Chapter 10
Sustainable Competitive Advantage Through Business Model Innovation:
The Indian Perspective

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ABSTRACT

Conventionally, businesses focus on their offerings for growth. But the increasingly unpredictable business environment is making them irrelevant in the market. So, businesses should resort to a system of dynamic management by innovating on the business models rather than a single aspect of the business. Business model innovation demands neither new technologies nor creation of new markets, but cares about delivering the existing products produced by existing technologies to the existing markets, through a unique model. Hence, defining, innovating, and evolving new business models have become the new basis of competition. A differentiated, hard-to-imitate, effective, and efficient business model is more likely to ensure higher profits and long-term survival. In this context, the present chapter attempts to furnish multiple global evidences and discuss the Indian perspective of business model innovation.

INTRODUCTION

If a man makes a better mouse-trap than his neighbor, though he builds his house in the woods, the world will make a beaten path to his door, said Ralph Waldo Emerson[1]. Organizations can achieve superior performance when they turn unique by doing something no other business does and through the ways that

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are difficult to imitate. The logic is very simple that a business will neither be at advantage nor prosper when all competitors offer similar products and services to the same set of customers by performing the same kinds of activities. Competitive advantage allows a business to generate higher sales, better margins and able to retain more customers than competitors, making it difficult for competitors to neutralize that advantage. Hence, achieving sustainable competitive advantage is the Holy Grail [2] for every business. But the present business environment is characterized by risk and instability owing to globalization and disruptive technological innovations. For example, in perhaps the most extensive study of long-term growth rates, researchers at the Corporate Executive Board found that only 13 percent of Global 100 companies have been able to sustain as little as two percent real annual revenue growth from one decade to the next over the past 50 years (Sherman, 2017). An executive survey of 1,035 C-level executives and board members representing the full range of regions, industries, and functional specialties, reported that 87 percent of executives and directors feel most pressured to demonstrate strong financial performance within two years or less, 65 percent say short-term pressure has increased over the past five years, and 55 percent of executives and directors in companies lacking a long-term culture say they would delay a new project to hit quarterly targets, even if it sacrificed long-term value (Barton, Bailey, & Zoffer, 2015). This phenomenon is coined as corporate short termism. On the other hand, the average revenue and earnings growth between 2001 and 2014 were 47 percent and 36 percent higher, and market capitalization grew 58 percent faster as well, among the firms that focused on the long term (Sherman, 2017). In another research, Reeves and Deimler (2011) found that the business operating margins, which remained largely static since 1950s, have been more than doubled since 1980s, making way for undisputed market leaders in each industry, creating a wide gap between the winners and losers. Consequently, businesses shifting in and out of the top three rankings in their industries increased to 14 percent by 2008, from two percent during 1960s, proving, on one hand, that market leadership to be an increasingly dubious prize and disproving, on the other hand, the strong correlation between profitability and market share in many sectors. The probability that the market leader is also the profitability leader, declined from 34 percent in 1950s to just a seven percent in 2007 (Reeves & Deimler, 2011). Further, it has become virtually impossible for some businesses to identify the right competitor from the right industry. Thus, time has proved that sustainable competitive advantage no longer arises exclusively from either market position or scale of operations. Rather, it stems from the second-order organizational capabilities of rapid adaptability to the dynamic business environment and act fast on the signals of change. Companies should work out to experiment rapidly, frequently, and economically, not only with products and services but also with processes, strategies, and even business models. In this context, the present chapter attempts to highlight the concept, practices and scope of the business model innovation for sustained competitive advantage with specific reference to the Indian business.

In the contemporary creative economy, businesses are struggling to exploit the next opportunity by understanding what customers really need and ready to pay for, to design better experiences, and to gain new efficiencies from existing assets. Many organizations have traditionally been involved in either process or product innovation in order to achieve competitive advantage in the long run. But, the cross industry research findings across different industries have proved that *invention breeds invention,*[3] as it is found that around 90 percent of all learning ultimately disperses to relevant competitors, making it harder to protect the process innovations (Reeves & Deimler, 2011). Product innovations also prove to be difficult to safeguard since comprehensive information on around 70 percent of new product innovations reaches competitors within a year of development, since imitation costs a third less than innovation and is a third quicker also (Ghemawat, 1986). Therefore, it is obvious that product and process innovations