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Formation peculiarities of modern business models of adult education institutions

Abstract

One of the main factors for successful formation and implementation of strategic goals of a company is the development of a modern innovative business model concept. The business model should focus on creating and maintaining value of its own product or service, as well as company as a whole. In this publication author studies process of forming a business model for adult education institutions as independent business units that are closely interconnected with business structures. The relevance of this issue is due to the lack in the scientific economic literature of comprehensive studies of business models of adult education institutions. In order to find and select most optimal business model for such organizations, author analyzes modern business models in works of famous scientists and concludes that at the moment in the scientific world there is no single approach to the definition of the essence of the "business model" concept.

Based on the analysis of existing business models, author finds out that the main feature of interpretation of "business model" concept in the research of various scientists is a structuring of the main company functional elements aimed at creating value for all stakeholders. Each of the studied theories can be applied to the development of a business model for an adult education institution.

Definition analysis of "business model" concept allowed author to single out his own definition of the business model of an adult education institution as a set of interrelated and mutually agreed structural elements of organization's internal and external environment aimed at effective implementation of a continuous qualitative educational process in order to create value for all stakeholders.

A promising direction for further research is the development of methodological and organizational support for formation of a business model for an adult education institution.

Keywords

business model,
institution of adult
education, innovation,
value proposition

JEL: M100**1 Statement of the problem**

Based on the fact that in the world scientific economic literature there are no comprehensive studies of business models of adult education institutions, in this article author focuses on the

search and selection of the most optimal business model for such organizations, analyzes modern business models in the works of famous scientists, and also offers its own definition of "business model of an adult education institution".

The dynamism of the external economic

environment, as well as the crisis phenomena caused by it and the toughened competitive struggle, as a rule, significantly impede the successful promotion of a modern company on the market, prompting its leadership to develop and apply such a business management concept that would enable it to realize fundamentally new strategic opportunities. One of the defining tools for the formation of an effective growth strategy for a company is the business model, which contains the methods, forms and methods of a company based on, first of all, using the results of research and development to produce innovative, competitive products and services. At the same time, the business model should focus on creating and maintaining the value not only of its own products (goods, services), but also of the

company as a whole.

The purpose of this article is to identify the peculiarities of formation of the business model of adult education institutions based on the generalization of modern approaches to determination of the nature and essence of company's business model.

2 Latest scientific progress and publication review

Based on modern research by economists in the field of strategic management of the company, at least four conceptual approaches to determining the essence of the business model can be distinguished (Table 1).

The first approach, a business model as a

TABLE 1 Characterization of conceptual approaches to the definition of the essence of a business model

The essence of a business model concept	Business model definition	Distinctive features	Concept's main authors
Business model as a process	Specific combination of organizational activities for gaining profit	<ul style="list-style-type: none"> keeping the consistency; implementation of open innovations 	G. Chesbrough R. Rosenbloom
Business model as a conceptual organizational tool	The scheme of company activity in creation of economic, social or other values	<ul style="list-style-type: none"> mapping all elements' relationships simplicity compliance information availability emphasis on style, design and strategy 	A. Osterwalder Y. Pigneur
Business model as an interaction scheme	Close cooperation with other members of the value creation network	<ul style="list-style-type: none"> focus on business partners creation of value proposition for customers using value creation network 	A. Mertens
Business model as a system of elements and their interrelations	Creation of a radically new service by using all existing internal resources	<ul style="list-style-type: none"> conformity of value proposition for customers to company specifics dependence of business sustainability on the level of elements 	M. Johnson C. Christensen A. Slywotzky

Source: Author's elaboration based on [1; 2; 3; 4]

process, considers the business model as a specific combination of the organization's activities for creating value and generating profit. In the view of the authors of this concept, the business model is a process of functioning of the company, focused on the integrated use of all business resources in order to form and hold value. The most famous adherents of the above position are the economists G. Chesbrough and R. Rosenbloom [1]. In the understanding of these scientists, the fundamental factors for creating a successful business model are keeping the sequence and introducing open innovations that ensure the transformation of the key function of the company – generating profit from cooperation with competitors based on the successful management of their intellectual property. According to G. Chesbrough, the business model of the company should include:

- 1) a clear definition of the essence of value proposition, created with using innovative technologies and aimed at meeting the customers' expectations;
- 2) identification of the market segment, that

is the definition of those customers who will benefit from this value;

- 3) formation of the organization value structure, according to which the value proposition will be created and distributed;
- 4) identification of key (tangible and intangible) assets necessary for realization of the value proposition, as well as the rationale for the possible attraction of additional assets capable to optimize the activity of the company in promoting its value proposition;
- 5) description of company's position regarding relationships with suppliers and customers, identification of permanent and potential competitors and partners;
- 6) formation of a cash flow mechanism, assessment of the structure of expenses and income;
- 7) development of a competitive strategy in order to gain an advantage over competitors in the process of realizing the value proposition. Determination of the main

conditions for maintaining high competitiveness;

- 8) definition of all company activities, aimed at the external and internal environment, as well as their allocation to key and additional.

Consequently, the business model of G. Chesbrough, based on four interrelated elements, is focused mainly on the methods used by the company to create value and generate profit.

The second approach - a business model as a conceptual organizational tool - considers a business model as a defined pattern that reflects the activities of a company in creating economic, social or other values. Among the well-known authors of this approach are A. Osterwalder, Y. Pigneur [2], according to which the business model contains a system of interrelated elements, allowing to justify the way a company makes money, and is characterized by the following features:

- 1) displaying the relationship between all elements;
- 2) a description of all business aspects;
- 3) compliance with simplicity, stereotypicality, information availability;
- 4) emphasis on style, design and strategy.

A. Osterwalder, Y. Pigneur distinguish nine structural elements of a business model:

- 1) Consumer segments. Describes groups of company customers by activity.
- 2) Value proposition. Formulates the ways and means of satisfying customer's requests at the expense of a certain monetary equivalent.
- 3) Channels. Defines the communications through which the company will inform the audience about its value proposition.
- 4) Relationship with customers. Describes how an organization interacts with customers during the agreements execution.
- 5) Revenue streams. Specifies the mechanism of generating incomes of the company.
- 6) Key resources. Identifies the tangible and intangible assets needed to create a value proposition.
- 7) Key activities. Ranks the company's activities on the main and additional to focus on the performance of a series of key processes.
- 8) Key partners and stakeholders. Identifies key and non-key partners.
- 9) Cost structure. Displays the costs of implementing a business model.

The third approach - a business model as a scheme of interaction - assumes close cooperation of the organization with other participants in the so-called value creation network: different groups of consumers, partners, suppliers, competitors, complementary agents. Such a process contributes

to the overall creation of customer value. The author of this method, A. Mertens, considers the business model together with the value creation network. He explains his approach by saying that some business models can be effective in one competitive environment and completely ineffective in another [3].

According to A. Mertens, all actions related to changes in the business model should be aimed at expanding the base of main consumers, establishing close relationships with them, more efficient use of key assets, developing an optimal income model and cost structure.

The fourth approach - a business model as a system of elements and their interrelations - represents a business model focused on producing a radically new service by using all existing resources of the internal environment. The key idea of this theory according to M. Johnson, K. Christensen, A. Slywotzky and others is the absolute correspondence of the value proposition for customers to the specifics of the company activity [4]. In the understanding of scientists, such a business model will allow following.

First, to meet the needs of a large number of customers due to the democratization of the product in emerging markets.

Secondly, to make money on a fundamentally new technology or to profitably use the tested technology in new markets.

Thirdly, to prevent business threats from competitors aimed at the lower price segment. Through interconnections between all elements, the business model allows you to understand how you can generate value for customers and organizations.

3 The purpose and problem of research

Institutions of adult education, being independent business units, actively interact with many companies, providing them with the necessary human capital, without which any transformation at all stages of the establishment and functioning of the company is impossible. Thus, the problem of researching important aspects of building a business model for adult education institutions, the search, selection and implementation of the most acceptable principles and approaches successfully implemented in international practice is particularly relevant at this time.

Following is the comparison of different approaches applicable to building a business model for adult education institutions.

Using a business model under G. Chesbrough approach, an adult education institution can more effectively create and maintain its value through systematic collaboration with partners. The partnership will help the company to develop new

systematic innovations.

Developing a business model for an institution of adult education within the framework of A. Osterwalder's concept, it is important to consider the following aspects.

First, the need for rapid development and implementation of innovative educational services in accordance with customers' expectations, which will lead to increased business competitiveness.

Secondly, the permanent motivation of talented highly qualified teachers, engagement of competent teachers and practitioners from

different countries.

Thirdly, the formation of partnerships with customers. Maintaining this partnership can be facilitated by continuous monitoring of the quality of the educational service provided and of the customer satisfaction level.

Fourth, the use of the principles of competition: focusing on costs, standardization of crisis situations, forecasting, efficiency.

Building a business model for an institution of adult education under A. Mertens concept, the value network is as follows (Figure 1).

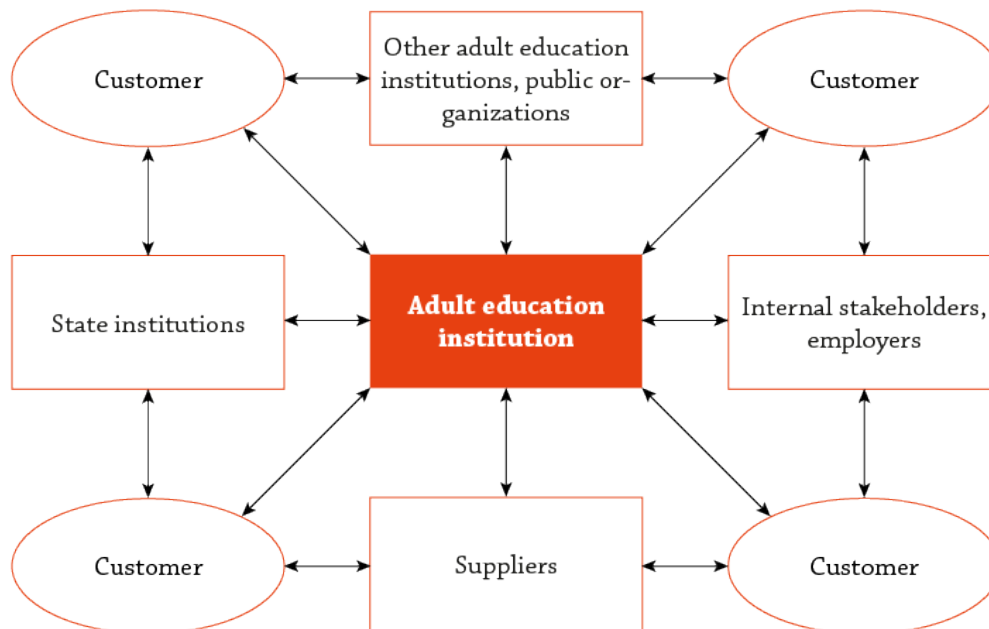


Figure 1 Value creation network of adult education institution

Source: author's elaboration

An adult education institution that is located at the center of the value creation network focuses around itself key partners, such as: internal stakeholders, employers, government institutions, public organizations, other adult education institutions, suppliers. Closely interacting, all these subjects create by joint efforts a value proposition for customers. The main factor in the performance of this network is increased attention to the customer from the organization, which contributes to more efficient satisfaction of customers' needs. It is important for the institution of adult education to timely analyze its own business model and the quality of management of its main elements on the basis of existing value creation network in order to improve the business model efficiency.

According to the fourth approach of M. Johnson, K. Christensen, A. Slywotzky, the following actions contribute to the implementation of successful innovation activities of an adult education institution:

1) determination of the customer value of the

service - the development of the idea of the uniqueness of its own service in comparison with other educational institutions;

- 2) description of key assets that are formed due to human and information resources: technology, equipment, channels for the promotion of value propositions, partnerships, brand policy;
- 3) formation of a profit formula, taking into account the level of income, the structure of expenses, the size of the margin, the intensity of turnover of assets, which will determine the necessary resources;
- 4) justification of key processes, norms, rules and restrictions regarding the development of services, principles of personnel management, etc.

For an institution of adult education it is important that its service will be purchased in appropriate volumes and price that would ensure profit generation. It is the business model that is designed to help create value, in this case, a high-quality educational service, and, consequently,

increase profit margins.

4 Result of the research

Despite the difference in the approaches of various authors [1–10] to the definition of the essence of the business model, we can single out the main common aspect: the mandatory structuring of the functional elements of an enterprise aimed at creating value for all stakeholders. Each of the studied concepts of the business model of an enterprise can be applied to the activities of an adult education institution as an independent business unit.

At the same time, the lack of a common understanding of the essence of the business model in the scientific literature leads to inconsistency in terminology. Based on a comparative analysis of the concept of "business model", we believe that the business model of adult education institution is a complex of interconnected and mutually agreed structural elements of the internal and external environment of an organization aimed at the effective implementation of a continuous educational process in order to create value for all stakeholders.

The business model of an adult education institution solves the following tasks:

- 1) It details consumer segments, highlighting the main groups: students (graduates, specialists, middle managers of companies, top managers); employers (small and medium businesses, corporations); state institutions.
- 2) Specifies what should satisfy the needs and demands of customers – the quality continuing education. For institutions of different forms of education, the formulation of a value proposition will differ, as will consumer expectations do.
- 3) Describes how to inform the audience about the value proposition - channels of promotion: Internet; social events; media; direct mail and others
- 4) Determines how the institution of adult education interacts with consumers in the process of implementing agreements: supporting effective relationships with all students and long-term relationships with employers (regular "suppliers" of clients).
- 5) It clarifies the sources of income and shares in the total revenue stream, which allows to distribute income to the main and additional, to understand which aspects you need to pay the most attention and, accordingly, correctly determine the strategic goals of the organization's development in the future.
- 6) Provides key resources to ensure the company development and the principles of organizing its business. For institution of adult education own labor and intellectual resources (highly qualified teachers), as well as finances, tangible and intangible assets (licenses, certificates, patents, etc.) are especially important.
- 7) Identifies effective organization processes that transform key resources into results — a value proposition that meets the expectations of stakeholders, creating a competitive advantage for organizations in the adult education market. Such processes in the institution of adult education are: the creation of educational programs; provision of high-quality educational services, etc.
- 8) Characterizes key partners and stakeholders: students; teachers; administrative and support staff of an adult education institution; employers (enterprises and organizations that are regular customers of training programs for their own employees); national and international adult education organizations; state institutions; professional associations. There are other non-key partners of the adult education institution - suppliers; landlords; companies engaged in outsourcing, consulting activities.
- 9) It details the cost structure, which may change depending on the introduction of new projects, the expansion or reduction of different activities of the adult education institution.

5 Conclusion

Thus, all actions related to changes in the business model can be directed at increasing and clarification of the main customer base, establishing close relationships with them, more efficient use of key assets, developing optimal ways of generating income and cost structure. Continuous monitoring of changes in the market of educational services for adults and the corresponding timely updating of the business model will ensure the stable development of the organization. In the context of dynamic changes in modern technologies, the presence of constant threats and challenges for business, toughening competition at all levels, the role of creative innovative business models that describe how to implement an enterprise's activities in order to create value propositions and achieve the desired financial results significantly increases.

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