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The concepts of strategy and business models in firm internationalisation research: towards a research agenda

Marian Gorynia, Piotr Trąpczyński, Szymon Bytniewski

Submission to the European International Business Academy (EIBA) 44th Annual Conference

Poznań, Poland, December 13-15, 2018

Research Context

1. Internationalisation, firm strategy and business model as important aspects of international business research
2. Determine the usefulness of the concept of firm strategy and business models to research on firm internationalisation
3. Clarify the relationships between the concepts
4. Generate directions for further research on firm internationalisation processes.

Concepts of firm strategy

Mintzberg
(1987)

- Firm strategy consists of a plan (plan), a pattern of actions (pattern), tactics (ploy), position (position) and perspective (perspective)

Porter
(1996)

- Firm strategy should lead to an increase in the competitiveness of the company and emphasize its uniqueness
- Firm strategy at *three levels*

Timmers
(1998)

- Firm is a system consisting of elements connected by a network
- General value chain in that it defines the integration of its elements

Obłój
(2002)

- Combining firm strategy and its implementation, it is possible to fully use resources and skills

Hitt,
Ireland,
Hoskisson
(2009)

- Integrated and structured set of goals and activities.
- Strategy should be planned in a way that makes it possible to use the competencies of the firm, leading to achieving a competitive advantage

Firm strategy

- Emphasised features of understanding the concept are: defining missions, methods enabling its fulfilment, measurability, location of strategies in time and relations established with the external environment
- The correct formulation of the strategy enables effective location of resources. A well-prepared strategy also helps to react to the activities of competitors (Gorynia, 2007).

Concepts of business models

**Timmers
(1998)**

- Business models are created by three components:
 1. The architecture of goods and services
 2. Vision of potential profit for business participants
 3. Description of revenue sources.

**Stahler
(2002)**

- Simplified picture of the current situation in a given industry. Three elements that compose the creation of a business model:
 1. The value offered
 2. Products & architecture
 3. The revenue model

**Magretta
(2002)**

- Business model is a set of concepts that condition the creation of values for all entities involved in relations with the enterprise.

**Afuah,
Tucci
(2003)**

- Business models implemented by enterprises have one common denominator, they were created to bring profit in the long run.

**Ostenwalder
and Pigneur
2010**

- The business model is a collection of elements and relationships that enable presentation of the company's business goals.

Bussines model

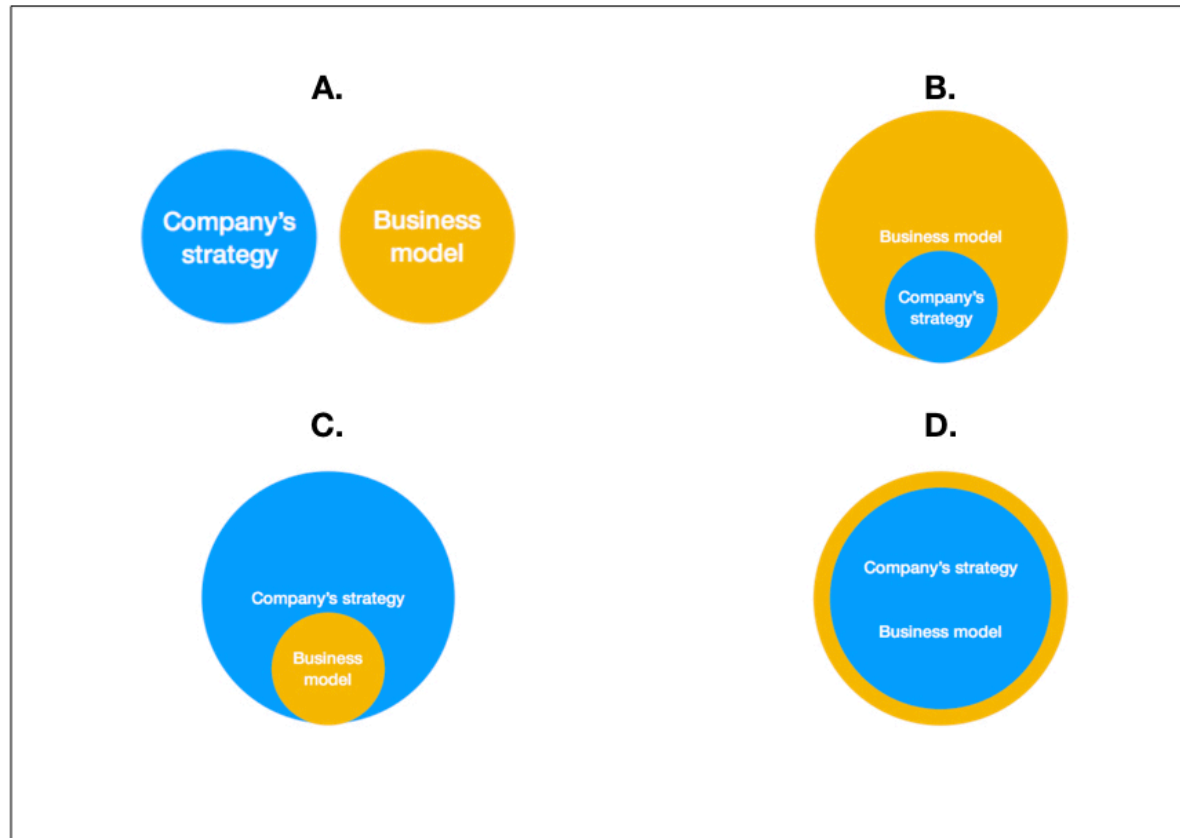
1. Based on the above review of the business model literature, an attempt can be made to formulate the conclusion that most of them are connected with business activities aimed at enhancing financial performance, while building competitive advantage in a dynamic environment, as well as creating value propositions for customer. The common denominators of almost all of the business model concepts discussed here, accordingly, are three elements:
 - Value proposition for the client.
 - Structure of the value chain / company position in the value chain
 - Sources of income

Comparison of firm strategy and business model concepts

Firm strategy	Business model
Answers the question: What is the purpose of the company and how can it be achieved?	It is a simplified image of the company and answers the question: What is the company?
It is created in relation to other entities from the company's environment	It concerns the interior of the enterprise
It refers to the positioning and competitive advantage achieved by the company	It focuses on the created economic value
It is characterised by flow marks	He has signs of state
It applies to the time dimension and provides for the direction of changes	It is the image of an organisation captured at a given moment
Observed through consistency (hardly observable)	Easy to see and define

Source: Own study

Relationships between the business model and the firm strategy



Source: Own study.

Internationalisation strategy and its dimensions



Source: Welch and Luostarinen (1988).

Firm internationalisation and business models (1)

- business model can drive and explain international expansion (Hennart, 2014)
- rapid internationalisation is related to a niche strategy: specialised products, innovative marketing strategies and enhanced product and service quality (Mudambi and Zahra, 2007)
- capabilities to manage business model innovation which are pivotal for born global firms: *sensing capabilities, entrepreneurial capabilities and relational capabilities* (Johansson & Abrahamsson, 2014)

Firm internationalisation and business models (2)

- INVs are more likely to innovate externally oriented elements of their business model (Abrahamsson, Boter & Vanyushyn, 2016)
- business models of internationalising firms can be essentially discussed along the dimension of **focus** (which activities to perform), **locus** (where to allocate how much of these activities), and **modus** (to what extent these activities are performed alone or in cooperation) (Bouncken et al., 2015)
- Domestic-based, import-based, export based, semi-global business models (Rask, 2014)
- Multiple Local, Global, Niche Global, and Local to Global (McQuillan & Scott, 2015)

Conclusions

- some of the dimensions of both concepts, including the operating modes, choice of products or markets, are common to both concepts
- internationalisation appears to be an integral part of corporate-level strategy which defines the directions of long-term firm development, including the geographic dimension
- while the entire firm has a business model as a whole, there can also be varieties of business models within the same organisation, which are a consequence of its growth, particularly internationalisation

Future research

- using established (or developing new) conceptualisations of business models and applying them to firms with different characteristics and from several industries
- extent and manner in which the internationalisation of a firm's can affect the business model(s) of the firm
- business model as framework for foreign market adaptation
- motivations to replicate or modify the core business model in new international contexts

Thank you for your attention ! Questions?

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