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Internationalization and business model decisions: A business case in mobile telecommunication industry *

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Abstract

In a world characterized by hyper-competition (Gunther and D'Aveni 1994) and globalization (Knight 2000), the business model concept is becoming more and more popular. From the literature review arises a lack of a generally accepted definition of what it is, despite the growing importance of this concept. The paper is structured in five main sections. In the first one we present a review of the business model literature. The literature on business models is not exhaustive and moreover many authors often mixed up the business model with other concepts such as strategy and finance. Two main streams of literature are identifiable: the first one emerged in the mid Nineties and generally focused on e-business contexts; the second one emerged at the beginning of this decade and is not exclusively ascribable to high-tech companies. In the second paragraph we underline how relevant the decisions are about location; since in the literature on international entrepreneurship does not emerge a business model perspective of the matter the analysis is a lacking. In the third paragraph we focus our attention on Onetti and Zucchella's business model (2008). The authors proposed a business model framework characterized by two main aspects: the clear separation among the business model, strategy and finance, and the emphasis on the relevance of location decisions. The outputs of the business model are the focus, locus and modus of companies activities. In the fourth section we try to apply this business model to Fi.Mo.Tec.'s business case, trying to explain the company's past and to devise a way to manage the future. The conclusions complete the paper.

Keywords: Business model · International Entrepreneurship

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1. Business Model Literature Review

The existing literature on business models is fragmented and heterogeneous, nevertheless we can identify two mainstreams of research: the first one, which focused on e-business contexts, emerged in the mid-Nineties; the second one, which is not exclusively ascribable to high-tech companies, emerge at the beginning of this decade.

The term “business model” acquired importance by the end of the last century, as many new ventures began developing internet-based offers. In this early use, the business model referred mainly to companies operating in the e-business context. Through this concept, scholars tried to explain the challenges that these companies have to face in the new web-business era. The business model definitions ascribable to this early stage mainly refer to web-based business.

Shipley (1995) pointed out that many enterprises have not clearly articulated their own business model, but at the same time scholars argued that new business models are necessary because the old ones are no longer adaptable to the new internet era (Viscio and Pasternack 1996).

In 1998 Timmers defined a business model as:

- an architecture for the product, services, and information flows, including a description of the various business actors and their roles;
- a description of the potential benefits for the various business actors;
- a description of the sources of revenues.

He identified eleven generic e-business models and classified them on the basis of two variables: their degree of innovation and their degree of integration (e-shops, e-procurement, e-malls, e-auctions, virtual communities, collaboration platforms, third-party marketplaces, value chain integrators, value-chain service providers, information brokerage, trust, and other third-party services).

Afterwards, other authors tried to clarify the different components of the business model. Other definitions referred directly or indirectly to this one, which could be considered the first “structured” definition of the business model concept (Alt and Zimmermann 2001).

Tapscott et al. (2000) defined a business model as “a distinct system of suppliers, distributors, commerce services providers, infrastructure providers, and customers that use the Internet for their primary business communication and transactions”. The authors identified five types of value networks, called b-webs (business webs) on the basis of two variables: their degree of control (self-organizing and hierarchical) and their degree of value integration (low and high): agora, aggregation, value chain, alliance, distributive network.

In his on-line course about “digital enterprise”, Rappa (2001) suggested a taxonomy of business models, distinguishing among nine basic categories of business model: brokerage model, advertising model, infomediary model, merchant model, manufacturer model, affiliate model, community model, subscription model, utility model.

Collico (2001) defined a business model as “the method of doing business by which a company can generate revenue and then sustain itself” and proposed a possible classification of business models.

Weill and Vitale (2001) defined an e-business model as “a description of the roles and relationship among a firm’s consumers, customers, allies, and suppliers that identifies the major flow of product, information, and money, and the major benefits to participants”. They described eight atomic e-business models: content provider, direct to customer, full-service provider, intermediary, shared infrastructure, value net integrator, virtual community, whole-of-enterprise/government. Each one describes a different way of conducting business electronically.

Petrovic et al. (2001) argued that an e-business model is comprised of seven sub models: value model, resource model, production model, customer relations model, revenue model, capital model, and market model.

Applegate (2001) defined four classes for digital business models: focused distributor models, portal models, producer models, and infrastructure provider models.

All the above mentioned efforts to evolve and to articulate the business model concept are mainly related to internet and e-business, and they do not take into consideration the general scope of a business model, i.e. to provide a management tool to understand the business logic of a firm and put the strategy in action.

In the second phase, from the beginning of this decade, scholars started dealing with reference models and ontologies. From basic definitions and taxonomies, scholars arrive at a more articulated definition of what a business model is, including building blocks and components.

Hamel (2000) grouped the various components in four main blocks: customer logic, strategy, resources, and network.

Mahadevan (2000) proposed a business model that consists of three streams that are critical to the business: the value stream, the revenue stream, and the logistical stream.

Chesbrough and Rosenbloom (2000) enumerated six main functions of a business model: the articulation of the value proposition; the identification of a market segment; the definition of the structure of the value chain within the firm required to create and distribute the offering and determine the complementary assets needed to support the firm's position in this chain; the estimate of the cost structure and of the profit potential; the description of the position of the firm within the value network linking suppliers and customers including the identification of potential complementors and competitors; and the formulation of the competitive strategy.

Linder and Cantrell (2001) proposed a definition of business model articulated in seven components: pricing model, revenue model, channel model, commerce process model, internet-enabled commerce relationship, organizational form, and value proposition.

Afuah and Tucci (2001), in chapter four of their book, described the business model as "a model designed to make money for their owners long term" composed by ten blocks (i.e. profit site, customer value, scope, price, revenue sources, connected activities, implementation, capabilities, sustainability, and cost structure).

Alt and Zimmermann (2001) included business model components elements such as mission, structure, processes, revenues, legal issue, and technology.

Papakiriakopoulos and Poulymenakou (2001) proposed a business model framework that focuses on actors and relationships, which is articulated in four components: coordination issues, collective competition, customer value and core competences.

Stähler (2001; 2002) proposed a business model that consists of four components: value proposition, product/services, architecture of value creation, revenue model.

Magretta (2002) distinguished the concept of business model from the concept of strategy: a business model describes how the pieces of a business fit together but, as opposed to strategy, does not include performance and competition.

Osterwalder (2004) defined the business model as "an abstract representation of the business logic of a company"; it is "a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company

offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams". The business model shall help understand, describe and predict the activity of buying and selling goods and services and earning money of a particular company. It help to understand the way a company makes money, what it offers, to whom it offers this and how it can get this. The author proposed a framework composed by four pillars (product, customer interface, infrastructure management, financial aspects) and nine building blocks (value proposition, target customer, distribution channel, relationship, value configuration, capability, partnership, cost structure, revenue model).

Shafer et al. (2005) built an affinity diagram (Pyzdek 2003) to categorize the various business model components. The authors identified four categories, i.e. strategic choices, creating value, capturing value and value network, after analyzing twelve definitions and finding 42 different business blocks.

Zott and Amit (2008) completed their definition by proposing a quantitative research to establish the effects of product market strategy and business model choices on firm performance.

Recently, Richardson (2008) defined the business model as an integrative framework for strategy execution based on three blocks: the value proposition (the offering, the target customer, the basic strategy), the value creation and delivery system (resources and capabilities, organization, position in the value network) and the value capture (revenue sources and the economics of the business).

In their study, Onetti and Zucchella (2008) suggested a business model definition which tried to propose a general accepted definition of the business model. This study was resumed and deepened by Onetti et al. (2010) and Onetti, Zucchella and Versaggi (2011). The authors tried to exceed the ambiguity of the term "business model" proposing a more comprehensive conceptualization which synthesized earlier works about this matter extracting from the international entrepreneurship/internationalization literature the main areas for strategic decision making (focus, locus and modus) in new technologies based firms.

2. The relevance of location decisions

Rapid increases in international economic exchanges have made national economies more and more open (Milner and Keohane 1996). Economic transactions across national boundaries have expanded progressively over the years.

In a world dominated by complexity, instability, hyper-competition (Gunther and D'Aveni 1994) and globalization (Knight 2000), location decisions are becoming more and more relevant. The location concept is strongly connect with internationalization. Nowadays the market is considered to be global, therefore when you have to chose where to place activities going beyond national borders could represents a real possibility.

Except Mitchel and Coles (2004), there are no definitions that include location into the business model constituents. According with Onetti et al. (2010), we strongly believe that location matters. We believe that, in the current business era, location decisions are the most relevant ones, the real discriminator and differentiator. We do not just refer to decisions like "which market to address?" but to decisions like "where do we place our activities? where do we locate our company?". These decisions can really make the difference in terms of company's ability to access resources, develop competences, create a network, and therefore excel, innovate and boost its strategy.

Onetti and Zucchella (2008) proposed a business model framework characterized by the emphasis on the relevance of the dimension of geography.

3. Structuring the business model concept: the definition of Onetti and Zucchella

Onetti et al. (2010) define the business model as “the way a company structures its own activities in determining the focus, locus and modus of its business”.

The output of Onetti and Zucchella (2008) business model are the focus, locus and modus of companies’ activities.

1. What? i.e. the “focus” of the company. Focus decisions concern the activity allocation of companies.
2. Where? i.e. the “locus” of the company. Locus decisions concern the activity location of companies. They show where the companies’ activities are located, in which geographical area are conducted. Each activity of the company is associated with a locus decision.
3. Who? and How? i.e. the “modus” decisions of the company. Modus decisions refer to the way companies operate. They define which activities companies handle in-house and which ones they outsource. For activities handled in-house the business model also defines how companies should approach activities, they can be brain-intensive, labor-intensive or technology-intensive. For activities outsourced the business model identifies the relations among companies.

Companies can focus on many activities and can chose different areas to locate their activities and several ways for carrying them out. The business model allows to define companies’ strategy/value proposition.

The Onetti and Zucchella’s business model framework could be represented in a table, in which the different activities are split in focus, locus and modus choices:

Figure 1. The business model framework

	FOCUS	LOCUS	MODUS
Activity A	How much to allocate?	Where?	Who? In-house or Third Parties? How? Capital or labour-intensive? How much tech-intensive?
Activity B			
Activity C			
...			

Source: Onetti, A. & Zucchella, A. (2008)

This business model framework can be used in different area such as e-business, high-tech companies, day surgery (Onetti 2008), life science firms (Onetti et al. 2009), open source software (Onetti and Verma 2009).

The output of business model decisions characterizes the company: different business model combinations make companies different from each other, even if they are operating in the same target market (Onetti et al. 2010).

This definition of business model shares many elements with the others but differs for two elements: the clear separation between the business model and the strategy concepts; the emphasis on the relevance of the location decisions.

Most of the business model definitions include elements that pertain to the strategy concept. This creates confusion and makes the business model concept too vague. We are aware that it is not easy to clearly distinguish the concepts of strategy from that of business model. However, according to Yip (2004), we believe that it is relevant to keep these two concepts separated. The distinction between “business model” and “strategy” is more than one of semantics. There are two different concepts that need to be distinguished by managers (Yip 2004).

The term “strategy” refers to a set of actions planned to realize particular objectives. The strategy shows where to compete (corporate strategy) and defines the ways in which to operate in a specific market (business strategy) (Cotta Ramusino and Onetti, 2009).

The business model, conversely, defines how to execute the strategy, representing the firm’s underlying core logic and strategic choices (Onetti et al. 2010).

In the following part of our paper we will apply this model to the three main periods into which we divided the Fi.Mo.Tec. Spa’s history, applying a longitudinal study.

4. Business Case

Fi.Mo.Tec. is the typical Italian PMI: Piccola Media Impresa, as in Small Medium Enterprise.

It was established in 1933 and it is entirely family owned. Until the early Nineties the company main business was represented by plastic and metal plugs and by the distribution of German light construction tools, such as drill hammers. The business while steady was small, with a turnover in 1996 of approx. 5M€ and less than 20 employees. The CEO and owner had a life-long know-how on fixing materials: specifically stainless steel and plastics.

During the second part of the Eighties the first mobile telecom networks started to appear in Italy, a pioneer country in mobile telecommunication.

Modern mobile telecommunication is ensured by “antennas” - or “sites” - distributed over the country. These “sites” are actually a combination of technologies provided by various manufacturers. Among the several components the most important are:

- Switchboard (technically BTS): the most expensive and high-tech component. It handles and interprets the incoming and outgoing signals. It is manufactured by large multinationals, such as Ericsson or NSN (Nokia Siemens Network). They are also called (in Europe) system providers.
- Shelter: the cabin/building where the costly and delicate BTS is installed. Manufactured by a host of different companies depending on the specific world area.
- Antennas: the actual antennas which transmit and receive the signal. They are manufactured by smaller multinational companies, such as the American Andrew or the German Kathrein.
- Coaxial cables: special, expensive and delicate cables connecting the BTS with the antennas. They are mostly manufactured by antenna makers. Although not all antenna manufacturers are also cables manufacturers.
- Fiber optics cables: the most recent development in the network technology, they are used with smaller and lighter BTS.

Usually the BTS needs to be on the ground for maintenance, size and weight reasons, while the antennas need to be as high as possible in order to maximize the signal coverage.

Antennas and BTS must obviously be connected, hence the need for a mast (or similar structure) on top of which the antennas are installed. The cables run from the BTS – inside the shelter (or other existing structure) – up to the top of the mast to connect with the antennas.

Coaxial cables present an unusual complication: they are expensive, heavy (the distance from the BTS to the antennas can be up to a hundred meters) and yet delicate. If their shape is altered (i.e. squeezed) their performance decreases significantly, which means less revenues for the mobile operator owning the damaged “site”. Holding in place something that is heavy and delicate can clearly be tricky.

Initially the system providers build the sites using commonly available electrical fixing materials, products designed to fix power cables, which are very sturdy and completely unaffected by pressure.

In the early Eighties an Italian agent of Fi.Mo.Tec., in contact with a system provider, relayed their need for a specific cable clamp to the company’s owner. Using his knowledge of fixing technology he designed a cable clamp specific for the coaxial cable. With some simple, yet ingenious, solutions he managed to create an entirely new product that could hold the cable without damaging it.

The market was in the very initial phase, but a few thousands pieces found their way onto the first sites. Slowly, by word of mouth, the product started to be asked from other companies abroad.

By mid-Nineties the company was operating into an entirely different arena. Mobile telecommunication was picking up at an incredible speed and operators were trying to keep up with the customers demand by increasing their network coverage.

The first important contract in Italy was signed: Nokia – Omnitel, to that followed the first relevant contract abroad, again Nokia but in Poland.

At that point the company was at its first historical turning point: from a local, small company operating in the ironmongers market, to an international, still small, but growing company in the mobile telecom market. The customers were no longer small blacksmiths and do-it-yourself chains, but multinational companies working worldwide. The most important change was not the size or the products, it was the customers. They were way more sophisticated, with an expected service level of a totally different scale than the previous clients.

During the second half of the Nineties several changes took place: the core production shifted from the original plugs to telecom network accessories; export revenues overcame the domestic revenues; the first two managers with a university degree and English language skills were introduced in the company (one as a consultant); the first foreign daughter company was established, in Germany, with sales and logistic activities. Moreover UNIX terminals were changed to Windows PCs, with the introduction of e-mail and office automation suites, the implementation of a modern ERP system and the introduction in sales of back office personnel with foreign language and PC skills. Revenues went from 5M€ to almost 20M€ in less than five years (most of the increase was from the export).

From 2000 to 2007, due to external and internal factors, the company suffered some drawbacks, then a recovery occurred to eventually return to approximately the same situation as the peak of 2000, with the exception of a successful purchase of a small competitor in France.

By the end of 2007 the internal changes and the evolution of the market posed the company on the verge of yet another significant shift of the company characteristics.

4.1. The Business Model in the Nineties

The main *focus* activities were: R&D (designing, prototyping, testing), Manufacturing (tooling, material certification, QA, manufacturing), Assembly (QA, assembly, packaging) and Sales (main markets: Italy, Germany, Finland, Poland, Benelux, Austria, UK).

Initially R&D was the most important activity, because the market was just at the beginning of its development and there was an unfulfilled need. The *focus* was all on the designing. Prototyping and testing were not an essential part of R&D, since market requirements were not yet defined or particularly demanding. Both activities were done mostly externally, with some internal testing. Clearly the *locus* was Italy only.

Manufacturing wasn't a big issue because volumes were very low and without any serious competition the pressure on prices, hence efficient manufacturing, wasn't a major priority. The manufacturing technology was quite simple and standardized, which allowed for a rather easy transition from one subcontractor to another. The manufacturing *locus* was geographically restricted to the region around Milan, for simple reasons of knowledge and convenience.

Assembly was a completely manual task. The most important part of this activity was the quality control on the components and therefore on the suppliers. During the second part of the Nineties, due to the relevant increase in the volumes assembled and shipped, the procedures employed in the assembly became quite important for the whole QA: product quality and delivery quality. The goal was achieved through the implementation of the first ERP, to carefully track all the steps of the procedure. Therefore in the second part of the Nineties the entire assembly process saw a small increase in its technology *modus*. All of the assembly was still done locally, in-house.

Sales were initially driven by the uniqueness of the product, with no need for a solid sales strategy. Once the market started to grow and the first competitors appeared, the need for a more structured sales approach emerged. More specifically the need for higher personnel skills: foreign languages, telecom networks market knowledge, presentation skills, sales network (agents and distributors) building and handling, B2B knowledge.

It is important to detail the customers type that FIMO needed to address:

- Mobile operators: the products' end user. Companies such as TIM, Vodafone, Mobilix. They could buy directly the components manufactured by FIMO; they could negotiate the prices and delegate the purchase to the system providers or to the network installers; they could define the technical specifications and let the system providers and/or the installers choose among those products meeting the specifications; they could let the choice entirely to the system operators (usually done only by new extra European operators, yet (in the Nineties) without the sufficient know-how to make an informed decision). Whatever the situation they played a very important role for FIMO.
- System providers: companies such as Nokia (NSN), Ericsson, Motorola. They provide mobile operators with the physical network. They produce the highest technology components and define the specifications for all the other components. They were already multinational companies, with diverse procurement strategies, but all of them were critical to a company like FIMO due to their capacity to channel the product to other markets.
- Accessories manufacturers: companies manufacturing antennas, cables, connectors, grounding kits, wall entries, cable clamps. FIMO is part of this group, but it's one of the smallest players. The bigger ones were often asked, by the mobile operator or by the system providers, to assemble a full accessories package and deliver it on site. Hence they were customers and competitors at the same time, depending on their customers demands. These companies, while not as big and as multinational like the system providers, were already starting to operate in multiple locations.
- Installers: companies providing the manpower and the skills to install on site all the equipments. Most of them working only within their country borders, a few already – partially – international. While usually not playing the role of decision makers, they could carry a relevant weight in influencing the above layers.

The European key accounts (system providers and the biggest accessories manufacturers) were handled internally, regardless of their location, while local customers were mostly cared through local agents or distributors, periodically visited by the company's salesmen.

The main customers abroad were European: Nokia, Ericsson, Siemens, Alcatel, the main notable exception was the American Motorola. Outside Europe and the US mobile telecom networks were sold turnkey to the operators by those system providers.

Europe, United States and Japan were the biggest markets, the rest of the world was still far behind. FIMO was catering to the largest and most advanced market available: Europe.

The *modus* was therefore a mix of internal (key accounts and Italian customers) and external handling (agents and distributors catering to national mobile operators, accessories manufacturers and installers).

In the Nineties, while manufacturing, assembly and sales were not yet critical, the main *focus* activity was R&D. The *modus* was a mix of *in* and *out*: prototyping and testing of R&D and manufacturing were done externally; assembly and sales were done locally, in house. The *locus* was geographically restricted to Italy.

Figure 2. Business model: Nineties

Activities		FOCUS	LOCUS	MODUS	Brain	Labor	Technology
R&D	Designing	High	Italy	IN	High	Low	Low
	Prototyping			OUT	Low	Low	Medium
	Testing			OUT	Low	Low	Medium
Manufacturing	Tooling	Low	Italy	OUT	Medium	Medium	Medium
	Material certification			OUT	Low	Low	Low
	QA			OUT	Low	Medium	Low
	Manufacturing			OUT	Low	Medium	Medium
Assembly	QA	Low	Italy	IN	Low	Medium	Low
	Assembly			IN	Low	High	Low
	Packaging			IN	Low	High	Low
Sales	Italy	Low	Italy	IN	Medium	Medium	Low
	Finland			IN	Medium	Medium	Low
	Germany			OUT	Medium	Medium	Low
	Poland			IN	Medium	Medium	Low

Source: Onetti, A., & Zucchella, A. (2008)

4.2. The Business Model of the turn of the new millennium: 2000 – 2007

Several internal and external factors converged at the turn of the century. It is essential for the analysis to cite them:

- The market saw an unprecedented rate of growth till 2000, which led to: the appearance of multiple competitors and copies; a false feeling of prolonged sustainability of the existing model; enormous fees asked by European governments to the operators for the 3G licenses and the subsequent financial crisis of the operators.
- Following the most advanced markets, developing countries, China first among them, started developing their mobile telecommunications networks. Which meant a shift of the market from American/European to global.
- The commoditization of the product.
- The collapse of the e-business bubble (2001), which brought temporarily down with it the telecom market.

- The request from Nokia to start operations, with its help, in China. The refusal (for cultural and age limits) by the now seventy years old owner to the request and the subsequent internal struggle that led to the resignation of the second in command and younger family member.

Approximately ten years after the innovation that launched the company, R&D was still represented by one man, now 10 years older and passing 70 years old. The *brain* power the company counted on was inevitably declining. No additional *technology* or *brain* was brought in, just some more *labor* in the form of one additional low level designer. As a result the products, now widely copied, while still the best on the market, were no longer a novelty, but rather a commodity. No R&D meant that the company could no longer rely on the edge provided by its unique products and the *focus* shifted from R&D to Production and Assembly, while Sales were not yet improved.

Following the typical product life cycle, prices were coming down. As a result the importance of the manufacturing process, in order to contain costs, increased. No relevant improvements were made, but constant small tweaks here and there allowed the company to keep a very good profitability. Thanks to the previously made choice of outsourcing, despite the drop in revenues of 2001 and 2002, profitability remained good.

The relevance of Assembly increased significantly too. With the heavy competition from the East (Europe and Asia), maintaining the edge on the quality was crucial. Therefore the QA done at the assembly stage became critical, both to maintain defect free production and to assure timely deliveries.

Labor remained the main factor, with almost no help of *brain* or *technology*.

Despite the globalization of the market, the *focus* of Sales remained on Europe, mainly for cultural and know-how limits of the current management.

In 2004 a small French competitor was acquired. The operation proved to be very successful: thanks to the French roots of the acquired company, FIMO managed to introduce its entire product range in that market, becoming the number one player in France and increasing its revenues and profits. As financially successful as the operation was, it had little impact on the overall strategy or on the Business Model. The French branch, not even called FIMO yet, was, pretty much as the German one, very similar to an owned distributor.

The change of *focus* and *locus* that should have addressed the emerging markets wasn't happening. The *focus* of sales was still Europe, despite the obvious signals of impending change.

The Sales *technology* wasn't improved: no CRM, no marketing, no budgeting, no incentives, no training. No additional *brain* either. On the contrary the company lost two of its three sales directors in a couple of years: one for the China dispute and shortly after another one for a serious illness. *Brain* was substituted by some additional *labor*.

In 2007 the company revenues were approximately the same, at discounted values, as in 2000. However the total market value was bigger, hence the consequent market share loss. Profitability had decreased partially, albeit still very good, in fact the same revenues were achieved with larger volumes sold. The brand image was very solid due to the fortunate lack of competitors with a clear brand strategy. Competition focused on price reduction rather than quality, service or brand. The European market share remained good, but the European market was declining in favor of developing countries. The war on prices was getting very hot.

Focus shifted unintentionally from R&D to Manufacturing and Assembly. *Modus* remained the same with a stronger emphasis on procedures and organization. Finally *locus*, despite the addition

of the German and French daughter companies, remained the same because while the business *locus* moved from countries to continents, the company was still in one continent only: Europe.

Figure 3. Business model: 2000 – 2007

Activities		FOCUS	LOCUS	MODUS	Brain	Labor	Technology
R&D	Designing	Low	Italy	IN	Low	Low	Low
	Prototyping			OUT	Low	Low	Medium
	Testing			OUT	Low	Low	Medium
Manufacturing	Tooling	High	Italy France	OUT	Medium	Medium	Medium
	Material certification			OUT	Low	Low	Low
	QA			OUT	Low	Medium	Low
	Manufacturing			OUT	Low	Medium	Medium
Assembly	QA	High	Italy France	IN	Low	Medium	Low
	Assembly			IN	Low	High	Low
	Packaging			IN	Low	High	Low
Sales	Italy	Low	Italy France Germany	IN	Medium	Medium	Low
	France			IN	Medium	Medium	Low
	Finland			IN	Medium	Medium	Low
	Germany			IN	Medium	Medium	Low
	Northern Africa			IN	Medium	Medium	Low
	India			OUT	Medium	Medium	Low
	Middle East			IN/OUT	Medium	Medium	Low
	Austria			OUT	Medium	Medium	Low
	Russia			OUT	Medium	Medium	Low

Source: Onetti, A., & Zucchella, A. (2008)

4.3. The Business Model: current and forward

By the end of 2007 internal changes created the grounds for yet new developments.

In order to recover a leadership position, the *focus* on R&D needs to be significantly increased. While prototyping and testing can remain outsourced, the design process needs to be reinforced through internal (a new R&D Director with a strong mechanical engineering education and international experience has been hired) and external (cooperation with Milan university needs to be initiated in order to exploit the research expertise of the university on materials and design) investments. Therefore the *modus* is and will see a partial transition from *in* to *joint*. The *locus* remains at the HQ, in Italy.

While strengthening the R&D is vital in the medium-long term, the *focus* on manufacturing cannot be reduced due to the heavy price competition from the East.

In 2008 a project to start a new Indian branch performing manufacturing, assembly and sales was initiated. By March 2009 the branch was operating and showing substantial gains on manufacturing cost. And by the end of the first Indian fiscal year (April '09 - March '10) the new branch was already turning a small profit. The *modus* remains the same, but a strong shift in *locus*, not only for

APAC needs but for the EMEA as well, is happening. The company's strategy should be further centered on the *locus* (both IN and OUT). Due to the globalization of the market, the low cost of the products and their weight (steel) the production needs to be localized in the areas (continents) where the networks rollouts are happening. The establishment of FIMO Tunisia is already under way, to take advantage of the low labor cost, short distance from Italy and cultural affinity to North African region to bolster sales. North and South American branches should be established in the coming years. China, a continent on its own, will also be targeted by 2011.

The *focus* on Assembly decreased. In India the *modus* can and should remain the same: *labor* intensive. However in Italy the *modus* must change and move towards a much stronger *technology* weight: process automation. Or change its *locus* altogether and shift to nearby regions (for logistic needs) with low labor cost (Northern Africa or East Europe). The assembly *locus* will need to follow manufacturing, therefore the market. However the *modus* has to be adapted to local conditions: automated (*technology/brain*) in developed areas, *labor* intensive in developing countries.

Sales have changed, because the market has changed. The company must stay close to its global customers that now look at markets on a continental scale. The *focus* should increase significantly: both in terms of manpower (*labor*) and in terms of qualifications (*brain*). The *modus* will remain a mix of *in* and *out*, however the amount of *in*'s should increase. At least one daughter branch per continent should be soon established. FIMO Singapore will become operational by October 2010 (its Director already employed) with responsibility on South APAC. Local presence is the only way to ensure a reliable flow of information to the HQ. Internal data show that the 2009 crisis has been best absorbed and recovered in those countries (Italy, Germany, France and India) where the company has a direct presence. The difference in performance is substantial. The *locus* parameters should also change. The reference point is no longer a single country, save for those countries, such as India, China, USA, that are a continent by themselves. The reference is now a continental area. More specifically: Western Europe, Eastern Europe, North and South APAC, Middle East, Africa, North America and South America. The specific location will depend on logistic considerations (flight connections, cost of set up), administrative ones (legal, fiscal, red tape) and, of course, commercial ones (where are the global customers located?).

From 2008 *focus* shifted from manufacturing and assembly to R&D activities. The *modus* remains the same: a mix of internal and external activities. Finally *locus* changes a lot: the company is no longer in one continent only (Europe) and the market is now the world.

Figure 4. Business model: 2008 and forward

Activities		FOCUS	LOCUS	MODUS	<i>Brain</i>	<i>Labor</i>	<i>Technology</i>
R&D	Designing	High	Italy	IN	High	Low	Medium
	Prototyping			OUT	Low	Low	Medium
	Testing			OUT	Low	Low	Medium
Manufacturing	Tooling	Medium	Italy India France Tunisia Brazil	OUT	Medium	Medium	Medium
	Material certification			OUT	Low	Low	Low
	QA			OUT	Low	Medium	Low
	Manufacturing			OUT	Low	Medium	Medium
Assembly	QA	Low	Italy India France Tunisia Brazil	IN	Low	Medium	Low
	Assembly			IN	Medium	Medium	Medium
	Packaging			IN	Medium	Medium	Medium
Sales	West Europe	High	Italy France Germany India Singapore China USA Brazil	IN	Medium	Medium	Medium
	East Europe			OUT	Medium	Medium	Low
	APAC			IN	Medium	Medium	Medium
	Middle East + Africa			IN	Medium	Medium	Medium
	North America			IN	Medium	Medium	Medium
	South America			IN	Medium	Medium	Medium

Source: Onetti, A., & Zucchella, A. (2008)

5. Conclusions

The aim of this paper is to analyze the literature about business model. As pointed out it is not exhaustive and there is not a generally accepted definition of what a business model is (Onetti et al. 2010). Onetti and Zucchella (2008) tried to suggest a general accepted definition of what business model is, proposing a business model articulated in three main blocks: focus, locus and modus of companies activities. This study was resumed and deepened by Onetti et al. (2010) and by Onetti, Zucchella and Versaggi (2011). The authors underlined the relevance of location decisions. In the current business era, location decisions are the most relevant ones, the real discriminator and differentiator.

The business model framework is a powerful management tool used to analyze and communicate firm's strategic choices. It is able to capture the difference in value architecture, not only among different companies, but also within the same company: the longitudinal analysis using the focus/locus/modus framework makes us able to understand the way of doing business of the company, with a clearer chance to anticipate change.

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