

Business Model Innovation and Firm Performance: Exploring Moderation Effects

Authors : Mohammad-Ali Latifi, Harry Bouwman

Abstract : Changes in the business environment accelerated dramatically over the last decades as a result of changes in technology, regulation, market, and competitors' behavior. Firms need to change the way they do business in order to survive or maintain their growth. Innovating business model (BM) can create competitive advantages and enhance firm performance. However, many companies fail to achieve expected outcomes in practice, mostly due to irreversible fundamental changes in key components of the company's BM. This leads to more ambiguity, uncertainty, and risks associated with business performance. However, the relationship among BM Innovation, moderating factors, and the firm's overall performance is by and large ignored in the current literature. In this study, we identified twenty moderating factors from our comprehensive literature review. We categorized these factors based on two criteria regarding the extent to which: the moderating factors can be controlled and managed by firms, and they are generic or specific changes to the firms. This leads to four moderation groups. The first group is BM implementation, which includes management support, employees' commitment, employees' skills, communication, detailed plan. The second group is called BM practices, which consists of BM tooling, BM experimentation, the scope of change, speed of change, degree of novelty. The third group is Firm characteristics, including firm size, age, and ownership. The last group is called Industry characteristics, which considers the industry sector, competitive intensity, industry life cycle, environmental dynamism, high-tech vs. low-tech industry. Through collecting data from 508 European small and medium-sized enterprises (SMEs) and using the structural equation modeling technique, the developed moderation model was examined. Results revealed that all factors highlighted through these four groups moderate the relation between BMI and firm performance significantly. Particularly, factors related to BM-Implementation and BM-Practices are more manageable and would potentially improve firm overall performance. We believe that this result is more important for researchers and practitioners since the possibility of working on factors in Firm characteristics and Industry characteristics groups are limited, and the firm can hardly control and manage them to improve the performance of BMI efforts.

Keywords : business model innovation, firm performance, implementation, moderation

Conference Title : ICSRD 2020 : International Conference on Scientific Research and Development

Conference Location : Chicago, United States

Conference Dates : December 12-13, 2020