
Design of Control Systems: Top Management Priorities when Choosing a Business Model

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Abstract:

The business model creation is one of the steps of choosing/initiating the most promising business project. The paper presents the results of examining top management priorities influencing the choice of the business model.

The results of expert interviews and surveys using have shown that the most important factor considered by top management is the factor determining a promising success for a new project - "Possibility to build a business focused on long-term sustainable growth".

On the second place the top managers put the factors characterizing the level of effort required from management aimed at forming a business model and its management, than go sustainability/reliability of the business model and economic characteristics.

Keywords: *New business project, business model, top management priorities, sustainability, reliability, economic factors.*

JEL Classification Codes: *L19, L29, M13.*

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1. Introduction

As a result of previous studies, the author has developed a scheme that reflects the sequence of stages when selecting/initiating, by company top management, the most promising business project (Smirnov, 2016; 2017). According to this scheme, after selecting the most promising industry, type of activity, market, products/services (which will be offered to customers), as well as sources of financing of the planned commercial activity, a choice of an optimal business model to be used within a specific business project should be made. Creating a business model involves formation of a management structure in order to implement certain logic of creation, assignment and distribution of value among interested groups (Bouwman and De Vos, Haaker, 2008; Chesbrough and Rosenbloom, 2002; Gordijn and Akkermans, 2003; Linder and Cantrell, 2000; Ovans, 2015; Meutia *et al.*, 2017). A business model can also be defined as a description of an approach taken by an organization or a group/network of organizations to create and assign value through the use and sale of their products and services (Bouwman *et al.*, 2008; Salimova and Makolov, 2016). It should be noted that a business model can function in the form of an inter-firm structure that facilitates communication and cooperation, both within the organization and between/among organizations (Mäkelä and Lehtonen, 2010). The concept of a business model allows managers to use a systemic, closely tied to practice and to structuring of their capabilities management tool, further implemented in rarely predictable and rapidly changing business environment (McGrath, 2010; Dzhukha, 2017; Theriou, 2015).

This research is devoted to the study of top management priorities when choosing a business model that ensures an effective implementation of the previously selected product/service in a defined, previously promising market within the framework of the selected type/direction of activity in a chosen industry to deploy a new business project.

2. Method of research

The study of top management priorities when choosing a business model included the following steps:

1. Identification of factors analyzed by company managers when choosing a business model.
2. Assessment of importance of each factor (criterion) identified by experts in the choice of a business model for implementing a new business project.

Methods of research were expert interviews (the EI) and questionnaire (the QS) surveys.

To accomplish the first stage of the expertise, 12 specialists were involved (9 men and 3 women, aged 35 to 47), highly qualified in the field of business management

systems design, with the experience in the field 7 to 23 years. These experts were to identify the factors analyzed by company managers when choosing a business model to implement a new business project.

30 respondents - company top managers, 18 men and 12 women, aged 25 to 48, with the experience in the field of study 4 to 21 years, participated in the QS. The respondents were asked to assess the importance degree of each factor identified by the experts on a 5-point scale presented in Table 1.

Table 1. Scale of assessing the importance degree of factors analyzed by top managers when choosing a business model of a new business project (developed by the author)

Very high degree	High degree	Average degree	Low degree	Extremely low degree
5	4	3	2	1

All experts and respondents were involved in the research on the basis of personal contacts of the author. The obtained survey data were processed using MS Excel tools.

3. Research result

As a result of data processing conducted by the EI, the author received a list of 11 factors identified by the experts that are being considered by senior managers of companies when choosing a business model:

1. Low resource consumption.
2. Business model novelty distinguishing it from models of competitors.
3. Business model high level economic efficiency confirmed in practice.
4. Business model high level reliability confirmed in practice.
5. Compliance of a selected business model with a model used by a market leader.
6. Possibility to quickly make a profit.
7. Possibility to build a business focused on long-term sustainable growth.
8. Possibility to form an attractive brand for customers.
9. Compliance of a selected business model with a model used by many companies in the market.
10. Easy to build business model.
11. Easy to manage business model.

The processed results of the questionnaire survey QS are presented in Table 2.

The degree of importance of each factor identified by the experts and analyzed by the managers when choosing a business model that ensures the implementation of a new business project is determined by a relative weight ratio of each factor.

Table 2. *Assessing the importance of factors analyzed by company top management when choosing a business model (compiled by the author)*

Factors	Relative weight ratio	Ranking
Possibility to build a business focused on long-term sustainable growth	0,124	1
Easy to build business model	0,102	2
Easy to manage business model	0,102	2
Possibility to quickly make a profit	0,97	4
Possibility to form an attractive brand for customers	0,091	5
Confirmed high level reliability of a business model	0,089	6
Novelty distinguishing a business model from models used by competitors	0,086	7
Confirmed high level economic efficiency of a business model	0,083	8
Compliance of a selected business model with a model used by a market leader	0,083	8
Compliance of a selected business model with a model used by many companies in the market	0,073	10
Low resource consumption	0,070	11

According to the respondents, when choosing a business model to implement a new business project, the most important factor considered by management is the factor determining a promising success for a new project - "Possibility to build a business focused on long-term sustainable growth" (relative weight ratio is the most important and equals 0.124, rank = 1).

Next in importance are the factors characterizing the level of effort required from management aimed at forming a business model and its management - factors "Easy to build business model" and "Easy to manage business model" (values of relative weights are the same and equal 0.102, ranks = 2).

The factor determining a chosen business model sustainability, its reliability: "Confirmed high level reliability of a business model" - according to the respondents' definition, has an average degree of importance in regards to the factors under consideration, with a relative weigh ratio equaling 0,089, rank=6.

Economic factors: "Possibility to quickly make a profit", "Business model high level economic efficiency confirmed in practice", "Low resource consumption" – occupy, respectively, the fourth, eighth and last eleventh place among all the factors under consideration, and the factor of "Low resource consumption" is, according to the respondents, the most insignificant of all the factors considered (relative weight ratio is 0.070, rank=11). The significance of the factor "Possibility to quickly make a profit" is the highest among the factors in this group (relative weight ratio is 0.097; the rank in the overall rating of all factors equals 4).

Factors determining company competitiveness in the selected market for the project: "Possibility of forming an attractive brand for customers", "Novelty distinguishing a business model from models used by competitors", "Compliance of a selected business model with a model used by a market leader", "Compliance of a selected business model to a model used by many companies in the market" - have, respectively, rank estimates 5, 7, 8 and 10.

In this group of factors the most significant, in comparison with all other factors considered by the top managers, is "Possibility to form an attractive brand for customers"; its relative weight ratio is 0.091, rank=5; and its importance degree indicator is in close proximity to the economic factor "Possibility to quickly make a profit" (relative weight ratio is 0.097, rank=4).

According to the respondents, the factor "Compliance of a selected business model with a model used by many companies in the market" is insignificant; it takes the penultimate place in the overall rating of all factors (relative weight ratio is 0.073). The factor "Compliance of a selected business model with a model used by a market leader" is more significant; the relative assessment of its degree of importance is 0.083 (rank=8) and is equal to the assessment of the economic factor importance degree "Business model high reliability degree confirmed in practice".

4. Conclusion

Thus, highlighted are the main priorities of the top managers when choosing a business model for implementing a new business project related to an offer in previously selected markets in previously defined types/activities in selected sectors of promising products/services. These priorities include the factors determining a possibility of creating a long-term sustainable, reliable, dynamically growing business that does not require significant organizational efforts in the process of its developing and management, which allows to quickly make a profit and form an attractive brand for customers.

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