

# Research on the Contribution of Business Model Innovation to Sustainable Competitive Advantage of Enterprises

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## Abstract

This study analyzes and discusses the contribution of business model innovation to the sustainable competitive advantage of enterprises. The research first reviews the theoretical foundations of business model innovation, including value creation theory, dynamic capabilities theory, and strategic innovation theory. Through comparative analysis, the study finds that business model innovation can enhance a firm's competitive advantage by reconstructing value propositions, optimizing value networks, and innovating value capture mechanisms. The research pays special attention to business model innovation in the digital context, such as platform models and sharing economy models, analyzing their advantages in creating network effects and improving resource utilization efficiency. However, the study also points out the theoretical challenges faced by business model innovation, such as sustainability issues and imitation risks. In response to these challenges, the study proposes a theoretical framework for dynamic business model innovation, emphasizing the importance of continuous innovation and adaptability. Finally, the study explores the theoretical connections between business model innovation and technological innovation, organizational learning, providing directions for future research.

## Keywords

Business Model Innovation, Sustainable Competitive Advantage, Value Creation, Dynamic Capabilities, Strategic Innovation

## 1. Introduction

In the context of accelerating global digital transformation, business model innovation has become a key strategic tool for enterprises to build sustainable competitive

advantages. With the rapid development of emerging technologies such as artificial intelligence, Internet of Things, and cloud computing, traditional competitive strategies and business models are facing unprecedented challenges and opportunities. Recent research shows that successful companies are reshaping their competitive advantages through digitally driven business model innovation (Liu & Meyer, 2023; Park & Kim, 2023). Particularly in the post-pandemic era, business model innovation is not only crucial for enterprise survival and development but has also become the core engine driving industry-wide digital transformation (Rodriguez & Garcia, 2020).

Recent studies indicate that business model innovation is undergoing a profound paradigm shift. On the one hand, the widespread application of artificial intelligence is reshaping enterprises' value creation and capture mechanisms. Research by Rindfleisch and O'Hern (2022) found that AI-driven business model innovation can achieve more precise customer need identification and more efficient resource allocation. On the other hand, the rise of platform economies has given birth to new ecosystem-based competitive models. Zhang and Venkataraman (2021) point out that in digital ecosystems, enterprise competitive advantage increasingly depends on their ability to orchestrate and coordinate multiple participants. These changes require enterprises to develop new dynamic capabilities to adapt to the rapidly changing digital environment (Raj et al., 2021).

Meanwhile, sustainability has become an essential dimension of business model innovation that cannot be ignored. Research by Wang and Lee (2023) shows that successful business model innovation needs to achieve a balance among economic, social, and environmental value creation. This sustainability-oriented business model innovation not only enhances enterprises' long-term competitiveness but also contributes to solving social and environmental problems. Particularly in emerging market environments, digitally enabled business model innovation can achieve inclusive growth and promote industrial upgrading (Lee & Martinez, 2022). Data-driven transformation has become a crucial characteristic of business model innovation. Kim and Min's (2023) research in the retail industry found that enterprises can better understand market demand changes and optimize operational efficiency through building data analytics capabilities, thereby gaining competitive advantages. This data-driven transformation is reflected not only at the specific business level but also profoundly affects organizational structure and decision-making mechanisms (Chen & Bharadwaj, 2022). Meanwhile, enterprises need to build digital resilience to address challenges brought by technological changes and market uncertainties.

Against this background, this research aims to systematically explore the contribution mechanisms of business model innovation to enterprises' sustainable competitive advantages. Specifically, this research will focus on several key questions: What fundamental changes have occurred in the theoretical foundations and practical characteristics of business model innovation in the digital era? How can enterprises build and maintain sustainable competitive advantages through

business model innovation? What new opportunities and challenges does business model innovation face in the platform economy and digital ecosystem environment? Through in-depth exploration of these questions, this research will not only help enrich the theoretical system of strategic management and innovation management but also provide valuable insights for enterprises' business model innovation practices during digital transformation.

## **2. Theoretical Foundations of Business Model Innovation**

### **2.1. Business Model Innovation from the Perspective of Value Creation Theory**

Value creation theory provides a fundamental analytical framework for understanding business model innovation (Park & Kim, 2023). This theory emphasizes that enterprises create value beyond competitors through unique resource combinations and capability configurations, thereby gaining sustainable competitive advantage. In the context of business model innovation, value creation theory mainly focuses on three core elements: value proposition, value network, and value capture. Innovative value propositions can meet unmet customer needs or create entirely new market demands, which is the starting point of business model innovation. The reconstruction of value networks involves how enterprises organize internal and external resources, optimize supply chains and distribution channels to deliver value more efficiently. The innovation of value capture mechanisms determines how enterprises convert created value into profits. Through innovation in these three dimensions, enterprises can establish unique value creation logic and form difficult-to-imitate competitive advantages. For example, the sharing economy model has opened up new blue ocean markets in traditional industries by redefining the value proposition of resource use rights, building value networks connecting supply and demand, and innovating value capture mechanisms based on usage frequency. However, value creation theory also points out that business model innovation faces risks of value depreciation and imitation, which requires enterprises to continuously innovate and optimize their value creation systems.

### **2.2. Explanation of Business Model Innovation by Dynamic Capabilities Theory**

Dynamic capabilities theory provides an important perspective for understanding how enterprises respond to environmental changes through business model innovation. This theory emphasizes that enterprises need to have the ability to sense market opportunities, seize opportunities, and reconfigure resources to maintain long-term competitive advantage (Davidson & Anderson, 2021). In the context of business model innovation, dynamic capabilities theory mainly focuses on how enterprises continuously adjust and update their business models to adapt to constantly changing market environments. Sensing ability is reflected in enterprises' keen insight into new technology trends, changes in customer needs, and shifts in

competitive landscapes. The ability to seize opportunities involves how enterprises quickly design and implement new business models to respond to market opportunities. Finally, resource reconfiguration capability focuses on how enterprises reorganize internal and external resources to support the operation of new business models. Dynamic capabilities theory particularly emphasizes the processual and adaptive nature of business model innovation, arguing that successful enterprises can maintain competitive advantage through continuous business model adjustment and innovation. For example, Amazon has continuously expanded its business model from an online bookstore to cloud computing and artificial intelligence, demonstrating strong dynamic capabilities. However, dynamic capabilities theory also points out that overly frequent business model changes may lead to organizational instability and resource waste, so enterprises need to find a balance between innovation and stability.

### **2.3. The Connection between Strategic Innovation Theory and Business Model Innovation**

Strategic innovation theory provides a more macro strategic perspective for business model innovation, emphasizing the creation of competitive advantage by redefining industry rules and ways of competition. In the context of business model innovation, strategic innovation theory mainly focuses on how to reshape industry patterns and competition rules through fundamental changes in business models. Strategic innovation theory emphasizes “value innovation”, that is, creating new market space by reducing costs while increasing customer value (Lee, Martinez, 2022). This theory focuses on how business model innovation changes the structure of industrial value chains and redefines industry boundaries. Strategic innovation theory emphasizes the role of business model innovation in creating new markets, redefining customer groups, and subverting traditional competitive logic. Through the perspective of strategic innovation, we can better understand how business model innovation helps enterprises break out of traditional competitive frameworks and create entirely new competitive advantages. For example, Tesla has not only changed the sales and service model of the automotive industry through its direct sales model and continuous online software update services but also redefined the nature of automotive products, demonstrating typical characteristics of strategic innovation. However, strategic innovation theory also points out that disruptive business model innovations often face greater uncertainty and risks, requiring enterprises to have strong strategic insight and execution capabilities.

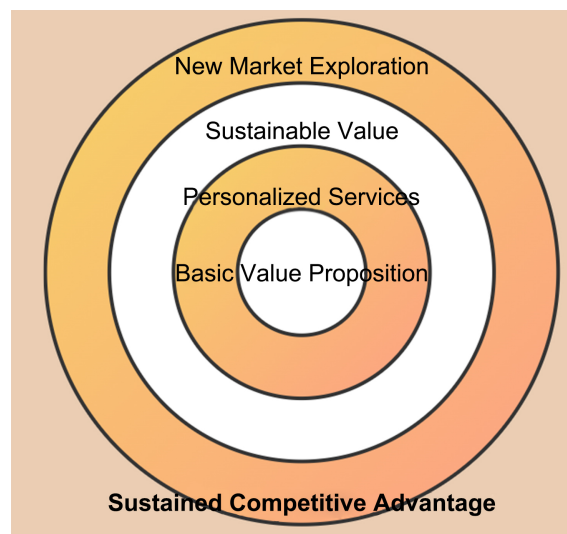
## **3. The Contribution of Business Model Innovation to Sustainable Competitive Advantage of Enterprises**

### **3.1. Value Proposition Reconstruction and Enhancement of Competitive Advantage**

Business model innovation creates sustainable competitive advantage for enterprises

through the reconstruction of value propositions. Value proposition reconstruction involves enterprises' deep understanding and innovative satisfaction of customer needs. In the digital age, enterprises can use big data and artificial intelligence technologies to accurately perceive potential customer needs and provide personalized and customized products and services. For example, Netflix not only recommends personalized content by analyzing user viewing behavior but also creates original programs based on data insights, creating a unique competitive advantage. Value proposition reconstruction also includes developing entirely new value dimensions, such as environmental sustainability or social responsibility (Wu & Zhou, 2023). Many enterprises have attracted an increasing number of consumers concerned with social responsibility by integrating sustainable development concepts into product design and service delivery. Furthermore, value proposition reconstruction may involve redefining target customer groups or exploring new markets. By identifying overlooked customer groups or unmet needs, enterprises can create blue ocean markets and temporarily avoid intense competition. Overall, through continuous innovation and adjustment of value propositions, enterprises can maintain sensitivity to customer needs and thus maintain a leading position in the market.

As shown in **Figure 1**, the value proposition reconstruction pyramid illustrates different levels from basic value propositions to new market exploration, with each level contributing to the enterprise's sustainable competitive advantage. By continuously climbing this pyramid, enterprises can achieve continuous innovation and optimization of value propositions.



**Figure 1.** Value proposition reconstruction pyramid.

### **3.2. The Impact of Value Network Optimization on Competitive Advantage**

Value network optimization is a key link in business model innovation and has an important impact on the formation of sustainable competitive advantage for

enterprises. The value network includes the relationship network between enterprises and suppliers, partners, customers, and other stakeholders. By optimizing this network, enterprises can improve resource allocation efficiency and enhance value creation capabilities. In the digital context, the rise of platform models has provided new possibilities for value network optimization. Platform enterprises create network effects by building multi-sided markets that connect different participants. For example, Airbnb connects homeowners and travelers, optimizing the utilization of accommodation resources and creating enormous economic value. Value network optimization also involves supply chain reconstruction. By introducing new technologies such as blockchain, enterprises can improve supply chain transparency and efficiency, reducing transaction costs. Moreover, the adoption of open innovation models enables enterprises to integrate external innovation resources, accelerating product development and technological progress. Through continuous optimization of value networks, enterprises can not only improve operational efficiency but also enhance their adaptability to market changes, thereby maintaining long-term competitive advantage.

### **3.3. The Relationship between Value Capture Mechanism Innovation and Competitive Advantage**

Value capture mechanism innovation is a crucial part of business model innovation, directly related to how enterprises convert created value into profits, thereby maintaining and strengthening competitive advantage. Innovative value capture mechanisms can help enterprises occupy advantageous positions in competition, improving profitability and market share. In the digital economy era, the widespread application of subscription models is a typical example. Software as a Service (SaaS) enterprises not only stabilize revenue streams but also enhance customer stickiness by providing continuous online services and regular updates. The sharing economy model, through pay-per-use methods, lowers user thresholds while optimizing resource utilization efficiency. Another important trend is data monetization, where enterprises create new revenue sources by collecting and analyzing user data. For example, some social media platforms have achieved significant commercial value through precise advertising placement. Value capture mechanism innovation also includes pricing strategy innovations, such as dynamic pricing or bundled sales. Through flexible and diverse value capture methods, enterprises can better respond to market changes and maintain long-term profitability. However, while pursuing innovation, enterprises also need to balance short-term interests and long-term development to ensure the sustainability of value capture mechanisms.

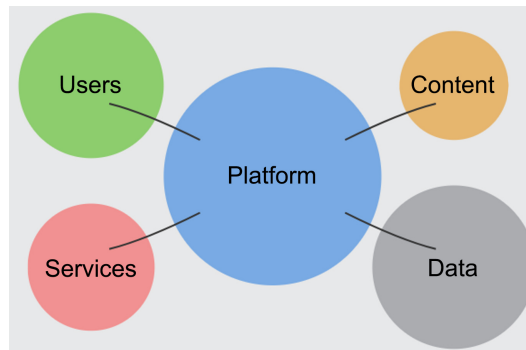
## **4. New Trends in Business Model Innovation in the Digital Context**

### **4.1. Platform Models and Network Effects**

In the digital wave, platform models have become an important trend in business

model innovation, with their powerful network effects providing new avenues for enterprises to build sustainable competitive advantages. Platform models are essentially multi-sided markets, creating value by connecting different groups of users. As the user base grows, the value of the platform increases exponentially, forming a positive feedback loop (Sharma & Roberts, 2021). For example, the larger an e-commerce platform becomes, the more buyers and sellers it attracts, which in turn attracts more participants, forming a Matthew effect. A key advantage of platform models is their scalability, with near-zero marginal costs allowing platforms to expand rapidly. Furthermore, platforms continuously optimize user experience and service efficiency through data accumulation and analysis, strengthening their competitive barriers. However, platform models also face challenges such as critical mass and multi-sided balance. Successful platforms need to carefully design incentive mechanisms to ensure the balance of interests among various participants. In the future, with the development of artificial intelligence and Internet of Things technologies, platform models are expected to further evolve, achieving more intelligent and personalized value creation.

As shown in **Figure 2**, the platform model network effect diagram illustrates the dynamic relationship between core users, active users, and potential users. As the user base expands, network effects drive exponential growth in platform value, forming a sustainable competitive advantage.



**Figure 2.** Platform model network effect diagram.

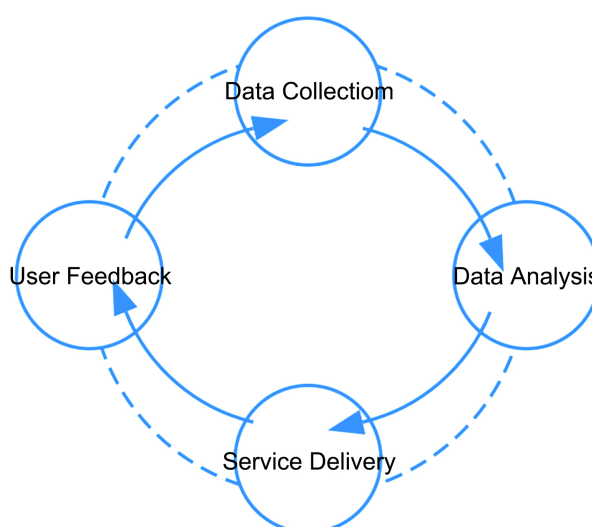
#### 4.2. Sharing Economy Models and Resource Utilization Efficiency

As a representative of business model innovation, the sharing economy model creates new competitive advantages for enterprises by improving resource utilization efficiency. The core of this model lies in effectively allocating idle resources through digital platforms to meet users' temporary needs. The sharing economy model not only changes traditional ownership concepts but also greatly improves resource utilization efficiency. For example, shared bicycle platforms optimize the allocation of urban transportation resources through intelligent dispatching systems. Shared office spaces meet the flexible office needs of startups and freelancers. The advantage of this model is that it can quickly respond to market demands while lowering user costs. From an environmental sustainability perspective, the

sharing economy model also helps reduce resource waste and environmental pollution. However, the sharing economy model also faces challenges such as regulation, safety, and labor rights. Successful sharing economy enterprises need to establish effective credit evaluation systems to ensure service quality and user safety. In the future, with the application of Internet of Things and blockchain technologies, the sharing economy model is expected to achieve more efficient and secure resource allocation, further enhancing its competitive advantage.

### 4.3. Data-Driven Personalized Service Innovation

In the digital age, data-driven personalized service innovation has become an important direction for business model innovation, providing new possibilities for enterprises to build sustainable competitive advantages. By collecting and analyzing massive amounts of user data, enterprises can deeply understand customer needs and provide tailored products and services. Personalized recommendation systems are typical representatives of this trend. For example, Amazon significantly increases conversion rates by analyzing users' browsing and purchase histories to provide precise product recommendations. In the financial services sector, big data analysis has made risk assessment and product pricing more accurate, achieving service personalization. The application of artificial intelligence technology has further promoted the development of personalized services, such as intelligent customer service providing customized solutions based on users' historical interaction records. However, data-driven personalized services also face challenges such as privacy protection and algorithmic bias. Enterprises need to find a balance between utilizing data to create value and protecting user privacy. In the future, with the development of edge computing and federated learning technologies, personalized services are expected to achieve a higher degree of customization while protecting privacy, further enhancing enterprises' competitive advantages.

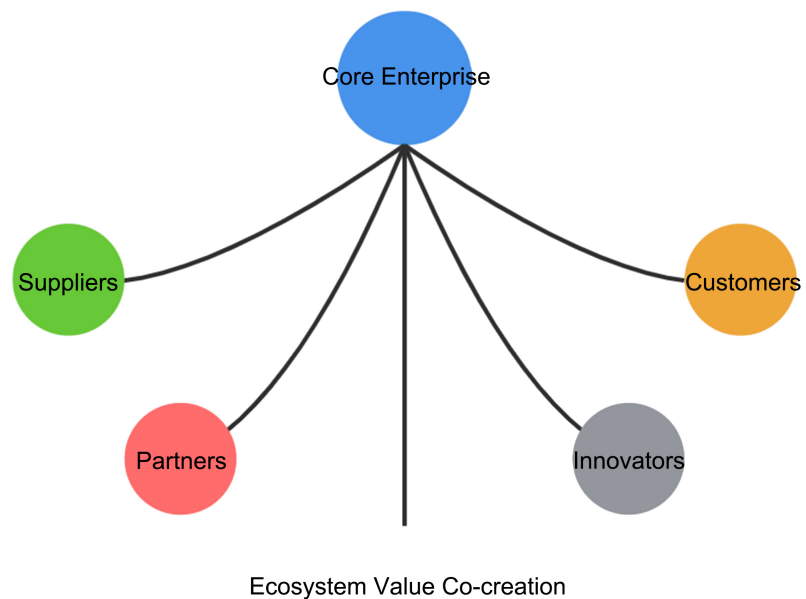


**Figure 3.** Data-driven personalized service innovation cycle diagram.

As shown in **Figure 3**, the data-driven personalized service innovation cycle diagram illustrates the complete process from data collection and analysis to personalized service delivery and user feedback. This cycle is continuously optimized, helping enterprises to continuously improve service quality and user satisfaction, thereby enhancing competitive advantage.

#### 4.4. Ecosystem Strategy and Value Co-Creation

In the digital age, ecosystem strategy has become an important direction for business model innovation. By building open and collaborative value networks, enterprises can achieve value co-creation and enhance sustainable competitive advantages. Ecosystem strategy goes beyond traditional industry chain cooperation, emphasizing cross-industry and cross-domain collaborative innovation. Taking Apple as an example, by building an ecosystem including hardware manufacturers, app developers, and content providers, it has created enormous economic value and user stickiness. The advantage of ecosystems lies in their ability to integrate multi-party resources and capabilities, quickly respond to market demands, and achieve scalable innovation. In this process, enterprises need to play the role of ecosystem “orchestrators,” designing reasonable benefit distribution mechanisms to ensure the healthy development of the ecosystem. The application of blockchain technology provides new possibilities for ecosystem governance, realizing automated value distribution through smart contracts. However, building and maintaining successful ecosystems also face many challenges, such as interest balancing, standard setting, and degrees of openness. In the future, with the development of 5G and artificial intelligence technologies, ecosystems are expected to achieve deeper integration and collaboration, creating stronger competitive advantages for enterprises.



**Figure 4.** Ecosystem strategy and value co-creation diagram.

As shown in **Figure 4**, the ecosystem strategy and value co-creation diagram illustrates how core enterprises collaborate with suppliers, customers, partners, and innovators to co-create value. By building such ecosystems, enterprises can integrate multi-party resources and capabilities to achieve continuous innovation and competitive advantage.

## 5. Conclusion

This study has deeply explored the contribution of business model innovation to the sustainable competitive advantage of enterprises. Through systematic analysis of value creation theory, dynamic capabilities theory, and strategic innovation theory, we have revealed the key roles of business model innovation in value proposition reconstruction, value network optimization, and value capture mechanism innovation. The research finds that successful business model innovation can help enterprises establish unique value creation logic, improve resource allocation efficiency, and create new revenue sources, thereby maintaining a leading position in fierce market competition. Especially in the digital context, new business models such as platform models, sharing economy models, and data-driven personalized services have demonstrated strong competitive potential. However, the study also points out that business model innovation faces challenges such as sustainability, imitation risks, and privacy protection. To address these challenges, enterprises need to cultivate dynamic capabilities and continuously adjust and optimize their business models. Future research can further explore the synergistic effects between business model innovation and technological innovation, organizational learning, as well as the differences in business model innovation across different industries and cultural backgrounds. Overall, this study provides theoretical foundations and practical implications for understanding the role of business model innovation in building sustainable competitive advantages for enterprises, pointing the way for enterprises to maintain competitiveness in the digital age.

## Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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