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Business Model Concept Based on Knowledge in Microenterprise

Abstract: Modern business models describe the rules of activities on the market and include the elements of the creation of values for their clients. In the literature, there are examples of business models referring to large enterprises, which indicate key areas and conditions of their operation. Development of entrepreneurship in SMEs, especially in microenterprises is an aim of the Horizon 2020 Programme. Significant participation of SMEs in the economy and problems of entrepreneurship of microenterprises should be attractive for researchers. The goal of the article is the presentation of a business model developed for micro enterprises, based on knowledge as the primary resource. The report presents own researches conducted in the years 2015–2016 in microenterprises from the Mazowieckie, Łódzkie and Kujawsko-Pomorskie Voivodeships.

Keywords: business model; knowledge management; microenterprise

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Introduction

Each enterprise can be considered as a collection of unique resources, among which knowledge occupies one of the most important positions. In classical economic theory, knowledge is seen as external to the economic process (Baruk, 2006: 17). The new Resource Based View (RBV) emphasises that knowledge and the new technology associated with it increase the value of processes in the enterprise. According to the researchers, the paradigm shift of the development of the economy is now under way. It moves from the economy based on labour and capital to the new model based on the knowledge economy (Olechnicka, 2000: 37). According to the OECD definition, knowledge based economy (KBE) builds on the application of knowledge and information. An information revolution that has developed in business (Drucker, 2000: 103) has contributed to the creation

of new values in the enterprise, increased competence, and innovative skills. Concerning resource-based theory the company's competencies are specific resources that ensure the ability to overtake competitors in business areas (Wysocki, 2010: 71). Searching for the unique resources and skills of the microenterprise can become the basis for creating a business model that will allow meeting business goals. The form and structure of the business model should be flexible, conducive to its modifications and innovativeness (Rudny, 2013: 98). Assumptions for own research were formulated by literature research. The study was carried out in 2015–2016 on a group of 120 small and medium enterprises (SMEs), of which 40 were microenterprises. Two working hypotheses have been formulated and verified. The sample selection was deliberate and included companies whose managers were completing their master's studies at the Social Sciences Academy in Łódź, Brodnica and Garwolin.

Concept of value in a business model in the context of resource based theory

It is accepted in the literature that the idea of the business model was first used in a paper by Bellman and Clark in 1957, while Jones put the term first in the title of the article and its abstract in 1960 (Osterwalder, Pigneur, Tucci, 2005: 6). Building a business model requires a business idea to be structured, taking into account many important issues for doing business. Under operating conditions, the micro entrepreneur identifies the most important values in its business and relevant to their customers. Enterprise resources can be systematised according to many criteria. The most common division distinguishes between material and non-material resources. For management sciences, material resources are now considered less important (Godziszewski, 2011: 63–64). Obłój classifies resources from the standpoint of the enterprise function (Obłój, 2007: 116), dividing them into sources, operating and situational. Research conducted at the Warsaw School of Economics (Szkoła Główna Handlowa – SGH) showed that the development of the company is most influenced by financial resources, followed by human, material, informational and relational resources (Skowronek-Mielczarek, 2013: 53). The proposed resource typology can be attributed to each area of the company's activities such as management, technology and production, logistics and marketing. The SGH research has shown that the importance of resource type is determined by many criteria:

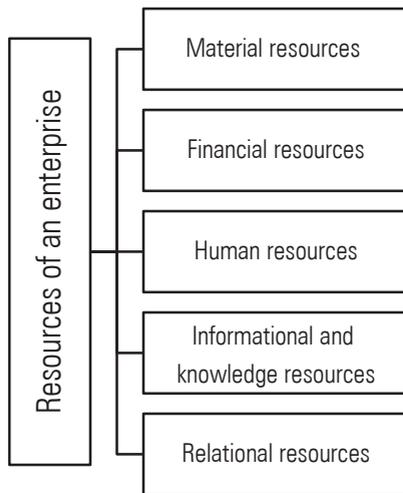
- the life cycle of an enterprise, specifically its development phase: growth versus maturity;
- legal form of the company;
- type of capital ownership (Polish vs. foreign);
- kind of activity;
- the range of action: national vs. International;
- company size related to business turnover or employment.

By the resource theory, we can look at individual categories of the enterprise value. Marcinkowska reports that the firm's intangible sources of value are becoming increasingly important for the value of the business (Marcinkowska, 2006: 197). At the same time, she highlights two groups of factors:

- factors related to the financial statements;
- factors not related to the financial statements, both internal and external.

Types of enterprise resources are shown in Figure 1.

Fig. 1. Types of enterprise resources



Source: Skowronek-Mielczarek (2013: 52)

This article will cover in-depth internal factors not related to financial statements that affect the value of an enterprise. Internal factors include:

- human capital, organisational culture;
- strategy;
- clients;
- products or services and their quality;
- innovation and R & D;
- brand;
- information, knowledge, intellectual potential;
- environmental impact.

The above-listed components should be visible and understandable to customers, and it would be best if they were accepted.

Concepts of business models in the literature of the subject

A business model is increasingly perceived and described as an alternative to organisational strategy, a tool to support enterprise development and strategic management. Afuah and Tucci state that: A business model is an organisation-wide method of increasing and utilising resources to provide customers with products and services the value of which outweigh that of the competition and simultaneously provide a profitable business (Afuah, Tucci, 2003). Slywotzky, Morrison and Andelman propose the division into twenty-two types of model (Slywotzky et al., 2000: 78–79).

One of the most famous models, Valuable, Rare, Inimitable and Well Organized Resources, or VRIO, described by Barney (Barney, 1991: 105–106), points out a technique for creating a business model. It involves searching for answers relevant to a given business:

- Question about value: Do their resources help the company take advantage of the environment and neutralise the risks?
- Question about rarity: Are similar resources currently owned by only a small number of competitors?
- Question about imitability: Will companies without such remedies have financial difficulties with their acquisition or creation?
- Question about organisation: Are other policies and procedures in the company organised in such a way as to support the use of its valuable, rare and difficult to imitate resources?

The essence of the VRIO model is to demonstrate that the company has unique advantages, the most important of these are thought to include intangible assets such as knowledge and core competencies (Godziszewski, 2006: 12). Falencikowski and Nogalski, conducting inductive and deductive studies, have shown that the business model is firmly associated with the company's resource theory, distinguishing conceptual resources consisting of customer value, competencies and resources, value chain, and source of revenue (Falencikowski, Nogalski, 2011: 94). It is also important to realise that defining the process of value creation should take into account both material and non-material resources (Bagrij, 2015: 10). What is helpful here is the resources approach, emphasising the advantage of intangible assets over tangible assets in building a competitive position. Knowledge is, therefore, an essential element of the business model. Concerning the relations and links between enterprises and the market, the following categories can be mentioned (Norris, West, 2001: 179):

- B2C (Business-to-Customer) is the most common type. In this case, companies are trying to gain individual customers. Since 1995 this has been the most developing model.
- B2B (Business-to-Business) is when businesses direct their goods and services to other firms. This type generates the largest cash flows.
- C2C (Customer-to-Customer) means the possibility of exchanging goods between consumers in an organised way, e.g. through online auctions.
- P2P (Peer-to-Peer) means using the Internet in such a way that users share files directly without having to send them over to the primary server.
- M-commerce (Mobile Commerce) refers to wireless devices through which we can make transactions. It uses a wireless connection in laptops, phones, and so on.

When discussing the concepts of business models, it is first of all necessary to point out the proposals of Osterwalder and Pigneur. The business model presented by these authors consists of nine components: customer segment, value proposition, distribution channels, relationship with their clients, revenue streams, key resources, key actions, key partners and cost structures. The concept of the Business Model Canvas (<http://www.businessmodelgeneration.com/canvas/bmc>, accessed 1.12.2015) has become very popular and is currently used by many business practitioners. However, it has also been repeatedly criticised, for instance, due to the fact the concept does not take into account the dynamic aspect of the business model, so the approach to business idea formulation becomes static. According to Laudon and Traver, eight key elements that make up the business model and affect the effectiveness of the design should be distinguished (Laudon, Traver, 2012: 58–60). These are the following:

1. The proposition of values: Why should customers buy from you?
2. Income model: How will you make money?
3. Opportunity to enter the market: On what market you will be operating and what is its size?
4. Competition: Who else is active in this market?
5. Competitive advantage: What benefits will your company bring to the market?
6. Market strategy: How do you plan to promote your products to attract customers?
7. Organisational development: What type of corporate structure is needed to accomplish your business plan?
8. Leadership: What experiences and skills do business leaders need in the company?

There are many business models in the literature of the subject, which confirms the high interest of researchers in this problem. Among other things, the Business Model-Driven Enterprise concept has recently emerged, according to which shaping and changing business models are the core system for managing an organisation. According to this idea, there is no ideal business model, and once selected a model is not eternal. On the contrary, changes in the business model in the enterprise are natural, and the organisation that wants to succeed in the market should concentrate on it (Duczkowska-Piasecka, Poniatowska-Jaksch, Duczkowska-Małysz, 2013: 146). The model chosen for this research is the Laudon-Traver model, the assumptions of which were included in the study questionnaire.

Application of the Laudon-Traver business model to the analysis of the research results in microenterprises

The study was carried out in the years 2015–2016 on a group of SMEs from the Kujawsko-Pomorskie, Łódzkie and Mazowieckie Voivodeships. In total, the questionnaire was sent to 120 SME enterprises, of which 40 defined their status as a microbusiness. The sample was deliberate. The criterion was, conducting business for at least one year. The participants were the students of the MA course at the Social Academy of Science in Łódź, using the method of direct contact with the entrepreneur. Before the study, an introductory lecture was delivered during the seminar “Success in Business”. The questionnaire survey was based on the Laudon-Traver (L-T) model. The purpose of the study was to verify the following hypotheses:

- I. You can identify the components of a business model as a business development tool.
- II. Knowledge resources are an important factor in creating a microenterprise business model.

And to what extent the L-T model is useful for creating a unique method and technique of building a market strategy in the surveyed companies. Because of the unrepresentative sample selection, the test results may only be applied to the group of microenterprises under study. The microbusinesses surveyed indicated the components of the business model, among which the most highly valued element was knowledge. They pointed out the importance of the different categories of business model they described individually – which helped confirm the hypothesis I.

Talking about a business model suitable for a microenterprise requires defining its resources, which in turn can be tantamount to explaining the values that will fit

the customer’s expectations. The next step may be planning the methods and techniques for delivering these benefits to clients. In the survey, the respondents rated the knowledge resources as the most important category in creating value and in undertaking competitive struggle in the market. Figure 2 presents the results of assessing the importance of knowledge resources in micro enterprises in the surveyed companies.

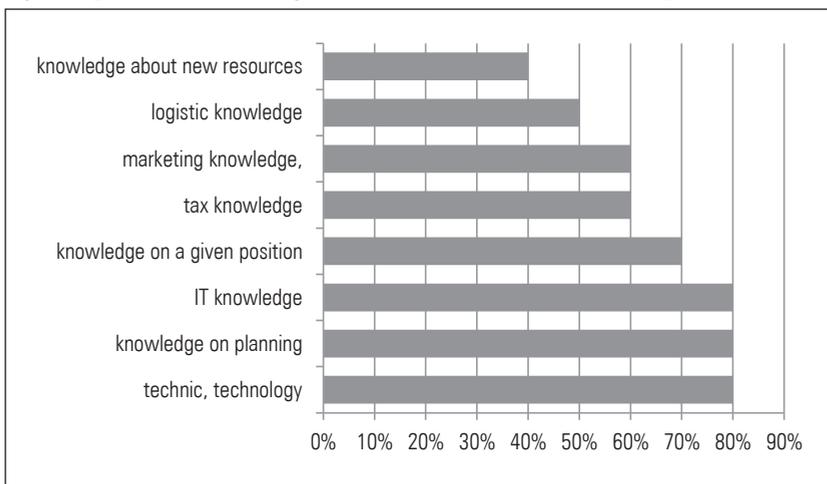
Based on the questionnaire, components of the business model were formulated, which mirrored the market performance of the surveyed microenterprises, as confirmed by hypothesis I.

Table 1. Elements of the knowledge model according to the L-T model

Element of the business model	Little importance	Medium importance	High importance
A proposition of values: Why should customers buy from you?	5%	5%	90%
Income model: How will you make money?	5%	80%	15%
Opportunity to enter the market: in what market will you be operating and what is its size?	20%	60%	20%
Competition: Who else is active in this market?	30%	30%	40%
Competitive advantage: What benefits will your company bring to the market?	20%	30%	50%
Market strategy: How do you plan to promote your products to attract customers?	20%	50%	30%
Organisational development: What type of XXX organisational structure is needed to accomplish your business plan?	40%	40%	20%
Leadership: What experiences and skills do business leaders need in the company?	20%	30%	50%

Source: own research

Fig. 2. Importance of knowledge resources in the studied micro enterprises



Source: own work

Table 2 shows the knowledge components in a business model based on the Laudon-Traver concept for a microenterprise in confectionery.

Table 2. Elements of knowledge in a business model based on research

No.	Elements of knowledge in a business model	Characteristics of the elements of knowledge in relations to a microenterprise
1.	Knowledge of the value offered to the customer	Searching for knowledge about created values relevant for customers. Value creation in a microenterprise consists in efficient and effective operation, timely execution of orders, matching the offer to individual customer requirements, e.g. healthy food, not using improvers and preservatives
2.	Knowledge of customers, market segments	Microenterprise addresses its offer to two market segments: individual clients who buy confectionery in a bakery shop, wholesale customers purchasing to retail outlets
3.	Knowledge of the current offer and possible extension of the offer	Extensive and comprehensive customer service: products displayed in confectionery, website, additional services, custom made products (e.g. cakes), virtual service
4.	Knowledge of pricing options Information on possible sources of revenue and financial support	The company negotiates prices with wholesale customers, for regular customers applies extended payment terms, for new customers uses promotional prices
5.	Knowledge of activities and relations with the environment	Production and sale of products of the enterprise; Financial support from the EU funds, bank credit for the microenterprise
6.	Knowledge gained for specific operational purposes	Adapting to customer requirements and expectations, working with suppliers of raw materials, seeking knowledge of competitors
7.	Knowledge of the individual execution of customer orders	Based on own technology and techniques, recipes, procedures and knowledge of the knowledge; using the Internet
8.	Embedding knowledge, creating knowledge-based procedures	Realisation of offers adjusted to the individual needs of customers, enriching the offers for new ones, e.g. by the various customers, e.g. ecological products, health products, sugar-free products
9.	Knowledge of the value offered to the customer	High quality of service and products, reliability, readiness to tailor the service to customer needs, trust in the company, good customer relations, customer care, building individual relationships with customers

Source: own work

Conclusions

The purpose of the paper was to present the problem of creating a business model in a microenterprise regarding the resource based theory. Based on the analysis of the business models presented, the Laudon-Traver model was chosen as the basis for the research questionnaire. The article shows verification of the accepted hypotheses and evaluation of the suitability of selected business model to determine the rules of market activity

of the microenterprise. Concerning the resource based theory, the microenterprise business model should consist of the following stages:

- defining the concept of action, i.e. The type of manufactured products or services provided;
- designing supply channels, identifying and determining opportunities to realise the added value within the company;
- developing distribution channels – is it similar to the other branches of the economy;
- forecasting the profit achieved.
- By analysing the potential uses of the Laudon-Traver business model in the surveyed microenterprises, it is important to mention its applications indirectly related to strategic management. They include:
 - the possibility to patent a business model – little use due to the high degree of individualisation of design elements;
 - development of business cooperation based on the business model standards, including access to know-how, etc. – application after conducting, for example, auditing in companies planning co-operation;
 - possibility to use a business model in educational processes – in teaching strategy, management or entrepreneurship – great opportunities of presenting the advantages of the L-T model;
 - business models can be a training topic for middle and senior managers – great opportunity to introduce the model.

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