Business Model Elements and Strategies

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Organizations rarely fail because they lack a business model altogether; they fail because the model no longer fits the market in which they operate. A business model connects the promise made to customers with the activities, resources, partners, and financial logic required to fulfill that promise. When those elements reinforce one another, the organization can create and capture value consistently. When they conflict, even a strong product may become difficult to scale or sustain. Digitalization has made this problem more visible because firms can now change channels, customer relationships, and revenue mechanisms quickly, but technological change only creates an advantage when the rest of the business model changes with it (Ancillai et al., 2023).

Three alternatives illustrate the importance of strategic fit particularly well: digital delivery, cooperative or collective organization, and service-based competition. Each can support growth, but each relies on a different logic. Digital delivery emphasizes reach, data, convenience, and scalable transactions. Cooperative structures emphasize pooled resources, shared ownership, and bargaining power. Service models depend heavily on expertise, trust, responsiveness, and repeated customer relationships. Comparing them shows why managers should evaluate a model as a system rather than choose one because it appears fashionable or inexpensive.

Value Creation as the Core of the Model

Most contemporary approaches to business model analysis converge around several interconnected dimensions: value proposition, value creation, value delivery, and value capture. The value proposition defines the problem the organization solves and the customers for whom it solves it. Value creation concerns the resources, capabilities, technologies, partnerships, and activities required to produce the offering. Value delivery concerns channels, logistics, customer relationships, and interfaces through which the offering reaches users. Value capture concerns pricing, revenue streams, margins, cost structure, and the mechanisms through which the organization retains part of the value it helps create. Research on digital business model innovation emphasizes that changes in one dimension often require corresponding changes in others. Introducing a digital channel, for example, is not genuine business model innovation if the organization continues to use an incompatible operating system, revenue logic, or customer relationship model (Trischler & Li-Ying, 2023).

Strategic alignment is therefore essential. At the corporate level, managers decide which markets, activities, partnerships, and organizational forms the enterprise should pursue. At the business level,

the firm must determine how it will compete within those markets. Cost leadership, differentiation, focus, and hybrid approaches remain relevant, but digitalization has made the boundaries between them less rigid. A digital business may achieve low distribution costs while simultaneously differentiating through personalization, speed, convenience, and data-enabled service. Similarly, a cooperative may use collective purchasing to reduce costs while differentiating through local ownership and member trust. The important question is not whether a firm can attach a familiar strategic label to itself, but whether its activities reinforce one another in a way that competitors cannot easily imitate.

Recent research has increasingly connected business model innovation with dynamic capabilities: the organizational ability to sense changes, seize opportunities, and reconfigure resources. Cruz-Sánchez, Cruz-Cázares, and Hernandez-Vivanco (2026) show that business model innovation is not a one-time design exercise but an iterative process involving capabilities, routines, and strategic decisions. This perspective corrects a major weakness in static business planning. A pro-forma financial statement may show that a model appears profitable under current assumptions, yet the model can still fail when technology, regulation, customer behavior, or competitors change. A resilient organization must therefore monitor external developments and revise its model before declining performance makes change unavoidable.

Three Strategic Alternatives

Digital delivery

Digital delivery has become one of the most influential business model configurations because digital technologies can alter how firms communicate, transact, coordinate, and scale. E-commerce, software platforms, mobile applications, cloud infrastructure, artificial intelligence, and digital payment systems allow firms to reach customers beyond traditional geographic boundaries. Ancillai et al. (2023), in a systematic review of digital technology and business model innovation, conclude that digital technologies can reshape value creation, delivery, and capture rather than merely automate existing processes. Jorzik et al. (2024) similarly show that artificial intelligence may influence multiple elements of the business model, including customer interaction, operational processes, decision-making, and the development of new value propositions. Digital delivery can therefore generate substantial opportunity, but only when the organization possesses the capabilities required to integrate technology with strategy.

The assumption that online delivery is automatically inexpensive is misleading. Digital models may reduce expenditure on physical outlets and some forms of labor, but they introduce other costs associated with software development, cybersecurity, customer acquisition, data protection, payment processing, logistics, platform fees, and continuous technical maintenance. They may also become vulnerable to dependence on search engines, app stores, marketplace platforms, and digital advertising systems controlled by other firms. A digital model is therefore strongest when the

organization owns distinctive capabilities, customer relationships, data, intellectual property, or complementary services rather than relying entirely on an external platform for visibility and transactions.

Cooperative and collective ownership

Collective or cooperative business structures create value through shared ownership, pooled resources, joint purchasing, collective marketing, or coordinated access to markets. Their strategic advantage may be particularly strong when individual producers are too small to bargain effectively with suppliers, distributors, or financial institutions. Cooperative ownership can also align the organization with social objectives such as member welfare, local development, and fairer distribution of returns. However, shared ownership does not eliminate managerial problems. It can create slower decision-making, conflicts among members, free-rider problems, and tensions between democratic governance and the need for specialist management. Recent work on platform cooperatives shows that cooperative principles can be combined with platform mechanisms, but governance and long-term value creation remain central challenges (Gadola et al., 2026). Thus, cooperation can reduce certain market risks while creating new governance demands.

Service-based competition

Service-based models differ because value is frequently co-produced during the interaction between provider and customer. Banking, insurance, consulting, transportation, education, healthcare, hospitality, and digital subscription services all depend heavily on reliability, responsiveness, trust, and customer experience. The older assumption that service businesses are inherently less costly because they do not manufacture tangible goods is inaccurate. Many service organizations have substantial labor, technology, compliance, property, and customer-support expenses. Their advantage lies instead in the possibility of building recurring relationships, using knowledge intensively, and differentiating through quality or convenience. Research on traditional banks undergoing digital transformation illustrates how established service organizations must develop dynamic capabilities to respond to fintech competition, regulatory changes, and digitally oriented customers (Silva et al., 2024).

What Makes a Model Viable

A viable business model must respond to its external environment. Political and legal requirements determine licensing, taxation, employment responsibilities, consumer protection, data governance, and competition rules. Economic conditions influence demand, financing costs, inflation, labor markets, and purchasing power. Social changes alter customer preferences, while technological change can make existing channels or processes obsolete. Environmental pressures can also reshape sourcing, energy use, packaging, transportation, and reporting obligations. These factors affect all

three models discussed above, even when their effects differ. Digital firms are highly exposed to cybersecurity and data regulation; cooperatives may depend heavily on commodity markets, member participation, and sector-specific policy; service organizations often face intensive regulatory and reputational scrutiny.

Implementation must therefore translate strategic logic into operational capability. A digital-delivery model requires more than a website. It requires reliable infrastructure, secure payments, inventory or service coordination, customer support, analytics, logistics, and people who can manage the technology. A cooperative requires clear membership rules, capital arrangements, voting processes, professional management, auditing, dispute resolution, and mechanisms for balancing individual and collective interests. A service model requires trained personnel, service standards, quality control, complaint handling, and systems that ensure the customer experience remains consistent across employees and channels. Poor communication, weak governance, inadequate financial controls, and insufficient skills can undermine any of the three models.

Financial evaluation should similarly move beyond simple claims about which model is “cheap” or “profitable.” Pro-forma statements are useful when they are based on explicit assumptions about volume, pricing, customer acquisition, labor, fixed costs, variable costs, financing, taxes, and working capital. Sensitivity analysis is especially important because the viability of a business model can change dramatically when one assumption moves. A digital retailer may appear highly profitable until advertising costs rise or return rates increase. A cooperative may look stable until commodity prices fall or members reduce participation. A service firm may appear attractive until labor shortages increase wage costs. Managers should therefore test best-case, base-case, and downside scenarios rather than treating forecasts as predictions.

Recent evidence on small and medium-sized enterprises reinforces the connection between digital capability, business model innovation, and competitiveness. Fang et al. (2024), studying Malaysian SMEs, found that digital capability positively influenced multiple dimensions of digital business model innovation, including value creation, proposition, delivery, and capture, while value creation, proposition, and capture innovation were associated with stronger competitiveness. This finding is important because technology by itself does not guarantee performance. Competitive advantage arises when technology becomes embedded in organizational capabilities and a coherent business model.

Adaptation Rather Than a Fixed Blueprint

Long-term success depends on the organization’s willingness to revise its model when assumptions no longer hold. This does not mean constant reinvention. Frequent change can create confusion, dilute capabilities, and increase cost. Instead, firms need disciplined experimentation. Customer data, pilot programs, financial metrics, competitor behavior, employee knowledge, and technological developments can help management identify when adaptation is necessary. Dynamic capabilities are

particularly important because they allow organizations to distinguish temporary fluctuations from structural change. A firm that responds too slowly may become trapped by an outdated model, while a firm that changes without evidence may abandon capabilities that still create value.

Digitalization illustrates this tension clearly. Many organizations invest heavily in digital tools without changing the underlying logic of value creation. Ancillai et al. (2023) describe a “digital paradox” in which investment does not automatically produce the expected benefits. Business model innovation requires management to reconsider who the customer is, what value is offered, how partners participate, what data or technology enables the offering, and how revenue is captured. AI-driven innovation adds another layer because AI may improve efficiency while also enabling fundamentally different offerings and relationships (Jorzik et al., 2024). Firms must therefore evaluate technology as part of strategy rather than as an isolated IT project.

The three business models considered in this essay can also converge. A cooperative may operate through a digital platform, a service provider may deliver much of its service online, and a digital business may incorporate subscriptions, consulting, or other service components. Contemporary competition increasingly occurs between ecosystems rather than isolated organizations. Partnerships, interfaces, shared data, complementary products, and multi-sided platforms can become integral to the business model. This convergence makes governance especially important because the organization must decide not only what activities it performs internally but also what it shares with partners and what it allows external participants to control.

Business model resilience also depends on governance and learning. Managers need mechanisms for identifying weak assumptions before those assumptions become financial problems. Customer complaints, employee feedback, supplier performance, churn, conversion rates, service failures, and changing regulatory requirements can all reveal pressure points within the model. Digital businesses may need contingency plans for platform dependency or cyber incidents; cooperatives may need transparent procedures for resolving member conflicts; and service firms may need systems for protecting quality as they scale. In each case, resilience comes from the ability to detect emerging problems and reconfigure activities without destroying the value proposition that attracted customers in the first place.

Sustainability has also become increasingly connected to business model design. Environmental and social pressures can alter input costs, customer expectations, investor requirements, and regulation. An organization may therefore need to reconsider sourcing, energy use, product life cycles, transportation, labor practices, and relationships with local communities. These decisions affect value creation and capture rather than functioning as a separate public-relations activity. A model that depends on wasteful resource use, opaque governance, or fragile supply relationships may remain profitable temporarily while becoming strategically vulnerable. Long-term competitiveness therefore requires managers to evaluate not only whether a model can generate revenue today, but whether it can continue operating under changing technological, environmental, social, and regulatory conditions.

A business model is the integrated logic through which an organization creates, delivers, and captures value. Digital delivery, cooperative structures, and service-based models each offer potential advantages, but none should be treated as universally cheaper, safer, or more profitable. Digital delivery can increase reach and scalability but introduces technological, platform, security, and logistics dependencies. Cooperative organization can pool resources and strengthen member participation but requires effective governance and conflict management. Service models can generate recurring relationships and differentiation but depend heavily on quality, trust, human capability, and increasingly sophisticated digital infrastructure.

The most important strategic lesson is that business model choice must be connected to capabilities, external conditions, financial assumptions, governance, and competitive position. Recent research increasingly views business model innovation as a dynamic capability rather than a one-time planning exercise. Organizations that systematically sense change, test assumptions, reconfigure resources, and align technology with customer value are better positioned to remain competitive. The quality of a business model therefore lies not simply in its original design but in its ability to remain coherent while adapting to a changing environment.

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