

Organizational Business Model of State Franchising

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Abstract. The development of entrepreneurship in any country is inextricably linked with the participation of the state, without the intervention and support of which it is impossible to create a friendly institutional environment conducive to the development of entrepreneurial initiatives and entrepreneurial activity of the population. Small and medium entrepreneurship is the main driving force of the country's economic development throughout the world. The development strategy of the Russian Federation for 2018-2024 includes seven strategic priorities, some of which relate to the development of entrepreneurship and support for civic entrepreneurial initiative, the creation of a competitive economy in which government policy will be aimed at partnership with private business and reducing the direct participation of the state in the economy, and support of such socially important areas as health, education, social sphere, etc. In this connection, there is a need for forms of the partnership of state and business structures in socially important sectors in order to attract small and medium-sized businesses. At the same time, a mechanism is needed to implement such a partnership, which should be based on a business model that will allow you to clearly understand the logical links and relationships. This paper describes the author's version of the configuration (template) of the business model of state franchising as a form of partnership between business and government. The basis is the canvas of the classic business models of Osterwalder-Pigneur and Ash Maurya. Special attention is paid to unfair (non-market) competitive advantage, which business receives. The described business model makes it possible to cover the partnership in general, concentrate on the main things, discover bottlenecks and interdependencies, contradictions and alternatives. Work within the framework of this business model gives a chance to significantly increase the efficiency of partners and to support socially significant areas of business.

Key words: entrepreneurship, partnership, business model, state franchising, socially significant industry, public-private partnership

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1 Introduction

The concept of a business model has become widespread. Currently, the term “business model” is used in the works of authors such as Guo, Zhao and Tang [1] to describe the process of creating value by an organization. Katkalo [2], Chesbrough and Rosenbloom [3], Stewart and Zhao [4], Drucker [5], use the same term to describe how to generate income. Amit and Zott [6], emphasize the importance of the concept of “value”, which is central to the analysis of a business model. Mizik and Jacobson [7], say that value creation from activities occur when, after deducting all the opportunity costs of resources used, the utility for a particular member of society increases, and the value appropriation from activities occurs when a particular entity carrying out activity, able to assign a portion of the value created after taking into account all the costs associated with the resources used. The works of Santos [8] and Tucci et al. [10] reflect that value creation is measured at the level of society, the system, and the assignment of value at the level of a specific organization or another unit of analysis.

From the above reasoning, we can conclude that a business model is a new unit of business analysis; a business model can be viewed as a system that consists of components, links between them, and dynamic processes. Activity is the focus of consideration, and the main focus is value. Practically every company follows this or that option, chosen consciously or established spontaneously. The development of the economy and new technologies require original business models that would allow companies to be successful. The success or failure of a corporate strategy often depends on a business model. This predetermines the research interest in creating new business models and adapting existing ones to a dynamically changing market environment. The concept of “business models” in the Russian economy is a relatively new concept of modern business, and therefore contains quite a lot of unresolved issues and problem areas.

Since the 1990s, one can trace a certain trajectory of research on the concept of a business model – from the definition of the very concept of “business model” to the application of the concept of business model to study different types of organizations. So, in the works of Osterwalder and Pigneur [9], Tucci et al. [10] and Sommerrock [11]. It was suggested, to use approaches to the definition of the stages of evolution of the concept of “business model”, identify five stages of evolution of knowledge of the concept of a business model. At the first stage, researchers tried to find a definition of the concept of “business model”, to develop a classification of business models, mainly based on the example of firms engaged in the electronic industry; at the second stage, the authors studying business models attempted to isolate the main components of the business model, the research data were mainly reduced to the enumeration of these components; at the third stage, the analysis of the components of the business model was carried out, the study of each component as a part of the construction of a common system; at the fourth stage, academic works were mainly devoted to the development of basic models and categories; and at the fifth stage, specific tools were developed for the construction and analysis of business models, the concept of business models was widely used in analyzing firms from various industries.

2 Data and methods

Further, we consider it expedient to clarify the conceptual apparatus. At the moment there is no single definition of the concept of “business model”. The earliest works give the following definitions. Prahalad and Krishnan [12] defines the business model of an organization as the logic of combining resources and abilities in order to consistently achieve their fundamental goals and carry out business activities. Chesbrough and

Rosenbloom [3] say that a business model is a way a company uses to create value and make a profit. Sliwotsky [13] gives a detailed definition, from which it follows that a business model is how a company chooses a consumer, formulates and delimits its proposals, allocates resources, determines which tasks it can fulfill on its own and for what will involve specialists from the outside, enters the market, creates value for the consumer and receives from this profit. Companies may offer products, services or technologies, but this proposal is based on an integrated system of actions and relationships, which is the company's business model [13]. Tucci et al. [10] interpret a business model as an idea of how an organization makes (or intends to make) money. The business model describes the value that an organization offers to different customers, reflects the organization's capabilities, the list of partners required to create, promote and deliver this value to customers, the capital ratios that are required to generate sustainable revenue streams [10].

When determining the essence of the concept of a business model, two approaches are distinguished. The first approach is focused on business processes/roles (approach directed inside the enterprise). As part of this approach, Kotelnikov [14] defines the business model as a mapping of a real (future) or planned business (enterprise) in a form that can clearly demonstrate all the significant properties and characteristics of an enterprise related to its ability to make a profit and be competitive. Shingarev [15] treats the business model as the presentation of a set of related model elements that define the internal and external environment in companies within a single system. Coolyatte [16] says that a business model is a look at an enterprise that focuses on the most relevant parameters for a business.

It should be noted here that the most interesting format of state franchising is for socially important industries in which the state is interested in reasonable prices and high quality.

The second approach implies a focus on value/customer (an approach aimed at the external environment of the enterprise). As part of this approach, Fedorenko [17] says that the business model logically describes how the organization creates, delivers to customers and acquires value - economic, social and other forms of value. A business model is a way in which a company creates value for customers and makes profits from it. Business models as an innovation in the activities of organizations are considered in the works of Gavrilova, Alsufiev and Janson, [18], Masyuk, Bushueva and Kotovshchikova, [19]; Petrichev, Masyuk and Bushueva [20], Strekalova [21] and others.

The methodology for constructing the author's business model of state franchising is based on using the methodological apparatus of business modeling and consists in modifying and integrating existing business models and detailing the resulting author's model in accordance with the content of government-business partnership in the context of state franchising.

3 Results and Discussion

The first result of our research is the update of the conceptual apparatus. We introduce the author's definition of state franchising. Under the state franchise, we offer to understand a special form of private-state entrepreneurship that is implemented between subjects of state and business structures with public and extra-budgetary financing in order to ensure the development of public goods markets, balanced interaction of state and non-state sectors of the economy, large business and small business based on products having special characteristics, exclusive right, company style and marketing support.

The next research results are the business model of state franchising, which helps to understand the logic underlying the activities of all stakeholders in partnership interaction in the format of state franchising.

The authors have developed an organizational business model of state franchising, which includes the architecture (template) and its meaningful content or detail. A distinctive feature of the proposed business model is its modified structure based on the integration of the Osterwalder business models – Pigneur and Ash Maurya.

First, we briefly discuss the description of the template of the classic business model of the Osterwalder-Pigneur business model, which is currently universal (Figure 1).

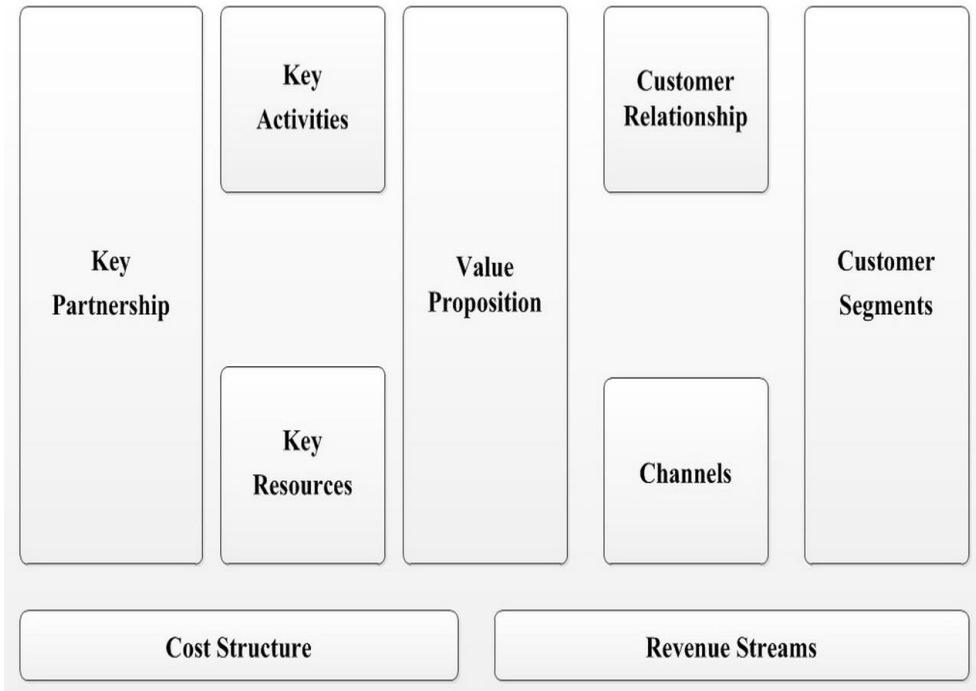


Fig. 1. The outline of the business model

Source: [9].

Its advantage is the original graphical solution (architecture), namely the matrix template, which the authors called canvas Business Model Canvas.

Canvas – a schematic display on one A4 page of the most important when detailing business processes, development schemes, plans, projects, startups. Canvas is a powerful tool for business modeling and innovation at the level of senior managers. Its potential lies in the fact that it can capture the full set of the most important elements of business modeling. Simply put, it expresses them with the help of visualization and simple schemes, allowing managers to create a business model on a single A4 sheet.

The business model of the Osterwalder-Pigneur consists of nine main blocks (components). Imagine them in the order adopted by the authors Tucci et al. [10]: Customer segments, Value proposition, Channels of promotion (Channels), Customer relationship technologies (Customer relationship), Revenue streams, Key resources, Key processes (Key activities), Key partners (Key partnership), Cost structure. These units are grouped into four basic areas: Consumers (Customers), Offer, Infrastructure and Profit Formula. It is the presence of a dedicated client direction consisting of three components - Target consumer groups, Promotional channels, and Client Relationship Technology - is, according to experts, the main advantage of this model in the context of the company's objectives for managing the client portfolio and client relationships.

Let us now consider the business model of Ash Maurya – the outline of the business model of a lean startup (Lin Canvas). Lean startup (lean startup) is a modern concept of entrepreneurship, first formulated by Rice [22] In various sources, the names of this concept are also found, such as “start-up on the principles of lean manufacturing”, “economical start-up”, “flexible start-up” and “ling-start-up”. Rice's theory has adopted the ideas of lean manufacturing concepts and the resulting concept of lean consumption for startups. In this case, we are talking about the organization of production, which will allow the company to produce effectively:

- what the consumer needs;
- when the consumer needs;
- as much as the consumer needs;
- at the price that suits the consumer;
- a quality that suits the consumer or exceeds his expectations.

From this, it follows that the focus of this concept is the consumer, his expectations and impressions of interaction with the company.

The outline of the business model of a “lean” startup Maurya [23] is presented in Figure 2.

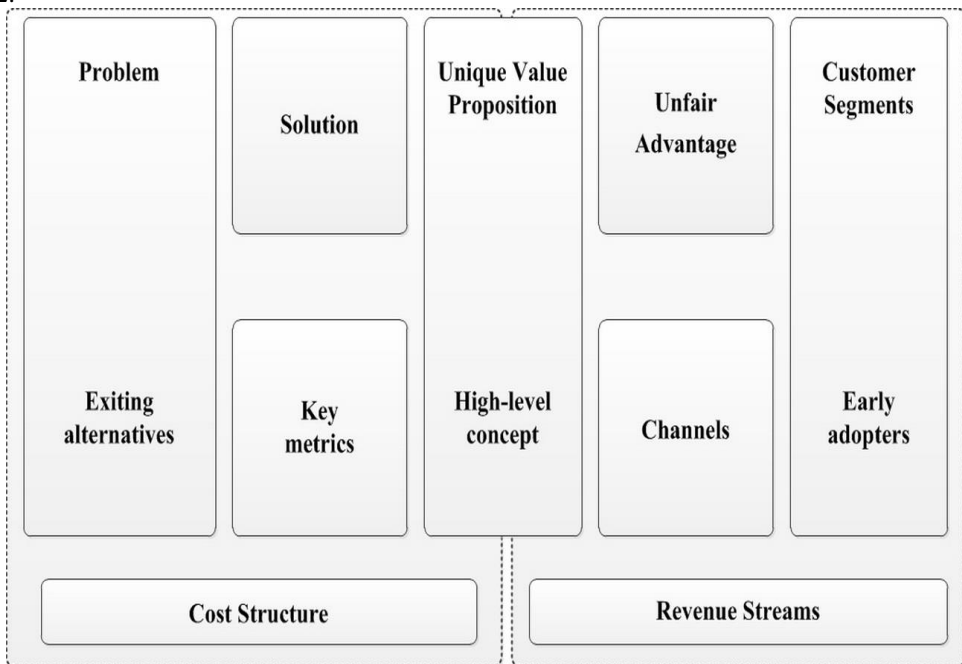


Fig. 2. The outline of the business model of a “lean” startup Esch Maurya

Source: [23].

The outline of the business model of a lean startup Maurya [23] includes nine components: Customer segments (Customer segments) and Promotion Channels (Channels), Problem, Solutions (means - consumer problems) (Solution), Unique value proposition, Unfair Advantage, Key metrics, Cost structure, Revenue streams. Ash Mauryi made changes to the traditional start-up business model. In the structure of the canvas, three elements are distinguished (subcomponent). The “Problems” component includes the subcomponents “Alternative proposals” (Exiting Alternatives), similar to the component of the same name, the canvas of the business model of Gladshtein [24] The element "Early Adopters" has been added to the structure of the "Target groups of consumers" component.

“Early users” means consumers who are starting to acquire a new product or use a new technology soon after the appearance of this product /technology on the market. The third «Motto» subcomponent (High-Level Concept or High-Concept Pitch) in the structure of the Unique Value Proposal component is a short phrase that should include a clear description of the company's value proposition, including using metaphors and comparisons with other famous products/services. It is believed that early followers and potential investors will accept the proposed description of the value proposition and will use it in internal and external communications, thus promoting the company's value proposition with word-of-mouth marketing methods. The main innovation of Ash Maurya was the replacement of the Key Processes component by the Key Metrics component. In the context of customer portfolio management and customer relations, an example of the most important metrics is considered to be the Customer Acquisition Cost (CAC), the customer Life Value (LTV). Startups use metrics such as vanilla metrics or vanity metrics. The outline of the business model of a lean- startup by Ash Maurya has gained wide popularity, resulting in numerous attempts to improve it.

Despite a detailed study of existing business models, the results of which are described in detail in the works of Masyuk and Baldina [25] and remained outside the scope of this article, analysis of business models showed that none of the existing business models are suitable for characterizing state franchising, because does not fully reflect the state-franchise interaction. Therefore, the authors chose to modify existing business models and integrate them. The most suitable for combining are the business models of Osterwalder (Pigneurur) and Ash Maurya. Figure 3 shows the architecture (pattern) of the author’s organizational business model of state franchising.

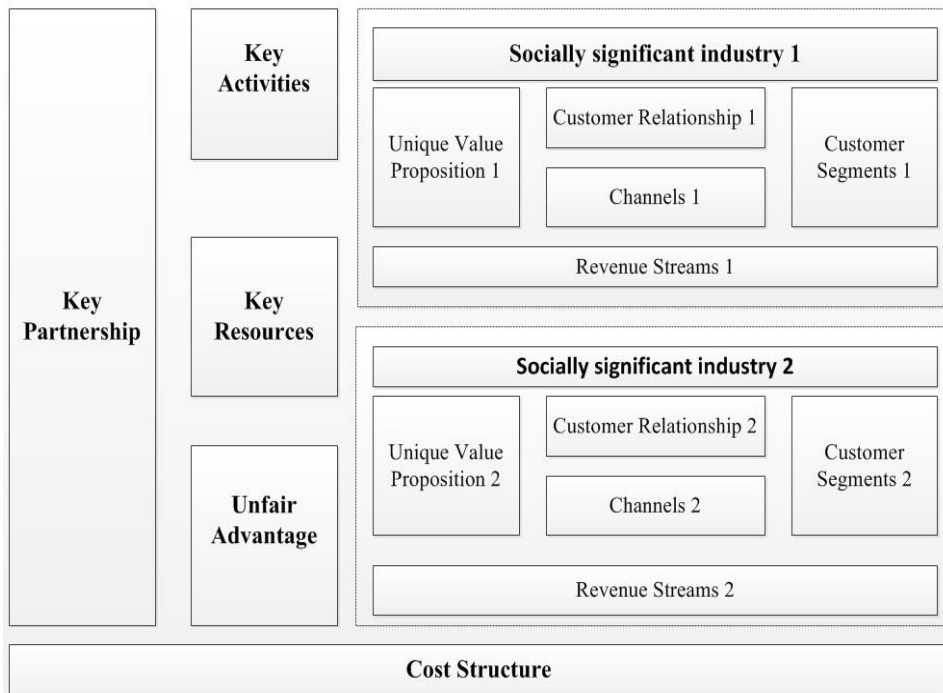


Fig. 3. Organizational business model of state franchising

Source: Authors.

In the modified template, the architecture of the classic business model of the Osterwalder-Pigneur is changed, namely such elements as “Key Partners”, “Key Processes”, “Key Resources”, “Cost Structure” are common. Added the item “Unfair (non-market) competitive advantage” from the business model of Esch Maurya. This element is also common. The elements of “Socially significant industry 1”, “Socially significant industry 2”, for which their elements “Unique value proposition 1,2”, “Technology of client relations 1,2”, “Promotional channels 1,2”, “Target consumer groups 1,2”, “Revenue flows 1,2”.

Table 1 shows the substantive content (detail) of the developed modified template of an organizational business model of state franchising.

Table 1. The content (detail) of the organizational business model of state franchising

Key Partnership Franchiser (public (state) sector) Franchisee (business sector) Co-investor (business, funds, state)	Key Activities Business processes of a core activity	Socially significant industry 1		
	Key Resources Federal, regional, local budgets. Private investment.	Unique Value Proposition 1 Franchise product 1/ Franchise service 1	Customer Relationship 1 CRM technology 1	Customer Segments 1 Socially significant industry 1 Socially unprotected groups of the population
			Channels 1	
	Revenue Streams 1			
	Socially significant industry 2			
	Unfair Advantage Exclusive right to produce a product/service	Unique Value Proposition 2 Franchise product 2/ Franchise service 2	Customer Relationship 2 CRM technology 2	Customer Segments 2 Socially significant industry 2 Post office sphere
Channels 2				
Revenue Streams 2				
Cost Structure				

Source: Author's modified organizational business model of state franchising contains 17 blocks.

Block 1. Key Partnership. These are the subjects of state franchising: Franchiser (public (state) sector); Franchisee (business sector); Co-investor (business, funds, state). This partnership, mutually beneficial partnership, in which the Franchiser (public sector) gets the development of socially important industries and the ability to control, in contrast to outsourcing, the Franchisee (business sector) - the possibility of business development in the long term, Co-investor state) makes investments in socially important sectors and acts

as a guarantor of transactions. At the same time, such cooperation reduces the risks associated with the conduct of competition policy and also makes it possible to attract business sector resources to the public sector for the development of socially important industries.

Block 2 "Key Activities". Implementation of state franchising in socially significant industries.

Block 3 Key Resources. Resources are necessary for successful operation. Resources can be intellectual (intellectual property, training, patents), labor (human) - highly qualified specialists, financial (federal, regional, local budgets, private investment from the business sector).

Block 4 "Unfair Advantage". In the organizational business model of state franchising, this component is expressed through the presence of an exclusive right to produce a product/service in the public sector (Franchiser), which it under certain conditions transfers to the business sector in order to attract resources, support entrepreneurship and develop socially important industries.

Blocks 5 and 11 "Socially significant industry 1, 2": 1 - Catering (catering baby food); 2 - Post office sphere.

Blocks 6 and 12 "Value Proposition 1, 2". The value proposition is a set of the most significant advantages for the consumer that the company offers. In this case, this component contains the Franchise product 1, 2 / Franchise service 1, 2.

Blocks 7 and 13 "Customer Relationship 1, 2". This component characterizes customer relationships, effective ways to attract, preserve and motivate customers to make a purchase. In this business model, technologies differ in customer segments, it is possible to use CRM technology, and this includes the relationship technology between the Franchiser and Franchisee in the interaction in the form of state franchising.

Blocks 8 and 14 "Channels 1, 2". Sales channels (promotion) solve the problem of informing customers about the goods and services of the company, give customers the opportunity to purchase specific goods and services, form an idea of the company's value offers from the consumer, and provide an opportunity to carry out service. In this business model, depending on the consumer segment, the industry and the Franchise product/Franchise service itself, sales channels, web sales, and customer service offices can be used.

Blocks 9, 15 "Customer Segments 1, 2". Consumers differ in their needs and preferences, communication with them is carried out through different distribution channels, different technologies of customer relations are needed, each segment has its own unique value proposition. In this business model, the target group of consumers depends on the socially significant industry in which the state catering (catering baby food), Post office sphere is implemented.

Blocks 10, 16 "Revenue Streams 1, 2". The formation of income/profit can occur in various ways. In this business model, this is the income of the franchisor in the form of royalties paid to the franchisee for using the exclusive right to the franchise product/service. And the Franchisee, in turn, receives income from the sale of the franchise product/service to the consumer.

Block 17 "Cost Structure". Any business model should minimize costs. The cost structure will depend on whether the focus is on spending or on value (utility). The proposed organizational business model of state franchising deals with activities in socially significant sectors, namely, in the field of baby food, which needs the low level of prices, high responsibility, and the high quality at the same time.

4 Conclusion

In conclusion, it can be noted that State franchising is a new form of the strategic partnership between the state and business for the Russian economy. A distinctive feature of the phenomenon of state franchising is its innovative nature, associated with the absence in the business circulation of this format of partnership interaction of government and business structures. State franchising involves a wide network of small and medium-sized businesses, as well as municipal, regional, federal authorities and other institutions. The organizational business model of state franchising can be considered as an alternative to the model of interaction between state authorities and organizations in terms of procurement in socially important sectors. The organizational business model of state franchising can be an alternative to outsourcing in the interaction of government and business structures in socially significant sectors. At the same time, the state will maintain control in this area, guarantee the quality, will attract resources, support and develop socially important industries, as well as the business sector. Successful interaction and involvement of the business sector in socially important industries is possible if there is a clear implementation mechanism based on the organizational business model of state franchising, the distinctive feature of which is a modified structure based on the Osterwalder-Pigneur and Asha Maurie models, which makes it possible to justify the occurrence of an unfair (non-market) competitive advantages in this form of partnership. From the point of view of institutional support in the Russian legislation, there are no legal acts in accordance with which it is possible to carry out this type of state-business activity, therefore there is a field for further research and legislative initiative.

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