

# **BUSINESS MODEL AS THE MAIN TOOL FOR MANAGING THE COMPANY**

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**Abstract:** Environmental change occurs rapidly, so that the companies provide and maintain a competitive advantage in the market, they should monitor these changes as quickly and adapt to them. In this situation company usually use such tool of business as a business - modeling. Concept of business model, its characteristics and properties will be devoted to this article.

**Keywords:** Business model, business modeling, business strategy, innovation, business model innovation.

Rapidly developing external environment, competition in the domestic and external market stimulates companies to adopt modern enterprise, more efficient management practices and technologies. Implementation of effective management tools is the basis for the creation of financial stability and development of the company. One such tool of management is a business - modeling. Holistic founded on business as an integrated core of the company, the business - model that takes into account various aspects of life of the company, can significantly determine ways of development the company.

Business - model should demonstrate a company development direction. It means that the business model is a key concept of the enterprise, namely a detailed description of the enterprise value creation and turning it into a profit.

In general, the business model is a schematic description of the business enterprise as a way to create benefits for both the consumer and the enterprise. The correct description of the business – model ensures the completeness of awareness and perception of the business that provides the basis for an effective transformation program, the development of management activities.

Scientific approach to business modeling is developed recently. The first interest to necessity of building a business - models appeared in the late of 90s. The first and base business model is called "model of a shopkeeper" and represents the idea of selling or providing services in the locations of potential buyers. Second business - model is the model of "bait and hook", which appeared in the early XX century. The essence of this model is to provide a product or service at a low price, sometimes even at a loss, but this loss is compensated by the overpricing of component parts to product or service. Over time, the business - models become increasingly complex. Network business, auctions, sales by subscription and others are also business - models developed at different times. Today, there are many businesses - models, both simple and innovative. Modern business concepts are complex, organized and specific systems consisting of many interconnected elements whose identification is a very daunting task.

A key feature of the business - model is that it helps to understand the nature of the business, without delving into the study of complex parts and features, such as strategy, processes, rules, hierarchy, structure, flow, etc (Kotova, 2009).

Sometimes, business - model are confused with a company's strategy. However, the strategy of the enterprise rather is a component of business - model, along with the products, organizational units and so on, which help to totality describe activities of any company. At the same time, the strategy and business - model are separate components of the overall system of business enterprise. The strategy defines the long-term rate of motion of the enterprise to specified goals, sets the direction for the creation, development and management of business - model. The business model performs

some form of strategy implementation. Answering questions What? Who? How? It determines how the business will operate and what should be done to create customer value. Business strategy can be implemented by different business - models, that is why one of the main tasks of a manager - is to determine which business - models will be best implemented in the planned strategy. The first choice depends on the internal content of the modeled object of business enterprise, as well as the level of using a management tools in the enterprise and the level of staff training.

Business model is the descriptive structure, which allows determining the structure, elements and relationships entered into by the Company in the normal course of business. It should have the following important characteristic:

1. Measurability. The business model must be capable of precise description using formal elements and indicators.

2. Transparency. The business model should be clear to a wide range of researchers and practitioners, and reproducible.

3. Generalized. The business model cannot be applied to only one company, other firms should be able to copy it, adapting to the characteristics of their own business (Garayeva et al., 2011).

Given the variety of business - models and their structural complexity is logical to consider the basic elements of business - models to facilitate the perception and management. To date, there are nine different basic structural elements or blocks that should be every business model:

- Consumer segments: mass market, niche market, fractional segmentation, multi-enterprise, multi-platform;

- Value Proposition - a set of benefits that the company is ready to offer the consumer: novelty, performance, custom etc;

- Sales channels;

- Customer relationships: personal support, self-service, automated service, community, co-creation.

- Revenue streams: the sale of assets, fee, subscription fee, rent / license / rent, license, broker interest, advertising;

- Key resources: physical, intellectual, human and financial.

- Key activities: production, problem solving, platform / network.

- Key partners;

- Cost structure (Osterwalder et al., 2011);

These nine blocks encompass four main areas of business: its relationships with customers, offer, infrastructure and financial performance of the company. Blocks create a template based on business - model (Osterwalder et al., 2011). Interrelation of the "blocks" carried out due to flow processes that determine the circulation of financial, material and information resources across the enterprise, and with the external environment. Systematic approach to the management of a set of data streams can be implemented through business process management, which permeate the business model, coordinating the interaction of its composite blocks, defining scheme to achieve the end result of business.

Up to date, market power moved smoothly from producer to consumer and it cannot be ignored in the construction of business - model. That's why the basis of success of any enterprise is to create customer value, customer desired and also it should always increase and distribute. It gives the company an undeniable competitive advantage. Creating customer value is usually based on innovation. Innovation - is the key to leadership, because it provides a competitive advantage of the enterprise. It is not only a high-tech invention, product, appliance, apparatus, but a special kind of project management, because in addition to developing the most important aspect is the effective application of innovation and management. Just innovations are the set of processes that permeate all activities of the company and implemented in the form of new products, services, technology, organizational, technical and socio-economic management decisions industrial, administrative, economic and other considerations. Modern business is built on innovative business - models. Today innovative business - model is a fundamental factor in the success of modern business.

Given the rapidly - growing economy and ever-changing world around us as entirely new industry displace the old one; managers of companies should keep abreast. To understand how the company will look like on the market in a year, two, ten, will it be among the leaders in which direction it can develop and how, it is necessary to resort to the development and creation of business

model. On the market today not only companies win which compete in price and quality, and those whose business model is perfect.

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