Prevalent business model elements in the startup stage

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Abstract

This study aims to discover the use and benefit of business models in the early stages of startup businesses. The researchers focused on the professional services and retail sales industry and interviewed entrepreneurs from two countries as their case study in order to assess the success of business models through the first hand experiences of the entrepreneurs as they applied business models in their startup companies.

Purpose: The purpose of this thesis is to find out how the business model framework is used by small firms in the startup stage. This academic work also aims to increase the significance of the theory described here with the help of a qualitative study of a particular situation: the study of the business model structure built by entrepreneurs in the startup stage of their small firms, all of them belonging to the service sector. Will be taken as an example two developing countries, considering that their economies are tightly hinged on the success of small firms in the service sector, which accounts for about 60% of their economy. The aim is to explain among the main elements of a business model, which are the most relevant when starting a company, for a further value creation and to what extent does the business model framework benefit them.

Research Implications: This study also continues the pathway of research on business models and entrepreneurship, in conjunction with the empirical investigation of companies willing to be measured in terms of their performance, study that might require time and resources but could be done as future research to answer the question on whether there is a connection between performance and the architecture of the business model.

Practical Implications: The practical implications of this study contribute to the way entrepreneurs would do business in the startup stage in their firms. The use of business models may have a huge impact in the overall success of the firm in its startup stage, thereby contributing positively in the economy of a country.
1. Introduction

Discussions about business models have been circulating amongst the corporate world and the academe for over a decade now. Industry experts and scholars have flung these words every so often but there is still no agreement among themselves as to the concrete and universally accepted definition of what a business model is. The definition of a business model is still a hotly debated topic among scholars and industry experts alike. For purposes of this study, the researchers adhere to Osterwalder's definition of a business model. Business model is the description of the rationale of how firms creates, delivers, and captures value (Osterwalder and Pigneur, 2010). Osterwalder’s definition of business model is a conceptual tool that contains a set of elements and relationships that allows expressing the business logic of a specific firm, it is the description of a company’s value, its backbone and its partners’ network to create and deliver that value to the customer while generating profitable revenue flow.

The outstanding success of the high-tech industries and information and communication industries opens up new perspectives on how revenues can be generated. The business model has proven to be a vital tool to understand the mechanisms through which a company captures value (Osterwalder & Pigneur, 2003). From Osterwalder’s statements, it is clearly seen that a superb business model can be a powerful tool in achieving business success. The small businesses or firms can benefit from having a business model to achieve success in their firms.

According to the European Union, a small business is one having fifty employees or less. It is any business independently owned and operated, not dominant in its field (Carland, 1984). Start-up firms are very interesting to study because you never know how big they will become one day. Almost every big business has to start small. It is interesting to know that industry giants such as Coffee Bean and Tea Leaf, Burt's Bees, Apple, Amazon.com, and Ben and Jerry's started out small before conquering their respective industries. Coffee Bean and Tea Leaf started out as a family-run coffee shop. Burt's Bees got its start in an abandoned schoolhouse when the founders were making candles out of excess beeswax. Apple and Amazon.com both had their humble beginnings in a garage. Ben & Jerry's started out in an abandoned gas station.

1.1. Background

Combining different concepts of the literature reviewed, it can be said that a business model is based on observation and theory. It has been a field of study for scholars and is the daily lives of managers (Baden-Fuller and Morgan, 2010), and it is synthesized in the integration among the areas of a company and the activities performed in order to create and deliver value to customers. The business model is simply a description of how a firm does business,
it is the logic that lies behind the actual processes (Richardson, 2008). Some authors tend to point out one or two main components when talking about business models, such as the value proposition, the way of delivering value and/or the different revenue streams. Although many core issues can be found in the definitions of business model, all have a common approach and it is to measure performance based on the value or the competitive advantage created through business model design (Brettel, Strese and Flatten, 2012).

The design and analysis of the business models is an object that has emerged at the corner where entrepreneurship theory, strategic management and firm performance join together as a major importance for startups (Brettel, Strese and Flatten, 2012). This is a salient issue for these entrepreneurial ventures as they are not yet polluted by path dependencies and inertia as established firms are. (Zott and Amit, 2007). All forms of companies have a particular business model, either implicitly or explicitly, and even though some have been built under theories of entrepreneurship with scientific and practical implications, the vast majority of entrepreneurs applied on their businesses what they learned through their journeys (Townsend, Busenitz and Arthurs, 2010). Entrepreneur can be defined as one that engages in at least one of Schumpeter’s four categories of behavior: that is, one that has the principal goals of an entrepreneurial venture such as profitability and growth and the business is characterized by innovative strategic practices (Carland, 1984).

During the startup stage (The early phase in the life cycle of a company that covers the inception of the business, from the idea generation, to the creation of the basic structure of the business, the process of starting the business up to the initiation of operations), entrepreneurs need to establish boundaries and structure of the organization, and even if the ideal business model hardly appears when the business is emerging, being one step ahead is not having a perfect business model, but knowing what it is about in order to apply the template in a flexible way, allowing the entrepreneurs to introduce changes so as to guarantee sustainability of the firm and re-shape strategic choices that frame the way the firm will generate value (Trimi and Berbegal-Mirabent, 2012). Business models can play a positive role in the life cycle of firm, but before exploring the role it plays regarding performance, it is crucial to understand theoretically in what extend is it used in the startup stage (Shafer, Smith and Linder, 2005). Once the importance of business in new entrepreneurial ventures is grasped and fully understood, the researchers plan to study the actual usage given by entrepreneurs. In other words, the researchers seek to find out what the main elements of the business model are for the entrepreneurs.

1.1.1. Problem Discussion

The discussion proposed in this document concentrates on the applicability of business model frameworks in startups (according to Schumpeter (1934) a startup is a venture whose goals are profitability and growth and work under innovative strategic practices). The first thing to mention is that a business model definition should be trustworthy in a range that covers many
industries; second, the business model concept needs to include measurable elements in order to be capable of analyzing and comparing business models of one another; and finally, a business model should facilitate the study of the performance implications, the value created and the competitive advantage gained through the use and design of the business model (Brettel, Strese and Flatten, 2012), providing help when facing challenges of global market and new network relationships (Onetti, Zucchella, Jones, and McDougall-Covin, 2012). Nevertheless it will always be required to take into account the influence of country culture, which seems to affect the development of business models (Mason and Mouzas, 2012).

Globally recognized researchers Alexander Osterwalder and Yves Pigneur, have written a book about business models and have composed the Business Model Canvas, a tool that facilitates and understands the business model from an integrated point of view that compromises the company as a whole. After reviewing different definitions, it is stated that a business model is a conceptual tool that contains a set of elements and relationships that allows expressing the business logic of a specific firm. These elements, in charge of jointing and framing the business system are: the value proposition, the target customers, the distribution channels, the relationships with customers, the value configuration, the core competency, the partner network, the cost structure and the revenue stream.

The business model is the way an organization operates to guarantee sustainability in the upcoming future. It is also a helper when deciding what to do next in the entrepreneurial process. Having a business model since the inception of a venture is useful for the firm and the entrepreneur as it can affect positively on his or her behavior. When studying if the business model is applicable to new ventures, it is important to remember that under this stage a startup is looking for partners and investors, and probably the entrepreneur would have to make changes and slight adjustments, in order to act as opportunity catcher, linking the business idea to its adoption and subsequent use. In theory, the business model helps to analyze the development of entrepreneurship. Now the focus will be to study if in practice, how the entrepreneurs actually use the business model(s) to explore the best way to operate their businesses.

1.2. Problem Formulation and Purpose

The aim is to explain among the main elements of a business model, which are the most relevant when starting a company, for a further value creation.

Research Question: What business model elements are most commonly used by entrepreneurs?

By covering this research question, we will be able to develop conclusions on determining the trends of usage of business models. The researchers expect to find the main elements of the business model framework that entrepreneurs focus on and its significant effect in the day to day activities in the startup stage of their firms.
Purpose:

The purpose of this thesis is to find out what the use of the business model framework is to startup businesses.

1.3. Delimitations

Under this section are mentioned the boundaries set for this thesis.

The scope of this academic work is the business model that each entrepreneur used in the startup stage of the companies studied; no business models created after the startup stage were taken into consideration. For the theoretical chapter were examined those business models whose elements could be included more easily during the initial stage of the development of each company.

The research covers as an example companies from the service industry, professional services and retail sales to be precise, located in two countries, in Colombia and in The Philippines. The thesis does not include the study of the performance of the firm throughout the years due to the usage or misusage of the business model framework.

The methodological procedure for the empirical section includes a semi-structured interview under a qualitative research to explain the case studied. As this research involves the behavior and decisions of a certain group of people, the behavior of this unit of analysis may or may not reflect the behavior and decisions made by a sample of entrepreneurs of a different industry, for instance primary or secondary sector of the economy. This case study suggests what can be found among companies in the startup stage in a similar context of countries and industries, but additional research would be needed to verify if the findings can generalize elsewhere (namely, other countries or industries) (Wiersma and Jurs, 2000).

1.4. Thesis Structure

This part mentions the description of the succeeding chapters of the thesis and how we organized it.

Chapter 2, Theoretical Background: This chapter is a detailed description of the theoretical basis of the thesis. It includes the following:

- The Entrepreneurs
- Entrepreneurs and the use of Business Models
- Defining a Business Model
- The Power of the Business Model in a firm
- Purpose of a Business Model
- Common mistakes and complications of developing a Business Model
• Business Models and its main elements
• A business model is not a strategy
• Business model and its main categories
• Types of business models
• Osterwalder’s perspective of Business Model

In Osterwalder’s perspective of a Business Model, it has a description of his study on Business Models, and it is with his business model perspective that the researchers based their academic work.

Chapter 3, Theoretical Framework: The content of this chapter is a description of the literature and theories that the researchers considered applicable in the course of their study of business model perspectives and the experimental part of the research.

Chapter 4, Method: This chapter gives a detailed description of the theoretical and empirical process of the research. It also gives a detailed description of how the research was conducted, how the data was collected, and how said data was analyzed. There is also a description on the researcher’s expected results.

• Overview
• The theoretical process
• Trustworthiness and reliability
• The empirical process
• Data Collection
• Data analysis process

Chapter 5, Case Description: The case description gives an overview of the economic and business environments of the developing countries Colombia and The Philippines. These are the countries where the researchers have based their studies on, and they have specifically studied the professional service industry, the retail sales industry and the profile of the respondents.

• Research population and sample
• Tertiary sector of the economy
• Colombia
• The Philippines
• Background of the entrepreneurs
• Outcome of the study

Chapter 6, Analysis: This section is a detailed description of what the researchers have learned of the research topic based from the data and theory that they have collected.

• Discussion
Chapter 7, Conclusions: In this part, the researchers will propose an answer to the research question that they have posted based on the results and analysis they have from the data collected, as well as the limitation and the implications of the study with some suggested areas for future research.
2. Theoretical Background

This chapter was elaborated based on the main theories about business models. The literature posed in here is the groundwork of the study, its acquaintance is basic for the development and comprehension of the document.

2.1. The Entrepreneurs

The definition of entrepreneur is affected by history; history of a region, the business history and the history of the surrounding society. Entrepreneurs are the pinion that moves and stimulates the great gear known as economic growth. Due to their intrinsic characteristics, individuals known as entrepreneurs work with the resources available to their hands in order to make transformation while being productive but with the main purpose of achieving profit (Casson, 2010).

Since the first definition of entrepreneur, given by Schumpeter in 1934 where he refers to this term as the person who starts and manages a business with the principal objective of achieving profit and growth by being highly innovative and applying different management strategies, the definition that best fits the aim of this research is the one given by Raphael Amit along several of his papers, where he states that entrepreneurs are the individuals that identify, create and lead business opportunities, by applying innovation or making up new combinations of resources aiming to get profit and are not afraid of taking risks in the highly uncertain environment where they are.

2.2. Entrepreneurs and the use of Business Models

According to Trimi and Berbegal-Mirabent (2012), new ventures are more likely to succeed if they do not have a perfect business model pattern, but a flexible one that enables the entrepreneur to make changes and slight adjustments, in order to act as opportunity catcher, linking the business idea to its adoption and subsequent use.

Under this interpretation, the business model is a useful instrument when the new venture is seeking for partners or investors, as it encloses all the information related to the creation value process, which will guarantee the subsistence of the venture in the long term. The business model inherently shows the entrepreneur what is feasible for the startup and what is not (Seelos and Mair, 2005). Even if the entrepreneur imitate a business model from a prestigious organization, they must adapt the sketch to their own particular Strategic Choices (Zott and Amit, 2007). Thereby, the model becomes a form of intellectual property of the entrepreneur.

In practice, as startups tend to have less transactions in progress and more time for thinking, they should design more than one business model in order to research the best way to deal with competitors; as when failures occurs, is because entrepreneurs have avoided to put more
emphasis on the new venture’s foundations (Trimi and Berbegal-Mirabent, 2012). In theory, the business model helps analyze the development of entrepreneurship.

In accordance to Morris, Schindehutte and Allen (2005), the business model encourages the entrepreneurs to:

- Conceptualize the venture as an interrelated set of strategic choices.
- Hold relationships among elements through exclusive networks.
- Develop operations around a logical path.
- Have consistency between the strategy, internal and external elements.

Successful companies are those that indeed implement the previous points and face the challenge of setting up their own framework that can be used by other firms but satisfies the needs of the entrepreneur and their startup idea. “Just as the creative chef that will innovate to produce a new recipe for successful dish, the creative entrepreneur may innovate to build a new business model, a new recipe for a firm behavior” (Morris, Schindehutte and Allen, 2005, 730).

New ventures may have great market opportunities, innovative ideas, enough resources and entrepreneurial skills, but if the initial assumptions are not validated in the first stages, the model running the business will be going in the wrong direction. The decisions and activities undertaken during the startup stage will firmly influence the courseware of the company after the startup period. The probability of success increase with formality on the execution of the business model, this means: i) testing the Strategic Choices before communicating them; ii) interconnecting decisions about key activities and location of activities to relationships with stakeholders; iii) analyze whether the implicit and explicit relationships are logical, mutually supportive and internally consistent. “The closer the entrepreneurs follow the model in the planning of their company, the greater the performance after startup” (Van de Ven, Hudson, and Schroeder, 1984, 96).

The state of a business model is constant evolution, entrepreneurs must work to maintain, preserve and improve their ventures performance. Entrepreneurs must develop the ability to innovate the business model of their companies as well as they do with their products and services, and although it is very difficult to achieve, it is vitally important (Chesbrough, 2010). In this same way, entrepreneurs must assume an attitude into business model experimentation. Every firm has the same chance to gain value from an innovative idea as from an innovative business model. This experimentation must focus on all areas of the business model in a comprehensive manner and not on changing individual items; into the bargain, other organizational processes and items must also change. When the structure changes in dimensions like sales volume and revenue growth or even internationalization of the firm, the business model is ready to evolve. Another factor for experimentation on business model is if its ability to create, deliver and capture value got reduced (Abraham, 2013).
2.3. Defining a Business Model

Combining different concepts of the literature reviewed, can be said that a business model is based on observation and theorizing. It has been a field of study for scholars and is the daily lives of managers (Baden-Fuller and Morgan, 2010), and it is synthesized in the integration among the areas of a company and the activities performed in order to create and deliver value to customers. Therefore, is presented below at greater depth the main elements that should be included in the definition of business model and the standards that need to be accomplished for the purpose of this study (Demil and Lecocq, 2010).

First, a business model definition should be trustworthy in a range that covers many industries; second, the business model concept needs to include measurable elements in order to be capable of analyzing and comparing business model one another; and finally, a business model should facilitate the study of the performance implications, the value created and the competitive advantage gained through the use and design of the business model (Brettel, Strese and Flatten, 2012).

According to Demil and Lecocq (2010), there are two different approached of the concept:

- Static approach: defines the term ‘model’ as the correlation and coherence between its core components, and acts like a blueprint where can be seen functions such as descriptions and classification of the business. This approach allows to study the relationship between a model and the firm’s performance.

- Transformational approach: this approach is more important in the field of action, as it helps managers recognize when and how they can change the business model. The business model is considered as a tool to address change either in the business model or in the organization.

“The business model is related to a number of other managerial concepts. It captures key components of a business plan, but the plan deals with a number of startup and operational issues that transcend the model. It is not a strategy but includes a number of strategy elements. Similarly, it is not an activity set, although activity sets support each element of the model. Involves choices about firm boundaries and relates to transaction cost economics” (Morris, Schindehutte and Allen, 200, 727).

It is worth noting that a Business Plan is a formal and explicit documentation of how a particular business model will be implemented; includes sufficient detail to serve as an action plan with justification for decisions, budgets, policies, milestones, resource requirements and objectives (Leschke, 2013).

In general, it is a framework that encloses or sets boundaries to the transactions the firm execute with external partakers, from investors and suppliers to customers (Baden-Fuller and Morgan, 2010). Although knowing the business model should be duty of all members of the company, it is required to have a leader who can define, implement and guide the development of the business model.
Middle managers and executives were identified as the most proper authorities in achieving this aim as they work daily with the strategic development of the firm (Mason and Mouzas, 2012). However, the person in charged must have clarity on the firm’s offering and fundamental activities to produce them. These activities are reflected in the focus, locus and modus of the business. Below is the definition that Onetti, Zucchella, Jones, and McDougall-Covin (2012) give about this concepts (or dimensions as they call):

- **Focus**: Activities that provide the backbone of the company’s value proposition. Determines the length and width of the value chain.
- **Locus**: Range of location where the company’s resources are allocated. Determines the geographical structure of the value chain.
- **Modus**: Concerns the internal way to proceed and the value chain itself. Defines the management system for each activity, which should be managed in-house and which should be outsourced.

The integration of these three dimensions result in the appearance of a (or multiple) business model, making this consolidation particularly important for startups, by virtue of the help that business model can provide when facing challenges of global market and new network relationships. Though it will always be required to take into account the influence of country culture, which seems to affect the development of business models (Mason and Mouzas, 2012).

In recent years have emerged reviews saying that after understanding the business, the focus of a company should be changing the business model through innovation, to distinguish from the industry the company belongs, and to put the business on a new profit path. The easiest way to business model innovation is changing parts of the business model without affecting the other implicated parties (Abraham, 2013). Business models represent a form of innovation when new techniques are introduced to transform internal operations of the firm, enhancing efficiency. Entrepreneurs need to execute besides product or service innovation, a new model design in order to gain profit from innovation. To other sized firms, little changes in the model can be the cardinal point of a renewal of the business (Trimi, Berbegal-Mirabent, 2012).

Another way is through business model experimentation. Here are some examples of it (Baden-Fuller and Morgan 2010):

- Experiment by managers with new business model to change the business.
- Experiment by entrepreneurs to create new business models.
- Experiment by managers to create new business models for existing business.

The ability a firm has to change its business model while building and preserving a continuous performance is called ‘dynamic consistency’ (Demil and Lecocq, 2010).
Many scholars affirm that the term ‘business model’ arose in the late 90’s with the dot.com and internet boom (because one of the most common term cited when talking about internet firm’s success, is ‘business model’ (Chen, 2003)). However, the truth is that it has been existing since the 18th century but under the pattern of ‘model farms’, ‘model communities’, and in the 19th century after the industrial revolution, ‘model factories’ (Baden-Fuller and Morgan, 2010). Below is a brief review of the business model history.

Peter Drucker, considered the greatest philosopher of the administration in the twentieth century, introduced the concept in 1954 and focused on ‘how a company carries out its business’, addressing to answer who is the customer and what means value for them. Thereafter, in the mid-late 90’s emerged the term motivated by e-business contexts which was studied and researched by several scholars (Onetti, Zucchella, Jones, and McDougall-Covin, 2012). In early 2000s Raphael Amit and Christoph Zott ventured to say that a business model explains the offerings, the structure and the governance of transactions needed to create value in a business opportunity. Then appeared Joan Magretta in 2002 with the article “Why Business Models Matter” published on Harvard Business Review. She based her definition on Peter Drucker’s research and added two fundamental questions every manager must ask: how is the business making money? What is the underlying economic logic that explains how the firm can deliver value to customers at an appropriate cost? For that same time, Chesbrough and Rosenbloom presented a more detailed definition, indicating the functions of the business model. A few years later, Osterwalder and Pigneur went over different definitions and added: a business model is a conceptual tool that contains a set of elements and relationships that allows expressing the business logic of a specific firm, is the description of a company’s value, its backbone and its partners’ network to create and deliver that value to the customer while generating profitable revenue flow. Shafer, Smith and Linder in 2005 published a paper that compiles different definitions of a decade back and developed a diagram that identifies four key terms or categories that were common among those definitions (this will be studied later); a business model must include the strategic choices attached to a value network that contribute to the creation and capture of the value.

These are the most representative definitions that have occurred over the years. The definition has become more complex but also more complete and in line with reality nowadays. From this point, the other authors have relied on them to develop their research and papers, and draw their own conclusions.

2.4. The power of the business model in a firm

What really matters for an entrepreneur is whether it is worth spending time on building a business model or if to start the new venture unaware of the path to follow can also be profitable. The initial assumptions must be validated in the first stages of the new venture, otherwise no matter how great market opportunities, innovative ideas, enough resources and entrepreneurial skills the firm has, the model running the business will be going in the wrong
direction. The decisions and activities undertaken during the startup stage will firmly influence the courseware of the company after the startup period.

The state of a business model is constant evolution, entrepreneurs must work to maintain, preserve and improve their ventures performance. Companies must develop the ability to innovate their business model as well as they do with their products and services, and although it is very difficult to achieve, it is vitally important (Chesbrough, 2010). In this same way, companies must assume an attitude into business model experimentation. Every firm has the same chance to gain value from an innovative idea as from an innovative business model. This experimentation must focus on all areas of the business model in a comprehensive manner and not on changing individual items; into the bargain, other organizational processes and items must also change. When the structure changes in dimensions like sales volume and revenue growth or even internationalization of the firm, the business model is ready to evolve. Another factor for experimentation on business model is if its ability to create, deliver and capture value got reduced (Abraham, 2013).

2.5. Purpose of a Business Model

The business model is more than the unification of its parts, it captures the main substance of how the business system or value chain will be sharpened. To be useful and understandable, the business model must be rationally simple, designed in a logical pattern, measurable, functionally useful and concise (Morris, Schindehutte and Allen, 2005), always involving all available resources, specially physical resources such as plant, machines, equipment, tools and stock; and human resources just as qualified and unqualified labor, office staff and their inherent knowledge (Demil and Lecocq, 2010). The business model is a source of constant innovation and internal improvement, if used from the initial organizational life cycle stages, will have the opportunity to develop an intrinsic power, increasing the value creation potential of the new venture and improving the profit system (Trimi, Berbegal-Mirabent, 2012), which prompts into the way the new venture will preserve along the upcoming years. “The business model is the way an organization operates to ensure its sustainability” (Demil and Lecocq, 2010, 231), and the part that entrepreneurs play inside a company is to come up with new value propositions, so the managers can fulfill their functions of implementing the entrepreneur’s idea and follow their guidance.

The business model framework, will provide a general representation of how the main strategy of the company is implemented. The business model theory does not state a model as one with more competitive advantage or superior performance than others, but it facilitates the study of how one model can affect the performance of a firm more than another model (Richardson, 2008).
2.6. Common mistakes and complications of developing a Business Model

There are some obstacles, complications or mistakes associated with the creation and use of business models, according to Shafer, Smith and Linder (2005), are three that overhang:

1. After developing the Strategic Choices component, the outcome (business model) must be tested to ensure that all the relationships (implicit and explicit) needed to deliver the value to the customers are valid, follow a logical sequence and are internally consistent. In this way, will be avoided making assumptions that are not compatible with reality.

2. Must be taken into account all the Strategic Choices; having only one portion does not mean there is a business model established.

3. Some managers use to center their attention on the value creation and leave aside the value capture section. This happens because there is a lack of comprehension about value network; for example thinking that value network will never change in the oncoming future and continue without enhancing the relationships with stakeholders. Should be good to know and apply the quote “The only thing constant in life is change”.

In regard to new entrepreneurial ventures (that for granted are more unsteady than established firms with years and years of expertise and knowledge about business environment), that are more sensitive about this obstacles (Zott and Amit, 2007), makes the entrepreneurs to be prepared to introduce their venture to society with the purpose of raising capital. For entrepreneurs is crucial to leave sidewise the obstacle of ‘protecting the new creation’ and the paradigm of not-sharing part of the venture to avoid being copied (Papagiannidis and Feng, 2005). On how to handle these obstacles, depend the success of the business model settled, and the path that information will follow to generate the decision making process (Chesbrough, Henry, 2010).

2.7. A business model is not a strategy

When managers are asked about the definition of strategy, most give an answer that includes the term business model (Baden-Fuller and Morgan, 2010). So the question is if a firm can operate using one (either strategy or business model) but not the other, or if for an effective operation are needed both (Abraham, 2013). A business model simplifies the analysis and validation of the Strategic Choices of a company. A strategy is a pattern or perspective, it is a map or course direction that relates the products and services with the market and other feature terms (Shafer, Smith and Linder, 2005). There is a need of segregation between business model concept and strategy concept, to distinguish business model components from the strategy they represent (Onetti, Zucchella, Jones, and McDougall-Covin, 2012). “Business models explain who your customers are and how you plan to make money by providing them with value; strategy identifies how you will beat competitors by being
different” (Abraham, 2013, 34). Strategy is how a company actually competes (Abraham, 2013). Strategy belongs to the upper levels of the organization since there is where it is defined the way to compete; the business model is performed at more operational levels as it defines how to execute the strategy (Strategic Choices) (Onetti, Zucchella, Jones, and McDougall-Covin, 2012). Some analysts have failed trying to find a common point between the business model, an effective strategy and the survival of the firm (Trim, Berbegal-Mirabent, 2012). That is a big challenge inasmuch as when experimenting with a new strategy, the way to do it must be that perfect, not to jeopardize the model and vice versa (Morris, Schindehutte and Allen, 2005). The use of both, business model and strategy, is vital for the creation of value and for the sustainability of the company. Hence the importance of having a clear distinction from the very moment a new venture starts operating. The business model has a variety of strategic elements (such as resources, offerings, customers and markets), but it just helps to analyze and communicate these choices. An organization needs both.

2.8. Business Models and its main categories

After studying the concepts above, it is worth mentioning the responsibilities performed by a business model. According to Chesbrough and Rosenbloom (2002), are 6:

1. Identifies a market segment (or niche) and specify the revenue generation mechanism.
2. Articulates the value proposition.
3. Designs the value chain required to create and deliver the product or service.
4. Estimates the cost structure and profit potential.
5. Describes the position of the firm within the value network.
6. Formulates the strategy to gain and hold advantages over rivals.

Some authors only emphasize on one or two main elements when talking of business models; some of them use the sources of revenue as the focal point, some others the delivery activities, and a few others center their attention on the value proposition of the firm (Richardson, 2008). Combining this information, can be said that a business model includes the main parts of the company’s activities, and grant some rules that if followed, produce a particular kind of result, like a recipe notion (Baden-Fuller and Morgan, 2010). As said by Rosenbloom and Chesbrough (2002) on their paper “The role of the business model in capturing value from innovation”, a good business model relies on multiple business subjects, including economics, finance, marketing, operations, strategy and entrepreneurship. The business model is so important, that is the main determinant of the profits. A great business model with a product or service poor of quality, may be more cost-effective than a great product or service with a second-rate business model.

According to Richardson (2008) and his studies for the research paper “The business model: an integrative framework for strategy execution”, the studies of different authors from diverse time spans, can be summarized in that they considered similar relevant components to include
in the business model; the most repeatedly counted in are the value proposition, the profit sources, the relationships with the customers, partnerships and networks, core activities and the market. The fact that many authors have coincided with the primary elements of a business model, make this a complex system to be studied carefully. All the components cited above can be clustered in four key terms (Shafer, Smith and Linder, 2005), (Richardson, 2008):

1-Strategic choices: Provides internal coherence and articulates core business activities. Includes the value proposition as the value a firm will offer to a customer compared to the one given by the competition.

2 and 3-Creating and capturing value: This is a ‘must do’ to remain viable over the years. Doing this in diverse ways is what differentiate the company from the competition. Describes the sources of competitive advantage and the ways to receive money in exchange for the offerings.

4-Value network: Unique relationships with all the parties. The position of the firm in the value network is a very important element of its business model.

Components of a Business Model

As any other fact, a business model has a life cycle consisting of 5 periods: specification, refinement, adaptation, revision and reformulation. In the initial period, the model is moderately informal. In the next stages prevails processes of trial and error, until a reasonably formal model is in place. In late stages adjustments are made (Morris, Schindehutte and Allen, 2005).
To sum up, the elements of a business model can be subdivided into various categories in order to achieve a deeper understanding of each of them and give them a more efficient use inside the company. A business model may be analyzed not only by its components and duties but by its own life cycle and the influence it has on the life cycle of a company.

2.9. Types of business models

A good first consideration to take into account is that there are no pure business models, all are hybrids that use elements and Strategic Choices of one and others. In this same way, there is no winning business model since some of them work well for certain ventures, but there is no need to be that way for others. The only common elements in all business models are the value propositions and the customers, because without them nothing else can work. The value will be created being very close to the customer and establishing relationships from the beginning to understand their needs and be able to provide solutions to their real problems. And the only common situation is that business model continue evolving from their initial condition over the years and the situations the firm hast to deal with.

According to Kun-Huang (2013) and concerning entrepreneurship, a business model enhance the motivation of entrepreneurs, as it reduces the risk of creating a new venture and lowers the barriers of getting into a new market. The reason that makes a business model so valuable is basically its role as boundary of the organizational structure, as in it are mixed good innovative ideas, a team with entrepreneurial skills and the knowledge to focus on the proper management of the venture. It is fundamental for entrepreneurs to use the ‘trial-error’ philosophy on the first stage of the startup, in order to validate the business model, its appropriateness and the logical structure, and thus be certain to have success from the starting point (Trimi, Berbegal-Mirabent, 2012).

All companies employ a particular business model, either implicitly or explicitly (Trimi, Berbegal-Mirabent, 2012). These models are commonly based on the products and services, the value creating process, and the architecture of the company. Continuing with the same consideration that there is a countless number of models, Morris, Schindehutte and Allen (2005) focused their research on the general taxonomy of a model, it consists of three levels of decision making:

1. Foundation Level: Basic decisions are made here to ensure the internal consistence of the company. Defines the basic components and essence of the firm. It is guided by the next six points:
   - Defining the way the firm will create value.
   - Decides who the customers will be.
   - Selects the firm position in the market place.
   - Establish the revenue model, revenue sources and prices.
- Settle the sources of advantage.
- Capture the time, scope and size ambition.

2. Property Level: The purpose of the model in this level is to make decisions in order to achieve competitive advantage.

3. Rules Level: A model must provide guidance and discipline to the operations. In this level guiding principles are established, this ensures the elements of the other levels to follow the strategic actions.

The entrepreneurs usually start their new ventures with partially formed models and incomplete strategies. They may have a notion of the foundation level and even less information about the proprietary level. The process will not be easy while the firm develops rules that guide the operation into the path of success. A model that ignores those components will suffer because of contradictions among decisions between levels and consequences on its structure and performance. There are innumerable business models, a new venture can take them as guidance, absorb pieces of each model presented here and create one own specific model according to needs. The models exposed bellow are not in a particular order, for purposes of this thesis were considered those who relate the most or have more relevance in the startup stage.

2.9.1. The Two-tier Business Model

Proposed by Huarn Kun-Huang (2013), as a way to assist entrepreneurs. It has two components:

1. The conceptual component: innovation is the key element of this component, that describes the idea of the business, what the business do, who the target customers are, the value that the business represent and how the business will survive and sustain.

2. The financial component provides the information that makes the business model measurable; it shows the relationship between these two components, concluding that a business model should reflect the financial conditions of a business. Moreover, the business model should translate the conceptual model into numbers.
Numbers can help materialize concepts into a defined business so the startup become attractive for investors.
2.9.2. Open Business Model

The aim of an Open Model is to capture innovative ideas and actions that can improve the performance of the company. Its origins come from the concept of Open Innovation introduced by Chesbrough and it is based on sharing information and knowledge for the creation of something valuable (Trimi and Berbegal-Mirabent, 2012). Having an open mind to build a first business model is essential for capturing the highest number of innovative ideas that can have a positive effect on the future performance of the company.

2.9.3. Customer Development Model

This model states that the success of a firm is determined by the market orientation. This model is a four step process that includes customer discovery, customer validation, customer creation, learning and company building (Trimi and Berbegal-Mirabent, 2012). This approach helps explore market and product developments, all in one. Before starting operations, the new venture must identify, find and talk to the customers to validate the original assumptions the entrepreneur have made about the business. The core of this model should also be taken into account in the initial stage. At the end of the day being customer oriented is one of the most important premises if the desire is to succeed and be successful among broad groups of customers.

2.9.4. Service Based Business Model

The service model argues that tangible goods are no longer necessary at the center of the company’s value proposition. Companies increasing their service orientation must expand their horizons to meet more customer needs. This orientation has the advantage of reducing imitability; it is more difficult for competitors to copy elements in reference to service. The hard part is that to turn into a service-based business model, the change must be applied in all areas of the business model and not only on the value proposition (Kindström, 2010). This model should be executed and implemented once the startup stage is exceeded and the foundations of business are clear.

2.9.5. Efficiency-Centered Business Model

The model refers to the way the firms operations are addressed to reduce costs through the business model. Taking the words of Brettel, Strese and Flatten (2012), the ventures that use the efficiency-centered business model, may achieve better performance on later stages of the life cycle because it has more established operations. This is not such a successful business model for entrepreneurs, but they can take its essence to focus on the requirements of the key customers.
2.9.6. Novelty-Centered Business Model

Firms under this model tend to innovate its parts, designing and adopting new ways of conducting the processes (Zott and Amit, 2007). Can be production or distribution methods, or even the creation of new markets. This kind of design makes a business model more distinctive, being a good option for entrepreneurs with firms in early life cycle stages, because it can lead to first-mover advantage and of course, a better performance (Brettel, Strese and Flatten, 2012). When trying to incorporate these two lasts business models (Efficiency-Centered and Novelty-Centered) in a startup, may be disadvantageous for the new venture, but after the firm has been established and has now experience on the value creation process, both may be present in a firm’s business model (Zott and Amit, 2007), and both affect positively the companies’ performance.

2.9.7. Flexible Business Model

In accordance to Mason and Mouzas (2012), the role of this model is to help companies adapt promptly and easily to changing situations, especially to customer needs. This concept was generated after observing the traditional business model where the value proposition process is an organized sequence of events, and when facing customers, companies get into real challenge. One of the purposes of the business model is to give the company the advantage to create an efficient but moldable structure where the value can still be delivered to customers. Following the contribution of Mason and Mouzas (2012), flexibility can be seen in three particular levels:

- The network level: the organization identifies competences, resources and where to find them throughout the network.
- The firm level: the company develops certain relationships to facilitate the access to the main resources when the customer dictates so.
- The individual employee level: flexibility at this level means delegating authority and responsibility to solve daily obstacles, so the value can be delivered to customers in efficient and effective ways.

A business model needs to be flexible and versatile, these allows the company to identify barriers and limitations and work toward its resolution. “The more market oriented the network architecture, the more flexible the business model is likely to be” (Mason and Mouzas, 2012, 1348). In other words, flexibility is directly linked to the relationship the company has with customers. The ability to sense and respond to market changes is what gives flexibility to a business.
2.9.8. Business Model Canvas

Internationally recognized researchers Alexander Osterwalder and Yves Pigneur (2010), have written a book about business models and have composed the Business Model Canvas, a tool that facilitates and understands the business model from an integrated point of view that compromises the company as a whole.

A business model Canvas is composed of nine building blocks, which are the result of four main elements:

1. Infrastructure.
2. Offered benefits.

The nine blocks are:

![Diagram of Business Model Canvas](image)

Figure 2.4 Canvas Business Model according to Osterwalder and Pigneur (2010).

The Osterwalder and Pigneur’s approach can be used as a full SWOT analysis. Any firm can use it.

2.9.9. Lean Philosophy

If the idea is to start a new venture or just launching a new line of products, is needed to plan the business model that will help define strategies, key processes and activities to achieve success. If starting from scratch, must be chosen not only the type of business model but also the philosophy or base construction of the model; one of these bases or methods is the Lean Philosophy, developed by Eric Ries.
Its two focal premises are:

1. Ultralight development of the company, based in the minimization of costs and output time of products to market.
2. Clear orientation towards customer development.

This philosophy is mainly used by startups; it demands a continuous trial-error repetition to get a model refinement until the ideal can be released to compete in the market.

The ‘Lean startup’ term used by Eric Ries (as a method for developing business), brings principles of customer development, agile methodologies and lean practices:

- Continuous improvement intended to reduce waste and improve production rates.
- Optimize the utilization of scarce resources to get a desired product to customers as fast as possible; this is accomplished by minimizing the outgoings for anything but the creation of value.

The core component of the Lean startup philosophy is the use of performance indicators to measure the continuous improvement in processes’ development.

2.10. Osterwalder’s perspective of Business Model

After studying various business models, there are some considerations that entrepreneurs must take into account when building their own models:

- Common sense is necessary to recognize what really matters and adds value to the newly business.
- Each model and each methodology must be questioned; the market must be heard. The pillars of the model are the information collected, hard work and the decision to take risks.
- Each new venture is unique, therefore not all models are applicable. Some will have positive elements and elements that may be absurd. There are unique models, but no perfect models.
- If the business model is properly developed, the harder the entrepreneur works, the more money will gain. If it is not well developed, the harder the entrepreneur works, the more money will lose.
- The business model should be described in one page, with one diagram, summarizing the path of the proposed value across the value chain and how it results into profits.

Given these considerations and the literature studied, it can be said that the model that best links the entrepreneurial perspective with the reality of starting a business is the model of Osterwalder and Pigneur, which will be studied below.
2.10.1. The Perspective

According to Osterwalder and Pigneur, the literature of business model is often not discussed profoundly, this means, with no understanding of its origin, role or even potential. To cover this topics they first discuss the concept of business models and then suggest the possible areas of benefaction (Osterwalder, Pigneur and Tucci, 2005).

Osterwalder, Pigneur and Tucci interpret the word ‘model’ as a clear description and conceptualization of a tangled process; the word ‘business’ is understood as the financial, commercial and industrial activities of providing products and services. When mixing these elements, the definition of business model comes up as a conceptual tool that includes objects, notions and links that express the business logic of a company. It is the translation of strategic issues, positioning and goals into a defined model that expresses in an accurate way how the business works. The business model grants the designing and completion of the structure and logical order that originates the operation of the company (Osterwalder, Pigneur and Tucci, 2005).

As the concept of business model is fairly new, the place and role within the firm is still under study. What is clear under Osterwalder, Pigneur and Tucci’s statement is that business model differs from the strategy term as the latter includes execution and implementation, while the first one is more about the way the system works; it is not correct to use the terms interchangeably. It is equally clear that there is no such thing a ‘successful business model’; it can be more or less coherent, but then it must be implemented.

2.10.2. Main elements of the Business Model according to Osterwalder

The authors consider that the business model needs to be understood in a more holistic way, as there is a common confusion among people that speak about business models when they are really talking about specific parts or elements of it.

Regarding the foregoing and according to Osterwalder and Pigneur (2010), the elements of a business model can be subdivided into various categories in order to achieve a deeper understanding of each of them and give them a more efficient use inside the company. The categories of a business model can be knit together into nine strategic blocks:

1. **Value Proposition**: ‘Getting the job done’. This is all about the problem that the offering (product or service) is helping to solve.
2. **Target Customer**: Group of customers the firm wants to offer that value.
3. **Distribution Channel**: Best ways to reach the customer segment, includes the customer experience.
4. **Relationship**: Relations that the firm establishes with the different customer segments.
5. **Value Configuration**: Core activities and resources to deliver the value.
6. **Core Competency:** Sketches the competences needed to execute the business model.
7. **Partner Network:** Partnerships needed to perform the business model with efficiency.
8. **Cost Structure:** It is about knowing and optimizing fixed costs.
9. **Revenue stream:** the way to obtain the income generated by the paying customer.

The goal of identifying the nine blocks and having the concepts and relationships clearly addressed is to have a common language that the community that lives under the model can share.

### 2.10.3. The use of the Business Model under this perspective

There are five categories where the use of this business model can be pigeonholed; these are:

- **Understand and share:** The business model helps to visualize, grasp and communicate to others the logic of the business. As the business definition is not always explicitly defined, as stated before, the model is the common language between stakeholders, a language that everybody understands.

- **Analyze:** It contributes to the measuring and subsequent analysis of the business logic of the firm.

- **Manage:** The business model is the perfect tool to design, plan, change and implement the business logic of a firm. With its use, a company can react faster to events, challenges and changes that the environment poses, strongly helping to a proper decision making.

- **Prospect:** Based on the aforementioned, the business model can describe possible future scenarios for a firm, boosting the innovation and being better able to face the future.

A review of Osterwalder’s approach shows the understandings, usages, and importance of a business model in the firm.

### 2.10.4. Business Model timing

As stated at the beginning of this section, the business model refers to the way a firm does business, and as such, some people use it as picture or a description of a specific moment in time of the company. But business models might change faster than the entrepreneurs think, creating the need to find a different way of conceptualization. Some other companies use the business model as a notion of evolution from an early stage to a desire state of the business (Osterwalder, Pigneur and Tucci, 2005), making it extremely important to consider times and execution activities in order to achieve the proposed objectives.
2.10.5. The business model’s place in a company

The business model is the relationship between strategy, organization and systems or networks; this three make the shape of a triangle that is always under external pressures such as changes in social environment, technology and customer opinion, legal frame and competitive forces.

Figure 2.5 The business model’s place in a company, according to Osterwalder.
3. Theoretical Framework

The theoretical framework of this thesis is intended to extend the current knowledge bounded by the limits of the research suppositions, through the description of the theory that explains the research problem under study. The selection of the next theory was done according to the suitability, easiness in the utilization and its power when explaining the purpose of the study.

After reviewing different concepts, the definition of business model that will be used as a base for understanding the theory and developing the field study is identifying it as the description of how an organization creates, delivers and captures value (Osterwalder and Pigneur, 2010); also should be taken into consideration that many business models may be created for a particular business proposition (Leschke, 2013), but always unifying the activities performed in all areas of a company to create and deliver the value to the customers.

Another important term in the development of this document is the definition of entrepreneur. Besides considering the interpretation given by Schumpeter where he states that these individuals undertake and manage a business while applying innovation and management strategies, will be included also the fact that entrepreneurs are not afraid to take risks and use the resources available in the scenery in order to make transformation in the course of being highly productive and without losing the focus of achieving profit (Casson, 2010).

What matters for an entrepreneur is whether it is valuable to spend time on building a business model or if to start the new venture without a draft can also be profitable. The initial assumptions must be validated in the first stages of the new venture, as all the decisions and activities undertaken during the startup stage will influence the path of the company after the startup period. Nevertheless, entrepreneurs must know that the state of a business model is constant evolution, and they must work on them to maintain, sustain and upgrade the performance of their firms. If it is used from the early stages of the life cycle of the firm, it will develop an inner power to increase the value creation potential, which triggers the long-term preservation along the upcoming years (Trimi, Berbegal-Mirabent, 2012).

Recognizing that there is no pure business model or winning business model, leaves room to declare that every incipient business model is the amalgamation of Strategic Choices, where different elements are used according to the needs of the firm, the industry the firm belongs to and the value they want to create and deliver.

When building the business model for the first time, the entrepreneur must consider that each element he/she wants to include has to be questioned, since each venture is unique, on the way they might find positive elements and others quite senseless, but in the end the chosen will be the pillars of the model that summarizes the path of the proposed value across the value chain and how it results into profits.
The interests of a business model according to Chesbrough and Rosenbloom (2006) are to identify the market segment and specify the revenue streams, the cost structure and the profit potential, while articulating the creation and delivery of value through the value chain, not forgetting that it is essential for the firm to have a place within the value network in order to formulate strategies to gain and hold advantages over rivals. Some authors only emphasize on one or two main elements when talking of business models; some of them use the sources of revenue as the center of attention, some others the delivery activities, and a few others have the value proposition of the firm as the focal point (Richardson, 2008). Summarizing, the business model includes the main parts of the company’s activities (which vary from company to company), but relies on multiple business subjects, including economics, finance, marketing, operations, strategy and entrepreneurship, and depending on the importance given to each of these, the outcome is a particular kind of result (Baden-Fuller and Morgan, 2010).

Given these considerations and the literature studied, it can be said that among all the business model and the elements studied, here are shown the selected parts taken into account for the analysis of this study. Knowing that the ‘must do’ to be sustainable over the years is creating and capturing value, the strategic choices selected to build a good business model in the startup stage due to their importance in the articulation of the business activities were those that boost the competitive advantage and explore different ways to receive money in exchange of the offerings, while building relationships with all the parties involved in the value network.

Constructing over the basis of a service oriented business model, where the intangible goods are the center of the firm’s value proposition, the range to be covered shall be intended to meet the customer needs. If a flexible and versatile perspective is applied to the model, the firm will be able to identify barriers and limitations and work towards building better customer relationships. Regarding the perspective of Osterwalder and Pigneur and trickling down from the main structure of the business model to the elements, those chosen to get a deeper understanding of the company in the startup stage and make it more efficient were:

1. **Value Proposition**: ‘Getting the job done’. This is all about the problem that the offering (product or service) is helping to solve.
2. **Target Customer**: Group of customers the firm wants to offer that value.
3. **Distribution Channel**: Best ways to reach the customer segment, includes the customer experience.
4. **Relationship**: Relations that the firm establishes with the different customer segments.
5. **Partner Network**: Partnerships needed to perform the business model with efficiency.
6. **Cost Structure and Revenue Streams:** It is about knowing the financial structure of the firm.

If only these elements of the model are taken into consideration, the entrepreneurs should be able to visualize, grasp and communicate to others the logic of the business, making it easier to describe possible future scenarios for a firm when there is the need of boosting innovation and being better prepared to face the future. With its implementation, all the challenges and changes that the environment carries, will guide to proper decision making on future stages of the lifecycle of the company.
4. Method

4.1. Overview

The next segment will give the panorama of the research design and methods that were used when studying which parts or elements of a business model is the most relevant when starting a company in order to create value. This thesis made use of qualitative research as a primary method and based it on descriptive research of companies in their startup stage, in order to obtain valuable information full of details on the perception and use that entrepreneurs give to the business model. All these details were obtained by paying close attention to the background of the entrepreneur, the context of the startup and the business industry type.

This research involves two industries in the tertiary sector of the economy: Retail sales and professional services. The aim was to develop a conception of the experience of entrepreneurs in these 2 industries when using their business models. This approach goes further than the description of a business model in a venture; the research pursues the theoretical insight into the applicability given by the entrepreneurs (Cope, 2011).

As a research technique were conducted semi-structured interviews, by way of trying to establish the main elements that entrepreneurs use in the startup stage.

4.2. The theoretical process

The method:

By comparing qualitative and quantitative methods, and considering the research question formulated, a qualitative research was adopted and semi-structured interviews were employed as the primary form on data collection (Mason and Mouzas, 2012). This method is one that helps to understand the context in which people live, and their motivations of why they made certain decisions or took certain actions; it is capable of explaining a phenomenon through the thoughts of people. In other words, the information collected by this method is about how the people involved in the study reacted to a certain situation (Booth, Colomb, and Williams, 2008); contrary to what happens in the quantitative method, where the factors that influence the choice of this method include the study of trends over time, proportions, distributions and even interdependence and relationships (Booth, Colomb, and Williams, 2008), aspects that will not be considered for this particular instance.

The theoretical perspective:

The theoretical perspective frequently related with the qualitative research is phenomenology; it helps researchers to understand the meaning of actions in certain situations while it enhances the context, so the data can be well interpreted (Cope, 2005). As the goal was to study in detail and in an objective manner, a subjective situation and its
background, under a phenomenological perspective were linked the goals of the investigation with the theoretical framework in order to answer the research question.

The research questions:

The research question defined under Problem formulation and purpose (What business model elements are most commonly used by entrepreneurs?) acted as a guide to articulate the theoretical problem of studying the Osterwalder’s perspective of business model with the practical problem of what is being used by entrepreneurs in the startup stage.

The techniques:

The main items that composed the methodology of development of this study included a combination of qualitative techniques: literature review with emphasis on the Osterwalder’s business model template and descriptive research explained on qualitative terms by a semi-structured interview under a phenomenological approach.

4.3. Trustworthiness and Reliability

Golafshani (2003) provides a brief explanation on reliability and trustworthiness as follows:

Reliability is “the extent to which results are consistent over time and an accurate representation of the total population under study and if the results of a study can be reproduced under a similar methodology, then the research instrument is considered to be reliable” (Golafshani, 2003, 598)

“Trustworthiness determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull’s eye" of your research object? Researchers generally determine trustworthiness by asking a series of questions, and will often look for the answers in the research of others” (Golafshani, 2003, 599).

Golafshani (2003) stressed that while these definitions are true for quantitative research, in qualitative research the quality of qualitative research relies on the testing and increasing of the validity or trustworthiness of the research.

Trustworthiness: Since the idea of this study was to make it applicable for future research, it was excessively important to have valid results, namely, they actually are what they appear to be. To provide validity or trustworthiness, the researchers included evidence that demonstrates the truthfulness of the results; as researchers we had to exhibit the ability of interpreting the situation in order to give the right meaning and provide fidelity to the research; for this matter we coded the data individually (to eliminate the bias) but we discussed and made final statements of the findings together. Theoretically there was an initial commitment to thoroughly search for sources and references that explain the empirical phenomena (Cohen, Manion and Morrison, 2011).
Consistency: In order to improve the consistency in the research we tried to minimize any external sources of variation.

The ways used to get consistency were:

- Participant bias: The entrepreneurs selected for the interviews had a similar experience, where for instance, had experienced the creation of (at least) one business model.
- Observer error and Observer bias: We had a semi-structured for the interview and for the information that is sought; this helped not to lose focus, even more considering that the interviewees were from two nationalities with two different languages (Cohen, Manion and Morrison, 2011).

Generalization: The validity of the theory must be demonstrated in a different setting in which it is being empirically tested, by exposing them to other research settings in a follow-up study. From the wide range of ways of conceptualizing generalizability (types of generalizability, according to Lee and Baskerville), the one applied in this study was the type TE, that is to say generalizing from Theoretical statements to Empirical statements or from theory to descriptionas our intention was to apply a theory to a set of initial conditions, which resulted in important conclusions (Lee and Baskerville, 2003).

### 4.4. The empirical process

The empirical process was subdivided into 4 main activities: 1) Literature review to obtain a broad contextualization and knowledge of the theory under study. 2) Gathering data which involved planning the interviews, search of the research population, schedule and execution of the interviews. 3) Coding, discussion, analysis and interpretation of the data. 4) Findings and conclusions.

### 4.5. Data Collection

Two stages were needed to gathered the data, the first one was the literature analysis where different journals from different authors and different perspectives about business models were reviewed, and the second stage were the interviews; below these two stages are developed at greater depth.

#### 4.5.1. Literature Analysis

Writing this thesis was a constant process of exploration and review of several scientific articles, where a large number of researchers expressed their perspectives, studies and investigation on the topic of business models, in order to identify not only the terminology, but also to get a broad range of understandings, roles and potential of the highlighted concept (Osterwalder, Pigneur and Tucci, 2005).
The literature reviewed to build the theoretical framework, reinforced the role of the business model as that puzzle piece especially needed to new startups, to help the entrepreneurs shape the firm (Kropp and Lindsay, 2008). The theoretical review also included a section where is explained in more detail the Osterwalder and Pigneur business model orientation, which helped to relate how the use of business models by entrepreneurs can influence the startup decisions (Kropp and Lindsay, 2008).

4.5.2. Semi-Structured Interviews

Knowing beforehand that the use of interviews helps to gather trustworthy and reliable data to the research questions and the purpose of the academic work (Kahn and Cannell, 1957), the primary data strategy used to was semi-structured interviews, allowing new issues to emerge for exploration. The reasons why this type of interview was chosen was because it gives the chance to the researcher to have a broad list of subjects and questions to cover but to use them given a specific context and to address issues depending on the flow of the conversation (Saunders, Lewis and Thornhill, 2009).

The interview was structured in such order that at the beginning the respondent could have an introduction so the concepts could be clarified. The aim was to find out more about the interviewee in general conversational terms not to lose the opportunity for the entrepreneurs to express ideas in their own way, say what they consider important and explore issues in depth. Then without further fuss, from the first question the intent was to know what those elements of the business model the entrepreneurs use the most and the least, and the reasons of their choice. The second part of the interview is about their experience when building a business model, the lessons learned and the contributions that the model has brought to the performance of the company. This structure allowed us as researchers to examine the past, present and future of the entrepreneur’s behavior, some representative information and other subjective matters.

First, 2 interviews with two entrepreneurs in Sweden were performed, each one led by one of the researchers but in both cases the two of them being present. From this field test the order of the questions was modified and the writing of one of them was revised in order to make it less complex to the respondents understanding. To make the interview more personalized, familiar and less formal, and thus achieve the trust of the respondents, the researchers previously studied the context of each of the companies, entrepreneurs and their current role in the firm.

After that were scheduled the 14 interviews (10 in the Philippines and 4 in Colombia), which were conducted via Skype, with an average duration of 35 minutes. 3 interviews were conducted in Spanish, the other 11 were conducted in English; in these 11 both of the researchers were present, making notes individually. This allowed us to see more details from the perspective of each entrepreneur. As a preparation for the interview, respondents were
previously sent a brief outline of the study undertaken as well as some basic terminology in case it was unknown. This gave them the opportunity to seek documentation and useful information for our analysis and thus avoid misunderstandings or confusion during the interview.

During the process, both researchers wrote notes to be reviewed later, and the interview finished with a spoken summary so the entrepreneur could accept or correct the most relevant information collected through the dialogue. The interviews were transcribed, coded, validated and unified to ease the analysis but make it complete.

The interview guide can be found in Appendix A.

4.6. Data analysis process

The data gathering process was done by the researchers in two parts.

The first part was the review of available literature to gain a wider perspective on what scholars and learned researchers have to say on the subject matter of business model framework and its applicability to small firms in the startup stage. The second part was the gathering of the interviews conducted and the documents received from the subject entrepreneurs. The researchers wrote field notes in conjunction with the interviews, follow up interviews, observations and casual encounters with the subjects. Notes were written while listening, reflecting and transcribing the taped interviews.

The data analysis process was done by the researchers in 5 parts:

1. Review: The data gathered was meticulously reviewed to ensure that the information accumulated was not conflicting but that it was in line with the research objectives.
2. Selection: The researchers selected, simplified, transformed and sharpened the gathered data from the interviews conducted (Saunders, Lewis and Thornhill, 2009). The data gathered from the interview was weeded out fastidiously in order to extract just the information and data relevant to the research question. The data Selection process included analytical steps such as contrasting and unification (Ghauri and Grønhaug, 2005).
3. Matrix: The selected and coded data was encoded in a matrix that helped the researchers to establish which features of the business model were most commonly used by entrepreneurs.
4. Validity: The researchers coded and analyzed the gathered data separately and independently to ensure the reduction of bias in the interpretation.
5. Data Unification: The researchers combined their data in order to analyze and discuss their findings.
The monitoring of these steps was done under one of the approaches of Miles and Huberman (1994), the social anthropological approach which is based on the interaction with the study population so the researchers can get a special perspective of all the information collected and a special understanding of the respondents and their backgrounds.

According to this methodology, the information collected needs to be analyzed thoroughly to later determine what material to include or exclude, how to order the presentation of the main material and what to report first. Since the social anthropological approach is essentially used when the goal of the study is to understand some behavioral regularities of everyday life, the analytical mission is to identify and explain the way participants act in a particular situation, how they understand their contextual frame and how they manage daily situations (Miles and Huberman, 1994).

The table located in Appendix E includes a summary of the most significant contributions the respondents gave.
5. Case Description

The economy of a country can be analyzed according to the industries where the population have their main activities. These industries can be ranked into sectors depending on what their main operations are: The primary sector regards the materials that come from earth, like agriculture and mining. The secondary sector is the transformation, manufacturing and processing of raw materials into finished goods. The tertiary sector is the industry of services, which includes all the services available to the population; among the services included here are transportation and distribution, sales of products from manufacturer to consumer as in wholesale and retail sales and professional services. There is a quaternary sector rapidly growing mainly in developing and developed countries, it consists in intellectual and education activities, where information is generated.

The research carried out in this academic work focuses on the tertiary sector of the economy. Here is a brief summary of the study and the industries involved. Colombia and The Philippines were taken as example to make the empirical study. Below is some information about the development of the service sector in these countries.

The authors chose their countries of origin, Colombia and the Philippines as their case studies for different reasons. First, and the obvious reason is that because they originated from these countries, they are more familiar with the economic environments of the mentioned countries and logically speaking, it would be easier for them to find contact persons to gather data from. Aside from these reasons, the authors chose to study Colombia and the Philippines because they were both fascinated about the striking similarities between these countries considering that they are continents apart. Colombia and the Philippines were both Spanish colonies back in the day, and as a result both have a lot of similarities, especially when it comes to customs and traditions of their people and how their people think. Economically speaking, Colombia and the Philippines are both developing countries with a rich culture of entrepreneurs, both countries having more than 90% of their economies built and comprised of small and medium sized enterprise.

5.1. Research population and Sample

The research sample for this study included 14 entrepreneurs, 10 from the Philippines and 4 from Colombia. These entrepreneurs were all involved in the tertiary sector of the economy, with businesses related with either retail sales or professional services, and had the experience of building at least one business model.

Although some of the companies considered for this study started their operations several months or even years ago, all data collected is centered on the startup stage of the firm.
No industry dominated the sample, 7 interviews were conducted to entrepreneurs who offer professional services and 7 interviews were conducted to entrepreneurs who offer retail sales. 28.5% of the sample were females and 71.5% were males.

![Gender Distribution](image1)

**Figure 5.1 Case study sample - Gender**

The age distribution was: 25-29 years, 28.6%; 30-35 years, 35.7%; 36-40 years, 7.1% and 51-60 years, 28.6%.

![Age Distribution](image2)

**Figure 5.2 Case study sample – Age distribution**

The education level of the participants was distributed as follow: Technical qualification, 14.3%, Bachelor’s degree, 35.7%, Master’s degree, 28.6%, Postgraduate studies (PhD and other), 21.4%.
In the Appendix B is the list and some other details of the sample group.

**5.2. Tertiary sector of the economy**

The tertiary sector or service industry involves the main activities executed and implemented by people where their knowledge and time are invested to accomplish more productivity, in an efficient and effective way to improve performance. The most visible feature of this industry is the creation of services instead of tangible products; among them are not only experience but also attention and advice. These services are delivered to customers who are final consumers or other businesses, and the emphasis is on people interacting and serving other people. As the service is something that the consumer cannot physically see or touch, is quite complicated to make customers understand the value they are paying for. Another feature that is traditionally attributed to services is that, in general, its use occurs simultaneously with its production.

The importance of the tertiary sector increases as countries register a higher economic development. In most developed and developing countries, a growing proportion of workers are devoted to the tertiary sector. The increase in the contribution of the tertiary sector to economic growth would not only be by higher generation of GDP, but by its strategic role in improving the competitiveness of companies in other sectors and the economy in general.

**5.2.1. Professional services**

This includes all the individuals who provide a specialized service. This element of the tertiary sector of the economy is the one that entails a special training or knowledge in a specific area. Some professional services require a license or a certificate to run; others
simply involve the provision of a particular service or support to other sectors of the economy.

5.2.2. Retail sales

Retail sales are a meaningful economic indicator, since it represents a relevant component of the overall economic output in every single country. These are the sales to end consumers, who will use and employ by themselves what they are actually purchasing. These retail operations are almost always at the end of the supply chain. Since the last decade, this part of the tertiary sector has increased worldwide due to the use of e-commerce by traders.

5.3. Colombia

Colombia’s economy:

Colombia’s economy is diversifying and experiencing an important economic growth; today, the 6.8% of the GDP comes from the primary sector, giving jobs to almost 18% of the population. The secondary sector contributes with 38.1% of the GDP, giving employs to 13% of the inhabitants. The tertiary sector makes up 55.1% of the economy and employs 68% of the workforce. The service industry in Colombia mainly includes retail trade, transportation, financial services, and professional services among others. The fact that more than 50% of Colombia’s economy and more than 2/3 of the workforce come from the Service sector, show the good path that Colombia’s development is following (Karatha, 2013).

![GDP - Colombia](image)

Figure 5.4 GDP Colombia

The service sector of Colombia shows multiple opportunities because it has a steady growth and has become one of the greatest business opportunities in the country. The service sector...
has become an important source of income and employment in the country; it accumulates 17 years of history and what the government is currently doing is facilitating the evolution according to the demand of more sophisticated services (Bonet, 2007).

In recent years, the performance of the services sector offset the poor results in traditional sectors such as agriculture, mining and manufacturing. To maintain this momentum in the future, it is vital that government work and boost the infrastructure development, the public order and the labor flexibility; should also promote the outsourcing of services to increase the productivity and competitiveness of other sectors of the Colombian economy but that also generate added value for each of the service activities (Clavijo, 2013). Go to Appendix C for some visual information.

Colombia´s entrepreneurial situation:

Since 2006 there is a law in Colombia that promotes the entrepreneurial culture. It aims to encourage entrepreneurship among students and young people, make them qualified in terms of innovation and improve their comprehensive education in business skills such as teamwork, recognition of responsibilities and support of the processes in sustainable entrepreneurship. Among the goals of this law in the mid-term are the creation of a link between education and potential entrepreneurs, the creation of new businesses, the promotion of innovation and the strength of existing firms and other production units.

The State commits itself to ensure the link between education and entrepreneurship, and to allocate public resources to support entrepreneurial networks and seek agreements with financial organizations to support new entrepreneurs, as well as to encourage the creation of institutions committed to the development of the country through innovation (Law 1014 from 2006 - Ministry of Commerce, Industry and Tourism, Colombia).

Among the Doing Business 2014 data, the information related to the 'ease of doing business' (among 189 countries) is presented along with other indicators that aim to measure the business activity.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Colombia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of procedures to open a business</td>
<td>9</td>
</tr>
<tr>
<td>number of days required to register a firm</td>
<td>15</td>
</tr>
<tr>
<td>Cost (% of the economy’s income per capita)</td>
<td>7,5</td>
</tr>
<tr>
<td>Doing Business 2014 Rank</td>
<td>43</td>
</tr>
</tbody>
</table>

Table 5.1 Doing Business data - Colombia

The ranking on the ease of doing business index shows if the regulatory environment is
conducive to the starting and operation of a local firm.

5.4. The Philippines

The Philippines’ economy:

The service sector in the Philippines has been growing ever since the mid-1980s and it has not stopped since. The GDP share of the service sector in 2010 has grown from 36% to 55%. In 2012, the service sector’s share in the GDP is recorded at 57.1%. Because of this, the service sector’s share in total employment has also increased by 12% (Mitra, 2013). Service industries like the information technology-business process outsourcing has been a principal driving source in the Philippine economy over the recent years (Mitra, 2013).

![GDP - The Philippines](image)

In 2010, the service industry’s share in total employment has reached 52%. By 2011 it was known that the service sector had employed more than the agriculture and manufacturing industry combined, with a total number of 19.4 million people employed by the service sector (Mitra 2013).

With these numbers, it is safe to say that the service sector is one of the biggest sectors in the Philippine economy. Industry accounts for 31 percent of GDP. Within industry, manufacturing (22% of total GDP) and construction (5%) are the most important. Agriculture contributes the remaining 12% of GDP (TradingEconomics.com, 2014).

Although the Philippine economy has improved dramatically as reflected by its GDP growth, it has not generated enough new jobs for unskilled workers and those living in the rural areas. The national unemployment rate is still high at 7.5% in 2012 as opposed to 7.0% in 2007.
Within the same period, the under employment rate has also increased from 19.8% in 2007 to 22.6% in 2012 (Bureau of Labor and Employment Statistics 2011–2013).

The Typhoon Haiyan which struck parts of the southern area of the Philippines has also hurt the Philippine economy as evidenced by a slower growth rate in the 4th quarter of 2013. From a GDP growth rate of 7.1% in 2012, the first three quarters of 2013 saw a growth rate of 6.9% which slowed down to 6.5% in the 4th quarter of 2013. While Typhoon Haiyan has caused a negative impact in The Philippine economy, robust household consumption made the GDP figures better than what the government had estimated. The GDP for the whole 2013 had expanded to 7.2% (TradingEconomics.com, 2014). Go to Appendix C for some visual information.

One of the primary reasons for choosing the services sector to analyze, is that it has presented a large growth in recent years, becoming the item with the highest share of GDP of developed countries as well as those in development. It has also presented significant growth in global trade.

In addition, the development of emerging countries should incorporate not only the improvement on the industrialization (traditional pillar in the development of a country), but also the consolidation of a modern service sector, supported by human capital and solid institutions that protects the entrepreneurs in everything related to economic rights and intellectual property rights.

The Philippines’ entrepreneurial situation:

The Philippines had long recognized the role of entrepreneurs as important because entrepreneurship boosts innovation as well as production and employment, among other important contributions. Entrepreneurship and small businesses is the lifeblood of the economy in and its importance is even embedded in the 1987 Philippine Constitution:

Art. XII Sec. 1 Private enterprises (...) shall be encouraged to broaden the base of their ownership (Art. XII, Sec. 1, Philippine Constitution)

However, while the Philippines recognizes the importance of small firms in its economy, it is not reflected in the country’s policies and rules. To start a small firm, the government would require an entrepreneur to go through at least 15 procedures in a span of more than 30 days. There are also a lot of policies and laws that would in theory make it easy for a budding entrepreneur to obtain startup credit and funding, but in reality, obtaining them is a different story altogether. One has to jump through a lot of hoops such as the presentation of collateral and different financial documents just to be eligible to obtain the funding. At this point, to make the available laws and policies work for the benefit of small firms and businesses, firmer implementation of policies and less bureaucracy in the Philippines should be executed (Evangelista, 2013).
<table>
<thead>
<tr>
<th>Indicator</th>
<th>The Philippines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of procedures to open a business</td>
<td>15</td>
</tr>
<tr>
<td>number of days required to register a firm</td>
<td>35</td>
</tr>
<tr>
<td>Cost (%of the economy’s income per capita.)</td>
<td>18.7</td>
</tr>
<tr>
<td>Doing Business 2014 Rank</td>
<td>108</td>
</tr>
</tbody>
</table>

Table 5.2 Doing Business data – the Philippines

Below is the profile of the entrepreneurs interviewed belonging to the service industry, where their business belong to one, the retail sales or professional services.

**5.5. Background of the entrepreneurs**

The researchers interviewed entrepreneurs in the professional service industry as well as retail sales industry. In the professional service sector, the researchers interviewed the following people: two photographers, one a noted photographer with a successful food and lifestyle photography practice, another who deals with architecture photography, a frame-maker who mastered the craft from another known frame-maker and now is the owner of the frame making business, two consultants, one a CEO of a training consultancy firm, the other a CEO of a corporate consulting practice, a restaurateur, and the CEO of a company in the service of leasing a commercial and residential building and an owner of an organic food business.

In the retail sales industry, the researchers interviewed the following people: the CEO of a retail trade company for other businesses, the CEO of a clothing brand, the owner-CEO of a sporting goods store, two owners of online stores, one catering to specialized women’s clothing and the other a known site selling furniture and fixtures, and an owner of a bookstore. For a detail description of the respondents profile please go to appendix D.

**5.6. Outcome of the study**

Based from the answered interview by the respondents, it is safe to say that entrepreneurs put a high premium on value proposition, while target customer, distribution channel, and relationship are close seconds on what an entrepreneur deemed important. While core competency and partner network are at the bottom of the rank, it is worth to emphasize that their raw scores still rank high on the list and the respondents have not agreed upon one specific part of the business model to be least important. In fact, all of them believe that all the elements of the business model are equally important on their own. It is important to note for example that while most entrepreneurs in the service industry has ranked target customer
fairly high, there are also some entrepreneurs in the service industry who believe that they do not have a target customer at all, their business unique enough to have created a need in the market that only their firm and a handful of others can address. Also, while partner network ranks fairly low in most entrepreneurs’ answers, for entrepreneurs in the service industry explicitly said that it was in fact their partner network that was the most vital part of their business model in the early stages of their firm, as it allowed them to gain their clientele through referrals.

In the service industry, entrepreneurs still deemed value proposition as most important, with relationship a close second and value configuration the third most important. The entrepreneurs in the service industry believed as well that while all of the elements of a business model seem important, it is core competency and cost structure that they believe to be the least important.
The retail industry differs from the service industry in the sense that while distribution channel does not rank high in the service industry, in retail industry it seems to be the top priority among the entrepreneurs, followed by target customer and cost structure. The entrepreneurs in the retail industry believe core competency to be the least important element of the business model in their field. Again, it is worth reiterating that all of the entrepreneurs believe each part of the business model to be an important one and most of them were reluctant to rank one part as the least important and only did so when prodded.
6. Analysis

The idea of this study is to build knowledge upon the subjects of business models and the startup stage of a company, while establishing a connection between the use of the business model by entrepreneurs and its applicability in this phase.

The result is to suggest what business model elements, emphasizing on the Osterwalder’s approach, are more commonly used by the entrepreneurs on the startup stage of a company. As researchers the expectation is to link the theoretical findings with the real use that entrepreneurs give to the business model in their ventures.

With the purpose of validating the generalizability of the theoretical background suggested in this document, below is the study of the contributions of the group of people interviewed that with their experiences helped to build up in the research of business models, by explaining the use of the concept and the development of its structure in the startup stage.

In the past literature was clear on how different authors structure the term entrepreneurship and entrepreneurs into the definition of a new venture creation. But in actual cases, creating a new firm from scratch is not the only way a person can become an entrepreneur. Some of the entrepreneurs chosen for this study were individuals that started from zero, but some others took over an existing company and some others inherited a family business; the mode of entry into the market and the decisions taken at the beginning were what made them entrepreneurs. The following chapter includes an explanation of how entrepreneurs see a business model and the features most commonly used by them in the startup stage of their companies for a further value creation. To open the discussion, the analysis of the entrepreneurs profile in the startup stage will be conducted:

1. The entrepreneurs profile

The behavior of the entrepreneur is essential in the startup stage; the vision of this person which most of the times was the founder of the company or the leader of change from a regular firm to a dynamic firm was the breaking point to give shape to the firm. It is here where the characteristics of the entrepreneurs analyzed overlap, because no matter their background, the entrepreneurial orientation of a firm is more visible in the early stage of a company (Kropp, and Lindsay, 2008). Although the 3 dimensions mentioned by Kropp and Lindsay (2008) are visible in the entrepreneurial orientation of the interviewees (proactiveness, risk taking, and innovativeness), there were some extra characteristics shown not only in their personality, but also in the modus operandi of the company (framed by the way it was created and the environment where the firm was established), that affects the style, the practices and the way the entrepreneurs make decisions, generating a different perspective on the way of doing business. When writing the theoretical background and exploring different authors and studies, it was observed that gender and education might cause an effect.
on the way of doing business. For that reason, we did not consider these 2 variables as something relevant for our study.

2. Business Model definition

During the course of the interviews, several interpretations emerged. To begin, all participants recognized the existence of a structure under which the company is ruled (or business model), however most of these individuals expressed uncertainty and lack of knowledge when trying to define or identify the elements or components of the general business model; however, the explanations and definitions offered about the primary goal of a business model focused on the pursuit of long-term sustainability, on having a defined organizational structure and having the vision to take advantage of opportunities in the future.

So as discussed in the theory, it was disconcerting to see how in practice the term business model is also relatively young since the older interviewees, and obviously more experienced, saw it as a popular phenomenon in the recent years and associated the concept as a candidate to replace the industry as unit of analysis (Osterwalder, Pigneur and Tucci, 2005). According to the answers related to the business model conception, the entrepreneurs were classified in three categories that even though were linked to each other, showed the differences between industries, the way of managing the firms and even the first parameters they used in the startup stage. The first group of entrepreneurs have an abstract conception of the business model but somehow they know that this framework describes and shows their business idea to the world. The second group was the one that when describing what a business model is, defined different types of business model, classifying it instead of explaining. The third group were those entrepreneurs who gave a real conceptualization of a business model according to the sphere of influence in which their business is. The definitions given by the entrepreneurs diverged from simple concepts to a long list of elements and concepts related to the way their business captures and delivers value (Osterwalder, Pigneur and Tucci, 2005).

3. What are entrepreneurs looking for when building a business model.

This empirical research gave the opportunity to build upon managerial and organizational topics from the point of view of entrepreneurship; different strategic choices emerged as subject of matter depending on the background of each firm, the industry and resources available for each company in the startup stage. CP14: “It was an opportunity to learn more of what I wanted to get done, to design the way forward according to the resources I had and clear goals in the short, medium and long term I wanted to accomplish”. Before initiating the empirical process, we had it clear that to improve the consistency in the research we had to control several biases and try to soothe certain misconceptions such as: the lack of a consistent definition of the business model concept; the relation people make of the concept
with e-commerce, and the false impression of using the business model from a static perspective disregarding its dynamic view point (Limin, Shisong and Jiang, 2010).

As mentioned by George and Bock (2010), the study gave also the opportunity to broaden the terminology of the business model subject as it was commonly labeled under the expressions: organizational design, sense-making of the firm notions, source of innovation, source of seizing opportunities and relational structure with third parties. The business model is a frame of mind where the activities, processes and other dynamic ideas are expressed as a static configuration in order to cause impact in the internal outline of the firm, to create strategies that will boost the competitive advantage while catching and understanding opportunities that will come along with the environment where the company is (George, and Bock, 2010).

Academic researchers claim that entrepreneurs increase their knowledge and experience from building business models for their firms, as it gives them a full frame of where the company is so they can act towards the point where they want the company to be, by intensifying the executive performance and enhancing the forecasting ability (Cassar, 2014).

4. Experience when building the model.

When individuals decide to start an entrepreneurial venture, the path the organization will follow may include some personal characteristics, including self-confidence and self-esteem; when they engrave personal capabilities such as positivism and satisfaction with the work done, the business model in the startup stage would show a more solid and clear structure (Bann, 2009). The development of the business model in the early stage of a company is closely linked with the development of entrepreneurial experience of each business owner; when the entrepreneur felt more confident about their personal skills related to entrepreneurship, meant that most potential and effort would be put into the construction and delivery of the value proposition (Bann, 2009). The respondents were clear that when starting their businesses, their goal was never to create a company by the only fact of starting a business or having a lot of money, it was always to create something that would add value and have a significant meaning in the value chain they selected. These entrepreneurs then found that through the business model and the different strategies implemented, they could express and print in their business not only their knowledge but also a number of personal characteristics, features that led to make a big difference by increasing their competitive advantage. CP1: “business model will make or break my business. It helps my business to grow and easily be monitored”. They believe that their models and organizational structures will add value to the world while making a difference, and they challenge themselves and others to make it happen (Bann, 2009).

Developing and implementing a business model in the startup stage requires more creativity and perception of the environment of the company and the world, rather than specific knowledge or techniques to improve a business idea. Entrepreneurs are empowered to make
a broad sketch of the vision they have of the new venture and shape it into the business model. “Presumably, they will be better prepared and more capable to pursue a business proposition in greater depth”. (Leschke, 2013, 83). Academic researchers discuss that entrepreneurs obtain knowledge about business creation and experience of building business models by learning through practice. They say that one of the benefits of being involved in developing a business idea from inception to conception (regardless of whether the idea succeeds or fails) is the expertise and lessons acquired from the lived experience. By repeating tasks knowing the structure in all its extent, can refine the business model creation, evaluation and future enhancement (Cassar, 2014). Serial entrepreneurs agreed that even though the specific knowledge of a business opportunity is specialized and limited to its own circumstances and environment, the general knowledge of building a business model can be applied to other backgrounds and situations without limitation to a specific context (Cassar, 2014). CP4: “Through having a business model, I have easily seen our company’s Strength, Weaknesses, Opportunities and Threats. My partners and I were able to address the company’s weaknesses in order to maximize the work on what we want be better. We are currently much more confident that the company will last long”. Studying business models is relevant for entrepreneurial research as sometimes business models embody a form of opportunity creation originated by market deficiencies (George, and Bock, 2010).

Some studies conducted so far evaluate if the business models should be focused and adapted according to environmental circumstances or if they should be formalized according to a specific entrepreneurial mode (George, and Bock, 2010). Regarding this research, it is more prudent to adapt according to the environmental circumstances of the firms or businesses. In the course of this study, it is proven that over the time and the experience entrepreneurs and even managers of the firms gain skills to assess if the business model has the potential to ensure firm survival (George, and Bock, 2010). As indicated before, business model is a main piece in the evolution of a firm as it intercedes between economic value creation and the evolution of the operations, processes and main activities of the company, acting as a link between innovation and organizational structure (George, and Bock, 2010).

5. Motivation to use a business model.

After this research, we could see that the use of the concept business model is growing due to the need of clarifying how the companies create and capture value under and integrative frame (integrating all the main elements needed to deliver the value proposition). This frame has confirmed how influential tool for the organizational performance is to understand and interpret the challenges that the startup stage brings to the firm. CP2: “Building a business model makes me see where I want my company to be in 5 to 10 years; by having a model, I can easily refine my educated guesses about issues like potential market, sales, and business processing”. The potential for growth and success in the startup stage is due to the
development of various business models, and selecting the one that best suits to the external conditions of the company, especially considering the industry to which the firm belongs (George, and Bock, 2010). Having previous entrepreneurial experience makes the attitude towards building a business model more optimistic (Cassar, 2014). CP5: “When you are entrepreneurs for the first time you make several mistakes when constructing the model, but I learned of my failures; when I built this company, my second company, I knew I had to involve all my previous experience as entrepreneur, I knew I could think twice before making decisions, sometimes is better to slow down, go back, be patient and reevaluate opportunities instead of grabbing the first opportunity that passes through”.

6. Contributions of the business model to the company.

“What are business models and how do entrepreneurs use them? These broad questions combine organizational design and strategy perspectives”. (George, and Bock, 2010, p83). Whatever this concept is for the entrepreneurs, it is relevant to know that the business model concept is different from the strategy concept and that it is influenced by the industry, the position of the firm in the value chain and even the market conditions (Sahut, Hikkerova, and Khalfallah, 2013).

The business model is the crosswise representation of the activities and operations of a firm, and what makes it useful is its capability to provide a general outline to the people involved in the daily activities like employees or third parties (Sahut, Hikkerova, and Khalfallah, 2013). Different scholars mention that the performance of the firm depends more on variables such as the selected strategic choices (or elements of the business model) to be emphasized in the startup stage than the strategies used to gain competitive advantage (Sahut, Hikkerova, and Khalfallah, 2013).

7. The service industry.

In the professional service industry, since what is offered is purely intangible, the most representative element and the one that entrepreneurs assigned more points in the evaluation was the value proposition, because working in the non-real sector of the economy, what is being sold is knowledge, and knowledge requires a high quality of the producer so that it can be transmitted in the offering itself. There was also a shared comment among the entrepreneurs of the professional service industry, despite not being within the explicit options of Osterwalder, marketing is considered as a basic element that need persistence and endeavor, it is essential at the time of making known the offering. The least popular option among entrepreneurs of the professional service industry was the cost structure and how to obtain financing, the reason is that in many cases no infrastructure was required during the startup stage, because after all they are selling knowledge and therefore, there is no need of investing in machinery or big infrastructure.
8. The retail industry.

In the retail industry the priorities are different; besides the value proposition, the elements considered as the most relevant were the distribution channel, the cost structure and the relationship with the customer. First of all, the sales channel needs to be efficient enough to get things out, CP6: “I want to sell the goods before building up a big stock”; the cost structure and the revenue streams include all the financial concerns, the companies studied of this industry started with a limited capital and a general worry is not to have a long value chain where the fixed costs are very high, and could consume the capital in a monthly basis. About relationships, CP11: “Building relationships not only with customers but with all the parties involved, means prestige for the company, trust of customers and even the chance of entering new markets, in our case, international markets”.

In the case of retail industry, the least important element was the core competency, although it is indeed important to have certain intrinsic characteristics that guide the business, is not an element to which entrepreneurs devote 100% of their attention, since many aspects evolve through organic growth and without having to follow something previously raised. CP14: “It is important to have the outlines of the competences needed to execute the business model, because you as entrepreneur and the organization need to see a north, need to have a previous structure, but sometimes you learn un the middle of the way and some things and even attitudes, must be changed”.

9. Concept of business models to entrepreneurs.

Over time the concept of business model has become clearer, and every empirical contribution in this area makes it to reach maturity and reaffirm its multidisciplinary task. As it has been said is not a new phenomenon, it is simply the articulation of concepts and ideas that define the business (Sahut, Hikkerova, and Khalfallah, 2013).

Some of the entrepreneurs indicated that the business model has its origins in the strategic level of a company, as it mixes the knowledge of the subsystems and processes involved in creation of the value proposition to accomplish the purpose of the company or the delivery of that value. The business model is not the synonym of the purpose of the firm, neither is the raison d’etre why the firm was created; for this reason nor the revenue streams, nor the cost structure explain at its full the business idea and how it reaches the customers (George, and Bock, 2010). The business model is mainly associated to the underlying “business idea” or the firm’s value creation mechanism. After interpreting the general perceptions of the business model, it can be stated as a contribution to the general knowledge of this topic that entrepreneurs make a link between innovation and business model structure when reconfiguring the firm’s structure can achieve improvements in the creation, capture and delivery of the value. The entrepreneurs, owners or managers of the companies must
understand that as the firms grow and move forward the startup stage, different business model need to be employed or the original one must evolve, in order to gain stability and balance between growth and success.


The variable that makes more influence on the development of the business model and the whole business idea is human capital and the knowledge invested in carrying the foregoing. The startup stage provides the entrepreneur opportunities to learn, to grow and to develop abilities, while the other stages provide skills related with the organic evolution of the business (Van Gelderen, Thurik, and Bosma, 2005). For this reason among the respondents the aspect of partnership was considered essential and relevant when building the business model. CP9: “When the priority of every entrepreneur is to build a company that lasts over time, the creation of synergy with people that has different interests and skills becomes a big challenge, since of these internal relations, although it is difficult to believe, depend in the future brand positioning”.

11. More considerations relevant to the study

The fact of having something planed and structured is a crucial prerequisite for creating a successful new venture; business model is a worthwhile activity as long as the strategic choices selected as the focus in the startup stage can really describe the value of the business before market entry; this way the expected advantage for the entrepreneur is being able to make better startup decisions. (Chwolka and Raith, 2012). A rational entrepreneur supports the idea of planning as something useful, knowing that these planning skills might affect positively their entrepreneurial behavior in the future. Developing a business model influences the evaluation of business opportunities, as a result of this the entrepreneur will decide on what to do next either in the startup stage or after entering the market (Leschke, 2013). The intention of the business model is not to capture in detail and thoroughly the performance of a company; instead it should fairly communicate a clear vision of the current state of the business. It should be sufficient to see the approach and the strategic choices selected in a specific time of the company’s life cycle to provide information in order to implement plans, strategies and milestones for the sustainability of the firm in the long term, not losing the business proposition as the main focus (Leschke, 2013).
7. Conclusions

7.1. Limitations

It should be emphasized that there is much more literature than included in this thesis regarding entrepreneurship, business models, and startups; and also it should be emphasized that these issues can be taken from many different angles. Based on previous research, there is an indication that gender and education may affect the decision to start new firms. This can pave the way for future research with added variables to analyze (Kropp, and Lindsay, 2008).

Qualitative method can provide an in-depth analysis of the experiences of relatively small numbers of respondents, but there is no 100% certainty that the study was addressed in a meaningful and non-reductionist manner, since the analysis of all information collected is time consuming and requires training and experience.

The fact that it has been done with such a small sample, the doubt remains whether the population considered was representative of the industries studied so it could be generalized. An increase in the sample size will lead to an increase in reliability (Lee and Baskerville, 2003). Besides, the fact that the study has been done with a limited sample may mean that the findings might not be considered as important as if the research was done with a quantitative study; additionally the making of the analysis was harsh and raw since the quality of the data relied only on the few entrepreneurs interviewed and on the documents they could provide, and not all the approaches proposed in the theory chapter could be studied.

Before starting the empirical section, with some knowledge of theory and the background of the entrepreneurs, we as researchers become part of the investigation itself as we expect some results to happen and even though this can provide some guidance, we are predisposed to confirm these expected results and the bias when hearing new answers and new contributions can be significant.

A limitation of the interview, is that there is about the validity as there is no accurate way of knowing if the interviewee is telling the truth or lying. Perhaps unconsciously the respondent may lie or just have vague memories of the facts that are being questioned, as most of them happened months or even years ago and it is possible that the memories of the specific event that is the startup stage are very few. On the other hand there was a high risk of misunderstanding as the interview was carried via Skype, and the fact of not being face to face with the interviewee, no matter how much we tried to avoid, it carried a communication barrier.

Before the interview started, it was necessary to clarify some concepts with the entrepreneurs, because some of them often confused the elements of the business model with the strategies of the organization.
As some of the interviews were carried out in Spanish, only one of the researchers could focus on measuring and analyzing the data gathered in these specific talks, so the other researcher was limited in being able to understand and interpret a part of the information of the studied case.

7.2. Conclusions

The entrepreneurs are significant pieces in economic developments of countries. This makes the business model a critical aspect not only in the business creation but on the growth of an economy, with the aim of introducing a new offering (product or service) at the best market conditions and with profits to the entrepreneur.

Achieving the business model requires the effort of every employee, as their behavior is what constantly innovates and revitalizes the organization giving flexibility to the operations and activities that drives the business. Every feasible company has a business model either implicitly or explicitly, and its progress through the changing environment depends mainly on the management and flexibility that the entrepreneur sets (Townsend, Busenitz and Arthurs, 2010). Being flexible on the business model architecture has a positive impact on the future business performance. As business models are in constant disequilibrium, firms must cherish the importance of innovation as answer to everything, but must jump into the ring with a proactive and risk taking behavior if their aim is to survive, grow and be sustainable across years.

A business model is not a strategy even though it has its origins in the strategic level of a company; the strategy is necessary, but for an outstanding execution the business model is the one that supports the decisions about focus, modus and locus of the firm. Entrepreneurs must follow due process, trying to achieve too much at once can backfire and triggers the not achievement of adequate return of money as well as the entrepreneurial efforts.

The closer the entrepreneur follows the model they designed, the greater the chances to achieve success in later stages of startup. Applying planning skills reduce barriers and costs associated with the bad future performance related to not following the steps.

Once the startup has reached a readily comply and profitable business model, it is then ready to make the leap from startup to a real company. The entrepreneur must not fall into the mistake of having a business model as THE business model. Flexibility, environmental analysis, knowledge of many business models and tools to developing it, are the key to a high-level view of the business and to work towards the continuous improvement of the company.

What was learned from the entrepreneurs was that they don’t build a business model because it is something necessary to survive. They think about it, develop it and put it into practice with the conviction of knowing that it is beneficial for them as an entrepreneur and for the
operation and good performance of the company if what they want is a sustainable business over the long term.

The construction of the business model is the state in which entrepreneurs are when get higher level of knowledge of their business and understand the interrelationship between elements of the model to evaluate diverse scenes and analyze the impact if a change is made. This state must be as important as the final result, the outcome of the process: a sustainable company over time.

The fact of building a business model does not depend on the industry or the country in which the company is rising, it depends more on the background of the entrepreneurs, their experience and the future goals the company aims. But the approach that each company gives the business model depends on the industry in which it belongs to, it is not the same having the customer as a priority and having to build relationships around him, than having as a primary focus the distribution channels and the cost structure.

The only common elements in all business models are the value propositions and the customers, because without them nothing else can work, and the fact that the business model will continue evolving from their initial condition over the years and the situations the firm has to deal with.

The intention of the business model is not to capture in detail and thoroughly the performance of a company; instead it is to show the current condition and status of the business in a specific stage of the life cycle of the company without losing the business proposition as the main focus.

Based on the main elements of a business model as identified by Osterwalder and Pigneur, The researchers found that these elements are all used by the entrepreneurs in varying degrees of importance but nonetheless all these elements are deemed important by the entrepreneurs depending on which type of business they have. It was fairly easy for them to state the most important element that they use in their entrepreneurial activities but difficult for them to name a least important element because they were all unanimous in stating that all of them are important especially in the early stages of their businesses.

The mission of this research was to establish how entrepreneurs use the business model in order to obtain valuable information for it; the result of the interviews has shown that entrepreneurs put a high premium on value proposition, while target customer, distribution channel, and relationship are close seconds on what an entrepreneur deemed important. all entrepreneurs clearly understand that the 9 axes of Osterwalder’s approach are necessary for the own benefit of their firms in the startup stage.

While core competency and partner network are at the bottom of the rank, it is worth to emphasize that their raw scores still rank high on the list and the respondents have not agreed
upon one specific part of the business model to be least important. In fact, all of them believe that all the elements of the business model are equally important on their own. It is important to note for example that while most entrepreneurs in the service industry has ranked target customer fairly high, there are also some entrepreneurs in the service industry who believe that they do not have a target customer at all, their business unique enough to have created a need in the market that only their firm and a handful of others can address. Also, while partner network ranks fairly low in most entrepreneurs’ answers, four entrepreneurs in the service industry explicitly said that it was in fact their partner network that was the most vital part of their business model in the early stages of their firm, as it allowed them to gain their clientele through referrals.

As these business model elements are taken into consideration, the entrepreneurs are able to visualize, grasp and communicate to others the logic of the business, making it easier to describe possible future scenarios for a firm when there is the need of boosting innovation and being better prepared to face the future. With its implementation, all the challenges and changes that the environment carries, will guide to proper decision making on future stages of the lifecycle of the company.

To answer the research question ‘what business model elements are most commonly used by entrepreneurs?’ the researchers found out that all of the business model elements as defined by Osterwalder and Pigneur are important depending on the industry the businesses belong to. For example, while partner networks rank fairly low in the retail industry, it is deemed highly important by entrepreneurs in the service industry. In the same manner that while distribution channel ranks high in the retail industry, it ranks lower in the service industry.

7.3. Implications for research and practice

This document continues the pathway of research on business models and entrepreneurship, but would be a good idea to take this small limitation as a starting point for any research involving the theoretical and practical implications in real life of a startup that follows exactly what was written on its business model and the connotations of running a startup in a more informal way (this means, with no explicit business model and with no worries of getting one). In other words, some future research could answer if there is a connection between performance and the architecture of the business model. In the same manner, it could be interesting to carry the same study using a representative sample but in developed countries where the business situation in the service industry is more settled and advanced. Secondly, the sample of entrepreneurs had business in different stages, those in later stages had more experience, and could answer the interview with more knowledge of the facts than the nascent entrepreneurs.
Based on the literature included in this academic work and the literature available, a better understanding of business model structures can be used to help answer a multitude of questions about entrepreneurial activity. George and Bock (2010) posed possible questions in this line of research such as: Are unique business model characteristics correlated with improved survival or performance? What are the key factors in the legitimization process associated with the implementation of innovative business models? Are some sectors (or customer types) more accessible to novel business models? This research should be routed to empirical investigation; although this requires years of study, resources and companies willing to be measured in terms of their performance, the results will definitely be unique in this field and will serve as a basis for further investigations, thus becoming an authority on the subject.

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Appendix

Appendix A: Interview Guide

Interviewee Information:

Contact Person # ___
Gender:
Age:
Education level:
Country:
What is the company offering? Professional Services ___ Retail Sales ___

Current job within the company: ___________________________

Purpose of the Study:

A business model is more than the description of the existence of a company. The definition is rather associated with the way a company creates and captures value as essential activities.

The aim of the thesis is to explain all elements that make up a business model, what is or what are the most important when starting a company which aims to create value.

Information Gathering:

As keywords we have:

1. Value Proposition: ‘Getting the job done’. This is all about the problem that the offering (product or service) is helping to solve.

2. Target Customer: Group of customers the firm wants to offer that value.

3. Distribution Channel: Best ways to reach the customer segment, includes the customer experience.

4. Relationship: Relations that the firm establishes with the different customer segments.

5. Value Configuration: Core activities and resources to deliver the value.

6. Core Competency: Sketches the competences needed to execute the business model.
7. Partner Network: Partnerships needed to perform the business model with efficiency.
8. Cost Structure: It is about knowing and optimizing fixed costs.
9. Revenue stream: the way to obtain the income generated by the paying customer.

1. On a scale of 1-9, 1 being the highest, please rank the importance of the following elements of a business model
   ___ Value Proposition
   ___ Target Customer
   ___ Distribution Channel
   ___ Relationship
   ___ Value Configuration
   ___ Core Competency
   ___ Partner Network
   ___ Cost Structure
   ___ Revenue Streams

2. Why did you rank your choices as the top 3 most important elements business models?
   • Is there any other thing you included on the initial design of your business?
3. Why did you rank your choice as the least important elements business model?
4. What experience have you had with building a business model?
5. What worked and what didn't?
6. Was the overall experience positive or negative? Why?
7. What did you learn during the process?
8. How do business models contribute to your company?

Now we would like to know a bit of your perspective as an entrepreneur about business models:

9. What motivates you to use business models?
10. Does the business model generation come from the entrepreneur himself or are the people around him (i.e. employees, consultants, etc.) contributing in the generation process?
11. Do you have a business plan?
12. Did you include the planning of a business model in your preparation of the business plan?
   - If yes, did it benefit you in some way? Elaborate.
   - If no, did you include the business model planning in any stage of the business at all?

Is it possible for you to give us some written information or a source, where we can find and learn more from your business?
Appendix B: List of the Sample Group

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Current position in the company</th>
<th>Company Description</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact Person 1</td>
<td>Owner – Photographer</td>
<td>Professional Services – Photography</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 2</td>
<td>Owner – CEO</td>
<td>Professional Services – Coffee Shop and Restaurant Chain</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 3</td>
<td>Owner – CEO</td>
<td>Retail Sales – Mass Customization Company</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 4</td>
<td>Owner – CEO</td>
<td>Retail Sales – Lifestyle Brand and Clothing for Young People</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 5</td>
<td>Owner – CEO</td>
<td>Professional Services – Real Estate Leasing</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 6</td>
<td>Owner – CEO and e-Commerce manager</td>
<td>Retail Sales – Specialized clothing for women</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 7</td>
<td>Owner – CEO</td>
<td>Retail Sales – Sale of furniture and fixtures</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 8</td>
<td>Owner – CEO</td>
<td>Professional Services – Frame Making</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 9</td>
<td>Owner – CEO and Head Consultant</td>
<td>Professional Services – Consultancy Firm</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 10</td>
<td>Owner – CEO</td>
<td>Retail Sales – Sporting Goods and Apparel</td>
<td>The Philippines</td>
</tr>
<tr>
<td>Contact Person 11</td>
<td>Owner - CEO and Consultant</td>
<td>Professional Services – Consulting Company</td>
<td>Colombia</td>
</tr>
<tr>
<td>Contact Person 12</td>
<td>Partner - Marketing and Sales Manager</td>
<td>Retail Sales – Bookstore</td>
<td>Colombia</td>
</tr>
<tr>
<td>Contact Person 13</td>
<td>Owner - Professional Photographer</td>
<td>Professional Services – Architectural photography</td>
<td>Colombia</td>
</tr>
<tr>
<td>Contact Person 14</td>
<td>Owner - COO</td>
<td>Retail Sales – Organic food</td>
<td>Colombia</td>
</tr>
</tbody>
</table>

Table A.1 Sample Group
Appendix C: Economic Charts

The Philippines: The Gross Domestic Product grew 6.50 percent in the fourth quarter of 2013 over the same period of the previous year. GDP Annual Growth Rate in Philippines averaged 5.02 Percent from 2001 until 2013, reaching the highest rate in the second quarter of 2010 (8.9%) and a record low of 0.50% in the third quarter of 2009 (Tradingeconomics.com, from http://www.tradingeconomics.com/philippines/gdp-growth-annual).

Figure A3.1 Philippines GDP Annual Growth Rate. From http://www.tradingeconomics.com/philippines/gdp-growth-annual

Colombia: The Gross Domestic Product grew 4.9% in the fourth quarter of 2013 over the same period of the previous year. GDP Annual Growth Rate in Colombia for 2014 is expected to grow 4.73%. It reached the highest rate in the third quarter of 2011 (7.9%) and a record low of 0.40% in the third quarter of 2008. (Tradingeconomics.com, from http://www.tradingeconomics.com/colombia/gdp-growth-annual)

Figure A3.2 Colombia GDP Annual Growth Rate. From http://www.tradingeconomics.com/colombia/gdp-growth-annual
Appendix D: Respondents profile

Contact Person 1 (CP1-Professional Services): Is a known and sought-after photographer in the Philippines who started out as a hobbyist but through talent and word of mouth became a successful photographer. CP1 started out as a street photographer and won various photography contests. CP1 started professionally as a food photographer with several top notch brands and companies seeking her expertise. She got her big break when she closed the deal with a popular food chain and photographed their products. Now she has several food chains and brands in her portfolio. CP1 then started to branch out into events and lifestyle photography, first starting out with photographing kids’ parties and birthdays of friends. Through word of mouth, she started getting more and more clients and she eventually branched out into more specialized events such as pre-nuptial and wedding photography as well as maternity and newborn shoots. Some of her shots have been featured in photography magazines in the Philippines. She has now invested in a photography studio and professional equipment where she does most of her shoots, unless she is invited for on-location shoots. She has also mastered her craft by becoming an apprentice of some of the most respected photographers in Asia.

Contact Person 2 (CP2-Professional Services): CP2 owns several coffee shops and restaurant chains in the Philippines. Coming from a family of restaurateurs, CP2 knew from an early age that he would go into the food business just like the rest of his family. He first established his business when he was still in university, and opened a coffee shop near the campus. That coffee shop has branched out into a chain of coffee shops in the country catering to students. CP2 then opened what started out as a 24-hour soup restaurant, originally targeting the call center agents in the area working well into the wee hours of the morning. As it happens, the soup restaurant was also situated in a section of the Philippine capital known for its vibrant nightlife. Yuppies and party-goers alike would make a beeline for his restaurant after a fun night of partying and dancing or a hard day’s work. Because of this market, CP2 started branching out into hot meals available 24 hours a day. Currently, CP2’s restaurant has 3 branches around the business districts in the Philippines.

Contact Person 3 (CP3-Retail Sales): CP3 owns a mass customization company that caters to other companies and corporations. They design and manufacture various items for the corporate giveaways and the like. Their biggest client to date is an international corporation that has ordered corporate T-Shirts for the use of their employees all over Asia, as well as different corporate gift items that the corporation gives away not only to their clients but to their mass product customers as well. Election season in the Philippines is one of the busiest seasons for the company as most politicians seek CP3’s services for their T-shirts, mass giveaways and other election paraphernalia’s.

Contact Person 4 (CP4-Retail Sales): CP4 owns a lifestyle brand that sells T-shirts and other clothing apparel to a targeted audience. CP4 concocted the idea of creating a lifestyle brand when her family’s textile factory was not doing well and they had a lot of excess fabric just
waiting to be used. An avid traveler herself, she decided to create a brand that sells clothing apparel to travelers and outdoors or nature lovers. She employs a graphic designer who creates all the logos and designs for the shirts and the brand in general, but the main ideas for the shirts come from her and her business partner. Currently, her company has physical stores in prime malls in the Philippines as well as popular tourist areas and destinations in the country. She also has plans of expanding going into E-Commerce within the 4th quarter of this year and sell her apparel online.

Contact person 5 (CP5-Professional Services): CP5 has a commercial lot and high-rise building which he rents out to different stores and businesses in the Philippines. Located in the university belt of Manila, he has converted the higher floors of the building as a ladies high-end dormitory-hotel. Not only does he rent out living space for the students, but he also caters to their cleaning needs and food.

Contact Person 6 (CP6-Retail Sales): CP6 is a American entrepreneur, when he reached The Philippines, he detected a business opportunity and wanted to take it, to sell specialized clothing for women via online. He decided to put all his effort into a web business, even though he knew that his path would not be easy due to his small knowledge of terms such as social media, online marketing, trends, and others, but he had skills in management, leadership and had the ability to build networks. Despite having fears about being in a new country, and knowing that no business is safe, he decided to take the risk considering that success would not come immediately. Today he is considered as a web entrepreneur that fits to the changes, trends and technological innovations.

Contact Person 7 (CP7-Retail Sales): Also an online entrepreneur but with much more experience, the business he runs is an online furniture and fixtures store. This is not his first business because his prior experience helped him to improve every day and helped him to have the courage of taking advantage of the opportunities presented to him along the way. Although he has no technical knowledge about business, the long road traveled has helped him to learn about different areas and to not to stay in a single industry in the Philippines.

Contact Person 8 (CP8- Professional Services): CP8 owns a frame-making business. He took over an established frame-making company when the prior owner decided to retire from the craft and sell his business. He took over all the machines such as, wood cutting, glueing, paper cutting, and the machine to cut the passe partout, as well as all the materials. All the materials he use for the frames are superb quality, and thus allows him to charge top price for it. The former owner was also kind enough to teach him the craft and mentor him his first few months in the business. He considers frame-making a work of art in itself and he has done frames for known local artists.

Contact Person 9 (CP9- Professional Services): Owns a consultancy firm where they provide clients with corporate services such as incorporation or setting up, yearly maintenance of companies, opening up and management of bank accounts, bookkeeping and accounting,
trade services, tax advisory and compliance, and dissolution or closure of companies. For the
clients, knowing that a professional consultant is taking care of the administration,
compliance, and maintenance of their company, the client is able to have full concentration
in the daily operations of its core business. For a fee, the client can retain CP9’s firm to ensure
that his company can comply with all the reportorial requirements needed for his company
to remain in good standing in the Philippines.

Contact Person 10 (CP10- Retail Sales): Contact Person 10 is an owner of several sporting
goods and apparel stores in Asia. He bought the license to carry the name of an
internationally-known sporting goods and apparel store, and currently, the largest sporting
goods and apparel chain in the world. His store carries big names in the sporting industry
such as Nike, Adidas, New Balance, etc. He also does customized sporting uniforms and
equipment for professional sports teams and athletes.

Contact person 11 (CP11-Professional Services): CP11 is the founder and CEO of a
consulting, education and training firm in Colombia with more than 10 years in the market,
they focus on the organizational basic dimensions: business, human and technical. He has
proven ability and experience in general management. Extensive and strong skills in strategy,
business intelligence, finance, logistics, marketing, sales, negotiation and customer loyalty.
Leader and strong individual producer in relationships with tem-works and customers. This
engineer consider himself as an innovative entrepreneur, prone to create and produce towards
the development of his region and country. Has experience in leading teams that generate
innovation, technological change, development processes and product market entry.

Contact Person 12 (CP12-Retail Sales): CP12 is a bookseller by profession. Among his core
competencies is the synapse, which allows him to decrypt the client in order to achieve
effective sales. His activities involve discussions, learning and sharing experiences that
allows the enrichment of his daily work. Due to the changes brought about by technology,
this Colombian entrepreneur was forced to rethink the business model of his company and
develop new competitive advantages; besides becoming an expert reading advisor he had to
become a master in the use of new technologies and develop and design marketing strategies.
Similarly, he eventually learned that his bookseller vision needed to be mixed with a
businessman vision, to strengthen the relationships with suppliers and customers in a more
proactive perspective. Over time, he has learned to make synergy between the traditional
skills of the bookseller (as the knowledge about the product), with the ability to manage the
business and make it grow.

Contact person 13 (CP13-Professional Services): This young entrepreneur decided to
implement his studies in architecture and photography and apply them into architectural
photography in Colombia. With this knowledge CP13 decided to start his own company,
where he mixes creativity, a professional activity and does not require a lot of monetary
resources to survive, but where he practices his skills, and his mastery of expressive and
communicative ability. The idea to start this new company was the opportunity to earn
income by combining his two professions, while interacting with various customers and learn from them.

Contact Person 14 (CP14-Retail Sales): CP14 is a business consultant with gastronomic inclinations, entrepreneurship and creativity. She started her business when she was still completing her bachelor’s degree, she started planning for her future and what better way to do it than with one of the things she is most passionate about: food. She turned her ideas into food, and despite having little knowledge in the business world, she wanted to start a new food experience where healthy eating is framed with traditional ingredients and responds not only a trend but also a need that the Colombian market was demanding, organic food.
<table>
<thead>
<tr>
<th>Respondent</th>
<th>Industry</th>
<th>Main elements of the business model</th>
<th>Less important elements</th>
<th>Additional elements they take into account</th>
<th>Experience with building the business model</th>
<th>Lessons and contributions of building a business model</th>
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</thead>
<tbody>
<tr>
<td>Contact Person 1</td>
<td>Professional Services</td>
<td>Target customer, cost structure, core competency.</td>
<td>Value configuration and relationship</td>
<td>&quot;At the beginning it was hard since I didn't know where I wanted my business to be&quot;</td>
<td>Having a business model is essential when creating a business or being an entrepreneur.</td>
<td>~</td>
</tr>
<tr>
<td>Contact Person 2</td>
<td>Professional Services</td>
<td>Cost structure, core competency and target customer.</td>
<td>Value proposition and partner network.</td>
<td>&quot;Totally worth it, it is a tool that clears my head and my way of proceeding&quot;</td>
<td>I learned to spend more time knowing the target market and how to capture them without the need of hard selling. Hard selling is cheap. Business model(s) determines the company’s future. It’s helped our company tremendously because through it we learned how to move to the direction we want to be.</td>
<td>~</td>
</tr>
<tr>
<td>Contact Person 3</td>
<td>Retail Sales</td>
<td>Target customer, value proposition, distribution channel.</td>
<td>Revenue stream and cost structure.</td>
<td>&quot;I have been helping out in our family businesses since I was seven years old. And growing up plus what I have learned in school, it made me realize how easy it is to capture your market&quot;</td>
<td>Marketing is a waste of time, money and effort if you don’t have on paper the road map of your business, the point where you are and where you want to be.</td>
<td>~</td>
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<tr>
<td>Contact Person 4</td>
<td>Retail Sales</td>
<td>Value proposition, distribution channel and target customer.</td>
<td>Revenue stream and cost structure.</td>
<td>&quot;Building a business model for something that I am very much passionate about is very easy. It’s like automatic. When I see a product, I instantly already know how would I pitch it to the customers, how to deliver the good’s value, where to sell it, the brand image and everything related to the way of getting value&quot;</td>
<td>For every failure, a much beneficial lesson is gained. I have made some substantial paper losses. But am glad those losses happened because now I am already more than certain the best ventures to make myself delve in next time.</td>
<td>~</td>
</tr>
<tr>
<td>Contact Person 5</td>
<td>Professional Services</td>
<td>Target customer, revenue streams and Relationships.</td>
<td>Cost structure, partner network.</td>
<td>&quot;The main contribution was to build relationships and gaining the trust of customers as the most important part of my business&quot;</td>
<td>&quot;This was my first business, so I had unsuccessful practices through the construction of the model. But I learned of my failures. Now I know that it does a very big impact. In it is the success or failure of the companies.&quot;</td>
<td>~</td>
</tr>
<tr>
<td>Contact Person 6</td>
<td>Retail Sales</td>
<td>Distribution channel, cost structure and revenue stream.</td>
<td>Relationship and partner network.</td>
<td>&quot;Retail is the easiest business model, just buying and selling, it needs solid basis to be successful&quot;</td>
<td>&quot;Think twice before choosing a business partner. Everything is about competence, collaboration, if you can have additional help is good, but a good help.&quot;</td>
<td>~</td>
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<td>Respondent</td>
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<tr>
<td>Contact Person 7</td>
<td>Retail Sales</td>
<td>Distribution channel, cost structure and revenue streams.</td>
<td>Value proposition and partner network.</td>
<td>Logistics and inventory</td>
<td>&quot;All my ideas were addressed to the operational level rather than the ‘thinking’ operations, I am in the point of doing before improving.&quot;</td>
<td>&quot;I had previous experience, and the business model is more suitable for entrepreneurs, e-businesses need an specific model that shows how to proceed.&quot;</td>
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<tr>
<td>Contact Person 8</td>
<td>Professional Services</td>
<td>Value proposition, relationship and cost structure.</td>
<td>Partner network, revenue streams.</td>
<td></td>
<td>&quot;During the startup stage my only concern was to make sure that the customer is happy and satisfied with the service delivered.&quot;</td>
<td>&quot;I created the business model before the company started operations; it was very positive because it generated so much more income than I had expected during the startup stage.&quot;</td>
</tr>
<tr>
<td>Contact Person 9</td>
<td>Professional Services</td>
<td>Value proposition, revenue streams and cost structure.</td>
<td>Target customer and distribution channel</td>
<td></td>
<td>&quot;At the beginning, I had to find a partner network, that’s where the funding came as well as client referrals; just what I needed to start.&quot;</td>
<td>&quot;The partner network is essential, during the startup stage I had no target customers and marketing, but I got clients because of the partner network.”</td>
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<tr>
<td>Contact Person 10</td>
<td>Retail Sales</td>
<td>Cost structure, distribution channel and relationship.</td>
<td>Core competency and revenue streams</td>
<td>Portfolio</td>
<td>&quot;Since the company started, some rules were stated. We try to follow this to stay in the right track, leaving small space for innovation.&quot;</td>
<td>&quot;As we work as a franchise, the main office gives us all the information, included the business model which we have to follow very strictly.&quot;</td>
</tr>
<tr>
<td>Contact Person 11</td>
<td>Professional Services</td>
<td>Value proposition, partner network, distribution channel.</td>
<td>Cost structure, revenue streams</td>
<td>Marketing and how to promote the service</td>
<td>&quot;Many things went through organic growth that didn’t follow the model, they were useful but very abstract when they were happening.&quot;</td>
<td>The model shows that the company was built to last, but it also shows how hard it is to make known a brand, and to create synergy with people with different interests and skills.</td>
</tr>
<tr>
<td>Contact Person 12</td>
<td>Retail Sales</td>
<td>Target customer, relationships and distribution channel.</td>
<td>Core competency and revenue streams</td>
<td></td>
<td>&quot;With little experience, if you have a defined model you business can succeed.&quot;</td>
<td>&quot;I learned that many things go through organic growth without following the model is something natural, it will happen anyway, but with the model you are more prepared.&quot;</td>
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<tr>
<td>Contact Person 13</td>
<td>Professional Services</td>
<td>Target customer, value proposition and revenue streams.</td>
<td>Partner network and cost structure</td>
<td>Teamwork</td>
<td>&quot;I had no business experience before, but owning a firm makes you learn and improve even the business model of your life, it was a good experience and now I feel very confident with what I have.&quot;</td>
<td>&quot;At the beginning due to the lack of experience I lost important opportunities for not exploring different ways of doing same thing&quot;.</td>
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<tr>
<td>Contact Person 14</td>
<td>Retail Sales</td>
<td>Value proposition, distribution channel and cost structure.</td>
<td>Partner network and relationship</td>
<td>&quot;It was an opportunity to learn more of what I wanted to accomplish, to design the way forward according to clear goals in the short, medium and long term.&quot;</td>
<td>&quot;As I was starting from scratch, it was necessary to use all the tools that the market was offering, one of them was the definition of business model&quot;</td>
<td>Having a north of the company. Not only about what is being done but also what we want to become and do, because from these pillars history is constructed.</td>
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