



ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

DEPARTMENT OF MANGEMENT

**PRACTICES AND CHALLENGES OF BUSINESS MODEL INNOVATION: A CASE
OF HIBRET MANUFACTURING AND MACHINE BUILDING INDUSTRY**

BY:

SOLOMON ESHETU

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ADVISOR: MOHAMMED SEID (PHD)

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**A Research Paper on the Practice and Challenges of Business model
Innovation: A case of Hibret manufacturing and Machine building
Industry.**

By: Solomon Eshetu

Department of management

Approved by:

Advisor

Signature

Date

Internal Advisor

Signature

Date

External Advisor

Signature

Date

Certification

This is to certify that this study entitled" Apprising the Practices and Challenges of Business Model Innovation: A case of Hibret manufacturing & Machine Building Industry submitted in partial fulfillment of the requirement for the award of the degree of MASTERS OF SCIENCE IN MANAGEMENT to the College of Business and Economics, Addis ABABA University, through the Department of Management, done by Solomon Eshetu ID No *GSE/2705/09* is conducted by him under my supervision.

Name of Advisor

Signature

Date

Declaration

This study is my original work and has not been presented in any other university or college. All Sources and material are dully acknowledged.

Name of the student

Signature

Date

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ABRIVATIONS

AAWS	Addis Ababa water supply service
E.C	Ethiopian calendar
HMMBI	Hibret Manufacturing & Machine Building Industry
METEC	Metal & Engineering Corporation
BMI	Business Model Innovation

ABSTRACT

Nowadays, the market become complex and the business environment also highly changing. The business organizations operate in these complex and changing environments that has great influence in their growth and expansions. organizations must continue offering the value that is relevant to the customers to be profitable. Not only that, implementing business model innovation very crucial for the success of the company to exist in the market where there are the changing behaviors of the customers and business environment. For this reason, the main objectives of this study were to investigate the practice and challenge of business model innovation in the Hibret Manufacturing and Machine Building Industry. The Research method was qualitative method and the descriptive survey research design was employed in this study. Because this method can describe the current situation of the HMMBI more clearly and precisely than other survey methods. In order to achieve the objective of the study the researcher used purposive sampling techniques and the sample size for the research Comprise 35 management members of the company. And both primary and secondary data sources were used. The primary data was collected through intensive interview, focus group discussion and observation. While, the secondary data was collected from different documents. From this data analysis, the findings of the study showed that the practice of the intended business model innovation was not implemented in the organization. The findings also indicate the major challenges of the business model innovation are lack of strategic thinking, change resistance, absence of profit-oriented mentality, inability of maximum usage of resources, lack of innovative culture, lack of business knowledge. Lastly the profitability potential of the existing business model of the company was investigated through major measurements such as customer perceived value offering, cost effective and easy configurable, the sole offeror of the value, difficult to imitate, pricing strategy and cost was used as measurement whether the existing business model of the company profitability potential or not and as the research found the company is unprofitable. Consequently, the researcher suggests a series of measure which would be taken by the company to address various challenges identified that an aggressive business model innovation to make the company competitive and relevant for its customers in satisfying their needs and solve the problem. The company need to implement the business model innovation that become compatible with the current business environment. To tackle the aforesaid challenges the company needs effective leadership who have vision, strategic thinking and knowledge. In addition, the organization should focus on competitive and potentially profitable business model to be exercised in order to increase the effectiveness of the business operation and provide necessary technical and leadership support to make the business model innovation process more sustainable.

Key words: innovation, business model, business model innovation, profitability potential.

CHAPTER ONE

Introduction

The study focused on the practice and challenges of business model innovation in Hibret Manufacturing Machine Building Industry. This chapter deals with the background of the study, statement of the problem, basic research questions, and objectives of the study, significance of the study and scope of the study. The researcher has analyzed all these components in detailed.

1. 1 Background of the study

Business model is the logic that the values proposition generated revenue and the cost for the value delivered to customers with the supporting data and other evidences displayed (Teece, 2010). Business model is a set of activities a firm performs, how and when perform them and the resource that will be uses to perform those activities in a given industry to create superior value (Afuah A. , 2003).

Business model in the late 1980s comes as a term to be used when many people gained personal computer and software's. The entrepreneurs and business analysts believed that they can create their own models for their cost and revenue associated matters for their new business these changes bring only individual components improvements about unit cost, profit margin and suppliers cost and then in the late 1990s business model as term discussed and increasingly found everywhere in the daily how to capture 'value' business conversations (Smith L. , 2005). The businesses used the magic term 'business model' to justify future potential profit valuations built on frenzied multiple concepts, and to blame it if the valuation did not work. Interestingly, even then, most people were not able to articulate exactly what a business model meant. Despite the increasing popularity of the term 'business model', there has not been any generally accepted definition of the term (Zott, Amit, & Massa, 2011).

Business model and its innovation in the developing countries still have not get proper attention because of that there is inability and having low capacity for research planning less budget allocated for this kind of activities (Longenecker, et al., 2006). South Africa is the leading industrial country in africa 57% of its business are successful in their operation. However, its profitability of the remaining part of the business presented very poor and the product are not produced based on customer demand produced just products as usual routing activity no market and there is lack of

demand the main reason is producers focus on products instead of focusing the need of the market (Herrington, J, & P, 2014). Firms are not engaged themselves for innovation to bring something to valuable for their customers the business model innovation will solve their problems or satisfy their need by creating capturing the value.

According to the researcher pre assessment that was done in Ethiopia on the area of business model is very few, and most business leaders have not well understood about business model but they have understanding about marketing strategy. This indicates that there is lack of awareness of business model innovation. Despite the concept is very new it has been practiced more than 30 years. With business model innovation companies could not be competitive and profitable.

Business model is not popular almost it can be said finding research on the topic is very rare. The researcher takes note that the research conducted about business model on agriculture water management to secure food supply in the country and to get input to local industries the researchers suggest that Ethiopian should implement the solar pump based irrigation business model to alleviate poverty (Otoo, et al., 2018). On the other hand, the study conducted by (Tigre, 2018) that describes Commercial Bank of Ethiopia the large bank in the country has no business model. Therefore, it can be said there is poor practice in the country in this regard.

Business models are not stagnant, and they require need review over time to fit to the changing setting, know-hows, and procedures. In case, company has the following problems to lead effectively the business operations. The organizational structure and workflow of every department not organized based on the customer's requirement and market demand. In the company; there is no revision of their business model not fit with current demand of the market. There is no interest to innovate the value that the company proposed to solve customers' problem. And the company has no alternative distribution channel unless the customers come to the company the company couldn't meet its customers because there is no network with customers not only that the customers relationship not considered as main activity in the company. There is no proper value capturing methods to increase their revenue and cost reduction method. There is no on time delivery mechanism based on the needs of the customers. The accountability and responsibility of innovating the business model is not clearly defined to ensure the profitability in for the company. (company annual report, 2016) These problems create a challenge to be competitive in the market for

the company to accomplish its mission. The study will focus on to identify the practices and challenges of HMMBI Business model innovation.

Overall, the company business model is very old and not revised they stick with that business model while there is changes in business environment without innovating their business model which affects their profitability. Unless they become flexible with the environment, they will not be competitive. Therefore, the focus of this research is to identify the challenges of business model innovation in the mobilizing process and action required to be innovative and competitive in the market.

1.2. Problem statement

Business model innovation is one of the major solutions that companies practiced increasing their competitiveness by delivering relevant value to the customers to be competent in their respective market. Business model innovation is intensively discussed among researchers and practitioners because, in the competitive market business models are not static and needs revision over time (Reuver, 2007) .

Discontinuous innovation may lead to stay with the existing value creation, delivery and capturing methods that has been bought competitiveness previously and turn in to rigidity that limit the ability of the company's innovativeness (Barton, 1992). Few authors discussed about the business model innovation challenges such as having dual business model, organizational ambidexterity, lack of knowledge, and conflict between departments, organizational culture and lack of leadership commitment, change resistance. On the other hand big companies across diverse sectors fail their business model innovation projects between 70%and 90% of the time because they think that there are a lot of things that can be done in big companies therefore, they fail because of lack of attention rather than lacking time and resource (Altringer, et al., 2013). Companies must strive to remain flexible and agile business model otherwise they will not be competitive. If they stick with the existing business model without innovating while the customer's habit and trends is changing it will be difficult to satisfy the market. Therefore, business model innovation is viewed as pertinent to enhance the firm business model.by changing the whole or sub section of the model, the company will be profitable and competitive; that the organization using to create the, deliver and capture the value such as customers segments, value proposition, Channels, customer's relationship, cost structure, revenue stream, key resource, key partners and key activities are components of the

business model (Osterwalder & Pigneur, 2010). Hibret Manufacturing and Machine Building Industry has been practicing business model innovation since 2013 thus, the management been getting opportunities for observing and practicing business model innovation in the industry up to 2018. Even though business model innovation was given priority action in the industry, the business model innovation is not implemented due to less commitment and perception of the management. The research conducted by (melesse workeneh w. &, 2018) the industry had advantage of attractive loan, tax exemption for capital investment, like tax break, duty free imports, incentives. However, the company not improved its productivity and profitability because the company still sticks with the existing business model. The implementation of business model innovation was poor due to lack of management commitment, lack of internal expertise on business model issues. And, the absence of clear and organized guidance one of the reasons for poor implementation of the business model innovation.

To this end, the researcher was working in sister company of the case company. During the implementation of the business model innovation that time, the researcher had informally discussed with staff members in relation to the practice and challenges of the business model innovation. Consequently, the researcher found that most of the special staff members and some of the middle level managers witnessing their resent about the poor implementation of the business model innovation. Therefore, in order to assess and investigate the actual practice of the business model innovation and to add some dimension to the business model innovation it is very important to conduct a research on this issue because, there is no research conducted previously on this issue in the industry so far. Thus, by considering this problem, the researcher was initiated to assess the practice and challenges of the business model innovation implementation in HMMBI.

1.3. Basic Research Questions

The study will investigate the practice and challenges of business model innovation in Hibret manufacturing and machine building industry. The study will answer the following basic research questions.

1. How does Hibret Manufacturing and Machine Building Industry practice its business model and implement the business model innovation?
2. What are the main challenges facing the company in the implementations of the business model innovation?
3. How does the current business model make the company profitable?

1.4. Objectives of the study

1.4.1. General objectives

Generally, the study aims to explore the practice and challenges of business model innovation HMMBI.

1.4.2 Specific objectives of the study

The study will:

- To explore and clarify the practice of business model innovation in HMMBI?
- To identify the practical challenges of business model innovation in the firm.
- To investigate the profitability potential of the existing business model.

1.5 Significance of the study

The research will be helped for increasing the experience or knowledge of the researcher in the field of research, because while conducting the study there is an opportunity for reading different books, search different websites and research on similar or related topics conducted before. The other contribution of the study will be the first and for most the findings and recommendations of the study will be vital for the business model practitioners who design and administer the business model to achieve organizational objectives and tackle the problem regarding business model innovation implementation in the organizations. In addition, it benefits its management because the findings, conclusions and recommendations by the researcher help to reduce malpractice and challenges of business model innovation implementation by avoiding the cause before it happens. The study also contributes to other researchers as a reference or guidelines who want to conduct on the similar or related topics, in order to conclude and recommend on the problems by using this study as a springboard.

1.6. Delimitation/ scope of the study

The study focused on HMMBI in Addis Ababa. The study will confine the practice and challenges of business model innovation implementation in Hibret Manufacturing and Machine Building Industry. Furthermore, the study will cover six consecutive years starting from 2013 up to 2018, because, business model innovation implementation started in 2013. The study used current data, and this was useful for the study to conclude reliable solution in changing environment.

1.7. Organization of the study

The study will have five chapters. The first chapter presents background of the study, statement of the problem, objectives, significance, scope, limitation, definition of terms and organization of the study. Discussion in chapter two focused on literature review of the important concepts that are relevant to the study. The third chapter deals with the methodologies of the study, which includes data sources, sampling techniques, and data gathering tools, procedure of data collection and the analysis of the data. In chapter four, the results and findings of the study is discussed. Finally, the last chapter deals with the conclusions and recommendations that are forwarded based on the result obtained.

1.8 Definition of terms

Innovation is the implementation of a new or significantly improved product (good or service), or process, an innovative marketing method, or a new organizational method in business practices, workplace organization or external relations. The minimum requirement for an innovation is that the product, process, marketing method or organizational method must be new (or significantly improved) to the firm (Admasu, 2017).

Business model is an example of a schema, defined as a cognitive structure that consists of concepts and relations among them that organize managerial understandings about the design of activities and exchanges that reflect the critical interdependencies and value creation relations in their firms' exchange networks (Martins, et al., 2015). "The content, structure, and governance of transactions designed to create value through the exploitation of business opportunities" (Amit & Zott, 2001).

Business model innovation the new business logic that contain holistic concept used to integrate related issues that direct to follow new way for the company to create and capture value for its stakeholders. Business model innovations finding new ways to generate profits and define value propositions for customers, partners, and suppliers describes how the firm transforms itself with reference to where it was before and/or to the industry convention to pursue higher performance and competitive advantage (Zott & Amit, 2012), (Casadesus-Masanell, 2013).

Value: Does the business model offer benefits that customers perceive as valuable to them (Afuah A. , 2014).

Value creation: ‘Is How the company helps customers to solve a problem or perform a job-to-be-done at a given price (often referred to as the value proposition) (Osterwalder & Pigneur, 2010).

Value delivery:is the key resources, activities and partners that are needed for the company to carry out what the value proposition requires (Afuah A. , 2014).

Value capture: is How the company makes money by means of a given revenue model and a given cost structure (Johnson, et al., 2008).

CHAPTER TWO

Review of Related Literature

2.1 The concept of business model

The business model is the content of activities that are conducted to create, deliver and capture value to satisfy customers and the structure and relationship of each activity that is conducted in the business and how does the firm overall operations conducted displayed in the business model therefore, business model is the blueprint of the business activities that are working together for the specific firm to do its business (Amit & zott, 2001). on the other hand, (Magretta, 2002) mentioned that business model explains the business story how the business work and make clear by asking questions such us who are customers? What do the customer's value? How to do make money? In the business and how to deliver the value also with proper cost will be analyzed and explained the logic of the business through the model.

According to (Johnson, et al., 2008)Business model consists of four elements of value proposition, profit formula, key resources and key process that are work together to create and capture value. And (Osterwalder, et al., 2005) Suggest that a business model is a tool that explains the content of the elements and relationship of the business activities logic of a specific firm. And describes the value of the firm that offered for the customers, the segment of the customers and how it delivers the value and the network of its partner and the revenue generation, the relationship it has with customers also part of the model that must include in the model.

The business model is a conceptual framework for how the organization creates, deliver, and capture the value. The whole components of the business in integrating manner to extract and exploited the market opportunity to ensure the competitiveness of the organization using innovation as a competitive advantage. (Skarzynski & Gibson, 2008). (Teece D. J., 2010) Mentioned that a business model articulates the logic the data and other evidence support a value proposition for customers and a practical structure of revenue and cost for the enterprise delivering that value.

2.2 Business model versus strategy

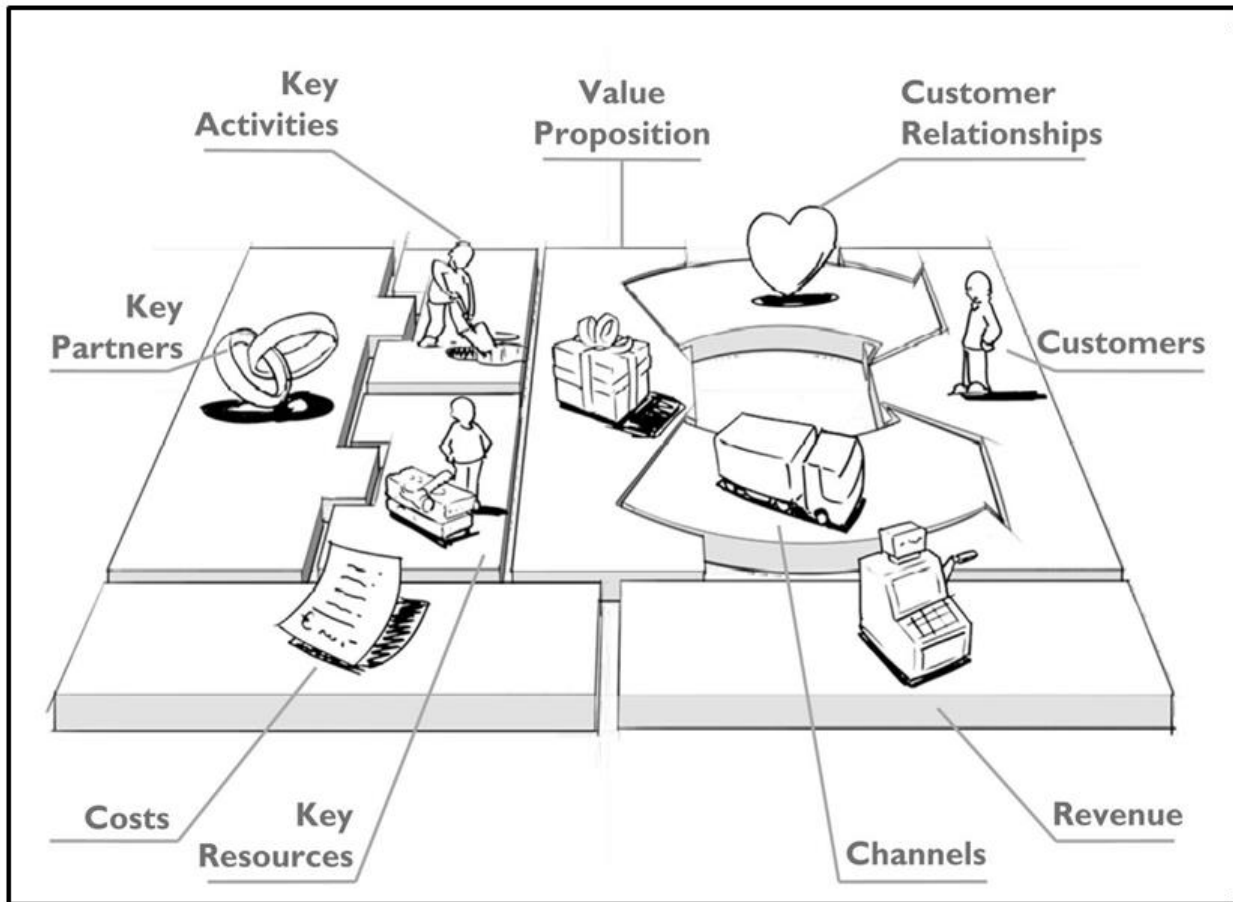
Business model versus strategy closely related but still different concept exploring the relationship between them very difficult task. Leading authors examined in the literature conclude that the business model is the abstract or unseen representations of the firm strategy. strategy consider competitive landscape the course of actions that are the company follow to achieve its competitiveness that emanates from the business model. More over business model display the detail value creation, value delivery and value capturing system as a whole On the hand, (Teece D. J., 2010)suggests that business model is more transparent however, strategy has relevant detail to the business model to have competitive advantage.

2.3 The business model framework

The firms cannot conduct their business operation without business models if they are not able to create and use it by default the firm employing the business model though they are not designing it deliberately. The business model has components; it is mention above each part described in the business canvas. Most of the business firms use the business model canvas to create and construct their business models as a guide to implement the strategy of their business operation. Business model canvas encompasses nine elements that cover the principal areas of the business operations. These nine blocks are customer segment, value proposition, channels, customer relationship, revenue stream, key resources, key activities, and key partnership as well as cost structure. These blocks used as a springboard for the organization to develop its strategy, which is going too implemented across the firm (Osterwalder & Pigneur, 2010).

2.3.1 The business model canvas

Figure -1. Business model canvas (Osterwalder & Pigneur, 2010))



2.3.1.1 Customers segments

Identifying the customer's segment is firms' primary focuses and activity to develop their business model unless they decide and find the customers, they want to serve how they go ahead forward. Therefore, finding the customer they want to serve that is similar in needs and their behavior very important. Firms usually diverse their customer segment to satisfy the customers and to be competitive they focus on the mass market or in the niche market. Mass market is focusing on a large group of customers in the market where other firms also engaged potentially. On the other hand, niche market focuses to satisfy the small group of customers' needs by supplying the product or giving the service. Because of the reasons the customer segment considered as a heart of the business model (Osterwalder & Pigneur, 2010).

2.3.1.2 Value proposition

For the selected customer segment of firms propose the value based on the customer need how to meet their demand and how to create and bring the value that they want. In this component of the business model the firm decision to determine the product or the service that will be provided in order to create value to its customers through value proposition this value created based on the demands of the customers. And some firms directly help the customers to increase awareness towards their products similarity and difference with other firm's product. Firms usually offering their product or services to meet the needs of the customers by lowering the price of the product that is the same product or services, design or packaging also another feature to compute each firm using the design or by the performance of the product or services. Performance is traditional and known to create value. Therefore, the focus of the value proposition is the demand of the customers that satisfy their needs or solve the problem that they have (Osterwalder & Pigneur, 2010).

2.3.1.3 Channels

Channel is the decision of how the customers can get in touch with the customers to buy their products that the customers want. The channels used to give the product by making closer to the customers. Firms are usually using partner's channels such as partner store or whole sealers. More cost charged when the firms using own channels despite, they get high margins. And using partners channel have low margin, however, it helps to reach more customers (Osterwalder & Pigneur, 2010).

2.3.1.4 Customer's relationship

Firms set up customer's relationship based on the demand of each customer segment. the type of the customer relationship that the firm follow a mix of personal assistance or self-service kind of relationship. In the case of personal assistance customers able to contact to one of the firm employees and get service directly and the employee deployed by the firm. On the other hand, self-service relationship, the customers by themselves act and get

support of the firm using the tools and other necessary inputs for that activities. Therefore, firms handled their customers by using their manpower to serve the customer directly contact or provide the necessary tools and other inputs and customers themselves operate by their own way of doing things (Osterwalder & Pigneur, 2010).

2.3.1.5 Revenue stream

The firm customer segment considered as the heart of the business the revenue stream also taken as an artery of the business in the business model. In this section, the customer's willingness to pay for the value the firm proposed should answer to attract the customer. The firm eases more than one revenue stream for customers to pay. The common type is asset sale the sales is the ownership right to the customer of the product. The firm generates one-time payment from the customer through this way. The other revenue stream generates from several payments type the firm sales continually for different customer's subscription fee. And when the customers use more and more products the firm received more revenue (Osterwalder & Pigneur, 2010).

2.3.1.6 Key resource

The key resource is the foundation for the creation and realization of the proposed value. Without key resources the firm is unable to run its business every firm needs key resources for its business the value to create the value to deliver and capture and keep constantly. There are four categories of a key resource in the firm's operation in the business such as physical, intellectual, human and financial resources. Physical resources are the all assets of the firm such as building, machine, and vehicles. And intellectual resource is the patent, brand, and copyright considered as an intellectual resource of the firm. On the other hand, the most valuable resource in the firms is a human resource that ever the firm needs a creative and knowledgeable human resource to be competitive. And finally, firms need financial resources to continue as a business because finance is the blood of the business. Financial guarantee and credit access have played an unreplaceable role in the business (Osterwalder & Pigneur, 2010).

2.3.1.7 Key activity

The firm that engaged to create value and devoted to keep its customer's relationship and reach the market must know the type of key activities to meet the needs of the customer segment. These key activities categories in three functions such as production, problem-solving, system or platforms are basic activities of the firm (Osterwalder & Pigneur, 2010).

2.3.1.8 Key partners

Mentioned In business there are four types of partnerships for the firm such as the none competent firms that become strategic alliance and firms that are competing with, however, cooperated to work together as a strategic partner and those who have an agreement to work together by the joint venture to develop the new business. The last one is the firms who are supplying materials considered as partners of the firm because as reliable supplier-buyer to supplier relationship. Therefore, firms decide the kind of partnership depending on the need of motivation to have the partnership (Osterwalder & Pigneur, 2010).

2.3.1.9 Cost structure

firms always look at the costs they face to run according to the business model in the cost structure building block there are two kinds of diverse types. The firm can be either cost is driven, or value is driven. The focus on reducing the costs or the focus lies on value creation (Osterwalder & Pigneur, 2010).

2.4 The four-box business model framework

The aim reason failed creating new business because of fear visionary leader like Jeff Bezo or Steve Jobs understands what is needed to innovate or build new business model. But for others to understand the business environment process and all activities to reduce misunderstanding there is need framework creating the business model reveals better understanding of the structure of the business because business model is a representation of how business create, deliver and capture value for customers. A framework gives a roadmap to new possibilities for communication, transformation growth and renewal that wished to be capitalized. All successful organizations have the four interdependent element of business model represented in four boxes. The customer value

proposition is a key for every successful business model. The great customer proposition identifies unsatisfied and customer problem or job then proposed specific product or service to serve customer problem. Delivering with affordable price very determinant to do this the target customers should be identified to customer job to be done. (Johnson, et al., 2008) (Johnson M. W., 2018)

2.4.1 The four key elements of a business model

The business model has four components that are inextricably linked to create, deliver and capture the value. These elements are value proposition, profit formula key resource, and key process. Value is the most essential element that the customer wants and created by the firm and Profit formula deals how the firm captures the created value and the key resources the asset that the firm uses for the created value that requires delivering to the customers. And the last one is the key process it is the system or methods that the firm follows in the operational and managerial process that used to create, deliver and capture the value (Johnson, et al., 2008).

2.4.1.1 Profit formula

The economic blueprint that define how the company creates value for itself and its shareholders not only that, the asset and fixed cost, margins volume and velocity require to cover the cost that specified by the profit formula. The profit formulae focus on finding the way to make money and generate profit in revolutionary manner and specify the company break even and pattern of profit improvement.

Revenue model price multiplied by quantity, making affordable the price key to determine at a starting point the profit formula. In premium business the price depends on the cost of the product to deliver. Quantity also measured by market share or projected sales if it is service the time taken to perform the service or number of transactions can be measured. All in all, how many customers delivered served how many units per customer expected determine the potential customer the type of offering, the additional income how much can be projected answer (Johnson, et al., 2008) (Johnson M. W., 2018).

2.4.1.2. Cost structure and target unit profit margin

Changing cost structure difficult for companies however, using economic of scale they will make well defined the direct cost and overhead cost based on the requirement of the new business model value proposition. In the case of the target unit profit margin the operating profit per unit required to cover the overhead cost and achieve the desired profit level at target volume (Johnson, et al., 2008) (Johnson M. W., 2018).

2.4.1.3 Resource velocity

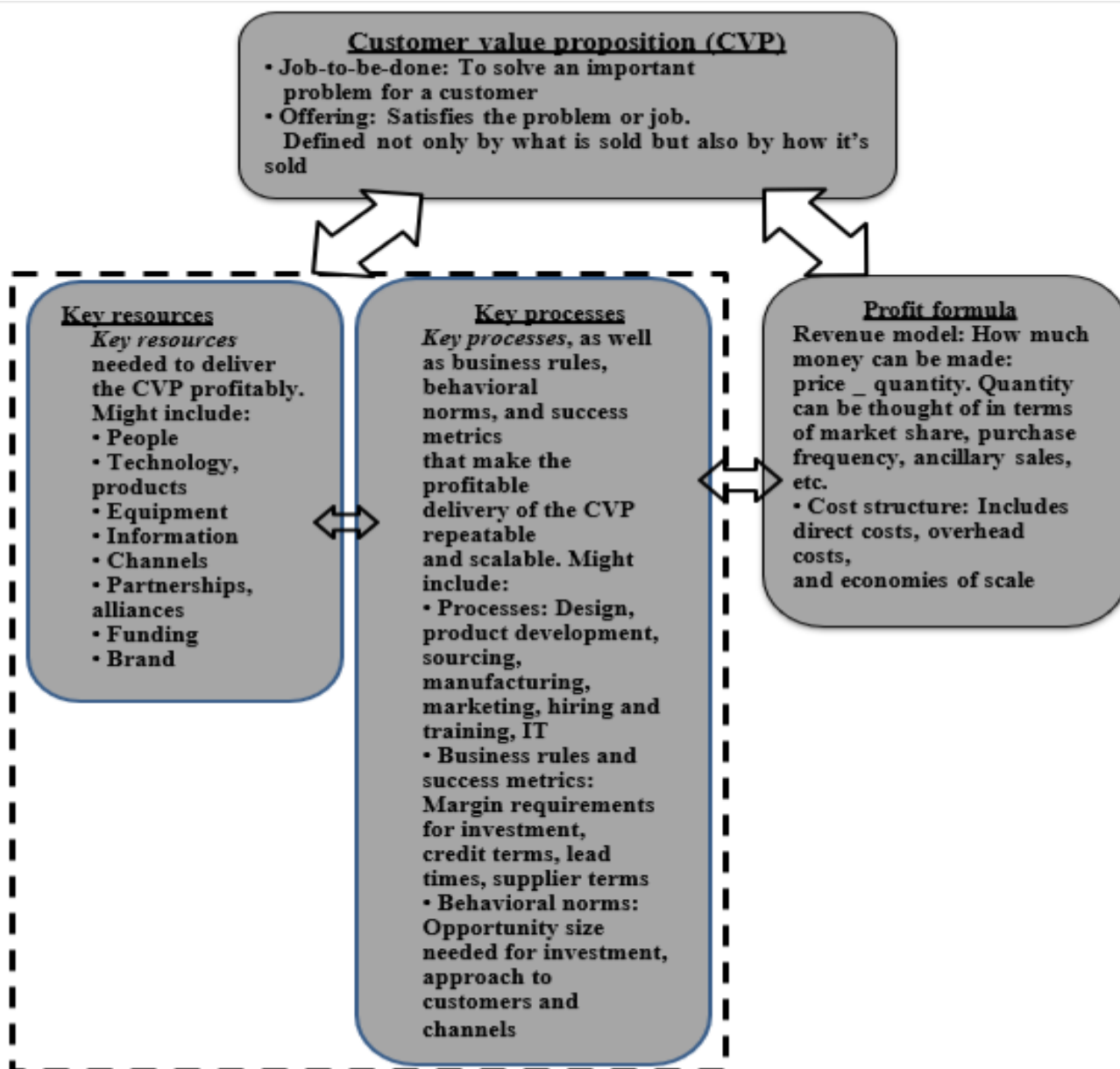
How resource needed to be used to support the target volume. Specify the number that the business can make. During a given period the business how many designs, invent, produce, where house, ship, service sale or pay though the value chain. The actual turnover of the current asset and the ability of covering all costs including overhead, related resources and process to support the planned turnover. The resource velocity answerers the question of how it will be achieved the volume production. If the cost structure and resource velocity tend to be rigid in existing business model it needs careful plan. Too often companies reject the problem happened rather than explore the possibility of constructing compressive new business model that would make the proposition profitable. Innovation increase the resource velocity makes aggregate profit a lower gross unit margin by serving the entire business that the value proposed (Johnson, et al., 2008) (Johnson M. W., 2018).

2.4.1.4 Key resource and key process

To deliver the proposed value to the customer's key recourse required such as people technology, products, facilities equipment, funding and brand, on the other hand sustainable repeatable, scalable and manageable key processes needed. For success and failure of the business model determine key resources. The combination of personnel, technology, products, facilities equipment's, suppliers, and distribution channels, funding and brand are needed to support to customer value proposition. Peoples are critical resource in this very connected world companies not keep their key resource in their house therefore, they need to look

partnership rather than focusing on their brand and channels. Key process tasks that are critical and recurrent such as manufacturing, sales service, training, development, budgeting, and planning must be delivered consistently. Though, there are money processes focusing on important ones that are crucial to serve customer's value proposition and profit formula very determinant. The differentiation and sustainability of successful business model depends on the unique way the key resource combined and the key process consistently together to deliver repeatedly the customer value proposition and maximize the profit formula. Both the resource and the processes are creating synergy to successful enterprise (Johnson, et al., 2008) (Johnson M. W., 2018).

Figure 2 the four-box business model (Johnson, et al., 2008)



(Afuah A. , 2014) The business model components main aims are by satisfying customers making many. therefore, the firm should satisfy customers to do this the firm must offer the right customer value proposition. Market segment the group of customers whom a value proposed offered the group that willing to pay and attracted to the value quality and quantity market size and cooperation of stockholders about the segment, the channel the willingness to pay any type of relation with customers the brand name etc. On the other hand, the revenue model the volume of customers to get

pay for the product and service about pricing the high price decided the revenue. Competitors or substitutes, low price without any strategic motives unnecessary leave money. All in all, focus on the price of the product and service that the revenue model. And finally, growth model firm must do to increase the no of customers, increase willingness to pay, keep prices close to customer's reservation price while keeping cost low. The firm offers the right customers the right value and starts making money. The growth model is defending a position by blocking strategy the other.

2.5 The concept of business model innovation

Business model innovation is the process of creating and capturing value through a change of one or multiple fundamental components in the business model to improve or to add something valuable in the product or service to satisfy the customers continuously or step by step incremental manner change happening deliberately to ensure the competitiveness of the specific business firm. And the opening new opportunities by introducing new products or services offering needs diverse ways or mechanisms to conduct new economic exchange that support and fuel the new methods of operation to continue satisfying customers through the value delivered. (Frankenberger K. W., 2013) Point out that Business model innovation is a process of initiation, ideation, integration, and implementation of business logic. Not only that, it includes the creation, extension, revision and termination of the model, therefore, business model innovation conducted from start to implementation of the model for market expansion or termination of the existing firm business. Not only that, if there is a need to change or making some changes on some component's revisions also one of the major activities to achieve what the firm wants to be effective and competitive in the market.

A business model is a framework or recipe for making money for creating and capturing value. Innovation is about doing things differently from the norm. Therefore, a business model innovation is a framework or recipe for creating and capturing value by doing things differently. to the companies to make their business sustainable and profitable this practice the company create, deliver and capture the value without the negative impact of on society and the environment, doing it in a way that promotes their ability to be competitive in the markets in which they run (Jørgensen & Tynes, 2018).

2.6 Type of business model innovation

Regular method of innovation that firms in their business model innovation uses their existing capabilities to use for the new business model and with the existing product and service staying or remain competitive. The next one is capability building in this regard firms needed a new model to create and capture value totally different from the model. But still, the product and service of the existing firm's value remain competitive. The third one is position building the existing product and service is not competitive and non-competitive in the old business model using the same capability. And finally, the revolutionary business model innovation new model and with core capabilities the new model different from the old model capabilities become useless for making a new product. The Product that routed in the old business model that rendered noncompetitively (Afuah A. , 2014).

2.7 The importance of business model innovation

In the dynamic business environment to stay competitive adapting the business model is very important. Researchers recognized and confirmed that the majority 54% of companies in the global survey favored using business model innovation create new product or service as a source of future competitive advantage. Innovating the business model create a new market or create new opportunity in the existing market. The business model is a vehicle for transformation and renewal of the business.

(Chesbrough H. , 2010) mentioned commercial value will be ensured by improving business model by innovating business model, not by technology advancement because Xerox invented Ethernet first and limited itself 3com expanding and capitalize it and get nothing .and also dell without new technology changed its supply chain by innovating its business model altered its channel to end users instead of using others reaching end users directly benefits the company and the users too. And contrary (Johnson, et al., 2008) argues there is no need of innovating the business model only light change is enough since the business is proposing value acceptable by the customers only a need comes if the customers want to the new product the main components of the business model such as value proposition, profit formula, key resources, and process if the change bring benefit for the firm.

2.8 Business model innovation process

Companies always strive to be competitor by increasing their revenue and to achieve growth by improving the process and the product via innovation. However, it requires tremendous investment and seeks much time not only that returns on investment not certain. Therefore, the alternative approach is business model innovation for companies. Because, usually firms don't want to think out of the box and reluctant to change their business model being familiar with the existing business model not leave the comfort zone. This practice goes far long time without changing or innovation the existing business with no challenge of innovation however, losing many business opportunities. Firms can add new activities or link activities with fresh novel or change the performance of the activity when the business model innovation implemented. (Amit & Zott, 2012).

Firms always want to capture more value and add value to their customers, the created value hard to imitate easily. Firms instead of forced to change their business model form external competition it is better to change with own initiative. Therefore, companies with new idea and technology work using business model. According to (Chesbrough H. , 2010) there are three processes to make transition from old to the new business model. Those are experimentation, effectuation, and organization leadership.

Experimentation to identify and validate new business model and business model innovation also requires try and error to make adaptation and experimentation. Using Osterwalder's business model generation canvas to learn and experience the business model innovation. However, the organization must prepare to come out from comfort zone. The new business model eradicates and replaces the old one and it must coexist at the beginning then it must shift to the new business model and allocate resource for it. Though the experiment not achieved it will give lesson and better understanding for next business model innovation practice. On the other hand, Chesbrough suggests that deep market analysis needed to get appropriate data for business model generation this named by him effectuation. Effectuation needs much effort and close observation to get valuable data to formulate better business model.

The last one is organizational leadership create culture that can help the exclusion of business model transition from the existing business model to the new one because the success and failure of the business model depends on the strength of the organizational leadership. The role of top management is too big because innovation environment and culture of innovation therefore, their role is vital and unreplaceable. Companies may have the ability and capacity of bringing new business idea however; they will fail to take to the new market with appropriate business model therefore, having the right business model very important for instance best technology without right business model will not bring appropriate result Xerox focus on product innovation and give less attention for business model the new technology with current business model.so to make return that is razor –blade/lock in business model therefore, companies who have ability to innovative technology the need to develop the capacity to innovate their business model too.

A firm must consider the customers as their core element for their existence or staying in the market. Customers are the source of improvement and helps of firms understanding changes they will add value for the firm in the form of open innovation. Therefore, customer becomes part of innovation process. Managers are change agents and facilitates and they must have knowledge of market and being model for employees in implementing the changes in business model. However, it doesn't mean that managers know and play everything in the process of business model innovation. Employees and customers involvement will increase the effectiveness of the new business model. (Wirtz & Ullrich, 2010).

2.9 The challenge of business model innovation

There are challenges of business model innovation in the organizations. As Johnson et al 2008 suggests that business organizations must be assessed carefully their business model innovation process because they don't need to compromise the old business model in the transition phase they work side by side .however, avoiding “cannibalization” is not such easy it is unavoidable and prevent the old business model from creating the value and capturing value. From the firms who have set up brand manufacturing process, very close relationship with customers and distribution channels. And preserve minor changes affect the business model. Leader's awareness is very important about the model and its structure. (Chesbrough H. , 2012).

Using organizational resources by shifting from old to the new very challenging and needs balanced action. Often, resources trapped in the core activities and the new innovative business has no way to get anywhere. Therefore, adapting the business model and its structure by taking necessary action very important and proved by its success. Trapped resources, ability, and static properties ensure the running of the existing activities and flexible characteristics receptive to the changing environment (Cavalcante, et al., 2011). Many researchers confirm that unless there is a separation between the old and the new business models are very crucial and to prevent the problem of using the resource not enough to ensure success (Markides C. , 2013). To create a separate unit therefore, the firm between the existing and the new business model is challenging to determine.

2.9.1 Dual business model

There are several areas of conflicts when companies implement the business model innovation without casing the old business model. Companies must follow multiple position strategies simultaneously risk end up not to stuck in the process not to be under performance (Porter, 1996). Innovation must develop in separate entity to mitigate the conflict because the culture, routine, systems will inhibit in innovation (Christensen & Raynor, 2003). On the other hand, (Markides, 2008) suggests companies follow integrated approaches have succeeded and those choose the separation strategy have failed. So, there is both similar and different experience of rate of success. Therefore, companies reframed themselves to separate or not to when to separate and when to integrate.

2.9.2 Organizational Ambidexterity

Companies implement new business model therefore, strategic paradoxes or pressurizes in examining or investigating against exploitation between cost and quality, stability against agility and profitability against social outcomes. It is anticipated that complex business models will emerge more in the future and thus managing these strategic tensions successfully can be a source of competitive advantage (Smith, et al., 2010).

2.9.3 Lack of Knowledge

(Chesbrough H. , 2012)suggests that Innovative companies able to combine effectively the technical information related to market that finds the potential need. Firms may get information to innovate their business model from their research and stockholders such as customers, market partners, suppliers to use the information and to innovation to their business model requires skill and capabilities.

2.9.4 Conflict between functional departments

Conflict may arise in changing the old business model to the new model. In the process, Functional departments such as operation, engineering, marketing, sales, and finance generate different information. Therefore, leadership plays a key role by having good communication and negotiation with the issues that create conflict these activities requires skill and abilities.in addition very small workforce may have necessary skill develop the new business model (Chesbrough H. , 2012).

2.9.5 Organizational culture

Firms must tolerate initial failure to be successful in their innovation operation. Changing the way of doing business and making the business model flexible and adaptable with the customers demand and market need the process is not an easy task and the process is not straight at all. There are many difficulties and challenges if not managed very well (Johnson, et al., 2008). People in the organizations rarely have forward-looking mentally and capability to have a picture of the coming opportunity. As it is seen firms use to try and error approach to innovate their business model. And marketing research also used to be innovative in their business model however, these methods is not enough (Sosna, et al., 2010), (Yunus, et al., 2010).

Doing consecutive improvement and experiment to innovate the business model for firms is not an easy task as it is said earlier, therefore, they may experience constative failures and can lower workforce's moral and may create disagreement. Every issue in these regards requires strong team commitment and leadership support to accommodate and overcome the situation as well as still the culture of open failure because, innovating the business model requires patience (Johnson, et al., 2008).

2.9.6 Lack of leadership commitment

Leaders are responsible to initiate innovation in the organization since they are resource allocators and strategic thinkers it is expected to initiate innovation activities to bring better result by creating new for customers. Therefore, leaders are responsible for managing the result and delivering of the new improved better business model. The change initiative impacts different parts of the business that is why effective and capable leaders required leading the change. Without a leader's involvement innovation practice will not be part of the operation in one organization. Therefore, leadership commitment is very important for the execution of successful business model change. Even though it is vital to making more people to be part of it but strong leader have the

responsibility to make a decisive decision and define the benefit of the new business model. (Chesbrough., 2007).

2.9.7 Change resistance

(Dent &Goldberg, 1999)Mental construct present among employees that hinder successful change implementation. Employees want to avoid changes because they are afraid of unknown consequence brought by the change. Though all business models change to experience this kind of resistance, however, business model innovation often considered a game changer, therefore, resistance could happen because it will change the way of the operation and people may not be happy until they become familiar with.

2.9.8 Lack of strategic thinking

There is tight pressure between value proposition and value capturing to maintain a satisfactory financial position capturing value very important and help to invest successive capital continually in the long term. Therefore, focusing on in the short-term benefit may cause bad result in the long run. Firms need to set up a balance between the value proposition and value capturing in gaining the benefit and the value that the firm offer. Because if it unbalances the customers see the value and the price of the value they paid for the product and service that is offered to them they may not get interested to purchase it. (Chesbrough., 2007).

2.10 Appraising the profitability potential of business model innovation

Appraising the business model profitability of the model using the resource-based view of the firm from strategic management theory to conform to the competitive positioning product market position from capability view explored the capability and decides the probability. According to this theory, there are four determinant factors the expected profitability. These are value adaptability, rareness, imitability monetarization; this can measure the potential of profitability of the model because of this characteristic's contribution the profitability of the firm. Value one of the measurements of the business model. The customer has money if the product satisfies their need, they will continue to buy the very important things for customers are to offer customer's benefits that perceived as valuable for customers.in this regard the measurement questioned the model that does the business model offer help the customers perceived as valuable. The quality of activities, resources, customer loyalty, market share, benefit offers compared to competitors, image perceived use to measure the value (Afuah A. , 2014).

Adaptability of the business model is the other measurement of business model profitability there is technological change and customers' needs change. Therefore, the business model should adapt to the changing environment to satisfy customer's needs. The question is that the business model or part of the model is cost effectively reconfigurable or redeploy able to offer a benefit that the customer perceived as valuable to them. Adaptability with related to the brand, distribution channels, shelf state. The question is the model parts cost-effectively reconfigurable to offer the benefit that customer perceived as valuable. The diversified product, improvement, revenue, the flexibility of capabilities uses to measure the value. Realness the business model is the only one that offers customers what they want the firm can make money since it has no competition and customer will gravitate towards it. Another offer same benefit, but the benefit is higher the firm can still make money since it can use its benefit advantage over competitors to attract customers. Therefore, the question is doing the firm the only one offeror the customer benefit. Several competitors with substitute products, level of benefits compared with competitors (Afuah A. , 2014).

Imitability is the other appraisal of it is also one of the measurements of the profitability of potential of the business model. The firm can help customers with rare value and adaptability is high it will continue to make money only if the benefit not imitated, substituted firm's profitability very important factors for firms. Therefore, the question is the benefit s difficult for firms to imitate, substitute or leapfrog. And the last one is Monetization setting the right price for the benefit that the customers want is critical. Too law price without strategic motive is not useful. Having many customers who are willing to pay high price choosing the revenue model that consistent with the other part of a business model that increase profitability. The question is doing the firm make or stand to make money from offering the benefit to the customers. Return on sale, cost structure, industry attractiveness, and number of customers with a high willingness to pay, right price, number and quality of the sources of the revenue (Afuah A. , 2014).

2.11 Business Model Evaluation

Evaluation of business models is inherently complex and to some extent dependent on other knowledge domains such as change methodologies. Consequently, there are fewer researchers who have written about business model evaluation compared to those who have written about the validation of business models. Business model evaluation frame work proposed by (Hammel, 2000) focuses on the wealth potential of the model considers four factors such as the efficiency of the

business model in delivering benefits for customer's uniqueness of the business model, the degree of fit of the business model components and finally, the exploitation of the generation above average return for organization. On the other way (Afuah A. &, 2003) evaluate the business model using the earnings and cash flow condition and the profit margin and the market share and frequency growth.

And also business model should be evaluated using balanced scored approach covering four areas such as product originality, customer relationship infrastructure of the firm and financial measurement .The originality products should be assessed because learning ,long term growth and innovation the organization what is doing .And the relations of the customer the second issues should be the assessed that focus on price quality availability, hoping experience determines the customers satisfaction. The third one is infrastructure in the value chain and process plays vital role in satisfaction of the customers. The last one is financial measures like cost management and revenue growth, asset utilization and market capitalization considered as measurement (Torbay, 2001).

2.12 Empirical Studies

The study is business model scenario potential upscaling of solar pup in Ethiopia. It describes the challenge of investors, importers, manufacturer and service provider's faces bureaucracy, inability of understanding opportunities and its benefit. And custom clearance long process and access to finance described as major challenge to scale up agricultural technology in the rural area. Growing the economy by using small holder solar pump-based irrigation identifies the opportunities and using business model scenarios for investing that benefit the farmer. The model aims to mitigate the effect of constraints of the small holder and an individual owner pumps that to increase access to water and access to energy service (Gebregziabher, et al., 2018).

The main objective of research is to assess the practice and the challenge that need to be improved in small for-profit business model and environment in Ethiopia to measure the impact and challenge of the business model. The research has highlighted Selam Awassa business group.as the model for sustainable development. All in all, the research mentioned that there is focus for environment issue in Ethiopia despite, being a profit-making organization (Lee, 2012).

The business model is a conceptual structure that assists the viability of the product and service and the goal of the company, how it will achieve the goal. A business model answers questions like: who are the customers, what does the customer's value and how it will be delivered with appropriate cost? The objective of the research was to investigate the factors affecting slow adoption and low usage of mobile banking in Ethiopia. The findings of the research indicated that commercial banks in Ethiopia are not using business models. They need an effective business model to satisfy customer needs and to link value with technology to improve firm performance (Tigist, 2018).

The assessment of business model innovation challenges in the Swedish newspaper industry is explored. The objective of the study is to identify the challenges of business model innovation in that industry. The findings identify the following challenges: developing unique value in the digital age, developing new revenue streams, balancing tradition with 150 years of legacy, interlinking parts of the business model when all parts have changed, and establishing an innovation strategy as one of the challenges identified by the researcher. It suggests that the need for business model innovation is greater than ever before to emerge from stagnation and to stay in business (Andersson & Lyckvik, 2017).

CHAPTER THREE

3. Research Methodology

3.1 Research Design

The objective of the study is to investigate the practice and challenges of business model innovation in HMMBI. Qualitative research method was used and Based on the nature of the data descriptive survey was employed. This method enables the researcher to examine the present situation and to identifying some of the major practices and challenges in implementing the business model innovation.

The descriptive research studies designed to get relevant and precise information regarding the current status of phenomena and to draw conclusions from the fact detected (Saunders, Lewis, & Thornhill, 2016). Thus, the researcher selected descriptive survey for it helped to observe relevant and available current information in order to inspect practices and challenges at HMMBI.

Moreover, the descriptive survey enables the researcher to find out the solution for the existing problems in implementing overall plans and could help to test the basic research questions. Hence, this method was selected as a design for it helped the researcher to get appropriate and available information in describing the existing situations the descriptive survey method was found to be relevant and appropriate.

3.2 Population and Sampling

3.2.1 Target population

The population of this study was the management of the HMMBI. The management of the company responsible for the business model creation innovation processes the management decision plays primary and decisive role to stick with the current business model or to innovate the business model. Business model innovation is related to change the way the company do business what kind of value proposed to the customer how to deliver this value and how the company capture the return of the

value decided by the management therefore, the researcher decide to consider as setting of the study .This management body reaches 100 from supervisors up to general manger (Annual-report, 2019).

3.2.2 Sample size

The purposive sampling technique was adapted for this study. Purposive sampling is a none probability sampling that can enable the researcher consciously to select specific element or subject to use in the study the researcher selected purposive sampling because it is the best that enable to answer the research questions and meet the objective of the study (Saunders, Lewis, & Thornhill, 2016). The main reason for the selection of purposive or judgmental sampling method was because the total population of the company is large and more than 90% of the population is far from the know-how of the research title. Therefore, the researcher selected purposely for this study 35 people who are working for the industry. Among 35 people 20 were the top-level management general manager of the industry named director 1,2, and 3 in the industry who are leading the factories as managers of the industry and the middle level managers and department heads at the industry from finance, marketing, operation, logistics, planning, included in the interview and workshop supervisors and team leaders are included in the focus group discussion. (Saunders, Lewis, & Thornhill, 2016) suggested that the minimum sample size should be 20 up to 35 for qualitative research. And the researcher selected 15 people for focus group discussion besides the 20 interviewees to get more data. The supervisors and team leader's role very significant in the industry. They deployed as factory head or project leader where officials are not deployed or not presented, they discharged their responsibility as manager. Those 15 people were 7 team leaders and 8 supervisors. Therefore, the researcher took all those top-level management entities the key informants and the supervisors and team leaders who have general knowledge and familiar with practices and challenges of business model innovation.

Table-1. Background of the respondent

No	Characteristics	participants	Participated	
			Percentage	Interview & focus group discussion
Current Position of respondents				
1.	Director 2	1	3%	Interview
	Director 3	1	3%	Interview
	General manager	2	6%	Interview
	Deputy manager	2	6%	
	Deputy general manager	3	8%	Interview
	Deputy director 2	6	17%	Interview
	Deputy director 3	5	14%	Interview
	supervisors	8	23%	Focus group
	Team leaders	7	20%	Focus group
	Total	35	100%	
2. Education level				
	Degree	24	69%	
	Masters	11	31%	
	Total	35	100%	
3. Work experience				
	Less than 5 years	13	37%	
	Between 5 and 10years	12	34%	
	Between 10 and 20 years	10	29%	
	Total	35	100%	

Table-2.the list of participants

	Participant	Job title	Position	Interview minute
1	P1	Director 2	General manager	
2	P2	Deputy Director 2	Excellence center head	
3	P3	Director 3	Logistics and supply chain head	
4	P4	Deputy manager	Machine building factory	
5	P5	Deputy general manager	General service	
6	P6	Deputy director 3	Human resource & dep't head	
7	P7	General manager	Machine automation control factory head	
8	P8	Deputy director 3	Deputy precision Factory head	
9	P9	Deputy general manager	Marketing and sales	
10	P10	Deputy director 3	Machine body structure factory head	
11	P11	Deputy director 2	Planning head	
12	P12	Deputy director 2	Project planning head	
13	P13	Deputy director 2	Marketing and sales head	
14	P14	Deputy director 2	Conventional Factory head	
15	P15	General manager	Bread pad factory head	
16	P16	Deputy director 2	Factory head	
17	P17	Deputy director 3	Financial management	
18	P18	Deputy manager	Electro- mechanical maintenance	
19	P19	Deputy general manager	Equipment production operation head	
20	P20	Deputy director 3	Machine production operation head	
21	P21	Precisian shop head	Team leader	Focus group
22	P22	Conventional assembling head	Team leader	Focus group
23	P23	Machine body structure shop head	Team leader	Focus group
24	P24	Brake pad shop head	Team leader	Focus group
25	P25	Cost estimating head	Team leader	Focus group
26	P26	Technical store head	Team leader	Focus group
27	P27	Evaluation and testing head	Team leader	Focus group
28	P28	Procurement head	Team leader	Focus group
29	P29	Machine building factory production operation	Supervisor	Focus group
30	P30	Project planning and controlling	Supervisor	Focus group
31	P31	Marketing research	Supervisor	Focus group
32	P32	Conventional factory	Supervisor	Focus group
33	P33	Excellence center research and training	Supervisor	Focus group
34	P34	Precision factory	Supervisor	Focus group
35	P35	Quality management shop	Deputy Supervisor	Focus group

3.3. Source of Data

Both primary and secondary source of data were used for the study. The primary data were obtained from selected the management of industry through intensive interview, focus group discussion and observation. The advantage of using primary data is that they are more reliable since they come from the original sources. The secondary data were also collected from annual reports of the industry and unpublished document.

3.3.1. Primary Data sources

The primary data sources were utilized to collect data these instruments were intensive interview, focus group discussion and observation.

a) Intensive interview the participants were interviewed mainly using open ended semi structure questions. Participants have been given space to share their experience and thoughts to express freely outside the scope of the semi structured interview format (Bryman & Bell, 2007). The interview questions developed based on the theory of the business model therefore; appropriate and relevant data have been collected. The business model canvas building block considered as a center or the theme of the interview questions. Not only that as the researcher mentions other questions also prepared and used with the nine blocks of the business model canvas. The researcher used these blocks to explore the whole practice and challenges of the business model related issues by basic questions to cover all area of the research purpose (Kananen, 2013). The participants were the top-level management body and the people who have direct relationship with the business model operation in the industry. The interview guide attached on (appendix A&B) that using the literature review and they were active involvement in the conversation. Interview can bring rich data and facilitated to be flexible when there was a need to be flexible.

b) Focus group interview in qualitative research triangulation is very important to ensure validity when collaborated information has been obtained the research finds solid ground. Therefore, the researcher added focus group interview to increase the validity of results that were suggested by other means. It was helpful participants reflected and shared each other's words. In this fashion what might have been passed comment during in an individual interview might be recognized by others and the researcher. In the group individuals with different background and experience shared each other supported and empowered but the researcher simply got an offer of deep information (Howard & Bruce, 2017).

c) Observation Among the qualitative data collection methods observation was one and very important instrument in order to learn some of the company activities to assess the process progress and overall practice on the silent data that cannot be obtained using other methods. Unstructured type of observation was used. The observed data was analyzed on a frequent base and helped to get better understanding of the phenomenon (Kananen, 2013).The researcher gathered some information from observations during the data collection period and took field notes on, the factories workshops production and marketing activities such as sales and distribution, fixed asset and other properties and holding of general property in warehouse and outside the workshops holding of surplus, scrap and obsolete property such raw materials, changed spare parts, metals, parts of the machine, in and out of warehouse and suitability of store. Each store, working class room and compound observation this was conducted from the beginning of the data collection up to the end of the data collection and the researcher observing during working hours to see the reality with factory heads, supervisors , department heads and storekeepers and each department representatives, additionally the researcher used notebook to record his observations.

3.3.2. Secondary Data source

As supplementary to interviews, observations and focus group discussion different documents were reviewed for the study. The documents reviewed were business model innovation plan and operational plan, audit report, annual inventory reports, human resource reports, sales and distribution reports, financial reports, annual reports, planning and budget documents, property administration manual, different annual and monthly magazines. The researcher got these documents from different departments of the industry. The documents were analyzed in order to complement and strengthen the responses obtained through interviews and focus group discussion.

3.4 Data collection procedure

The letter of permission sends accepted by the firm and the company planning and development section facilitated and created connection to the researcher based on the researcher interest to find the necessary data that can help to the study and the section also led the researcher where the information and other inputs can be found. In the general manager, the four director one and director two factory heads and those departments at the industry level such as planning, marketing, finance, operation and logistics department heads were parts of the interview.

First the interview began with marketing department head and the department experts who have the holistic view of the company. The total numbers of interviewee were 2 in the department to be interviewed for each of them 45 minutes to hour was spent. Secondly the researcher conducted the interview with factory directors the total number of interviews were 6 and lasted 35 minutes to 50 minutes. Department heads from general service, excellence center, human resource, project planning, planning and operation, finance, operation and logistics department also one of the focus areas for the interview the total number of the interviewee were 9 lasted in 40 minutes to 50 minutes. And thirdly and finally interview conducted with the general manager on the title of director 2 and on the title of director 3, 2 general managers interviewed both interviewed and lasted 1 hour and 20 minutes to 1 hour and 30 minutes.

All the interviews were conducted face to face and 5 interviews were conducted by phone due to the remoteness of the interviews. The interview was recorded and transcribed within 15 days after data collection. And the researcher made notes additional records to make sure most of the data was captured in case if technical failure happened in recordings.

The researcher discussed with each interviewee about the data protection and confidentiality of the information collected to be handled and used for the study by the researcher all the interviewee has agreed. And, it was agreed not to disclose the name of the interviewee and the position and experience of each interviewee, presented on table 2.

The focus group discussion was held in two groups; the first group consisted 8 participants and guided by the researcher the other group of 7 participants were facilitated by another person (Krueger and Casey 1994). The discussion was conducted the same day simultaneously. The guided focus group discussion was employed guiding questions were distributed in advance (Edmunds, 1999). The important information draws out from participants regarding the topic about their attitude, opinion and experience. During the discussion participants were encouraged to speak freely and in detail. The discussion conducted for 2 hours for both groups the data made notes additional records (Krueger & Casey, 1994).

3.5. Data analysis

The data analysis lays emphasis on understanding the dynamics in single settings and allows exploring in detail the phenomenon. The data analysis was conducted while the data collection takes place (Bryman & Bell, 2007).

The data analysis was conducted in every single interview this approach helped to explore the challenge and implementation of the business model innovation more comprehensively and to identify important patterns. The data collection process allowed to make adjustment that facilitate concept development case study because the collected data suggest a theory (Eisenhardt, 1989).

moreover, to have clear understanding of the case company existing business model the Osterwalder business model canvas was employed to confirm whether the business model innovation occurred at the time because it is the prerequisite of before to have a look the challenge on the company business model innovation.

In the qualitative research transcribed and coding of the collected data very essential. The interview was transcribed right after the closing. During the interview process everything said was transcribed and then coded into concepts. The collected data extracted in the coding process and compared to the practice and challenges of concepts in literature. The data from the interview and document analysis has been, analyzed and organized in line with the basic questions of the research. The data collected using both interview and document analysis interpreted according to their nature. The raw data collected from the field had been organized and systematically analyzed according to their similarities that rose during interview and document analysis.

3.6 Credibility, Confirmability, Dependability and Transferability

The research must be conducted carefully and need to contribute by presenting insight and conclusion to influence the practice and the theory of certain field. Therefore, it must be evaluated by using the criteria of the qualitative research methods though, there is no method the credibility of the research must be confirmed. Validity in qualitative research reflects the correctness of the findings of the interpreted data. on the other hand, reliability of expressed the consistency of the results. Credibility from the start of the research up to its final stage where taken into consideration to ensure the quality of the study (Kananen, 2013).

Credibility criterion helps to confirm whether the data and the findings reflect or represent the participant's experience and the accuracy of the data findings and the adequacy or the richness of the

data and, using more than one data source for triangulation increase the credibility of the research. Therefore, the researcher used intensive interview and focus group interview, observation and document review to establish credibility. The researcher engaged and spent much time in order to learn, experience the reality and the existing situation to observe the phenomenon. This builds trust for the researcher and minimizes as well as reduces distortion (saldana & jonny, 2013). Continuous dialogue created to the chance to the researcher to get access and to be familiar aided to understand everything the study needed. And the researcher made effort to use the same question by different tools to be answered and to create deep understanding as well as to provide strong evidence therefore, the research satisfied by using different triangulated the information and increased its credibility.

Transferability is the criteria in forces the researcher to answer that the data collected and the finding can be implemented to similar context or not (Kananen, 2013). Since the objective of this study is to investigate the practice and challenge of the business model innovation within this specific context however, the empirical data cannot be transferred directly to other contexts. And the transferability the research increased based on the clear description of the context and by presenting detail information research assumption to inform the study and to achieve then objective of the study. This enables the research to evaluate similar area of study (Holloway, 1997).

Dependability refers that if the same procedures followed it can be arrived similar result the findings should be consistent and repeated. Therefore, clear presentation and the process of data collection and analysis needed. This enables the reader to develop understanding of the methods and their effectiveness (Lincoln, 1985).

Confirmability the criteria help to confirm the objective and representation of the whole process that demonstrate the conclusion emanate from the data without the researcher own predetermined view include. The researcher very close to the context of the study and had continuously exposed the findings and the method to justify the decision. Therefore, the various data collection methods and details description of the research furthers supported confirmability of this study (shenton, 2004).

3.7 Researcher bias

The qualitative methods of research highly influenced by the researcher bias and prior expectation. These study findings of interpretation should take in to account the practicality of the study in real environment (leedy.P & ormond, 2001).The researcher has prior knowledge of the case company. This could have influence in some researcher bias.

CHAPTER FOUR

Data analysis and discussion

This chapter will present the analysis of the data that the researcher collected from the respondents.

4.1 Overview of the case company

Hibret Manufacturing and Machine Building Industry was established by Czechoslovakian government. There was an agreement between the Ethiopian government and the Czech government to established factories that can produce the military materials for the army (Hibret I. b., 2013). This company was established in 1945 E.C here in Ethiopia. The company is located here in Addis Ababa, Lideta sub City kebele 07. The company's facility covers the area of 97.025 square meters. The company was established with the cost of 2,000,000 Birr and 2,000,000 Birr also invested as capital after 32 years in 1977 E.c. the company expanded by 82,000,000 Birr investment. (Hibret m. &., 2018) The company targeted as customer mainly the Ethiopian Defence Force which include the army the air force the navy and other government institutions. Main products are focus on producing ammunition of simple bullet, metal and wood works, medals, badges, tools and spare parts that are useful for the defence force were the main objective of the company production. The company was focused in supplying military related products for defence to fulfil its mission requirement.

In line with, The company had different names such as Majestic Hailesilassie ammunition factory, Addis machine tools factory, Addis metal processing enterprise, Tools and spare parts of design and manufacturing centre, Addis engineering centre and finally it was named Hibret tools engineering complex respectively. The company passed through different legal and administration protocols in 1990 E.C when the company was named Addis metal processing enterprise the minister of councils of F.D.R.E. Reregulation no 38/1990 E.C the capital was 111,216,000 and paid capital of Birr 76.216,000,00. The company based on the proclamation no of 25/1984 function and administered under government public development enterprise while producing few military pattern materials. In 1996 again by the decision and regulation number of 102/1996 the of the councils of the ministers changed its structure by shifting and transferring the mandate and obligation of the company back to ministry of Defence to be administered under defence industry sector. After that the ammunition production factory transferred to Horat ammunition engineering factory which is the sister

company operating under the defence industry. Machin and equipment's are transferred to Hormat and other workshops of the factory that are produced tools and spare parts which is mechanical workshops and the metal and badges workshops metal and product packaging was working under the name of tools and spare parts design and manufacturing centre under defence industry since 1997 E.C. The same year the company have been changed its name as per the decision of the ministry of defence and named Addis engineering centre. In 2002 E.C the company restructured by the ministry of defence to expand the production capability with new mandate and management .the company have been change its structure and added the more mission and responsibility related to growth and transformation plan the company production additional machine building and manufacturing work become one of its mission to achieve and fulfilled the need of the machines is different segment and portfolio the company was chosen by the government as part of METEC industry to expand manufacturing industry by supplying machines for those who need to have machines specially for small and medium business in the country .Therefore, to conduct such operation the company incorporated under METEC. Though it was under METEC's responsibility the ministry of defence had ownership and mandate with some part of specially for those materials that are related with the military.

Apart that the company named Hibret manufacturing and machine building industry because assembling machines and other new products such as bolt and nut, and different machines as well as project site prefabricated house and related material works, heavy equipment's for sugar factories and other mega projects produced with the expansion of with the increasing capability of the company transformation. Therefore, the company received the new vision and direction from the Ethiopian government to achieve the objective the company reorganized itself with five factories these factories are precision, conventional, metal treatment and machine building factories. Thus, the industry using those factories produced as it is mentioned before manly machines spar part and project facility and bolt and nut jigs, figures, dies, pressing and engineering products and provide materials treatment and testing service not only that the industry provided training and consultancy services related to machine tools technology.

The industry has vision of seeing prosperous Ethiopia in the machines and manufacturing technology. A mission the industry given producing capital goods and spare parts as per international accepted quality and competitive price. Therefore, to achieve the mission the industry

has been working with its business model. In 2013 the industry planned to implement the new innovative business model.

The implementation of business model innovation started by changing few parts of the model and gradually it can expand to improve the whole model and adding the value proposition to deliver new products and services. Therefore, Hibret manufacturing and machine building industry selected for the study because it has been implementation of the business model to improve the product ,production process and bring more revenue by attracting customers however, the implementation of the business model innovation not sustained because of some reasons such as lack of knowledge ,failure of management commitment ,lack of strategic thinking ,organizational culture that resist change or new way that of doing business ,un able to manage temporary departments conflict and dual business model practice not to focus to implement the new business model and stick with the function of the old business model influenced to ceased of operation. Therefore, the implementation process not sustained and the employee's motivation also going down as the researcher understands during the field research observation and in the group discussion the overall situation of the industry. In order to investigate and forward possible solution for the sustainability of the business through business model innovation implementation for the industry.

4.2 The initial factors that drive business model innovation in HMMBI

4.2.1 Government Industry expansion policy initiative

In 2013 HMMBI, as part of Metal and engineering corporation, supposed a major change in its business model. From furniture and medal and badge Production Company, HMMBI turned into a machine building, flexible workshop and numerous spare parts manufacturing company (company annual report, 2012).This change happened according to a decision of the federal government of Ethiopia and the ministry of defense, with the clear objective to expand increase the machine production capacity and expand using technology transfer to regional states and supply to small and micro enterprises to enhance the productivity of the citizens as it is stated on the establishment of the regulation of the company.

4.2.2 Resource mobilization

To employ its resources in most efficient way the company focused its main activities in production of machines and spare parts. The company had around 1.8 billion Birr asset this was unemployed capital in the eyes of the government who have formulated growth and transformation

plan was an opportunity to start machine building industry collaborating with china government. And The financial targets, also one of the issues discussed how to make the asset that the company owned to be productive was the main worries of the leaders of the time. Therefore, the focus was changing company's business model and confirm the return on capital employed. Besides, one of the key resources of the company also changed from simple furniture, Medal and badge producer to different machines and flexible workshop as well as spare part producer. In this sense, government policy change and the need to employ the company asset work as a driver for changing the business model.

4.2.3 Customer expectations

One of the most important philosophies for HMMBI is to live up to the expectations of customers, that is, to offer additional products and fulfill the market gap that become challenge for customers such as small land micro enterprises and vocational and technical colleges have no access to get machines to produce basic products that are needed in the day to day life of the society. Therefore, supplying those machines with affordable price and very suitable mode of payment is great opportunity for those who need the machines.

The company also recognizes itself as value-driven company, meaning to create value for its customers are more important than to minimize the cost (Andersen, 2014). In this sense, HMMBI is highly aware of whether the value created meets customer's expectations. And the Company has received a direction to produce diversified product that include non-military products that are needed by customers and able to generate additional revenue to cover the company expenditure by its own revenue. Not only that, replacing the imported goods and support the economy also the main demand of the key partners of the company that are considered some changes in different stages of the company business model.

And finally, due to new standards set up by other high-end companies HMMBI needs to deal with the fact that customer expectations for machines and spare parts. This would work as a reminder for HMMBI that change the way to competitor, particularly customer expectations are one of the major drivers having influence on decision making of the company towards innovation of the business model. Meeting or even exceeding customer's expectations is the only way for the company to ensure that its customer will remain in future.

4.2.4 Competition

HMMBI strongly backed up by the federal government specifically by ministry of defense in terms of human resource supply, expertise, and financing, stands among market access integration with others local and international. HMMBI meet high-quality standards and target at high-end customers. So, brand name and expertise are possibly the main assets that help the company to be among the bests in this market. And also, the argument that business model innovation would be necessary to respond to competition in some cases (Johnson, et al., 2008). The interviewees claim that even standing as a market front-runner, the intensive competition in the sector make them be conscious of that the company needs to explore new business opportunities for outcompeting on the market. However, some authors also argue that companies should undertake business model innovation only when the opportunity is large enough and well justified. However, the company comes to realize that it faces more and more fierce competition not only within machine and spare part market. Thus, as the P12 stresses out “change is the way to survive”. Offering something new and exceeding competitors’ offerings become HMMBI slogan. Consequently, competition is undoubtedly influencing the company to make a change in its offering.

4.3 Findings from observations

During the visit to the research site participant were willing in the research. As the researcher observed that there is no much work and they are not busy working and getting the order not as such frequent from customers. Very small order was coming from the customers. Employees were making line for termination of contract and seen that they are not happy to leave the company. During the data collection period most of the factory’s workshops are not in operation there is some production activities but, very slow movement of employees in group three or four people move from one place to another place in the compound. Here and there, raw materials and unfinished materials are seen outside the workshop area. It was also observed that most of the company work almost becomes sluggish. For one month the researcher went the research site that was done during the working days.

4.4 Research question 1: How is the Hibret manufacturing and machine building industry working and practiced with business model innovation?

The researcher conducted the analysis of the business model of the company using the business model canvas. This framework is helpful visual that intended to plan, develop and test the effectiveness of the company's business model. It is simple and assist to understand how the company operating under different aspects that are named blocks by (Osterwalder, et al., 2005). The building blocks of the business model canvas as applied in the company discussed below. The researcher started with key partner and key activities and key resources then the cost structure and revenue streams blocks which focus on the financial side of the model and the value proposition which is the offering and lastly the customer relationship, customer channel and customer segment and channels.

The planned HMMBI business model innovation is presented by business model canvas in Figure - 3. This canvas was built taking into consideration all the information provided by HMMBI interviewees as well as through the analysis of available documentation.

Figure 3 The Intended Business Model Innovation of HMMBI (Hibret I. b., 2013)

<p>Key partners</p> <ul style="list-style-type: none"> ~ Ministry of defense ~ Sister companies ~ Commercial bank of Ethiopia ~ Foreigner Suppliers ~ Reginal states ~ Ministry of education ~ Reginal vocational & technique Bureau /agencies ~ Addis Ababa city administration ~ Foreign banks ~ Strategic alliance ~ Joint venture 	<p>Key activities</p> <ul style="list-style-type: none"> ~ R&D ~ Innovation ~ engineering and design ~ material selection ~ raw material acquisitions ~ mass production ~ distributions ~ financial management ~ marketing and sales ~ maintenance ~ human resource management 	<p>Value propositions</p> <ul style="list-style-type: none"> ~ Reliable machines and spare parts ~ Medal and badges ~ Quality products ~ Material selection and measurement ~ Affordable and easy to maintain the machines 	<p>Customer relationship</p> <ul style="list-style-type: none"> ~ Word of mouth ~ Publications ~ Official web sites ~ Electronic media ~ Long term contract ~ Customer service ~ Post sales service ~ Brand awareness and trust ~ Social media ~ Personal assistance 	<p>Customer segment</p> <ul style="list-style-type: none"> ~ Sugar corporation ~ sugar and fertilizer Mega projects ~ Ministry of defense ~ Reginal states and city administrations ~ Ministry of education ~ Federal /Reginal vocational & technique education agencies ~ Cement factories ~ Public, private and none profit organizations ~ vocational & technique colleges ~ east African market
	<p>key resource</p> <ul style="list-style-type: none"> ~ 6 factories ~ more than 13 production support facilities facility covers 97,025 square care meters and workshops, plants ~ advance technology ~ 2200 employees ~ Complete portfolio of machines ~ Reach double the asset in billons ~ Management system ~ Distribution channel ~ Varity products type ~ Intellectual property ~ Location the country capital ~ Brand 		<p>Channels</p> <ul style="list-style-type: none"> ~ Direct distribution ~ Indirect distribution 	
<p>Cost structure</p> <ul style="list-style-type: none"> ~ Value driven cost ~ Cost of goods sold ~ Sales and distribution expense ~ minimum Administrative expense 		<p>Revenue stream</p> <ul style="list-style-type: none"> ~ diversified spare parts, brake pad sales ~ machines and flexible workshop sales ~ bolts and nut sales ~ fixture and dies sales ~ small and medium industry building ~ consultancy service delivery 		

4.4.1 Business model innovation implementation

Business model innovation All interviewees mentioned that HMMBI changed its business model dramatically around 2013 year according to decision of the government and ministry of defense, shifting from medal and badges and furniture and some spare parts production company into machine and flexible workshops and breaks and bolts and diverse spare parts company.

That is, HMMBI, used to be both medal and badges and furniture, bolt and nut and some spare parts production, abandoned production activities and focused on medal and badges and furniture production mainly.

This business model change aimed to increase the machine industry in the country by increasing the capital employed and bringing new technology to establish machine production facility and technology transfer to regional states, city administration, education institutions and small and micro enterprises with affordable price to make the country industrialized and achieve the industry led economic policy. Even this major change is manifested by all interviewees; they still differ in opinions regarding the innovation and technology transfer and adaptation and innovation of the products as a pace of HMMBI business model.

Thus, according to the P14 and P19 factory head and Deputy general manager for production operation of the company, the business model innovation implementation happens on each stage of the business model components because apart the machines spare part order very diversifies and requires new design specification and content therefore, there is a new product ordered in every customer order. “So, we don’t have to reinvent the whole business model or to be innovated and developed, we actually do it every day, in every production in every part of the business model” P4. However, other participants of the interview have a contradictory opinion and say that business model has not expected a major change for the last 5-6 years but just modifications “No, they don’t think so. It has been fine-tuned, but not changed” (Lundberg, 2014). By saying modifications, they refers to some adjustments related for example to how the customers are approached, some additional products and services offered to customers when defining their needs for a new spare part and machines as well as flexible workshop order, strengthening of the connection between HMMBI and government bodies specially regional states and city administration as well as small and micro institutions about the overall machine production plan and thus, forming closer partnership with these stockholders.

4.4.2 Value propositions practice of HMMBI

9 interview respondents responded in the interview stated that the company working to satisfy and maximize the perceived value to the customers by offering its products and services. the company have the capability to selected quality raw materials to produce quality products that are durable, stress resistant, affordable and meet the customer expectation. Heavy industries such as sugar and cement factories are major customers for the company in receiving spare parts and machines with different design, quality, and content options. In the contrary 20 interview respondents and focus group discussion participants responded that there was lack of customer centric operation that can meet the customer expectation. They believed that they are not satisfying the needs of the customers and, they are not solving the problems of the customers.

Based on the analysis value proposition not satisfy the customer expectation and not solving their problems. This supported by (Johnson M. W., 2018), (Amit & and Zott, 2012) argued that without having clearly defined value proposition satisfying and solving the problem of the customers can not be the business successful and suggest that the value should solve an important problems for a customer and the offering also should satisfy the problem or job it is not only what is sold there is a need to focus also how it's sold.

4.4.3 Customers segment practice of HMMBI

Customer segment group objectives are to identify the main types of customers. The customers of HMMBI can be divided into three main clusters – and mega public organizations such as sugar, cement, fertilizer factories and hydroelectric projects. Secondly, federal and regional states who want to expand micro industry to create job opportunity to youth and tackle unemployment. The third one is private companies who wants different machines and spare parts their size could be big, mid or small the company work with them.

According to the data the company customers are mainly public organizations and focus satisfying them created unhappy feeling in other private customers because the company had given first priority for government organization and ignored the private sector institution in the past and these customers left the company and seen other alternatives as it is described in focus group discussion and interview. Because of this now the company it becomes vulnerable losing the market highly depend on the customers of the public organizations. When the public organization undergo into bankruptcy and unable to operate in the competitive market, they stopped using the product of the

case company. Instead of handling both public and private customers the company focus on public organization and ignored that private Therefore lack of proper customer segmentation cause the company to go through under capacity production and sometimes without production.

All 20 and the 15 focus group participants are raised many times about customer segmentation that was unbalanced treatment for public organization and the ignorance of private organizations manifested by delaying in their product order. This is supported by (Osterwalder & Pigneur, 2010),that Firms customer segment should be diversified to satisfy the customers and to be competitive they must focus on the mass market or niche market. Mass market is focusing on a large group of customers in the market where other firms also engaged potentially.

4.4.4 Customers relationships practice of HMMBI

All 20 interviewee and 15 focus group participants are responded that the company relationship with customers based on mutual understanding win- win approach and have been considerably so tied though, in the past two and three years degraded because of different factors. The company communicated with the customers using the internet via official web sites to create awareness and attract the customers by increasing the understanding of the company capability to build confidence. Its facility and capability of the company considered confidence for the company. Publication is one of the companies maintained their relationship with the customers the publication that are used in the company in the form of agenda book, calendar, brochures, magazines. The company mainly utilized the word of mouth is the main relationship creation method of marketing and sales strategy while using word of mouth the company tries to introduce itself by participating in exhibition and increasing customer satisfaction and brand awareness among its customers remain very important. In this globalize and competitive world the key to create enduring brand loyalty in transparency. Companies always try long lasting relation with their customers for this achievement using open communicating very important. therefore, the company wants to increase its reputation for quality and customer support by reaching its customers through word of mouth published materials and official relationship with regional states through government channels of communication used by the company. Customers invited to have after sales service. Customers allowed returning the produced to conduct some modification if necessary, for maintenance and repaired products and mismatch of the product size, measurement after sale service will be delivered for the customers.

According to the data out of all interviewee and focus group participants responded that the company customer relationship focused on word to mouth and publication these methods alone could not help to create good relationship with personal assistance, customers electronic media and social media also an alternative to the company to strengthen the relationship with the customers. This supported by (Osterwalder & Pigneur, 2010), (Afuah A. &, 2003) Firms should arrange their customers connection based on the demand of the customers section the type of the customer relationship that the firm follow a combination of personal assistance or self-service relationship the customers by themselves act and get support of the firm using the tools and other necessary imputes for that activities. Therefore, firms handled their customers by using their manpower to serve the customer directly contact or provide the necessary tools and other inputs and customers themselves operate by their own way of doing thing.

4.4.5 Key partners practice of HMMBI

All the interviewees described the following themes the key partners of the HMMBI are organizations who have agreement to work together considered as strategic partners. Those of who are working as Supplier of raw materials all of them are foreign suppliers from China, India and Turkey companies. On the other hand, ministry of defence, reginal states, ministry of education and federal technique and vocational agency, sister companies such as AKAKI metal factory, Ethiopian electric utility and Addis Ababa water Authority. suppliers provided pure metal and other metal products that are used as an input for the company products. As per the company specification and content formula the required the metal suppliers supplies the company. The Ethiopian electric utility provided high voltage power both companies have an agreement to get the power without interruption because when there is power shut down the company productivity stopped. Power is very important for manufacturing company like (HMMMMBI).

And the Addis Ababa water supply service (AAWS) is one of the partners of the company supplied water for the company production process because every process in the production of the company's product needed water without the water production is unthinkable.

Commercial bank of Ethiopia is key partner for the company both working together for long time since the establishment of the company. Since money is the blood of the business the company

given a privilege to get an overdraft from the bank because of the company alliance and work relationship with the bank?

The ministry of defence one of the partners that the company has the ministry supports the company by supply trained manpower through defence engineering college this college provided engineers to the company most of the professionals are from and people who are working in the industry on different management levels most of them are military officers therefore, there is very close relationship between ministry of defence and the company because defence as a stockholder also it is the owners of the company but as partner work together. All respondents believed that the company must review the partners because there was no joint venture partner to develop new business and strong buyer -supplier relationship to ensure reliable supplies.

According to the data the company partners are key partners however, the company must analysis the partners again to ensure its competitiveness because there are partners that are important to the company. This is supported by (Osterwalder & Pigneur, 2010) Stated that the none-competent firms that become strategic alliance and firms that are competing with could work together as a strategic partner and those who have an agreement to work together by the joint venture to develop the new business.

4.4.6 The key activities practices of HMMBI

The majority respondents respond that the company operating different activities to create deliver and capture the value. Based on the customer need production activities to produce spare parts, machines and other products takes place safety and security activities one of the process every day conducted as primary activity. Design and prototype production activities will be conducted before the main production takes place pre-production activities works always take primary attention. The full organization conducted design and development work, safety and security, the financial activity, marketing and sales activities and general administrative activities of resources management such as human, material and other resources the activities that the company exercise among the operational activities conducted because without these activities the company functions face difficulties therefore, these activities are very determinant of the existence of the company. However, two respondents P10 and P 20 of the interview have a contradictory opinion and say that company key activity is not conducted based on the customer demand to create the value for the

customers it is product focus not customers focus each activities need to be seen for improvement because of, very poor activities the company losing its strong capability mainly with related to its brand, customers relationship, employees handling, resources utilization management. These key activities needed other complimentary actives therefore; these activities should be conducted adequately. This is supported by (Afuah A. , 2014) firms need to perform the activities to build and or transform resources into customer benefits and profits. Customers are not likely to scramble to firms' doors because the firm has modern plants, geniuses and patents the firm must use the plants, geniuses and the knowledge and protection embedded in the patents to offer customers that they value.

4.4.7 The Key resource of HMMBI

Almost all respondent mentioned that the key resource of the company are its brand build through years workshops with the necessary machines and equipment's; the quality measurement technology of the raw material that measures a specific product requirement regarding the content, strength, and behaviour of the material capability to select the material for production as per specification and demand of the customer these is the one key resource that the company has. Identification of the type of the material pureness and mix of content in raw material that is not relevant for the needed product process and capability key resource for the company competitive advantage.

The other key resource that the respondents described that the human resource is highly important for the success of the company specially experienced work force that the company created through years from practical training and exposure. On the other hand, the Location is very determinant and important for the business companies in their competitive advantage considered as key resource. The company located around Mexico square in Addis Ababa. Most of Customers, partners and stakeholders of the company have head quarter and representative offices in the city these created close relationship with these actors.

Another key resource mentioned is facility of the company the land that covers 97,025 square meter it is suitable for its operation there are factories with their workshops, hangars, supportive service delivery facilities in the compound administration and mixed buildings, offices, cafes and restaurants and recreation places and other caring accommodations are part of the facility. Most of the respondent in the interview and in the focus group discussion responded that the company have

enough resource to deliver the proposed value however, it is not utilized properly therefore, there was no much profit compared to the 3.2billion asset the company gaining very low but, P4, P6 and P18 described that there was effective utilization of the resource.

All 20 participants raised and mentioned 37 times throughout the interview about resources. As P7 using the resources effectively very determinant for every business company therefore, managing the resource very essential to be competent and acceptable in the market. P5 I think the company trying to utilize the resource effectively however, there was problems related to handling and keeping the machines lifetime make them depreciated. the company incurred to much cost for depreciation.

P3 also mentioned that the company human resource was not handled properly because of that vey experience employees are not feeling happy and they are leaving the company than ever before. According to P5 financial resources also was not managed properly because of that wastage was clearly seen as problem. And, the financial system of the company exposed to mismanagement.

The analysis of key resource shows that due to lack of effective utilization of the key resource the company losing its assets by depreciation and affected its profitability and the resource become idle. This is supported by (Osterwalder & Pigneur, 2010), (Johnson M. W., 2018), the profitability and competitiveness of the company determined by the utilization and resource velocity of the company.

4.4.8 Channels practice of HMMBI

All respondents respond the company way of reaching the potential customers has limitation because there is no forecasting activity to be proactive to contact with potential customers using proved ways for identifying those customers who might need the products of the company. and as confirmed by P13 the company frequently practices direct delivery method. The customers need to come to the company to get the product; therefore, the company follows the so called “mouth-to-mouth” approach which means the company relies on its brand and good name in order to be viable, the company always tries to offer best possible products to its customers. However, all respondents mentioned many times that there was delay of delivery as a result the customers complain are observed as usual practice. And as P12supported that the company unable to deliver quality products on time based on the customer requirements because, the company had ineffective

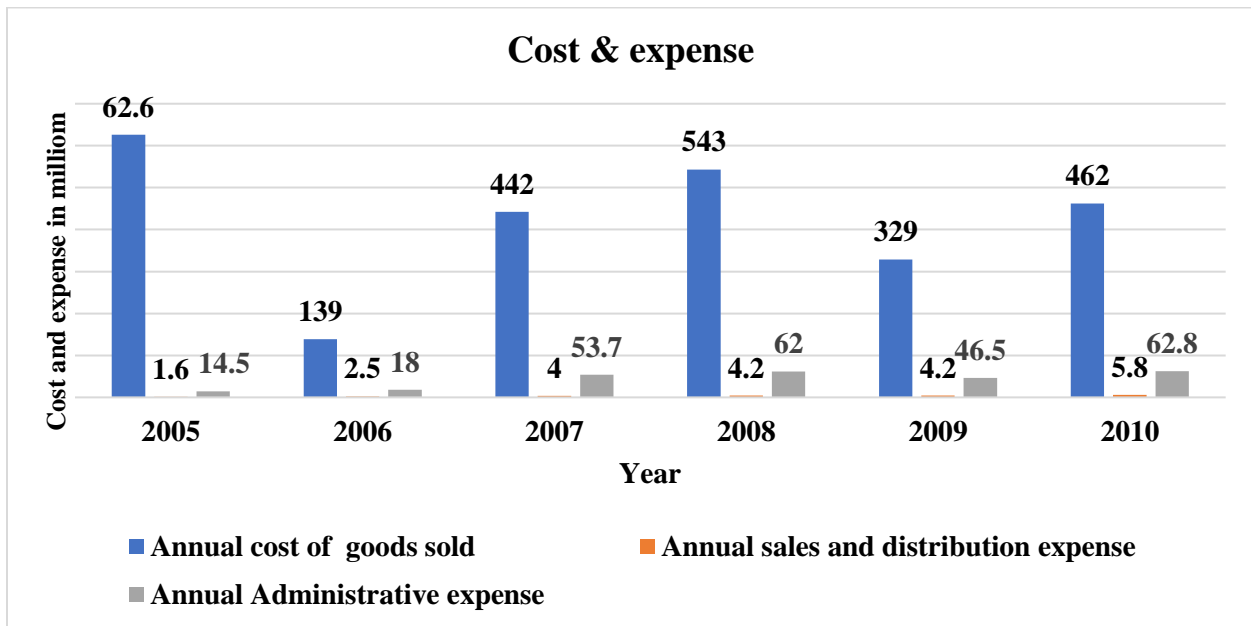
production and poor operation. And unless the customers come into the company the company is not ready to deliver the product to the customers where they are. The company utilizes the direct method as channel of delivery to reach customers. these created delays of delivery.

Based on the analysis the company ineffective production and poor operation and direct delivery method makes its channel ineffective to satisfy the customer. This supported by (Osterwalder & Pigneur, 2010), (Osterwalder, et al., 2005) , (Afuah A. , 2014) firms should have effective and suitable channel for customers to buy and to be closer to the customers. And direct method may cost to the firm thus, indirect method or other companies channel enhance the speed to deliver the customers and increase the profit margin of the company because there will be more revenue and more profit.

4.4.9 Cost structure practice of HMMBI

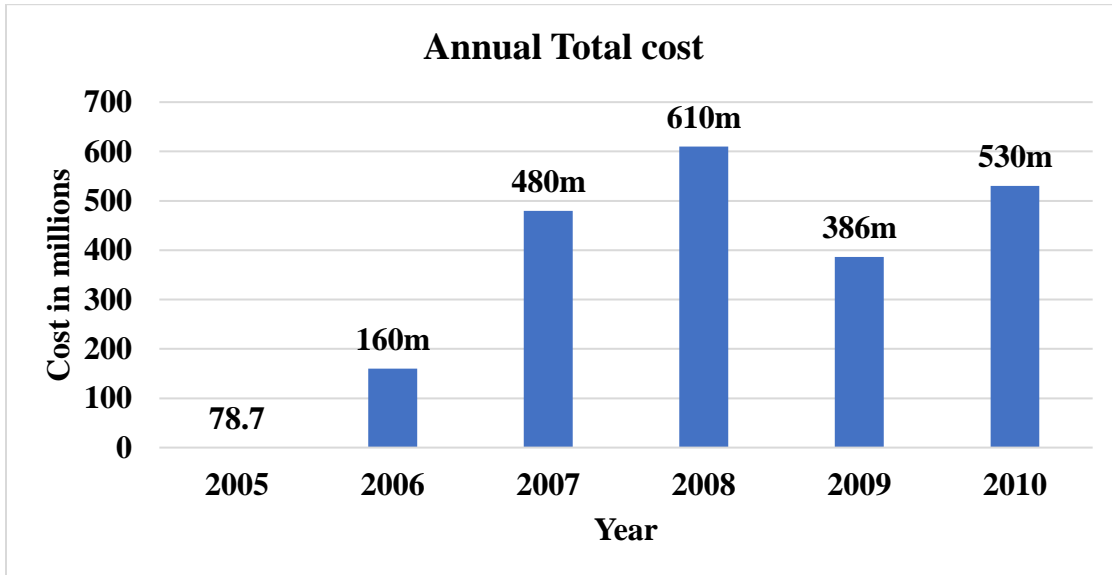
All respondents are responds that the company incurred high cost of goods sold, administration expense and very little sales and distribution expense. P14 stated that in HMMBI, cost of goods sold weighted significant amount on the final prices of the products offered. Every year the company spent more than 70%its finance for cost of goods of sold. The company major expense was cost of goods sold. Especially in the last three years, when the machine and flexible workshop was brought into production, these costs have been further increased to 462 million. And all respondents from interview and focus group discussion stated that the company administration expense was too much and need revision. And there was also sales and distribution expense that is small amount compared to the other costs. Here is a graph of cost of goods sold, administration, sales and distribution expense from the year 2005up to 2010E.C.

Figure-4. cost and expense



Source: (Hibret m. &, 2018)

Figure-5. Annual Total cost



Source: (Hibret m. &, 2018)

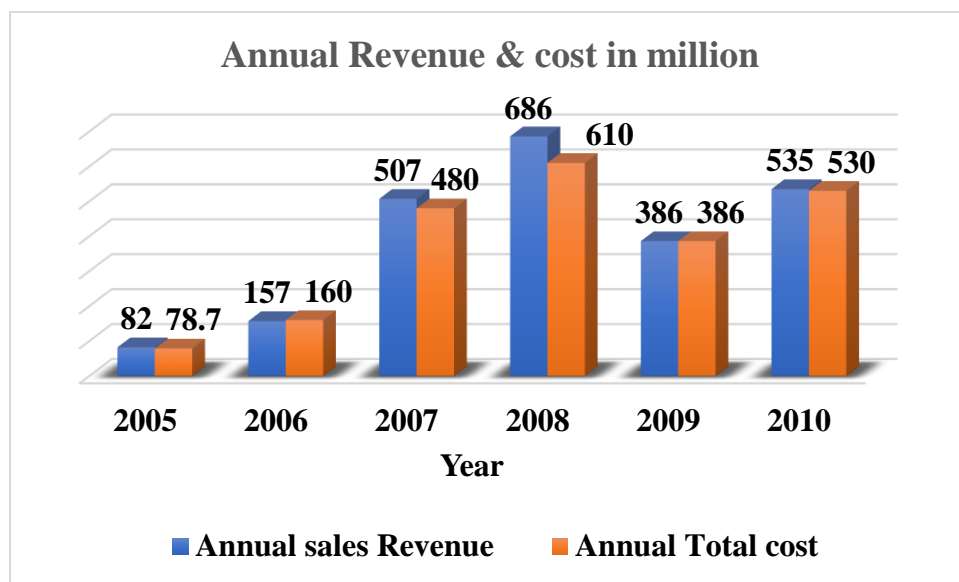
According to the data the company spent high amount of money for every activities.it can be said the company is value driven however, the company incurred much cost the customers still complaining about the quality and delay of the created value that are

required improvements raised questions. This supported by (Osterwalder & Pigneur, 2010), (Afuah A. , 2014) argued that firms can be either cost driven, or value driven but, the focus on reducing the costs or the focus lies on value creation.in other words, high cost without creating what customers needed product or service that could satisfy and solve their problem the cost that incurred would be loss and meaningless.

4.4.10 Revenue streams practice of HMMBI

The respondents of the interview and the focus group participants in one voice confirm that the company revenue comes from its product sales and the service delivery. The company produces spare parts, machines, bolts and nut, fixture and dies and structure that are used for new projects house, hangar and related prefabricated materials for the project considers as first stream of the revenue for the company. And on the other hand, the company delivering material treatment and testing service and providing training for the customers about the products utilization based on the requirements of the customers. The growth of the sales from 2005 up to 2010 E.C.

Figure-6. Annual Revenue & cost

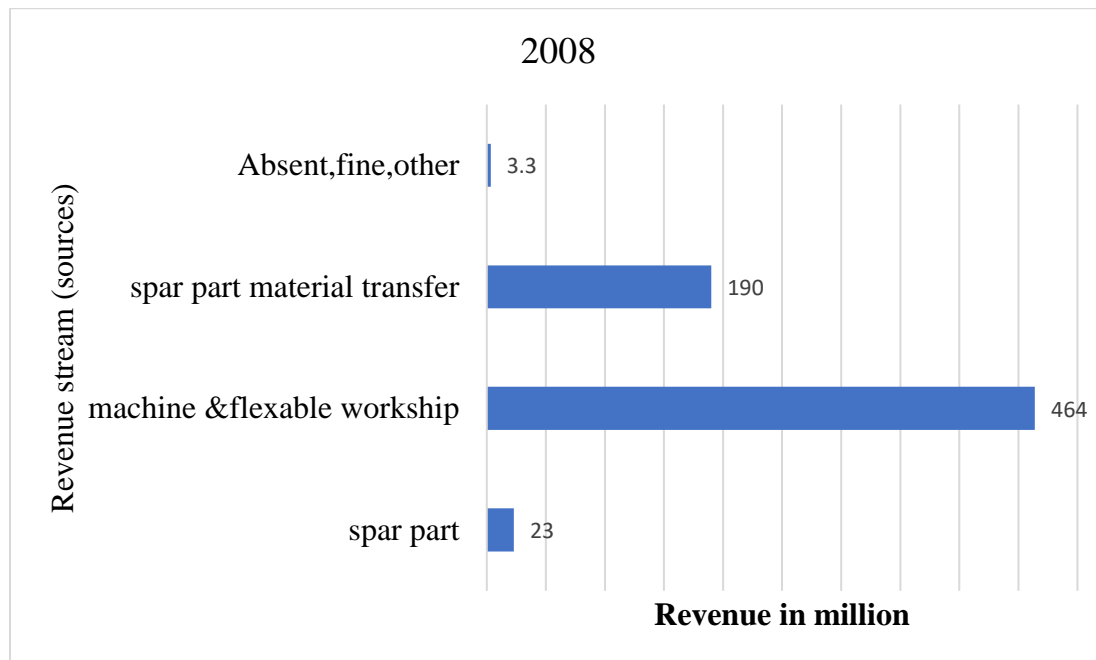


Source: (Hibret m. &., 2018)

However, 20 respondents labelled that the company revenue stream very limited and generated very low income. And the asset of the company reached 3.2 billion it can produce more diversified products that can multiply the revenue steam of the company but, though the company in 2007 and

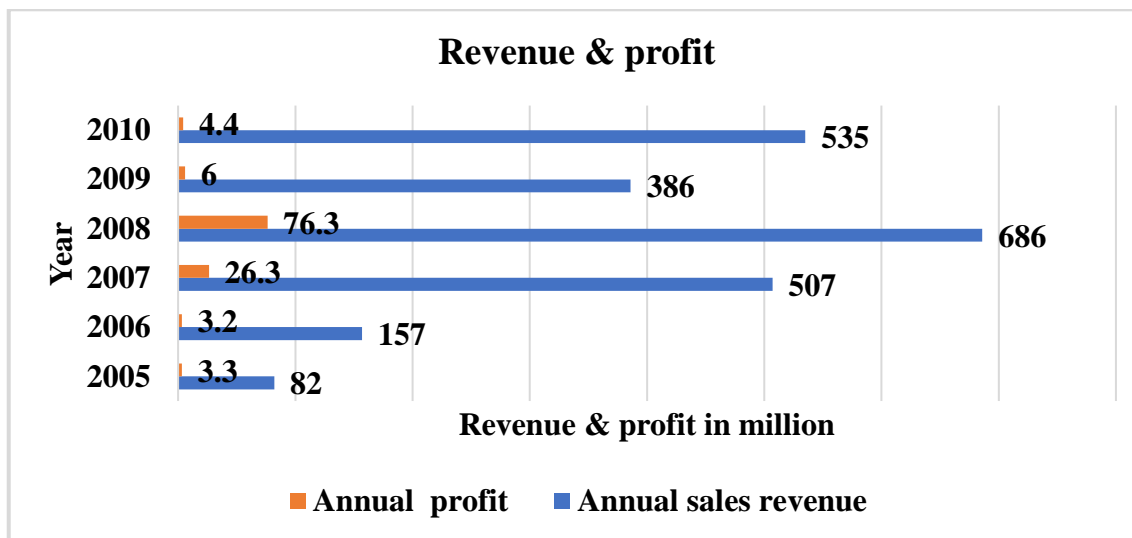
2008 collected and became much profited because of the opportunity that government facilitated machine market boom apart that the company still generated 19.5 million Birr only averaged as profit annually therefore, they believe that the company revenue stream very limited compared to its asset.

Figure-7. Revenue streams of Hibret manufacturing & machine building Industry.



Source: (Hibret m. &., 2018)

Figure-8. the revenue & profit of the company



Source: (Hibret m. &., 2018)

The above data shows that the company reproducing time to time. Revenue very small and revenue stream insufficient and caused to obtained insignificant profit. This supported by (Johnson M. W., 2018), (Osterwalder & Pigneur, 2010) argued that the revenue stream should generate from several payments type the firm sales continually for different customer's subscription fee. And when the customers use more and more products the firm received more revenue and the assets and fixed cost structure, as well as the margins, volume, and velocity that are required to cover them. It's not simply finding a new way to make money that can transform an industry; a powerful customer value proposition allows companies to generate profits in revolutionary ways. an organization should define how fast it must turn over its assets to achieve adequate returns.

Figure -9.the existing business of HMMBI (Hibret m. &, 2018)

<p>Key partners</p> <ul style="list-style-type: none"> ~ Ministry of defense ~ Sister companies ~ Commercial bank of Ethiopia ~ Foreigner Suppliers ~ Reginal states ~ Ministry of education ~ Reginal technique agencies ~ Addis Ababa city administration 	<p>Key activities</p> <ul style="list-style-type: none"> ~ Research and development ~ engineering and design ~ material selection ~ raw material acquisitions ~ production ~ distributions ~ financial management ~ marketing and sales ~ maintenance ~ human resource management 	<p>Value propositions</p> <ul style="list-style-type: none"> • Reliable machines and spare parts • Quality products • Material selection and measurement 	<p>Customer relationship</p> <ul style="list-style-type: none"> ~ Word of mouth ~ Publications ~ Official web cites ~ Electronic communication ~ Long term contract ~ Customer service ~ Post sales service ~ Brand awareness and trust 	<p>Customer segment</p> <ul style="list-style-type: none"> ~ Sugar corporation ~ sugar and fertilizer Mega projects ~ Ministry of defense ~ Reginal states and city administrations ~ Ministry of education ~ Federal /Reginal vocational & technique education agencies ~ Cement factories ~ Public, private and none profit organizations ~ vocational & technique colleges
<p>key resource</p> <ul style="list-style-type: none"> ~ 4 factories ~ more than 13 production support facilities facility covers 97,025 squire care meters and workshops, plants ~ production technology ~ 1125 employees ~ Complete portfolio of machines ~ More than 3.2-billion-birr asset ~ Management system ~ Distribution channel ~ Over 20 list of products ~ Intellectual property ~ Location in the capital ~ Brand 		<p>Channels</p> <ul style="list-style-type: none"> ~ Direct distribution 		
<p>Cost structure</p> <ul style="list-style-type: none"> ~ Value driven cost ~ Cost of goods sold ~ Administrative expense ~ Sales and distribution expense 		<p>Revenue stream</p> <ul style="list-style-type: none"> ~ spare parts, break pad sales ~ machines and flexible work shop sales ~ bolts and nut sales ~ fixture and dies sales ~ consultancy service delivery 		

Source

4.5 Research questions2: What are the main challenges facing the company in the implementations of the business model innovation?

4.5.1 Lack of strategic leadership

one of the issues I think that the companies failing in their clear vision because of lack of strategic leadership organizations focus on routine and day to day activities and benefits .to conquer the market in the future companies must align every decision making today for tomorrow. Resources such as human, financial and physical resources should be allocated on the company future competitive advantage capability. To ensure the firms sustainability focusing on long term benefits rather than short term benefits doesn't have option.

As respondents explained that receiving the change demands the employees to take risk and ready to receive that the consequence could bring through, the change initiative and desired by the leaders as P15 stated:"...companies allocated their resources in uncertain environment and with new not deep-rooted business model not known whether the business model profitable or therefore, they tends to say Let us put effort and resource on the things that we are certain.

The analysis of the strategic leadership shows that due to lack of strategic leadership leaders of the company focuses on short term benefits instead of working on long term benefits. the implementation of the business model innovation given Less attention. This supported by (Chesbrough., 2007), (Chesbrough H. , 2010) argue that Leaders are responsible to initiate innovation in the organization since they are resource allocators and strategic thinkers it is expected to initiate innovation activities to bring better result by creating new for customers.

4.5.2 Absence of profit-oriented mentality

As all 20interview participants responded that there is no market-oriented mentality in the company management they misunderstood that the company established for the public benefit and social good not for profit making. The management focuses on producing machine and spare parts and considered as successful achievement since the company is not indebted in bankruptcy. and the management and employees are reserved to put their full effort instead of being diligent to make the company profitable. Individual interest greater than organizational interests there are unable to work tirelessly to be competitive in the market this reason makes the business model innovation implementation more difficult.

As this stated by P16 (factory head) many of the organization products specially the machine that are imported and assembled and semi-finished related products of the company have very low demand in the eyes of the customers because those machines and products are the not mature technology the company imported infant technology that was poor in quality ,it is work only for short period of time, it doesn't have genuine spare parts and the company not working as producer instead the company work as assembling and supplier of the foreign companies products. Though the company have been seems satisfying the customers need and expanding its market instantly. However, customers claim heard to return the products as soon as delivery. The company was assembling machines at mass production level, but other products are not produced in mass production the company remains until the customer's order came. Currently, there are no market and machine productions also stopped.

According to the data the absence of profit-oriented mentality causes the company to continue without changing the business model that could help to satisfy the customer needs and solve their problem and bring the company to profit making by adding and changing the products that are needed by customers. All the interview respondents and most focus group discussion participants responded that there is no profit-oriented mentality in the industry.

4.5.3 Change to resistance

Respondents stated that the practice and their experience they pass through most of them they are not intentionally become resistant for the new business model innovation implementation however, because of the management carless and very reluctant leadership style and poor control method they continue with the usual existing business model instead of implementing the new business model.

As P19 explained that it is very difficult for the company like HMMBI to move easily to the new business model and respond to a certain change that is different from the way the company doing business. As boldly explained by P12 and repeated by others P8andP10 the change of the business model brings an opportunity to achieve success very difficult because it requires attitudinal change before changing the physical part and process, of the company.

The whole members of the company should stand as one for the implementation of the new business model innovation. Otherwise, only one part or some of the system alone putting effort for the change would be difficult and impossible.

This is supported by (Dent &Goldberg, 1999)employees that deter successful change implementation to avoid changes because they are afraid of unknown consequence brought by the change. Business model innovation often considered as a game changer; therefore, resistance could happen the people may not be happy until they become familiar with it and accept it.

4.5.4 Inability of maximum usage of resources

Resource utilization was indicated as a challenge by most respondents. As P1 stated:”...Utilization resources keeping the balance between using necessary resources for business model innovation focusing future benefits. The company, however, has 3.2 billion assets but, the annual average profit not more than 19.5 million Birr only 2007 and 2008 E.C maximum profit registered 26 and 76 million respectively compare to other physical years the other four years 3 to 4.3 million Birr only reported as profit.

P13supported this the company has too much asset but, its profit not more than 4.3 million annually because most of the years the company profit very small and not considered as profit. And P7and P11confirms that most of the time the company workshops are idle only when the customer’s order coming to the company the workshops started operation partially otherwise, no mass production until customers request found for production.

According to the data the HMMBI unable to use its resources properly though, it has too much asset. This supported by (Johnson M. W., 2018), (Afuah A. , 2014)firms’ profitability directly associated with the effective employment of its assets. The utilization of the resource velocity which focus on the quickness of a resources needs to be used to support target volume including invention, design, production, warehousing, shipping, service, sales, and payment throughout the value chain very essential to deliver the proposed value. Thus, the firm generate profit and reduced depreciation cost of the asset because the resource velocity of a business, the more of its offering the business can produce. Innovations that increase resource velocity allow company to make acceptable aggregate profits at lower gross-unit margins.

4.5.5 Lack of innovative culture

All respondents in interview and focus group responded that the company organized a specific section to coordinate research and innovation activities however, it was not practical and no effort to create innovation culture at all. Though, there was initiative by lower level managers and employees there was no favorable conditions that could encouraged and created innovative culture. This kind of culture very supportive for the implementation of the business model innovation.

As P14 referred business model has different blocks that are required specific technical capability P17 supported that because of lack of innovative culture problems that are related machines is not adapted and its technology was not transferred. The activity of the usual importing machine and its parts from china for assembling still have been continuing and if some technical problems happened there is no alternatives until Chinese technicians coming. though, currently stopped because customers are not willing to purchase it.

As P6 highlighted employees work together and share their experience however, experienced professionals leave the company time to time because of poor payment system this situation exposed the company to remain non innovative. The employee's skill, knowledge and experience are not accumulated in proper manner to accelerate innovation in the company. The company networking hard on research and development. the leaders are not initiated innovation by facilitating conditions that are needed for innovation.

Based on the analysis of innovative culture shows that due to lack of innovative culture the company knowledge and skills are not accommodated to use for future use and innovation projects of the company. Because of that new entrants' employees are not able to learn easily from accumulated knowledge that helped to create innovation culture. This supported by (Chesbrough H. , 2010), (Sosna, et al., 2010)The firm innovative culture helps to maintain the existing business model and it will make things easy when the company wants to be flexible with the dynamic environment to replace or to improve the new method and ways to sustain in competitive market without spending much resources using the capacity of the firm's own knowledge and resource. Even though, it is proved that very challenging process to build innovative culture it is a must to be embraced and supported for many companies.

4.5.6 lack of business knowledge

all 20 and the 15 focus group participants are raised many times about this issue that 90% the leadership positions occupied by engineering professionals who are coming from military background.

P20 support the people who have the leadership position of the company qualified and are not the right people who fits to lead this kind of industry. P19 stated:” ... the main challenge of the company to implement the business model innovation is having the absence of business knowledge at all level of the management. More than 90% leaders are an engineers and members of the military; therefore, their educational background and experience could not make them fit for the company with 3.2-billion-birr asset. in the industry about each component of the business model.

The data analysis of knowledge shows that due to lack of knowledge was one of the causes of the poor implementation of the business model innovation. This supported by (Chesbrough H. , 2012)stated that technical information’s related to market and potential need very important to innovate and implement the business model. the information comes from the research conducted and from the stockholders of the company such as customers, market partners, suppliers. This information requires business knowledge to make every decision effective about the business.

4.6 Research question 3: How does the current business model making the company profitable?

4.6.1 Customer perceived value Offering

All 20 interview participants raised and mentioned 30 times throughout the interview about customer perceived value. As P1 bringing more value to the customer was the target of every business model thinking day and night about the customers to make their life easy.

P2 I think the company trying to offer the products despite the quality problem sometimes happened especially in machine products. P3 disagreed that the company was not offering the value as the customers perceived it for example products are not delivered on time there is no mass production often there was delay and quality problem also happened frequently.

According to P5 customers are leaving the company because of quality problem and delivery delay that is why the company producing under its full production capacity. Customers perceived value is

in other words meeting their needs properly. In discussion with 20 respondents clearly notice that creating satisfaction very critical to be profitable perceived value was one main factor for profitability.

According to the data the value created by the company is not as it was perceived by the customers. This is supported by (Afuah A. , 2014) argue that Money comes from customers and they will continue to buy a product only if it meets their needs. Therefore, a necessary condition for making money in a market is to offer customers benefits that they perceive as valuable to them.

4.6.2 Cost effective and easy reconfigurable

Being cost effective was mentioned as a key element of the potential profitability of the business model 28 times during the interview. Most of the respondents understand about the importance of cost effective and reconfigurable business model. P3 stated: "...the business model may generate certain revenue however, how much it is costing to generate that revenue" ...

P6: supporting that cost effective and easy configurable business model has profitability potential because controlled and appropriate cost bring more revenue and when the business environment changing the business model easily configure with the environment this enable the business model to continue offer the value and generate revenue.

P11 confirms that the case company business model is not cost effective because the cost of material almost equal with the sales of the goods produced and the annual administrative expense of the HMMBI is too high and costly that limited the profit.

According to P17 ensuring that the case company selling and distribution expense relatively very low but more than the company average profit. Thus, need revision. Cost effective and easy configurable business model mentioned as measurement of profitability potential in 18 interviews discussion.

According to the data analysis the business model of the company was not cost effective and easy to configure. This is supported by (Afuah A. , 2014) In the changing world, a business model must be flexible enough to meet changing customer needs, address new markets, meet other challenges such as technological innovation and so on. That leads to the adaptability that the extent to which

the business model or core parts of it are cost effectively reconfigurable or redeploy able to offer benefits that customers perceive as valuable to them, especially in the face of change.

4.6.3 The sole offeror of the value

The Rareness of the value created by the company products that are produced by the company are unique being sole offeror of the created value creates great opportunity companies to control the market and generate more revenue 20 respondents mentioned about the benefit of being sole Producer to be profitable in the market. P6stated:

”...the case company is not sole producer of the products that are currently producing in the company”. P13spoke about how HMMBI not the only producer spare parts and other products. P15 supported that sister companies like AKAKI METALS and other private companies’ rivals are operating in the same market. There was mutual understanding between respondents that the company is not the only one operating in the market.

Notably 5 respondents are didn’t mention about this topic however, it was mentioned by every interview that the company was not the sole producer of a spare parts and materials.

According to the data the company is not the sole offeror of the value. This is supported by (Afuah A. , 2014) Although business models that are valuable and have high adaptability can offer customers what they want even in the face of major change the firm is not likely to make much money if many other firms offer the same benefits to customers.

4.6.4 Difficult to imitate

All but one of the 20 respondents are confirmed that those companies who have non -imitative business model is one of the business models’ non- imitative company’s business model continues to deliver the value without competitors or rivals into the future.

P8 spoke about looking at alternative products given that the traditional competitors are not the only firms threatening the firm’s products. P14used example the other companies operating in the same industry offering products those companies increasingly coming from china and India, this trend, in P18 view, the company should think about its business model to remain relevant and survive by providing none imitable values for its customers.

According to this view having non imitable value is very important for the firms to continue competent and ensuring its relevance to its customers by delivering the value and generating returns. The data analysis shows that the company value is not difficult to imitate therefore, this causes the company not to make much profit. This is supported by (Afuah A. , 2014)suggests that a firm's business model is such that it can offer customers rare benefits that they value, and the adaptability of the model is high, the firm will continue to make money only if the benefits are not imitated, substituted, or leapfrogged. That is, the inimitability, non-substitutability and leapfrogging of benefits offered are also important factors that a firm must look out for. Two of the biggest sources of imitation, leapfrogging, and substitutability are technological innovation and globalization. Witness the many technological innovations that have disrupted the competitive advantage of established firms.

4.6.5 Monetization

Having the right price is very essential setting the price too low without strategic motive it is like to leave the money on the table. And setting the price too high unnecessarily drive many customers away.

All but 2 respondents are confirmed that the case company price is too low because the cost and the revenue in the physical year compared showed that much cost and very little income. The cost is too high the company is not getting much profit. P9supporting that the company cost of offering of the benefits is too high because 85%of its expenses are spent on cost of goods sold and 21%for administration and sales and distribution expense as a result the profit margin of the company every year same and very small compare to the asset the company has. P13 stated:" ...The company has very few potential customers therefore, they subscribe to get the product and services they want these customers trust the company because of its reputation.

These views highlight the fact that the firm should have the right price strategy, it has to attract to have money customers to expand its market share and the company must reduce the cost of offering benefit spent on administrative cost and it has to increase production by forecasting the need of the customers using mass production instead of waiting until customers subscribed. This is supported by (Afuah A. , 2014)suggest that A firm can determine whether the firm has the right pricing strategy, has many customers with a high willingness to pay, has high quality sources of revenues, has a low-cost structure, and is we positioned in an attractive industry.

CHAPTER FIVE

Conclusion and Recommendation

This chapter makes conclusions that were drawn from the findings of the study, which were presented, discussed and interpreted in chapter four. Finally, based on this conclusion, the researcher recommended some points that may help to promote business model innovation practice in the case company.

In the beginning of the implementation of the business model innovation brought structural change accountability system, effective utilization of resources to achieve transparent, economical efficient and effective utilization of opportunities of business model innovation critical and decisive to provide improved and increased competitive advantage that insure the company competitiveness. The HMMBI was therefore, as the business organization acquire competitive business model to give quality accessible fast delivery. The company equipped in the implementation after the Ethiopian government proclaimed the growth and transformation plan.

The study indicated in chapter one, about the purpose of the study that was find out the practice and challenges of business model innovation. Investigation was conducted using business model canvas. Components such as value proposition customer segment, customer relationship, key partners, key resources, key activities, channels, cost structure and revenue stream as well as profitability potential to assess the overall operation of the company and evaluate the implementation of the business model innovation practice and challenge.

Further it was to suggest some relevant measures based on the analytical results that it must be taken improve the business model to be competitive and customer centre industry.

The study was employed qualitative method descriptive study. Sources of the information for this study was 35 leadership members were participated though intensive interview were conducted with 20 top management members and focus group discussion also conducted with 8 supervisors and 7 team leaders .in addition to interview and focus group discussion observation and document review were used as source of data.

The data were, analysed as per specified research questions of the study in the earlier chapter and summarized as follows under each topic.

5.1. Conclusions

A. customer segment, value propositions and customer relationship

According to this research finding in the HMMBI the customer segment to have satisfied customer those who are willing to pay the product should be identified, groups in different segment with equal needs behaviour and the mass market and niche market also should be segment the company neglected would not be applied and treat customers with favour to government organizations mistreated private organizations who have willingness to buy the product.

Regarding this research finding value proposition the product and service that create value for the segment's customers. The company offered products and services in the existing business model not solve the problem of the customers. The business model innovation in this regard not implemented and the company doesn't satisfy the needs of the customers.it would be better to implement the business model innovation that innovate and implement the value proposition and provided additional product with additional solutions that are solve customer problems and satisfy their needs.

Customer relationship is the type of the company established with the customer. The company established its relationship with the customer through two the organization utilized to connect itself with the customers. the other way publication using brochures, agenda books and colanders using both methods was not adequate. In the business model innovation supposed to use social media personal assistance were also as additional intended however, not implemented and applied.

B. key resources, key activities and key partners

Key resource can be defined as the physical, financial, intellectual and human resource owned by the company to create and offer value, reach market maintain relationship with customer and earn revenue. Poor utilization of resources the feature of the company. Huge asset owned by the company however, the resources that are deployed to implement the business model innovation have been idle and not to utilized operated under capacity because most customers are not in need of the company products. The resource velocity of the company very slow and not working even though, the company become the owner of the 3.2 billion assets.

According to this research the key activities of the company conducted to create the value reach the market maintained relationship in customers and earn revenue were not successful and profitable

the operation of the current production not effective the activities proposed in the business model innovation have been ignored and continued with the existing key activities that is not updated in the competitive environment. Much activities conducted inadequately. because of poor activities the company losing its brand, customers even its employees leaving the company and become unable to utilize the resource it has.

Business model can't work without the network of suppliers and partners. Key partners of the company are not adequate. partners help to optimize and economise scale minimization of risk and uncertainty. The company partners are all not helpful to work as strategic alliance and become source of additional resources and activities that are created additional capability for the company. Therefore, the company partners are service providers there were not any partner who were works as joint venture with the company to develop new business or buyer supplier that ensure reliable supplies.

C. channels, cost structure and revenue stream

According to this research findings, there is limitation between the company and customers touch points where the value delivered. Unless the customers came to the company the company doesn't have other delivery channels to reach the customer. There were no indirect sales through wholesales or through mixed channels because this there were customer complain about the quality of the products and mainly have complained that the product delivery very delayed and make the customer frustrated and the intended business model not implemented.

The fundamental purpose of business model innovation is to reduce costs. Activities such as value proposing, maintenance of relationship with customers and generating revenue arouse costs. A poorly designed cost structure inhibit such accomplishment ,just as a well-designed cost structure facilitated them therefore, according to the findings of this research the existing business model cost structure exposed the HMMBI for more administrative cost and also very high supplies cost/cost of goods sold /.the HMMBI cost structure seems value driven that focus on value creation instead of low cost offers. however, there were high cost and on the contrary, there was also low-quality product. Therefore, there were not economies of scale that bring profit in mass production and generate revenue.

According to this research findings the HMMBI revenue source from spare parts, machines bolt and net fixture, dies and structures as well as from service deliver such as material treatment, testing and training were the revenue stream of the company.as the company of 3.2-billion-birr asset generating 3.5 million annual profit very poor performance. The source of revenue the product and service of the company not diversified that generate revenue from different streams. The pricing strategy pre-defined with static variables and dynamic pricing was not applied where price change needed price change needed due to market conditions.

D. Lack of strategic thinking, change resistance and absence of profit-oriented mentality

The study found that strategic thinking in HMMBI was very poor. Lack of clear vision and forward looking, focusing on short term gain and losing long term benefits brought bad result. The HMMBI have the problem of enough and effective strategic plans. therefore, all the above problems cause not to apply the business model innovation. With maximum effort and facing shortages and barriers that are challenged the implementation of the business model innovation.

The business model innovation was initiated by strategic leaders but, was not supported with continuous guidance in the issues that were required significant decisions. This forced the management to stick and continue with the day to day routine activities.

change resistance was one of major issue that the management should handle and manage carefully. According to this research findings there were limitations of change management. The management of the company were unwilling and reluctant and poor control of employee performance. therefore, the management did nothing to change the attitude of employee and management members because unless, the attitude changed physical and the process change could not change the system and implement the business model innovation.

As the research findings show, profit oriented mentality very weak.in the company in principle the deployment of human resource, the position of each people, the production operation seems there were practical effort to be competitive and profitable. However, the machines produced not working for long time as soon as delivered to the customers is stopped working and claims were common. The company saw the production as an achievement no body worry whether the company the product needed by the customers or not. The products are imported from china and its quality of the technology used in the machines productions whether it is infant or mature it was not identified

and confirmed. These technologies provided for government organizations such as schools, unions in the form of lending after some time no spare parts and difficult for maintenance. The private sector not interested because of the quality and technology.

The management and employees not working diligently. individual benefits became before the company benefit no one control. All in all, the finding shows there were no mass production therefore, without quality products, mature technology, continues production and effective resource management that satisfy customers.

E. Inability of maximum usage of resources, lack of innovative culture, lack of business knowledge

The most important thing in business organization using resources effectively. the company owned 3.2-billion-birrasset. However, these assets are not utilized. Most of the time workshops are idle there were no work. When the customers brought order, their request were small production facility operated. Therefore, the company asset was not utilized as per business model innovation. The company unable to use its resource up to maximum level because the intended business model innovation not implemented.

Innovation culture created competitive advantage for the companies. Poor innovative culture may result losing company own skill, knowledge, and experience that improved the company capability to adapt and improved transfer technology methods and concepts.

According to this research finding there is lack of innovative culture in the company. The company have problem of creating favourable conditions that encouraged innovation and facilitated experience sharing of employees.

In accordance with understanding of the business and business model innovation and the business member of the management as the research finding shows there is lack of business knowledge. To increase knowledge of the business, the industry, the market etc. There must work on carrier development or experienced and qualified people should be appointed. Or unqualified people must be accountable for their action and decision.

F. Customer perceived value offering cost effective and easy configurable, the sole offeror of the value, difficult to imitate and monetization.

Customer perceived value offering is one of the measurements of the profitability potential of business model. Value attract customers satisfy their need and solve their problem. It is considered as value which satisfy need or solve the problem. The value without solution could not be value organizations strive to remain relevant for customers with valuable offering.

According to this research finding the company value offering were not as customers perceived. Most of the time the company product has low quality problems. Not only that there were also delay of delivery. These problems created frustration for customers and forced to see other alternatives.

Profitable business model reconfigured cost effectively. The change or innovation inevitable for business company. With minimum cost should be accepted the change or innovation .as this research shows it is too problematic to configure the company business model. Because there was high cost of goods sold and administrative expense. All this research implies that there is a need of revision because the business model could not reconfigure easily with low-cost. The asset of the company is huge, and the mobility of these asset is very costly.

The proposed value offered by any company determine the company profitability. The sole offerors always compute using the value as competitive advantage until the rivals offered some value. As this research implies the company was not the only producer of the products. Sister and other companies also provided the products. The company must diverse and keep the quality of the its products to get competitive advantage over its rivals.

The study found that the value of the company offered to the customer was not difficult for imitation. The difficulty to imitate the products that are offered by the company produced by sister and rival companies. therefore, the profitability of the business model. The company have been slow and going down its revenue most of the time as it has been seen very low and constant revenue earned by the company. There was growth in 2015 and 2016 apart that there was no change in its revenue because of its static business model the company using.

Monetization for the business organizations very important to create and deliver the value. Earning the value required special consideration. Sustainable businesses capture their value with proper pricing strategy. Cost of offering of the benefits determine the profit of the company.

According to this research finding in the company there were no proper price strategy. The right price determines the cost and profitability. Not only that the cost of offering benefits, and administrative expenses are too high as the findings indicated. On the other hand, there were no mass productions only few customers orders are received and served. Economies of scale have no place billions of assets are idle and the company must utilize these assets to expand production and increase its market share. And revised the way of doing business by implementing the business model innovation that led into the company the right track.

5.2. Recommendation

- ❖ In order to meet the purpose of business model innovation, employees need to get adequate feedback and support from their leaders. However, report from the employee indicated that their respective managers were failed to do. Thus, the company leaders should adequately support employees in order to prepare them for the implementation of the business model innovation and create awareness of its benefit to have competitive advantages. They need to provide necessary resources and response timely relating to employee's in the day to day activities that derived from the strategic plan to prepare them for tomorrow change, innovative action, production and other practice, and needs to guide how to conduct and apply each innovation of the model.
- ❖ The existing business model of HMMBI every component such as value proposition, customer segment, customer relationship, key partners, key resource, key activities, cost structure, revenue stream must that all innovate and prepare itself based on the needs of the market. Every section of the industry should practice need-based production and distributions to ensure effective operation and stay in the competitive market.
- ❖ The HMMBI must innovate its resource utilization the resource velocity to innovate design, produce, wholesale, ship, service, sell and pay for through the value chain for a given moment of investment should be improved. Overall capacity of the entire business model to

serve the customer value proposition. The greater the resource velocity of the business the more of its offering the business can produce. Innovation that increase resource velocity allow to make acceptable aggregate profits. Therefore, the business model of the company needs to be cost effective and easy to change or reconfigure to bring the result and effective performance.

- ❖ The HMMBI should kept and handled its key resource specially the unique people who have experienced people are the key resources for the company.
- ❖ The key process of the company must innovated because since the processes are the means by the company delivers its products in sustainable, repeatable, scalable and manageable way the company process should change the way they are working and the business model innovation implementation should be developed and change the process of the every operation that are the company conduct currently.
- ❖ The resource stream of the HMMBI must be innovated the company revenue was rely mainly on the machine products due to change of the needs of the customers the company stopped its production of machines as it is observed the revenue of 2017 and 2018 compared to 2015 and 2016 EC. respectively. Therefore, other products based on the needs of the customers should be produced. These products should be produced based on the marketing research and should be designed and delivered.
- ❖ It was found that the administrative expense in the consecutive years was very high. And Increased with related to the revenue however, its growth was too high. Therefore, the cost structure of HMMBI must be innovated and revised particularly the administrative cost of the company should be reviewed and should be well defined. And the company should revise its price strategy to determine the cost of the benefit of the value that offered to the customer the profitability of the business model of the company determine through the ability of the model revenue generation.
- ❖ The profitability potential of the existing business model of the company indicated in this study is very low. Therefore, the company should produce products that not imitated by others in the market and it must struggle to be the sole offeror of these product.

- ❖ The management of the HMMBI should have well structure and managed monitoring systems that make possible to crosscheck of the proper implementation of the business model innovation and to give an immediate solution for the existing problem.
- ❖ To meet the purpose of the business model innovation, the linkage between the partners and suppliers should be strengthened. For this reason, the concerned bodies of the company should build a strong link each other and must work jointly in planning and implementing the business model innovation. Not only this company should revise and conduct stockholder analysis to find and work with those who are not given the opportunity of working with the company and have influence and importance to the company.
- ❖ The HMMBI management must have vision and forward-looking attitude instead of focusing on day to day activities that they must think about the future to be competitive in the market. And they must know very well the business environment, the industry sector, the market, the customers and suppliers and other stakeholders. If they know where the organization going through their vision, they will stick on their plan though there is difficulties in the way to ensure the sustainability of the company.
- ❖ The administrative bodies of the company ought to create conducive environment that support to assess the change resistance of the management and staff members that hinder the implementation of the business model innovation. The believes and values of the employees of the company should be assessed whether it is compatible with the company believes and values or rules and regulation of the company or not. And the company should asses the negative effect of the implementation of the business model innovation over the employees and prepare strategy which reduces the resistance of the employees from creating awareness to encouraging through providing benefits to enhance the implementation of the new model.
- ❖ The HMMBI must offer its product using different channels since there is high delay of delivery of products the company should add other delivery methods that are articulated in the intended business model innovation.

5.3 Future study

The same study should be conducted in other similar public organization to know the extent of implementation of businesses model innovation practice and challenge. This will create the opportunity to compare the findings up on which reliable conclusion can be made based on the facts. Moreover, it would be attractive to investigate other private business organizations implementation of business model innovation practice and challenges to learn from their practice that will provide insight in the area.

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Appendix A

Questions for Interview

1. In which factory/department currently you are working
2. What is your position in the company?
3. How long have you worked at the company?
4. What is your understanding about the concepts of BMI?
5. How do you think the practice of BMI in terms of customer segments, value propositions, Channels, customer relationships, revenue streams, key activities, key resources, key partnerships and cost structure?
6. Do you think the company is a good place for innovation and change? If, your answer is 'No'. why?
7. Since when your company business model developed?
8. What were the drivers of the business model innovation in your company?
9. How are resource and process organized to support this business model please address issues such as budgets, resource allocation, and hierarchy in the organization?
10. How frequently is the business model revised, and what are the circumstances that give rise to this revision?
11. To what extent do top and middle level managers in the company have appropriate skills in business management, the market environment, managerial principles, resource administration and control?
12. How do you evaluate BMI management in terms of gap analysis, business model development and identify objectives, implementation and evaluation in the company?
13. What is the profitability potential of the existing business model of your company?
14. What are challenges in practicing BMI in your company?
15. What strategies can be used to overcome the challenges of BMI?

Appendix B
Questions for focus group discussion

Questions from each business model components

A. Customer Segments:

1. Who are your customers?
2. What do they think about your business?
3. For whom are you creating value?
4. Who are your most important customers?

B. Value Propositions:

1. What is/are your business value/s?
2. What attracts your customers?
3. Why do customers buy, use?
4. What value do you deliver to the customer?
5. Which one of your customer's problems are we helping to solve?
6. What bundles of products and services are you offering to each segment?
7. Which customer needs are you satisfying?

C. Channels:

1. How are these propositions promoted, sold and delivered?
2. What channels do you use to reach your customers and your suppliers?
3. Through which channel reach your customers?
4. How are your Channels integrated?
5. Which one is most cost efficient?
6. What channels do you reach your customers through?

D. Customer Relationships:

1. How do you interact with the customer through their 'journey'?
2. Any after sales services and special treatments?
3. How do you get keep and grow customers?
4. Which customer relationship have you established?
5. How have your customers changed compared to 5years ago?
6. How would you describe your relation to your customers today compared to 5 years ago?

E. Revenue Streams:

1. How does the business earn revenue from the value propositions?
2. What are your revenue sources?
3. For what value are your customers really willing to pay?
4. For what do they currently pay?
5. How is the currently paying?
6. How would they prefer to pay?

F. Key Activities:

1. What uniquely strategic things does the business do to deliver its proposition?
2. What key activities do your value propositions require?
3. Your distribution channels
4. Customer relationship
5. Revenue stream

G. Key Resources:

1. What unique strategic assets does your business have to compete?
2. What key resources does your value proposition require?
3. What key resources do for your Distribution Channels?
4. What key resources do for your Customer Relationship?
5. What key resources do for your Revenue Stream?

H. Key Partnerships:

1. Do you have any business partners?
2. Who are your key partners?
3. Who is your key partner/suppliers?
4. Which key resources are you acquiring from your partners?
5. Which key activities do partners perform?

I. Cost Structure:

1. What is the business' major cost drivers?
2. How are they linked to revenue?
3. What are the most important costs inherent to your business model?
4. Which key resources are most expensive?
5. Which key activities are most expensive?

<p>Key partners</p> <ul style="list-style-type: none"> -Who are your key partner? - Which key resources are required from your partners? - Which key activities do your partners perform? 	<p>Key activities</p> <ul style="list-style-type: none"> - What key activities do your value propositions require - your distribution channels - Customer relationship - Revenue stream 	<p>Value propositions</p> <ul style="list-style-type: none"> -What value do you deliver to the customer? - Which one of our customers problems are you helping to solve? - What bundles of products and services are you offering to each segment? - Which customer needs are you satisfying? - What is the minimum viable product? 	<p>Customer relationship</p> <ul style="list-style-type: none"> - How do you get keep and grow customers? - Which customer relationship have we established? - How are they integrated with the rest of your model? 	<p>Customer segment</p> <ul style="list-style-type: none"> -For whom are you creating the value? - Who are your most important customers? - What are the customers archetypes?
<p>Cost structure</p> <ul style="list-style-type: none"> -What are the most important costs inherent to the business model - Which key resources are most expensive - Which key activities are most expensive 		<p>Revenue stream</p> <ul style="list-style-type: none"> - For what value are the customers willing to pay? - For what do they currently pay? - How are the currently paying? - How would they prefer to pay? - What are the pricing tactics? 		