposing a vigorous leadership, the experimentation and implementation of innovations to overcome these barriers. Doz and Kosonen (2010) additionally consider that the inertia in defense of the *status quo* on different fronts is a key challenge that should be faced along the transformation of a business model.

6. Discussion

Theoretical stream about business models and business model innovation has been more often studied by researchers during recent years. Currently there is an agreement proving that this theory is on an early stage of research and that there is an incipient understanding about this phenomenon. Within this work a systemic outlook for these topics is drown, through reviewing and gathering the contributions of representative authors, in order to provide clarity about the concepts and scopes, particularly on the importance for the firms.

Management has evolved in a right way as consequence of change happening in business environments. On these first decades of the twenty-first century, globalization has increased with quick changes in technology, geopolitical events, needs and customer preferences, taking place a competition as never before for capturing a share of the market and remaining on this. The firms need to have the instruments that could help them to survive and grow.

The empirical evidence suggests that the design and implementation of business and innovation models is currently the essence of the strategy for securing a sustainable competitive advantage. The capacity of identifying what the customers want and satisfyng their non-satisfied needs constitutes the main driving force of business model innovation (Sako, 2012). These models help the firms distinguish from their competitors and achieve success in the market in a sustainable way (Deshler & Smith, 2011).

Conclusions

This article contributes to clarify the concepts about business model and business model innovation, particularly for the understanding of their components, its structure and features. These topics will keep as a reason of research and development over time; the importance that represents for the present and future firms require them.

Through business model innovation firms may react fast and proactively to changes on its environment, whether external and/or internal, particularly on the response to changes in the sources for value creation. Currently, this is not something optional; the survival and prosperity of the organizations depend on it.

A firm that has a different business model able to create more value that their competitors will have competitive advantage. The empirical evidence sustains that innovation plays an important role, so a valuable process inside a firm es required for managing and, besides, transforming ideas into value generating process that transform them into products/services that once developed and taken to the market may create value for the groups of interest and generate new economic streams, by contributing to its permanence in the market.

The entrepreneurial innovation models represent a new frontier for innovation, beyond innovating just on products and/or services (Koen, *et al*, 2011). Any firm in a competitive and globalize situation, whether established or recently created, should prioritarily attend this aspect of having a suitable business and innovation model as a matter of strategic nature; its competitiveness, survival and eventual prosperity will rely on this. It is a matter of leadership and strategy.

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