



The 26th MIEC

October 4-6, 2022

Al Ain, 2022

BUSINESS MODEL INNOVATIONS IN TIME OF CRISIS: THE ROLE OF CEO'S VALUES

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This research has been conducted with financial support from the Russian Science Foundation [project No. 19-18-00081-P].



Research motivation

- **Business model innovations (BMI) in small and medium-sized enterprises (SMEs) represent an essential requirement that enables them to not only survive, but also attain superior outcomes in adverse conditions (Breier et al., 2021; Clauss et al., 2021). Yet, a firm's competencies are a direct reflection of the abilities, behavior and values of its CEO, whose perceptions and cognitive filters can both encourage and inhibit change in the organization (Hambrick & Mason, 1984).**
- **Values are the transsituational desirable abstract goals that motivate personal actions and serve as the guiding principles in decision-making process including judgement on personal or others behavior (Roccas et al., 2002).**
- **When people interpret their behavior, including the decisions made, they typically refer to their personal values rather than specific behavioral characteristics (Roccas et al., 2002).**
- **To date, there is a small number of empirical evidences that CEO values play an important role in creating firm's innovation in different forms and at different levels (e.g., Berson et al., 2008; Cáceres-Carrasco et al., 2020; Camelo-Ordaz et al., 2012; Hoang et al., 2021; Mohd et al., 2015; Sánchez-Báez et al., 2018; Zheng et al., 2020). In all cases, values are the "starting point" or the main implicit goal that the CEO strive to achieve through organizational changes and innovations.**
- **The ambiguous findings remain confusion in understanding: how do personal values influence the decision-making process of CEO and in particular the decision to innovate the business model of the firm?**



Research question

How do personal values of CEOs enable and hinder BMI in SMEs during the COVID-19 pandemic?

Main definitions

We view the **BMI** as the change of elements proposed in (Spieth & Schneider, 2016): value offering, value architecture and revenue model.

Value offering consists of customers, positioning on the market, service, or product offering

Value architecture implies methods of reaching the customers, core competencies and resources of a firm, external and internal activities that are used for creating value

Revenue model consists of the ways a firm makes money and what are the sources of it, along with the structure of costs and prime drivers of it.



Main definitions

Values are determinants of human motivation and behavior, which reflect the importance and social necessity of certain actions or assessments of events, coordinate the choice of life goals, as well as their evaluation (Rokeach, 1973; Schwartz, 1994)

We also adhere to (Trapnell & Paulhus, 2012) and apply the agentic and communion definitions of personal values.

By the agentic values we mean statements, words, ideas expressed which are associated with achievement, leadership, personal dominance, excellence in economic field, task orientation.

Communion values are presented by altruistic, existential, traditional, people-oriented statements.



Method

Multiple-case study approach on 10 Russian SMEs

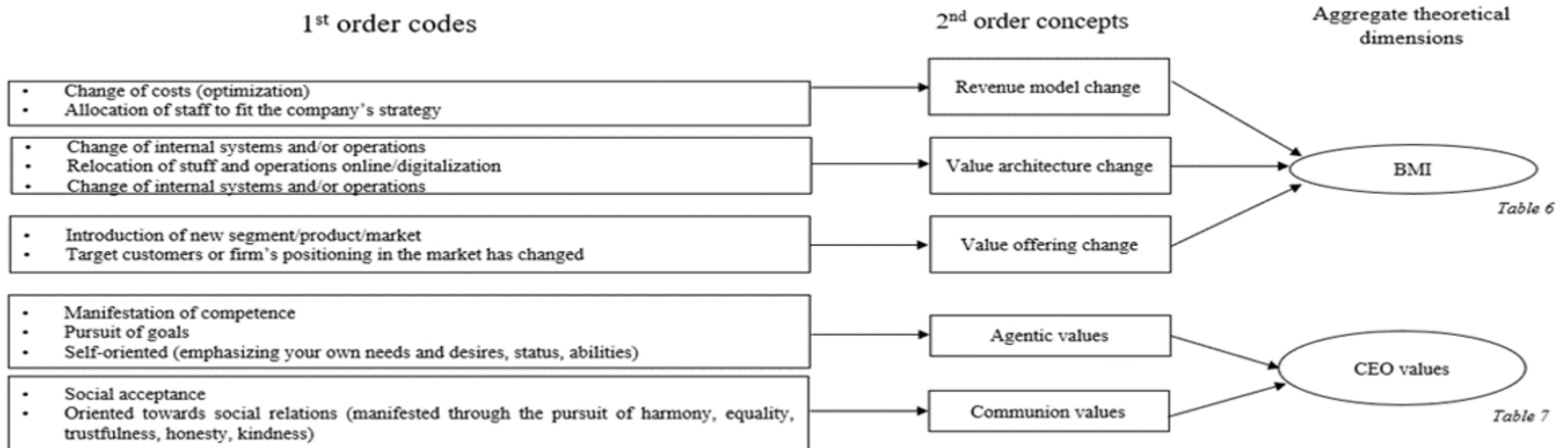
Coding procedure is based on the first- and second-ordering (Gioia et al. 2010)

Firm code	Product/service description	Industry	Year of founding	Data sources	Revenue changes (1 st wave)	Revenue changes (2 nd wave)
A	Production and Development of resources accounting systems	Production and Development of resources accounting systems	1998	Interviews, Personal social networks, Companies' webpage and social networks, business news, financial data	Loss 40%	Increase 10%
B	Production of cookies and gingerbread	Production	2000	Interviews, Personal social networks, Companies' webpage and social networks, business news, financial data	Loss 15%	Less losses
C	Engineering and production of control cabinets	Automation	2015	Interviews, Companies' webpage and social networks, financial data	50% loss	Less losses
D	Marketing in social media	Marketing	2010	Interviews, Personal social networks, Companies' webpage and social networks, financial data	Loss	Loss
E	Production of 3D printers and photopolymers for 3D printing	3D printer's production	2014	Interviews, Companies' webpage and social networks, financial data	Loss	Less losses
F	Real Estate and Legal services	Real Estate and Legal services	1994	Interviews, Companies' webpage and social networks, financial data	30% increase	50% increase
G	Retail tea stores	Retail trade	2002	Interviews, Companies' webpage and social networks, financial data	Loss 86%	Less losses
H	Chain of restaurants	Catering	2010	Interviews, Companies' webpage and social networks, financial data	67% loss	Loss
I	Real Estate Development	Real Estate	2015	Interviews, Companies' webpage and social networks, financial data	Increase	Increase
J	Gift certificate for a night stay at the hotel with an open date	Gift, travel	2018	Interviews, Companies' webpage and social networks, financial data	90% loss first, then 70-75%	Increase

Method

Coding procedure is based on the first- and second-ordering (Gioia et al. 2010)

Table 2. Data structure





Examples of first- and second-order codes

Company	Coding of BM changes (1 ST order codes)	Interpretation of BM changes (2 nd order concepts)	BMI theoretical dimension
A	This is not critical for the company's business, because in February-March we have already restructured our budget and adopted a strategy to repay all loans <i>Interview with CEO</i>	Cost structure: <ul style="list-style-type: none"> • Change of costs (optimization) 	Revenue model change
	We completely restructured the team, fired all top management, hired a new CEO in October... Because the previous team could not cope and, in my opinion, will not be able to cope with our company's web orientation... And the whole team was replaced. <i>Interview with CEO</i>	Efficient staff: <ul style="list-style-type: none"> • Allocation of staff to fit the company's strategy 	
	In 2020, the average number of employees of the company decreased from 189 to 152 people, demonstrating a reduction of 20.4%. Revenues in 2020 increased by 5.94% while Net profit margin fell by 61.51% <i>Spark Interfax supplementary data</i>		
Company	Coding of CEO Values (1 ST order codes)	Interpretation of CEO values (2 nd order concepts)	CEO values theoretical dimension
A	My goal is that people should feel that the company is part of their support: not only wages, but also support. <i>Interview with CEO</i>	Trust: <ul style="list-style-type: none"> • Being true to one's word, assuming good in others 	Communion
	We spend up to 20 million [RUB] only on development [of the technology or product], half of which is just in the water to confirm or not to confirm the possibility of development. And I am fully convinced that such high-tech companies do not exist without a formed team of the future. Other companies will live on the product, marketing for a year or two and will be blown away. <i>Interview with CEO</i>	Humility: <ul style="list-style-type: none"> • Appreciating others, being modest about oneself 	
	Our success is due to our ability to form fruitful cooperation with customers, suppliers, competitors and society as a whole based on mutual respect...Our employees are our value...Honest with the customer... Mutual respect – we respect the interests of our partners... We create a partnership, and not just conduct a commercial business... Partner leadership – we strive to act based on common interests <i>Company's website</i>	Loyalty: <ul style="list-style-type: none"> • Being faithful to friends, family, and group 	



Preliminary results

- **First**, most of CEOs adhere to communion values and introduce minor changes in BM struggling to save personnel and current business alive
- **Second**, CEOs who adhere to agentic values perceive the adverse conditions as a suitable period for the implementation of long-conceived plans and personal ambitious goals
- **Third**, CEOs who are balancing between the agentic (“self-oriented”) and communion (“relation-oriented”) values introduce medium changes in BM. They prefer to establish complimentary activities to already existing ones or optimization of current BM.



Discussion

Our results are demonstrated in the theoretical model of the relationship between the CEO personal values and innovative changes in business model. Based on the attention-based view we show that personal values shape the intensity of business model change. We contribute to entrepreneurship literature in three ways.

- First, we complement the discussion on the topic of individual level antecedents of BMI (Foss & Saebi, 2017). Our results demonstrate the importance of CEO personal values which play a significant role in cognitive managerial processes and final strategic choice of a particular BMI type.**
- Second, we provide a better understanding of the BMI development process in SME in the emerging market context, based on the cases of Russian firms.**
- Third, we adhere to the call on the hierarchical-level research in the field of managerial distributed attention and its effect on the macro-level outcomes including innovations (Brielmaier & Friesl, 2022).**



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