# Research on Business Model Classification from the Perspective of Value Driven

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**Abstract:** In the process of enterprise development, the difference between value drivers and firm size will inevitably lead to different choices of business models, which also provides a research platform for the diversified research of business models. Based on the analysis of the theory and case of resource-based view, transaction cost economics, path dependence, etc., the classification model of enterprise business model under different scale and different value drivers is constructed, which reveals the main value drivers of business models of different scale enterprises. It provides a reference for the choice of business model.

## 1. Introduction

Business models have become an important area of current management research. Along with the rapid development of the world economy, the continuous advancement of science and technology, the arrival of artificial intelligence and the era of big data, and the dramatic changes in the external environment that enterprises need to face, the design of business models has gradually become an important factor in determining the survival and development of enterprises. The business model helps companies cope with external risks and profit by pointing out the design of the company's activity system and its drivers as a potential innovation and value creation. In addition, business model design is a key decision for corporate entrepreneurs, and this is a critical or even more difficult task for managers who are responsible for rethinking the old model to adapt their company to the future.

The business model reflects how management considers the company's value proposition, selects the activities that will be carried out within the company, and determines how the company fits into the value creation network. Based on Schumpeter's theory of economic development, value is created by a unique combination of resources that generate innovation, while transaction cost economics identifies transaction efficiency and boundary decision as sources of value. In fact, the main drivers of the value source of business models are mainly novelty and efficiency. Companies with different sizes have different value propositions and unique resource combinations, so there are differences in the design and composition of business models. At the same time, the size of the enterprise determines the position and bargaining power of the enterprise in the market competition, which reflects the operational strength of the enterprise and further affects the strategic choice and business model implementation of the enterprise. In 2016, the Ministry of Industry and Information Technology issued the “Promoting SME Development Plan (2016-2020)”: “In the face of the new environment of international and domestic economic development, SMEs still face a large Operating pressure, cost of capital, land and other factors continue to remain high, and the problems of recruitment, labor and financing, and financing are still to be further alleviated. Most SMEs in the traditional industry are at the low end of the industrial chain, and there is high consumption. Inefficiency, overcapacity, serious product homogeneity, etc., profitability is still weak, and the transfer and restructuring tasks are very arduous. To solve such problems, it is very practical to distinguish between different value drivers and business models of different scale companies. Operational and theoretical guidance.

Although there are more and more explorations and researches on business models in practice and academia, most of them are researching the definition, classification and process of business models, but few people pay attention to the composition of business models of different scale companies. Research, especially on the comparison of business models between business giants and small and medium-sized companies, is rare. This paper constructs a model that distinguishes different value drivers and business models under different scale companies. Through the integration of value chain theory, resource base view and transaction cost economics, it analyzes different value drivers and business models under different scale companies. And its practice, trying to make up for the shortcomings of the current business model literature research, and establish an innovative research and analysis framework for business models of companies of different sizes.

## 2. Literature Review

### 2.1 business models

The concept of business model has been proposed by foreign scholars since 1957. The initial definition is to link it to the operational activities of system modeling in the context of information technology. It was not until the mid-1990s that entrepreneurs and strategists used the business model as a general description of the company's key business processes and how they relate. Although different scholars in the academic world have different understandings and views on business models, most people today agree with the definition of Teece scholars that the business model is "the design or architecture of the enterprise's value creation, delivery and capture mechanisms." According to Saebi, Lien and Foss, the business model is made up of the company's value proposition and market segmentation, describing how the value chain structure needed to realize value propositions and the value capture mechanisms deployed by the company are linked in the company's architecture [1].

The construction of the business model is based on the central idea of corporate strategy and its related theoretical traditions. Most directly, it is based on the extended concept of value chain theory and strategic positioning. Since the business model includes competitive advantages, it also draws on the foundation of enterprise resource based. In terms of the company's fit in a larger value creation network, the model involves strategic network theory and collaborative strategies. In addition, the model involves choices about company boundaries, such as vertical integration, competitive strategies, etc., as well as transaction cost economics.

In academia, most of the perceptions of business models also include the company's products and activities for making models. Here, management must consider the company's value proposition, select the activities that will be carried out within the company, and determine how the company fits into the value creation network. Based on Schumpeter's theory of economic development, value is created by a unique combination of resources that generate innovation, while transaction cost economics identifies transaction efficiency and boundary decision as sources of value. Positioning within a larger value network can be a key factor in value creation. As part of its positioning, companies must establish appropriate relationships with suppliers, partners and customers.

The business model solves the problem of the internal capabilities that make up the company's competitive advantage. This is consistent with the theory of resource-based view, in which the company is seen as a combination of resources and capabilities [2]. Business models are demonstrated through resources such as design skills, supplier relationships, procurement networks, and cultural factors such as strong commitment and leadership. Competitive advantage can come from the effective execution of specific activities within the company's internal value chain, or the management of the company's relationships with other partners in the value network.

In addition, there are two main dimensions in creating value in business model innovation: efficiency and novelty. Novelty: The essence of the novelty-centered activity system design is a new way of combining activity content and event management with new activity content. Efficiency: Efficiency-centered activity design refers to the realization of higher efficiency through the design of enterprise activity system, reducing transaction costs, and achieving efficiency through the perfect combination of content and structure of its activity system. For example, in economic exchange processing transactions, they correspond to cost leadership and production differentiation strategies, respectively. While efficiency is focused on reducing the cost of existing transactions, novelty highlights the way transactions are conducted. Businesses can use business model innovation to create value based on one source, but they can also use a combination of different sources. This paper is to study the business models of enterprises of different scales from the two value drivers of novelty and efficiency.

### 2.2 Different value driven business models

Schumpeter elaborated on the value creation potential of innovation. Although the introduction of new products or services, new production, distribution or marketing methods, or the development of new markets, are traditional sources of value through innovation. However, due to the rapid development of the Internet, the era of big data artificial intelligence, no matter what size of the company, more or less in the transaction structure to innovate. For example, eBay is the first company to promote customer-to-customer trading models on a large scale. In this architecture, even low value items can be successfully traded between individual consumers. This creates value by connecting previously unconnected parties, using innovative trading methods to eliminate inefficiencies in the buying and selling process, tapping potential consumer demands or creating new markets. Novelty has an advantage in attracting and retaining customers, especially in combination with strong brands. Second, entering the market first is a necessary prerequisite for success in a market characterized by increased returns [3]. The forerunner can well initiate the positive feedback dynamics generated by the network's externalities and get a sufficient number of suppliers and customers before others [4]. In the winner-take-all market, it is imperative to enter the new market first. Novelty plays a huge value-driven role by seizing the scarce resources and reusing the complementarity between the network and the participants and the resource-based view theory emphasized by the network theory to emphasize the importance of complementarity between strategic assets [5]. The theoretical basis for efficiency-driven business models is transaction cost economics. Transaction cost economics identifies transaction efficiency as the primary source of value because efficiency increases can reduce costs. It shows that value creation can stem from uncertainty, complexity, information asymmetry and the decay of small bargaining conditions. In addition, reputation, trust and trading experience can reduce the cost of special exchanges between companies [6]. In general, organizations that save on transaction costs are expected to get more value from the transaction. Williamson believes that trading is an independent event that is valuable in itself because it reflects the choice of the most effective form of governance and can therefore be a source of transaction efficiency. Companies that use efficiency as a value-driven business model reduce the possibility of errors by reducing distribution costs, simplifying inventory management, and streamlining transactions. Simplify the supply chain through demand aggregation and bulk purchasing, enabling individual customers to benefit from economies of scale, providing more choices at lower cost, and accelerating transaction processing and order fulfillment, thereby benefiting suppliers and customers [7]. Thereby gaining a competitive advantage [8]. Not all companies have the ability to use different sources of value creation. Companies of different sizes often choose value-driven reasons, which are related to the extent to which companies are cognitively constrained in path-dependent behavior [9]. Due to the combination of historical background, resources, accidental events and self-reinforcing mechanisms, companies tend to fall into specific paths [10]. Path dependence can have a considerable impact in the evolution of business models, but in the case of companies of different sizes, this impact will be different. In addition, large companies or business giants will create internal complementarities, bundle new technologies with existing products and services, and provide services to existing customers with the support of known partners [11]. Large companies have significant resources that provide a broad starting point for business model innovation and allow for simultaneous experimentation of multiple business models, including cross-subsidization of new business models [12]. This has increased their chances of adopting a business model that will eventually become the standard [13].

Small and micro companies are less affected by path dependence because they do not face the cognitive constraints of integrating new technologies into existing business models, so they can develop entirely new business models and be more flexible in their pursuit of aggressive business models [14]. Therefore, Amit and Zott believe that these companies often use novelty as the main source of value creation, which is completely different from the established business model in the industry. The novelty aspect of the business model is itself a dominant logic, but the reliance on novelty also means that startups face greater challenges in creating legitimacy and customer acceptance for their business models [15]. Especially for start-up small and micro enterprises, their resources are very scarce. These companies can only pursue a single business model at one time and cannot be maintained for a long time. In addition, small micro companies are more likely to be affected by accidents when looking for a viable business model, which may be a double-edged sword. On the plus side, small and micro companies can more flexibly adjust their business models to adapt to changing environments [16]. Therefore, although the business model of small and micro companies may use novelty as the main source of value creation, they may only develop into a business model because they are susceptible to accidents.

All in all, due to different historical backgrounds, resources and other factors, the business models chosen by companies of different sizes and their driving factors will be different.

## 3. Theoretical analysis

Under the influence of different scales and the value drivers of enterprises, the choice of business models of enterprises is also different, which is closely related to the enterprises themselves. Based on the two different latitudes of enterprise scale and enterprise value drivers, this paper divides the business model of the enterprise into four types, namely, large enterprise-efficient, large enterprise-new type, small enterprise-new type, small enterprise-efficiency. formula. Due to the different factors driving the scale and the business model of the enterprise, its resource acquisition, corporate strategy, and competitive advantages are also different, resulting in a very different business model for its actual implementation. In order to better illustrate the differences between business models of different scale enterprises, we further propose a classification model of business models under different scale and different value drivers.

(1) Large enterprise - efficient

According to Chandler and Hanks, the resources the company has are important, and performance will be higher when there is a “fit” between company resources, risk strategy and market appeal [16]. Large companies can gain market share based on a broad product line and reputation, use patents and economies of scale in research and development, impose bargaining power on suppliers and customers, and control them through leadership pricing. Large companies are also more capable of achieving economies of scale in their operations, often with more idle resources to attack competitors and absorb the impact of changes or business declines. Large organizational systems make it easier to exploit idle resources, increase efficiency in economies of scale or economies of scale, and synergies between components and components over time. According to the theory of transaction cost economics, large companies have sufficient resources to reduce transaction costs, thereby increasing the efficiency of organizational activities. In order to avoid being “held” by their trading partners, many large companies often choose to vertically integrate their own business, reduce transaction costs and increase efficiency [17]. For example, as a representative of the discount retailer community, Wal-Mart's business model uses efficiency as a value driver, mainly by lowering prices to sell more goods, that is, reducing transaction costs to achieve efficiency. Wal-Mart places great emphasis on the importance of efficiency as a source of value creation for business models. It adopts a strategy of vertically integrating its own business, establishing a network of distribution centers and increasing the variety of products to enable them to grow while maintaining high efficiency. In fact, there are many large, medium and small companies that are imitating Wal-Mart's business model, especially by setting a low price format, but most of them end in failure. This is not to say that the probability of success in a business model created by efficiency as a value is low, but rather to take advantage of the complementary advantages of the resources of large companies to support efficiency as a business model of value creation. In addition, large companies can take advantage of the long-standing reputation in the market, trust and trading experience can reduce the special exchange costs between companies and consumers, which is also effective in the efficiency-driven business model. way.

(2) Large enterprises - novelty

With the continuous advancement of the times and science and technology, almost all companies have ushered in the use of innovation opportunities. However, due to the development of new target markets, it requires a lot of manpower, material resources and financial resources. The research and development of technology and new products is a long-term continuous investment. Therefore, compared with small companies with limited resources, it is more common for large companies with abundant resources to adopt the value drivers of novelty as a business model. Large enterprises that use novelty as the driving force of business model value can use the proprietary knowledge accumulated in the long-term development process to seize rare resources for creative activities, so that they can have substantial first-mover advantage and occupy a larger market. Gain huge gains [18]. In addition, novelty has an advantage in attracting and retaining customers, especially when combined with the strong brands of large companies, not only can form a wall barrier to defend competitors, but also form a strong brand and enhance brand equity [19]. In Schumpeter's innovation theory, emphasizing novelty is the source of value creation. Schumpeter Innovation emphasizes the importance of technology and considers new resources and the novel combination of services it provides as the basis for new products and production methods. This in turn leads to a shift in the market and industry, which leads to economic development. As we all know, Steven Jobs founded Apple Inc., focusing on the innovative production of personal computers and their hardware. It innovatively developed the iPod and related music download service iTunes, making it the first American music distribution. Business Technology Company. In addition, it links iPod hardware design, software development and digital music to bring this legitimate activity of music downloads to its customers. These large companies use novelty as the primary source of value creation, completely different from the established business model in the industry, based on the unique way of bundling new products and services, non-traditional participation partners, and targeting new customers [20]. Therefore, the use of novelty as a business model value driver also emphasizes the use of new partners' complementary assets or the complementarity of new resources to create unique value propositions.

(3) Small business - novelty

Business model innovation is more susceptible to path dependence. Path-dependent behavior may cognitively limit entrepreneurs' new ways of finding value creation because they prefer to be close to what they are familiar with and rely on the continuation of past success. Compared to the business model innovation of large companies, small and micro companies are very small because of the path dependence, because they do not face the cognitive constraints of integrating new technologies into existing business models, which makes them choose the value of business models from scratch. For example, Beijing Happy Twist Entertainment Culture Media Co., Ltd. is a small and micro enterprise, but it shows the novelty as its value-driven business model. From the provision of products to the choice of channels and finally to the management of human resources, Happy Twist has made a lot of innovations and adopted business models different from other companies in the industry. In particular, the selection of novel products as the value driver of the business model made Happy Twist build a comprehensive entertainment industry system rooted in stage comedy, which ultimately achieved great success. Happy Twist promotes the business model of the producer system. The advantage of this model is that the producer can take care of the creation rules and the market. Moreover, this model is more in line with market demand, and at the same time lays a favorable product foundation for industrial development. In the face of the important economic income of placing advertisements in stage plays, the practice adopted by Happy Twist is to conduct commercial cooperation while seeking the opinions of the directors as much as possible. This is because the director has to pay for the merits of the work, and the director's choice of increasing the advertisement or not can effectively prevent the negative impact of forced implantation on the performance of the stage play. Happy Twist will also combine its own comedy style with the essays, and combined with the Internet media to produce China's first online comedy, as well as movies. In addition, although small and micro companies can use previous knowledge and experience to enter an industry, they need to rely on new sources of value creation to pull customers out of existing companies and challenge their dominant market pressures [21]. Especially when small and micro companies have limited resources, these companies can only pursue a single business model at one point in time, and cannot explore other business models for a long time [22].

(4) Small business - efficient

Because of its simple structure, fixed operation, and a small range of competitors, the strategic choice of small and micro enterprises relative to large enterprises will be faster and faster, the decision-making speed will be faster, and the response to industry environment dynamics will be faster. Sexual innovation [23]. According to the literature, small and micro enterprises have found ways to overcome traditional industry barriers, and will not fear traditional barriers such as industry concentration, integration and differentiation. It is precisely because small and micro enterprises are very good at pursuing efficiency, speed and flexibility. Sex. In addition, with the rapid development of information technology and big data technology, the golden age of e-commerce has arrived, and small and micro enterprises can adapt to the development of the times and use the power of e-commerce to improve efficiency. Compared with offline business, small and micro enterprises use a variety of methods to improve efficiency. First, the speed and facilities of the Internet to transmit information can be used to provide up-to-date and comprehensive information to reduce the asymmetry of information between buyers and sellers. This can also reduce customer search and bargaining costs, as well as opportunistic behavior [24]. In addition, through the connection of the Internet, small and micro enterprises use e-commerce to make faster and more informed decisions, thereby further improving the efficiency of transactions. In addition, the use of e-commerce can reduce distribution costs, simplify inventory management, streamline transaction processes, reduce the possibility of transaction errors, and allow customers to benefit from economies of scale, streamline supply chains, and accelerate transaction processing and order fulfillment through volume purchases. The three squirrels, a small and micro enterprise founded in 2012, have achieved great success in recent years, which is inseparable from the three squirrels' efficiency as the main value driver of their business model. The three squirrels used data sources such as WeChat, Weibo, and official website to identify relevant fans through intelligent analysis, and set the microblog advertisements as: e-commerce account, snack-related account, and food-related account. Accurate delivery of ads to designated accounts, and continuous optimization through account interaction rankings. In addition, in order to use e-commerce, the three squirrels can reduce distribution costs, simplify inventory management, simplify the transaction process, reduce the possibility of transaction errors, and allow customers to obtain economies of scale, simplify the supply chain, and accelerate transaction processing and order fulfillment through bulk purchase [25]. The adoption of the order-based cooperation mode of origin has eliminated the exploitation of traditional enterprises in the intermediate distribution channels, and the cost has been reduced. A product quality and service traceability information system has also been established to link customers, suppliers, shareholders and cooperative farmers so that customers can accurately grasp every aspect of product production, sales and transportation. After the product is sold, using its cloud quality platform, the user experience department will unify the evaluation of more than tens of thousands of users per platform to the management platform and analyze consumer opinions and suggestions in a timely manner, with particular emphasis on logistics, quality and service. After the analysis, the results are promptly fed back to the supplier to improve product quality from the source. The feedback analysis of the client's data strengthens the connection relationship between customer service, factory quality inspection, factory employees, and logistics employees, ensuring product quality and reducing costs while realizing traceability of the consumer experience.

Table 1. Different value driven business models

| | Novelty | | Efficiency | |
|---|---|---|---|---|
| | Accumulate innovative | Destructive reorganization | Resource integration | Resource borrowing |
| Enterprise characteristics | Innovative activities using accumulated resources | Less affected by path dependence | Strong resource integration ability<br>Strong industry competitiveness | Fast decision making<br>Easy to concentrate resources |
| Problem | Easy to ignore the use of complementary assets and the development of product complementarity<br>Affected by path dependence | lack of resources<br>Insufficient innovation | Excessive focus on integration<br>Ignore the ability to innovate | lack of resources<br>Weak ability |
| Overview | Conducive to cultivating corporate innovation ability<br>Consolidate industry status | Conducive to the rapid growth of enterprises<br>Don't ignore the risk of scarcity of resources | Conducive to the advantages of enterprise resources<br>Don't neglect the development of innovative activities | Taking advantage of the situation is conducive to the growth of the company<br>But it is more difficult to borrow |

## 4. Summary

This paper studies the value drivers of business models of different scale enterprises. Based on the two different latitudes of enterprise scale and enterprise value drivers, based on the theory of resource base, transaction cost economics, and path dependence, A classification model of the value drivers of business models. The difference in resources owned by enterprises of different scales is very large. Due to the relatively long time of development, large enterprises have relatively strong capital, market or industry status. Small and micro enterprises are exactly the opposite. They face shortage of resources and industries. Small and micro enterprises can only survive and develop better if they choose the value drivers that are more suitable for their business model. Because small businesses are less affected by path dependence, they are more dependent on speed, the advantages offered by flexibility, and the choice of novelty as the main driver of the value of the business model will be successful. Larger enterprises are more affected by path dependence, relying on strong advantages, unique resources and capabilities, and choosing efficiency as the main driver of the value of the business model will achieve a better competitive advantage. In addition, thanks to the rapid development of the Internet and big data technologies, enterprises of any size can combine their special business and e-commerce to reduce transaction costs and enhance efficiency value drivers.

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