

CHAPTER I

INTRODUCTION

This chapter provides an outline of the research's overall framework. It covers the research background, research problem, significance of the study, and the research outline of the following chapters.

1.1 Background

The appearance of our lives today in Industry 4.0 has changed a lot compared to the past. More specifically, the development of the internet of things (IoT) has become the main factor that has a strong impact on all around the world. With such development, people are now able to connect things with the internet so that such objects are able to automate their specific tasks or jobs in order to comfort our lives better. Also, there is a new term 'smart' to various devices that are programmed so as to be capable of taking some independent action. However, those recent advances also have an impact on business. It enabled companies to implement different business strategies and methods according to the fast-changing business trends. Furthermore, it is now easier for a business to expand globally and participate in international markets where they have a larger number of customers and competitors that lead to more active competitions. According to the research on this new business trend and technological development, scholars have announced that in the next 5 years, businesses would result in a significant increase in the revenue by 15~20%. (Parida, Sjödin, and Reim 2019) Besides, there is a study that is recently rising on the surface, business model innovation. BMI is the act of creating values through concurrent and reciprocally supportive settlements to the value proposition of an organization for its customers and its current fundamental business model. (Bhatti et al. 2021) At this moment, companies are expected to create a suitable business model and make improvements and adjustments in terms of digitalization, artificial intelligence and big data that are newly becoming the main topic in modern business research so that they can reach up to a better performance and create their own competitive advantage. (Bhatti et al. 2021) Nevertheless the theoretical review on business model innovation and the trends, it can rather be a burden for companies trying to

survive from the market. Furthermore, there is surprisingly less research and studies on business model innovation.

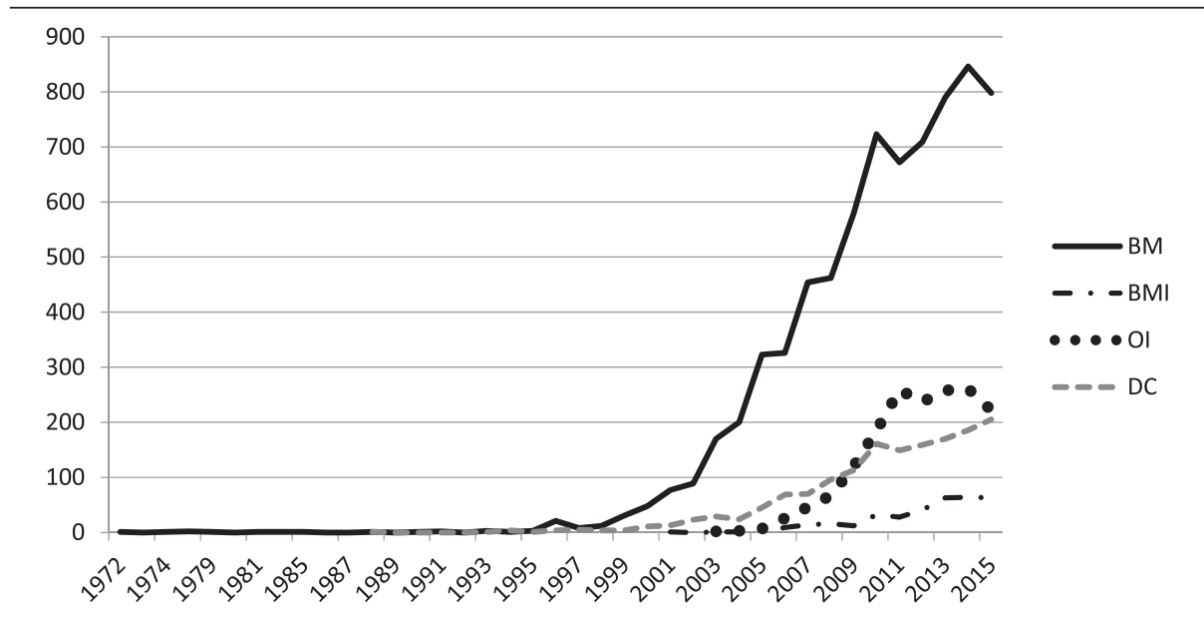


Figure 1: Use in the Scholarly Literature of Some Key, related Macro Constructs

Source: Scopus, 1972-2015. “Business Model” (BM), “Business Model Innovation” (BMI), “Open Innovation” (OI), “Dynamic Capability” (DC)

Although the significance of business model innovation has been recognized for centuries, (Foss and Saebi 2018) there was only a small amount of research on the topic and business model innovation was very much underestimated up to today. According to the previous research, it has been described that “Business model is not leveraging its full potential because there is no practical use of the theoretical review and the knowledge”. (Ebel, Bretschneider, and Leimeister 2016) And there is another statement that described “although the fields have been recognized as a crucial factor for a long time, there is surprisingly little research on business model innovation”. (Foss and Saebi 2018) As such, people’s understanding and awareness of business model innovation are increasingly needed these days in the era of internet development and digitalization. (Bhatti et al. 2021)

However, the question is how can it be said that it actually affected today's business? First of all, the fact that the researcher can see through the research is that it is very difficult to construct an innovative business model (Thijs L.J. Boekhuizen & Tom Bakker 2018). Creating value and finding opportunities

different from others are the top priorities for today's business executives. Today's successful companies, which can be examples of innovative business models, include Airbnb, Uber, WeChat, Netflix, and LinkedIn. However, despite the efforts of many business executives, only 6% of the management is satisfied with the performance of their business model (Thijs L.J. Boekhuizen & Tom Bakker 2018). If so, what preparations should the company have first for the successful development of the business model? In this study, the variable, which plays an important role in Business Model Innovation, was classified into three categories in order to investigate the level of business model innovativeness of a firm. The first one is Knowledge Absorptive Capacity, the second, Organizational Agility and the last is Top Management Mindfulness.

In this study, the researcher will enhance the understanding of the net function of business model innovation and the relationship between the variables adopted for the research in order to promote the competitiveness and better performance of companies in the market. We make three significant contributions to the literature in this way. First, whereas most previous research has employed an inductive methodology, such as case studies, to investigate the factors that influence BMI, our work empirically evaluates the influencing factors of BMI. Second, our study would concentrate on the factors based on some of the organizational factors related to business model innovation such as knowledge absorptive capacity, organizational agility and top management mindfulness. Those variables are the key factors driving business model innovation in a developing country. Third, through the intermediate function of BMI, the research on this topic contributes to the arising academic discussion on the relationship between knowledge absorptive capacity, organizational flexibility, and mindfulness and business performance. The remainder of the paper is organized in the following manner. The following part discusses the theoretical basis, hypothesis development, and the research model. The research methodology, data analysis, and results are presented in the following parts. Finally, the paper finishes with a discussion of the research findings, their implications for theory and practice, as well as the paper's limitations and suggestions for further research.

1.2 Research Problem

The questions they try to solve, i.e. the questions they ask, and/or how they answer such questions, vary by field. According to Massa et al. (2016), Business Model and Business Model Innovation research have been challenged since it was not clear to some scholars that they were asking new questions and/or applying original perspectives to address and solve those problems. This is an understandable sentiment. For example, if there is a business to survive, they must make decisions such as selection of goals, products and services, the design and configuration of competitive strategies, organizational structure, policies, the selection of an appropriate level of scope and diversity are all strategic considerations. Those strategic considerations form a set of strategies that has a very close meaning with what people call business models. Taking the BM as an independent variable in the explanation of performance can be understood as taking the assumption that successful "integration" is important to performance. As a result, the BM construct is important in strategy because it emphasizes the interconnection of the decisions that contribute (the most) to the firm's performance. Despite the fact that the discipline has been recognized for a long time as the interconnection of such decisions, there is surprisingly little study in established strategy research that takes such a wide perspective. Business model was firstly considered as a classification tool used to understand the drivers of (e-commerce) business models. However, there has been a growing trend towards digitalization, cloud computing, big data and the rise of the sharing economy, all of which have introduced new business models and value creation that are challenging traditional views in some ways. However, the important point is that these changes have an impact on a number of interconnected aspects of businesses, such as their business model and established perspectives.

The ultimate goal of this study is to understand the factors affecting business model innovation and the consequence of business model innovation in a firm's performance. There is a lack of large-scale experimental or practical research on this topic and even fewer efforts have been conducted in order to study about the factors that have significant impact on innovation in business models of firms that are characterized by digital technologies that contribute to refine business performance. The fundamental hypotheses used in this research are knowledge absorptive capacity, organizational agility and top management mindfulness. Those are the factors that have an important role in contributing to organizational improvements in business models. Then this research examines the result, business model innovation data that the researcher has been collecting from the

factors whether it has a considerable influence or relationship with firm performance.

1.3 Research Question

Based on the background discussion above, the issues of this research are:

- 1.3.1 Does Knowledge Absorptive Capacity influence Business Model Innovation positively?
- 1.3.2 Does Organizational Agility influence Business Model Innovation positively?
- 1.3.3 Does Top Management Mindfulness influence Business Model Innovation positively?
- 1.3.4 Does Business Model Innovation influence Firm Performance positively?
- 1.3.5 Does Business Model Innovation mediate the relationship between (Knowledge Absorptive Capacity, Organizational Agility and Top Management Mindfulness) and Firm Performance?

1.4 Research Objective

To clarify this research further, this research aims to:

- 1.4.1 To examine whether Knowledge Absorptive Capacity influences Business Model Innovation positively.
- 1.4.2 To examine whether Organizational Agility influences Business Model Innovation positively.
- 1.4.3 To examine whether Top Management Mindfulness influences Business Model Innovation positively.
- 1.4.4 To examine whether Business Model Innovation influences Firm Performance positively.
- 1.4.5 To examine whether Business Model Innovation mediates the relationship

between independent variables (KAC, OA and TMM) and the dependent variable, Firm Performance.

1.5 Significance of the Study

The significance of the study is followed by:

1.5.1 Researchers

This study is to support researchers to gain more information and definitions of business model innovation and following variables that have impact on business model innovation and its consequence on firm performance as well.

1.5.2 Business school

As a of business school student, I would like to support other students who are interested in the same topic as me. In addition, I hope this study one day can be referenced to other students planning to open their own business.

1.5.3 Business owners & corporations

In hopes more entrepreneurs would learn and improve their understanding of business model innovation, be alert and use it for further development of their business in terms of acquiring competitive advantages in line with rapidly changing trends.

1.5.4 Next researchers

This study is dedicated to future researchers who will conduct in-depth and professional research on the topics of business model and business model innovation

1.6 Organization of the study

1.6.1 Chapter 1 Introduction

In this chapter, the researcher will discuss the background, problems statement, research question and objective, the significance of the study and all organizations related to the study.

1.6.2 Chapter 2 Literature Review

In this chapter, the researcher will discuss the topic in terms of theoretical perspectives that are based on previous journals and research conducted by scholars and also discusses the variables used in this research and each variable's relationship as well as the conceptual framework of this research.

1.6.3 Chapter 3 Research Methodology

This chapter will present this research paradigm, the purpose of this research, research strategies, researcher interference, study setting, unit analysis, time horizon, data collection, sampling, measurement and lastly, data analysis. Additionally, this chapter will also discuss any methodology that was used in this research.

1.6.4 Chapter 4 Results and Discussions

This chapter will try to test the validity and reliability of this research and will discuss the results from the data sample that was used by other researchers and process it to be able to conclude the hypothesis that was formulated in the previous chapter.

1.6.5 Chapter 5 Conclusions and Suggestions

This chapter will conclude this report as well as giving useful recommendations for any researchers who wish to analyze this case even further

