

The response of companies to the demands of the environment by transforming the business model

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Abstract. The current business environment is characterized by the fact that the lifespan of enterprises is shortening and the speed of change is increasing. Companies are becoming increasingly connected to the external environment and neither age, nor relationships, nor sales volume guarantees that an enterprise will still exist tomorrow. It requires a much greater effort from companies to demonstrate flexibility and agility, to ensure a future in a world full of challenges. Tracking changes and continuously transforming the business model is a solution that would allow companies to cope with increasing competition, take into account changes in consumer preferences, implement emerging technologies, increase sales and ensure sufficient profit to develop the company. The theoretical platform for studying business models is sufficiently developed. This paper examines the results of a quantitative research in order to find answers to such questions as: What are the reasons why companies decide to transform? What specific changes to the business model are most often made by companies in the Republic of Moldova? What benefits has business model transformation brought? What are the most important challenges that companies have faced in business model transformation?

Key words: *agility; benefit; business model; business transformation; challenge.*

JEL Classification. M10; M13; M21

I. Introduction

Today, to thrive, companies must adapt to the ever-changing demands of the market and customers. To remain competitive in the market, the changes needed to be made involve much more than applying a new management approach or modifying a supply chain. This becomes even more pronounced in a world that has rapidly moved towards digitalization and automation of technology. The pace of change in information technology over the past few years and the speed with which technology has been adopted by younger generations is a big challenge for businesses. We currently live in an information and telecommunications era in which digital technology has allowed companies such as AirBnB and Uber to go from being start-ups to multi-billion dollar companies in just a few years (Martin, 2016). It highlights the fact that some of the most successful global businesses that have experienced significant growth in recent decades have done so by undergoing a complete business transformation.

The term business transformation is considered a relatively new one, having first appeared in the IT and management consulting field. Experts in these fields have noted that changes in the market require a comprehensive transformation in the way a company is run. Thus, business transformation involves rethinking and fully restructuring the organization's business planning, operations, technology, development and customer experience to achieve business objectives, implying a change in mindset and developing a business strategy that can continue to evolve in the future (Билаш Л., Котелник А., Емельян В., 2021).

Carsten Linz, Günter Müller-Stevens, Alexander Zimmermann develop the idea that the modern transformation of the business model is based on two megatrends: digitization and service orientation (Linz C., Müller-Stevens G. et al., 2020). At the same time, digitalization requires a balance between digital and physical assets and servicing balances, between product orientation and service orientation.

These transformations come from an assessment of how the business operates and how transformation can prioritize improvements. Often the decision that is required leads to essential changes that are intended to prepare the organization to be more competitive in an increasingly challenging environment. Business transformation helps a company optimize performance, productivity and profitability in the context of its operating environment. It must be taken into account, however, that the company is in a constant state of transition. Improvements are good for a while, and after that period ends or new opportunities arise, the company must continue to improve or redefine itself in order to remain competitive in the market. Transformation is a continuous process, and today's challenge is that change is so fast and dynamic that not investing in business development is as costly as investing in a product that does not meet market expectations (Bukusi A.D.M., 2020). However, the Internet of Things, Artificial Intelligence are urging companies to rapidly rethink basic concepts such as “factory”, “office” and “production” in search of new business opportunities (Rogers, 2003).

The purpose of the study is to research the understanding of how companies from the Republic of Moldova adapt to the requirements of the constantly changing environment by transforming the business model.

In this context, we highlighted the following research questions:

1. What are the reasons why companies decide to transform?

2. What are the specific business model changes most often made by companies in the Republic of Moldova?
3. What are the most important benefits that business model transformation has brought?
4. What are the most important problems that companies have faced in implementing the business model?

II. Research methodology

The research methodology was determined by the need to solve the highlighted research problems. The theoretical framework of business models, their transformation was studied by us and presented in previous publications (Bilaş L. and Emelian V., 2021; Emelian V., 2023). In this research, quantitative research methods were mainly used. The survey through the questionnaire was selected as a research instrument. Only in this way could answers to the research questions be found from the first source, that is, from company managers. Thus, in order to identify the situation in the Republic of Moldova regarding the adaptation of enterprises to the permanent changes taking place in their environment, a quantitative research was conducted using a survey type investigation, and the questionnaire was used as a data collection instrument. When developing the questionnaire, the limited time that potential respondents have was taken into account and several requirements were put forward: the number of questions should not be very large, so as not to reject managers who intend to complete it, but who, seeing the large number of questions, might close the form without completing it; the questions should be formulated in such a way as to allow us to have as much information as possible regarding the subjects of interest, and the answers that the respondents could provide should allow us to draw pertinent conclusions.

In total, there were 21 questions, grouped into 2 compartments. The first refers to general data about the company, such as its name (to be sure that the company is active), field of activity (to include in the research a diverse number of companies according to their type of activity), experience in the market (to have in the sample companies that are at different stages of organizational life), indicators that allow us to attribute the company to one of the categories, in accordance with Law of the Republic of Moldova No. 179 of 2016: microenterprise, small enterprise, medium-sized enterprise or large enterprise. In total, this compartment includes 6 questions. The following questions relate to the level of respondents' acquaintance with the most well-known business models, highlighting the most important problems that the company is currently facing, identifying the factors that determine the need to carry out certain transformations within the company, etc.

III. Results and discussions.

The main challenges companies face

The study was carried out between July and November 2024 on a sample of 50 companies, which covered a variety of fields of activity. Thus, most - 15% are from the field of wholesale and retail trade, 13% from the field of production, 12% are engaged in business consulting, 8% - marketing and sales, another 8% are active in the health field, 10% tourism and catering. Managers from agriculture, construction, telecommunications, IT and technology, education etc. also answered our request. According to the experience of activity on the market that the companies have, they were grouped as mentioned in Figure 1, more than half (59.2%) having an experience of over 10 years. A longer period of activity offered the respondents to better know the topics of interest.

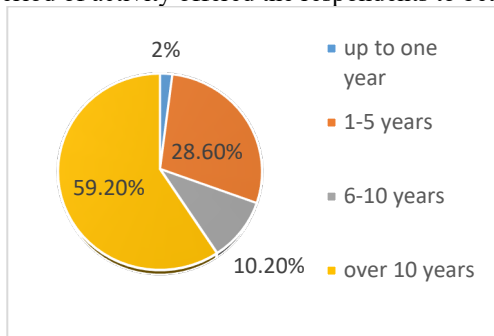


Figure 1. Business experience of the responding companies

The business environment in which companies operate is constantly changing, so they rarely enjoy success for a long time, remaining the same year after year. Only those companies that can cope with a constantly changing environment, demonstrating agility and adaptability, can remain viable and profitable. But simple adaptability is not enough. It would be like trying to get on a moving train and you might not succeed. Much more important is considered the ability of companies to foresee the changes that will occur in the environment in which they operate, so that they are prepared, have a plan and act accordingly. To achieve this, it is necessary for companies to follow what is happening in the environment in which they operate, to identify challenges, problems or obstacles that could hinder the growth and success of the company. At the same time, challenges are not necessarily destructive. They often appear as opportunities for companies to strengthen their resilience, streamline processes, and achieve their goals. Respondents were asked to rate the extent to which their company faces a number of challenges. The rating was made

on a scale of 1 to 5: from very weak to very strong (Figure 2). The most important challenge was found to be *market competition* (average 3.5).

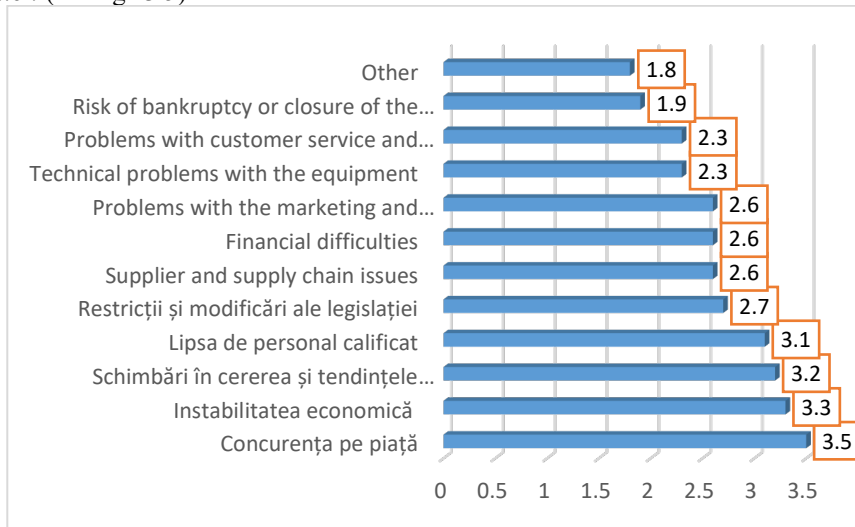


Figure 2. The extent to which responding companies face challenges and problems

The appearance of new players on the market today is much more intense, and the competition is becoming more and more fierce. Staying ahead of competitors and ensuring a differentiation of products or services requires companies to continuously implement innovation and ensure strategic planning.

Economic instability is another challenge highlighted by companies (average 3.3). And this is understandable, given that ever-changing market conditions, economic volatility, usually have a significant impact on business performance, and such factors as inflation, recession, exchange rates and government policies can pose considerable challenges. In these situations, companies need to get information from reliable sources and have contingency plans in place to deal with economic fluctuations.

Consumer demands and preferences are another significant challenge that companies cite. Customer expectations are constantly evolving, being influenced by factors such as technology, culture, social media, environmental issues. Companies need to provide high-quality products, exceptional customer service to retain and attract them further, and for this it is necessary to know their target audience, what they need and what they expect from the company's product or service. Surveys, interviews, analysis, customer feedback can serve as tools used by companies to study their consumers' preferences. Only a deep understanding of the target audience allows the company to use personalized messages, offers that match customer preferences and expectations.

The lack of qualified personnel represents a serious challenge not only for companies in our country. It is important for the company to be able to recruit new employees as well as retain existing ones, both of which are crucial aspects of business growth and success. It is not enough for the company to find the person with the necessary qualification, but it is becoming more and more important that the person is suitable for the culture and goals of the organization. Retaining good employees is more than crucial, an engaged and experienced staff is priceless. However, employee retention is becoming a significant challenge for many companies, and factors such as job satisfaction, career advancement, work-life balance play an increasingly important role.

Respondents also mentioned other challenges that are no less important in the activity they carry out, such as changes in legislation, problems with suppliers and others, but which obtained a lower average, so their influence is considered weaker.

Factors that influenced the business model transformation.

The decision to initiate business transformation can be based on various factors. The analysis of previous research on this topic has allowed to highlight certain influencing factors, such as changes in customer preferences, competition, government regulations and policies, the economic context, technological advances, sustainability and social responsibility, the need to improve operational efficiency and reduce costs (Tian, Q.; Zhang, S.; Yu, et al., 2019). We wanted to see what are considered the most important factors of business transformation by managers from the Republic of Moldova and to clarify if they differ from those identified by researchers in other countries.

First, respondents were asked whether they had made any changes to their company's business model in the last 5 years, to which 65.3% answered affirmatively. They were asked to identify those factors that led to changes in the business model of the company they work for, with multiple answers being allowed.

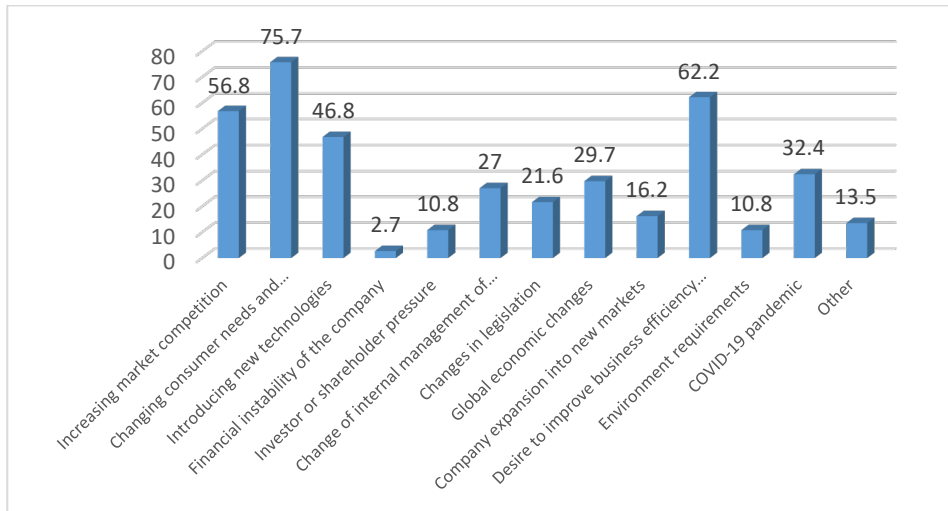


Figure 3. Factors that caused changes in the business model

The most important factor with 75% of answers was identified *Changes in consumer needs and preferences*. This is understandable considering that consumer preferences and purchasing behaviors are constantly evolving, with a growing demand for personalized experiences, seamless omnichannel interactions. It is logical, but also necessary for companies to respond to these demands, so as to remain relevant and attractive to the target audience.

Of major importance to initiate the change process, according to respondents (62.2%), is *the desire to improve the efficiency and profitability of the business*. All companies want to improve their performance, and for this reason the contribution of business models to company performance has also attracted much attention in the scientific literature (Karimi J. and Walter Z., 2016). The practice of companies provides positive examples that demonstrate their association with company performance, and classic examples in this sense are Dell (in the computer industry), Wal-Mart (retail), Uber (transportation), which have developed the new businesses models by introducing or reorganizing key components of existing business models in their respective industries (Latifi M. A., Nikou S., et al, 2021). But there are also examples of companies that have failed to deliver improved performance by transforming the existing ones (for example, IKEA's Boklok proposal for prefabricated houses). That's why it's important for a company to know how and when to innovate a business model. And this is a serious challenge for company managers..

Increasing market competition is forcing companies to look for ways to reorganize their businesses to stay relevant and grow. This led respondents to identify this factor as an important trigger for business model transformation. (56.8%)

The introduction of new technologies is an important factor to think about the need to transform the existing business model (46.8% of respondents mentioned this fact). When new technologies enter the market, they can affect the viability of old business models. Sooner or later, businesses must adapt or be overtaken by their competitors' more advanced techniques.

An important factor in reviewing business activity and rethinking the way of doing business was also determined by the *COVID-19 pandemic*, this being mentioned by almost a third of respondents (32.4%). The pandemic tested organizational flexibility, disrupting the operations of almost all businesses around the world. According to research conducted by McKinsey, companies responded to a series of changes related to COVID-19 much faster than they ever thought possible before the crisis (McKensey, 2019). Most of these changes induced by COVID-19 have involved increased digitalization, and currently companies are investing much more in technology, reorienting the entire business around digital technologies. (Gafencu L.F , 2023). Thus, it was found that the factors that determine companies in the Republic of Moldova to initiate transformations in the business model do not fundamentally differ from those mentioned in the scientific literature on this subject.

Companies' motivation to make changes.

Another topic of interest referred to those concrete changes that were made by the companies. The responses are included in Figure 4.

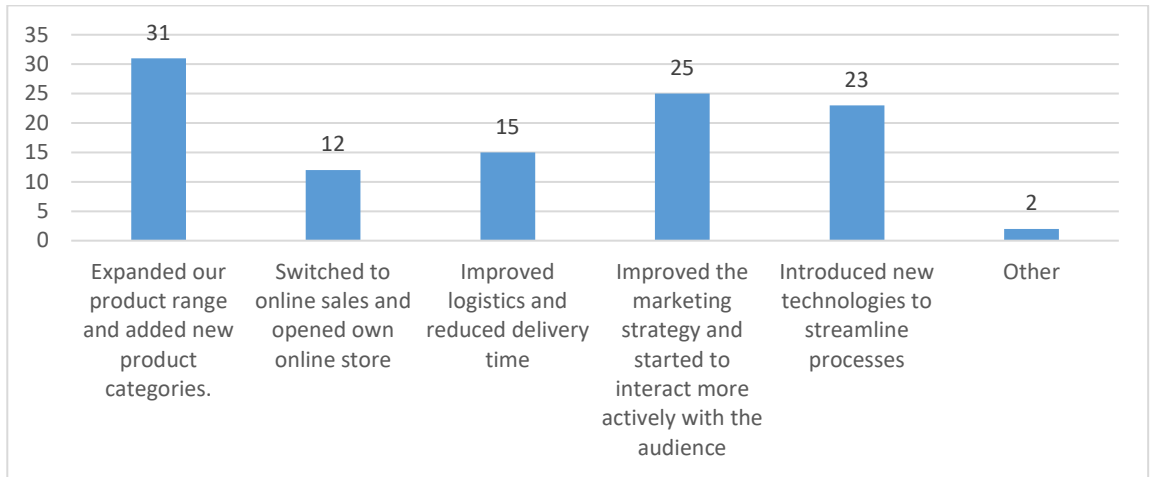


Figure 4. Specific changes made to the business model

Respondents mentioned a limited number of changes that were implemented, but most of the answers attested to the expansion of the product range (31) and the improvement of the marketing strategy and more active interaction with the target audience (25). This is consistent with the above response given by the respondents, stating that the basic factor influencing the need to make certain changes in the business is related to consumer preferences. At the same time, in order to introduce the mentioned changes, it is obvious that the company also needs to introduce new technologies, including to streamline processes (23 answers). Other important changes, in our opinion, are the expansion of the ways of selling products through online sales and the opening personal online stores, but also the improvement of logistics, also with customers in mind, in order to reduce the time of the products delivery to consumers.

Obviously, it is curious to know how companies came to the conclusion that these changes need to be made, so what are the most used sources of information to make decisions related to changes in the business model. The answers are presented in Figure 5.

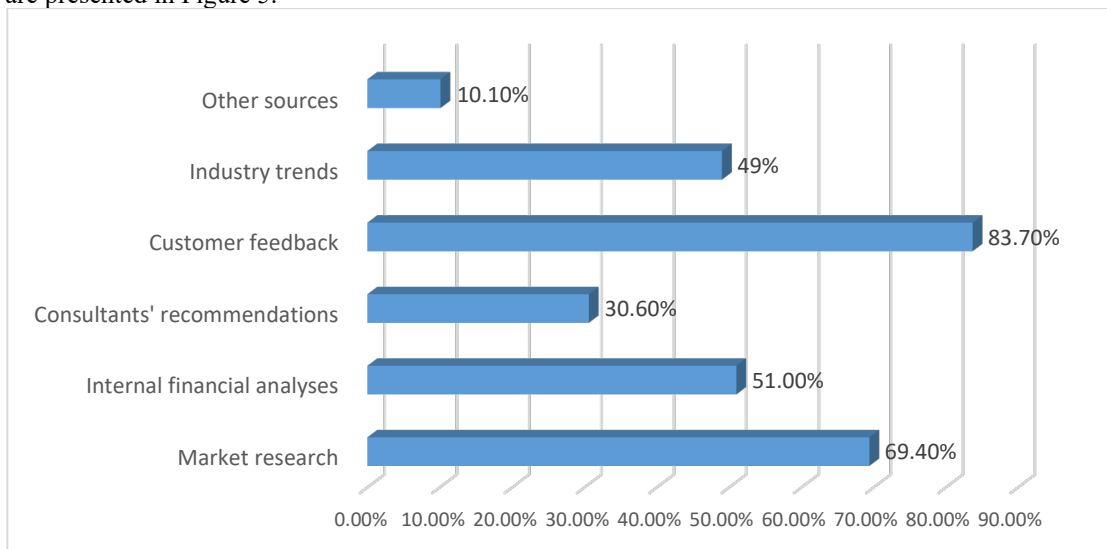


Figure 5. Information sources for companies to make decisions related to changes in the business model

The answers provided by the respondents to this question allow to conclude that companies, before making the changes they mentioned, studied the market (69.4% of companies), took into account customer feedback (83.7%), called on consultants and listened to their recommendations (30.6%), studied the trends of the industry they are part of (49%). At the same time, 51% of companies also conducted internal financial analyses, tracking the evolution of the main financial indicators, identifying the possibilities to make the desired changes.

To design the new business model, companies mentioned that they used such tools as SWOT analysis (73.5%), value proposition analysis, business model CANVAS (30.6% each), Lean Canvas (18.4%) and others. Similarly, 6% of respondents admitted that they did not think about certain tools that they could have used, but rather acted intuitively.

Business model transformation consequences.

Obviously, by introducing some changes, companies expect better performance, an increase in the number of customers, the sales volume by offering new or improved value propositions, reduced costs by optimizing the cost

structure and, as a result, an increase in profit (Dorogaia I.,2023). In this context, the following question was asked, through which we wanted to specify what benefits the transformation of the business model brought to the respondent companies (Figure 6).

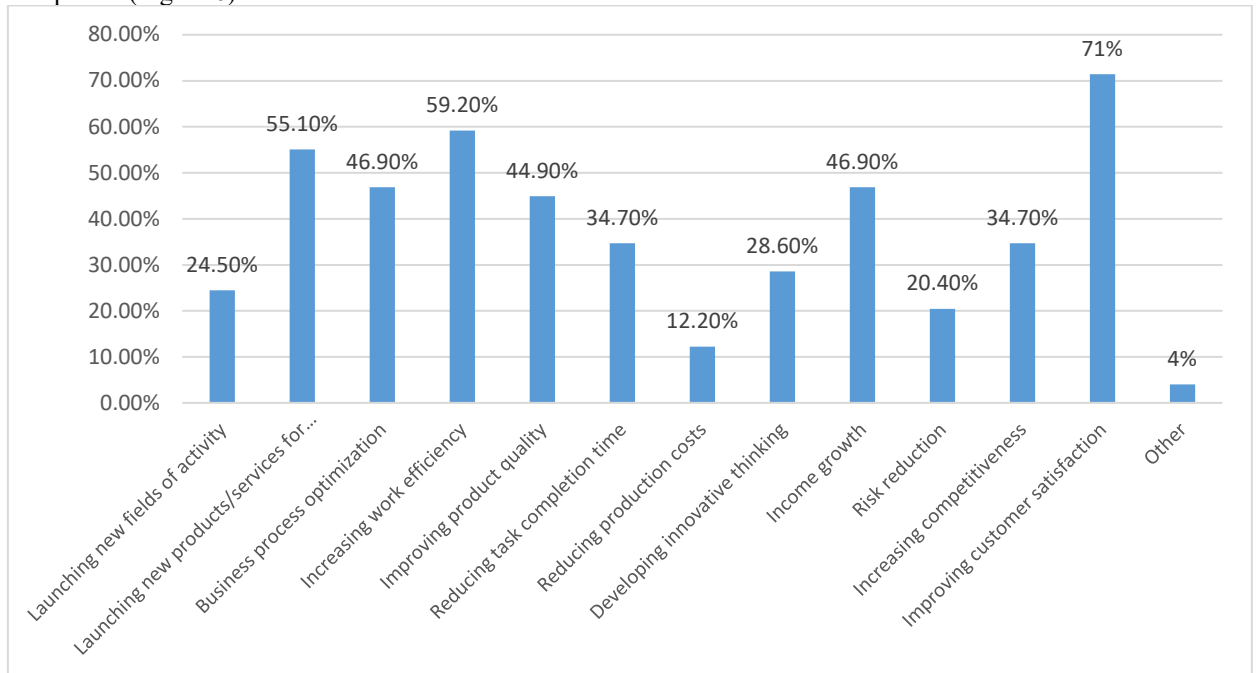


Figure 6. Benefits of business model transformation

The most significant benefits that respondents felt were improved customer satisfaction (71%), increased work efficiency (59.2%), launching new products or services (55.1%), and optimizing business processes (46.9%). Almost half of respondents (46.9%) also reported increased revenue following the implementation of the aforementioned changes. It can be concluded that the business model transformation brought numerous benefits to the respondent companies, helping them attract more customers, increase customer loyalty, generate more revenue streams, eliminate waste, increase efficiency, and improve profitability. Hopefully, all of this will help companies promote a culture of innovation and learning, gain a competitive advantage, increase market share, and ensure long-term sustainability.

At the same time, implementing new business models is not without challenges and problems. Respondents confessed that the main difficulty they faced in the process of transforming the existing model was the need to train staff (73.5% of respondents mentioned this). We agree that the role of employees in organizational change and the implementation of a new business model is very important, and human resources represent both an essential factor in organizational change and, sometimes, the biggest obstacle to change (Smith, 2005). In order to ensure the success of the planned transformations and the employees to be followers of these changes, it is necessary, first of all, for effective management communication with the employees, to communicate the change message as clearly as possible and to ensure the participation and involvement in the change process of employees so as to create a sense of need and urgency for change. The rapid evolution, especially of the digital world, determines the critical link between employee skills and the success of an organization. In order to ensure these skills, the company must invest in employee training programs. The commitment to developing a skilled workforce illustrates the fact that transformation is fundamentally about empowering people. Organizations understand that developing a robust set of skills among employees can become an important factor in overcoming the complexity of disruptions related to the transformations initiated by the company.

The high cost of implementing the new model is considered by the respondents as a problem that the respondents mention (36.7%) in the implementation of the innovative business model. In third place, respondents mentioned employee resistance to change (24.5% of respondents). Resistance to change is a common obstacle faced by organizations in various change initiatives, and business model transformation is no exception. This resistance may stem from fear of the unknown, perceived threats to job security, or a simple preference for the status quo. To manage and mitigate this resistance, companies can adopt several strategies, including those mentioned above: effective communication, employee engagement, training and support. Organizations can also consider implementing incentive programs to encourage employee participation in the transformation process and to reward those who make the effort to accept the new model.

The risk of a failed implementation is an issue for 22.4% of respondents. The desire to introduce changes to the company's activity alone is not enough to ensure success. Respondents' concern is understandable. Change failures are more than just failures, they are potential disruptors capable of consequences ranging from financial losses to

reputational damage. A failed change can lead to a loss of customer trust, a decrease in employee attitude, and ultimately, an impairment of the organization's competitiveness.

To avoid business failure, it is important for the company to identify and assess potential risks that could affect the business.

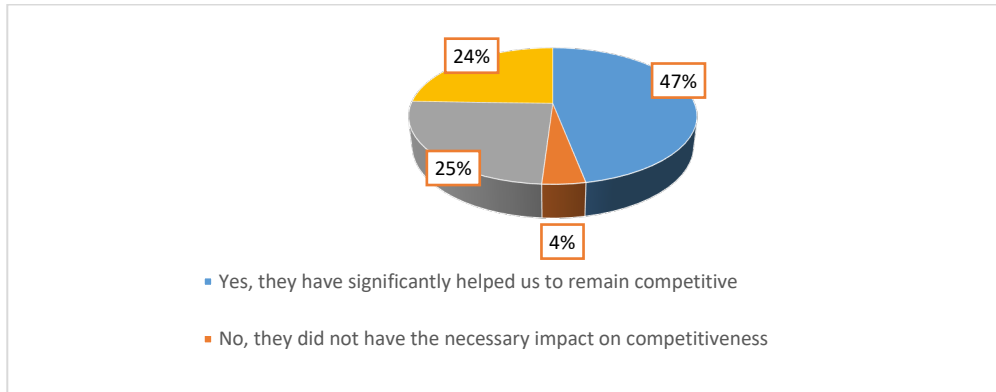


Figure 7. Consequences of business model transformation

The results of the transformations that the companies in which the respondents work can be considered largely satisfactory (Figure 7). Almost half of the respondents (47%) mentioned that the transformations made contributed significantly to the fact that the companies remained competitive, and only 4% did not see any impact on competitiveness, so the changes made did not bring the desired results. The other 49% of respondents are largely satisfied with the results obtained, but admit that they still have a lot of work to do to become competitive on the market.

IV: Conclusions:

Business model transformation has become a necessity in the ever-changing business landscape. Emerging technologies, ever-changing customer preferences, and new market entrants are constantly disrupting traditional business models, making it essential for companies to adapt and innovate to remain competitive.

The survey conducted among 50 companies in the Republic of Moldova allowed to conclude the following:

1. The most important reasons why companies decide to transform are: changes in consumer needs and preferences; desire to improve business efficiency and profitability; increased market competition; introducing new technologies;
2. The specific changes in the business model, more often made by companies in the Republic of Moldova, have proven to be: expanding the product range, improving the marketing strategy and more active interaction with the public; introducing new technologies to streamline internal processes; implementing online sales and opening personal online store.
3. The most important benefits brought by the business model transformation, mentioned by respondents, are: improved customer satisfaction; increased work efficiency; launching new products; optimization of business processes, increase of company income.
4. The most important problems faced by companies in business model implementation are: the need to train staff, the high cost of implementing the new model; resistance to change opposed by employees.
5. The transformations made by the surveyed companies were largely beneficial, helping them to a certain extent to remain competitive on the market.

Thus, it can be concluded that business model transformation offers interesting opportunities for companies that are able to implement new technologies, adopt agile approaches and are more likely to be well positioned to succeed in the ever-changing environment.

At the same time, business model transformation is also a challenge, requiring significant investments in time, resources and expertise. The most important challenge relates to the need for companies to be willing to take risks, while balancing the need for innovation with the need for stability and continuity.

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