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THE RELATIONSHIP BETWEEN BUSINESS MODEL INNOVATION, RELATIONSHIP QUALITY AND START-UP PERFORMANCE: A LITERATURE REVIEW

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ABSTRACT

The study investigated the literature review, dimensions and outcomes of business model innovation and relationship quality. Based on research gap, the study proposed the framework for start-ups in Vietnam. The findings addressed the relationship between business model innovation, relationship quality and start-up performance. BMI and RQ played important roles in the success of start-ups in Vietnam. So, it was essential to conduct experimental research to improve the start- up performance in the future.

Keywords: Business Model Innovation, relationship quality, start-up performance

1. INTRODUCTION

Start-up businesses have established and put into operation in the initial stages, usually over 3 months and less than 3.5 years; opposite, the start-up business has been stabilized (GEM, 2013). Entrepreneurs in the initial stage (under 3.5 years) have difficulties and fails during this period. On the other hand, the competition between startups and competitors in the industry has become increasing. In order to survive and develop, start-ups need to improve their competitive advantage because it is the key to the success of all businesses (Nguyen Dinh Tho and Nguyen Thi Mai Trang, 2008). Therefore, start-up businesses must identify the resources that create sustainable competitive advantage and start-up performance. The start-up business has a different business model. The business model was built based on available resources to operate business. Competitors are so hardly copy to apply to their business. At the present, the business model innovation has not been conduct emperial research which is considered as dynamic (unsatisfied VRIN criteria to become a dynamic capabilities). The study considered the relationship quality between itself and partners, including customers, suppliers, distribution agents, and state agencies, start-up supporters…

Currently, the state was concerned about the start-up, encouraged and supported the spirit of start-up, policies, legal and capital to start-up businesses. The study was conducted to help entrepreneurs overcome limitations, focus on business model innovation, relationship quality to create competitive advantage and start-up performance. In addition, the relationship between "relationship quality", "business model innovation" and "start-up performance" is essential to conduct experimental research in the future.

2. A SYSTEMATIC LITERATURE REVIEW

2.1 Business Model Innovation (BMI)

2.1.1 BMI Definitions

In marketing, BMI is mainly conceptualized as change in the target customer and the related value proposition (Dmitriev et al, 2014; Wu et al, 2013); as a new consumption/distribution model (Baumeister et al, 2015) and as a new product conceptualization such as the servitization of manufactured products (Nenonen and Storbacka, 2010).

In organizational studies, BMI is mainly conceived as change that managers and management teams can realize through learning experimentation (McGrath 2010) and trial-and-error activities (Freeman and Engel, 2007).

In contrast, in strategic management, BMI is mainly conceptualized as the introduction of innovative ways to create and capture value for stakeholders of a single or networked company through a BM (Tongur and Engwall, 2014; Zott and Amit, 2010). Finally, in entrepreneurship, BMI is associated with disruptive and substantial innovation introduced and developed to seize new economic opportunities (Gerasymenko et al, 2015).

2.1.2 Business Model Innovation Outcomes

Within the real economic performance theme is to be found the first paper that measured BMI economic performance outcomes (Giesen et al, 2007) by considering firms listed on the stock exchange and measuring the effects of BMI on the compound annual growth rate of operating profit margin and stock price. The economic performance measures employed within this theme are mainly focused on various measures of profit such as profit margin and market share growth (Nair et al. 2012) or profit after tax and operating margin (Demil and Lecocq, 2010).

Perceived performance constructs include items related to perceived market performance and growth over the previous three years (Brettel et al, 2012), perceived cost reduction, customer satisfaction, on-time delivery, and firms' perceived continuous improvement (Huang et al, 2012)

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Corporate survival of new firms (Velu and Khanna, 2013) is an emerging theme within economic performance outcomes of BMI.

2.2 Relationship Quality (RQ)

2.2.1 RQ definitions

These definitions reflect the significance of RQ, yet there is no agreement among researchers on a single acceptable definition for RQ.

Table 1: RQ definitions

Authors(year)	Relationship quality definition
Crosby (1991)	Means that the customer is able to rely on the salesperson's integrity and has confidence in the salesperson's future performance because the level of past performance has been consistently satisfactory; i.e., ability to reduce perceived uncertainty.
Storbacka et al (1994)	Considered as a link that brings together the concepts of service quality, customer satisfaction, relationship strength, relationship longevity, and relationship profitability.
Henning-Thurau & Klee (1997)	Is the degree of appropriateness of a relationship to fulfill the needs of the customer associated with that relationship
Smith (1988a)	Is a higher-order construct comprised of a variety of positive relationship outcomes that reflect the overall strength of a relationship and the extent to which it meets the needs and expectations of the parties
Jap et al (1999)	Is the evaluation of various aspects of relationship—attitudinal, process, and future expectations.
Hennig-Thurau et al (2002)	Is a meta-construct composed of several key components reflecting the overall nature of relationships between companies and consumers.
Wong & Sohal (2002a)	Means customer is able to rely on the service provider's integrity and has confidence in the service provider's future performance because the level of past performance has been consistently satisfactory.
Keating et al (2003)	Is the quality of interaction between a firm and its customers and such is interpreted in terms of accumulated value.
Walter et al (2003)	It is a multidimensional construct which considers relationship quality as a
Fynes et al (2004)	Relationship quality as the degree to which both parties in a relationship are engaged in an active, long-term working relationship and operationalize the construct using indicators of trust, adaptation, communication, and cooperation.
Lages et al	In an exporting setting, relationship quality refers to relationships

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(2005)	developed beyond national boundaries.
Huang, Chiu, & Kuo (2006)	Is an overall assessment of the strength of a relationship and the extent to which it meets the needs and expectations of the parties based on a history of success or unsuccessful encounters or events
Carr (2006)	It determines the beliefs held by the parties in the relationship and has an effect upon the future actions taken by each party to the relationship.
Ndubisi (2006)	Is a bundle of intangible values which augment products or services and result in an expected interchange between buyers and sellers.
Papassapa & Miller (2007)	Is considered a higher-order construct that encompasses trust, satisfaction, commitment, minimal opportunism, customer orientation, and ethical profile

(Sources: Osobajo and Moore summarize, 2017)

Table 1 is obvious from the different definitions of RQ extracted that:

- RQ definition varies according to the research context; and
- RQ as a concept has been applied in either an interpersonal relationship or inter-organizational relationship context.

2.2.2 RQ Outcomes

The consequences of RQ that are analysed in various studies involve three major categories of variables:

Business or service or channel performance in different forms including purchasing efficiency (Han et al., 1993); market research utilization (Moorman et al., 1992); supply chain performance (Fynes et al., 2004); export performance (Lages et al., 2005); sales effectiveness (Crosby et al., 1990; Boles et al., 2000); service quality (Woo and Ennew, 2004; Bennett and Barkensjo, 2005), and increase in sales (Huntley, 2006) or incremental business (Bowen and Shoemaker, 1998).

Relational benefits including anticipation of future interaction (Crosby et al., 1990; Boles et al., 2000); relationship strength (Storbacka et al., 1994); relationship longevity (Storbacka et al., 1994; Scanlan and McPhail, 2000; Friman et al., 2002); customer retention (Hennig-Thurau and Klee, 1997; Hennig-Thurau, 2000); social, economic, psychological and customization benefits (Gwinner et al., 1998); relationship enhancement (Selnes, 1998) and continuity (Selnes, 1998; Woo and Cha, 2002); some aspect or aspects of voluntary parternship (referall, WOM, references, publicity) (Bowen and Shoemaker, 1998; Woo and Cha, 2002; Hennig-Thurau et al., 2002; Roberts et al., 2003; Huntley, 2006); customer loyalty (de Ruyeter et al., 2001; Hennig-Thurau et al., 2002); future intentions regarding the relationship (Garbarino and Johnson, 1999; Venetis and Ghauri, 2004; Ulaga and Eggert, 2006); less opportunistic behaviour (Bowen and

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Shoemaker, 1998), and propensity to leave the relationship (Morgan and Hunt, 1994; Ulaga and Eggert, 2006). Also, another variable that seems very important is the actual or perceived value of the relationship for both parties (Wilson and Jantrania, 1996; Bowen and Shoemaker, 1998; Ulaga and Eggert, 2006). Finally, customer loyalty has caught the interest of researchers lately either as one variable (Lin and Ding, 2006), or broken up in attitudinal loyalty and purchase intentions (Papassapa and Miller, 2007), or at a conceptual level as destination loyalty (Huang and Chiu, 2006).

Satisfaction-related variables including salesperson satisfaction (Park and Deitz, 2006); economic and non-economic satisfaction (Farrelly and Quester, 2005) and buyer's satisfaction with supplier (Sanzo et al., 2003).

2.3 Start-up performance

There are various definitions of the success of a firm. There is a good argument for approaching the concept of success form the point of view of the firm's goals and whether they have been attained. The continued functioning of the firm proves that it has been able to fulfil the expectations of the people involved and can thus be considered to be a good criterion of success. In this study the criterion of a successful firm was defined as continued functioning, and hence firms have been divided into two groups: those who closed down their activities during the first 3 years and those who continued to trade.

In the literature, many different success indicators are used (for an overview, see Albach et al., 1985; Meyer, 1994). In this study, the success of start-ups is measured as firm survival (SURVIVAL) and whether a firm achieves profit break-even (BREAK). The use of two different dependent variables allows us to analyze the impact of different sources of capital constraints (debt versus venture capital) on different aspects of success (survival versus profit).

Other outcome measures, such as employment growth or the volumes of sales, cannot be used in this study. As growth of the firms in our sample is limited, access to external capital is of low importance. It is thus no surprise that we cannot find a statistically significant impact of financial constraints on employment growth. Furthermore, owing to high volatility and misreporting of size data for start-ups, the estimation of the impact of financial constraints on the volume of sales and growth in sales would be very noisy. Therefore, we use the achievement of profit break-even (binary variable) instead of the volume of sales (continuous variable) to describe a firms' activity level.

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3. MODEL RESEARCH AND HYPOTHESIS RESEARCH

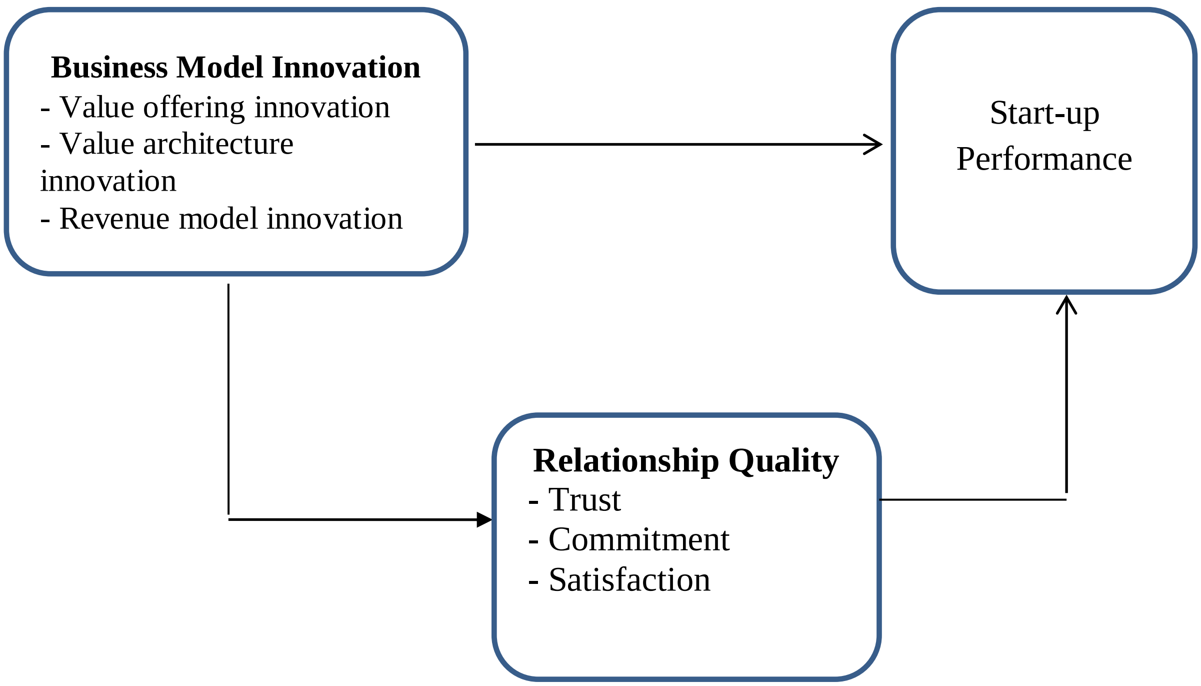

Figure 1: The relationship between BMI, RQ và Start-up performance

3.1 BMI measures

Business model innovation has at its most concrete been described as a fundamental or paradigmatic change (Markides 2006; Teece 2010). While there is no doubt that business model innovation goes beyond pure product or service innovation, this vague characterization does not provide us with a clear guideline of how much change needs to occur within these dimensions to count as a business model innovation. Therefore, the assumption is that to achieve such a fundamental or paradigmatic change, not only a particular business model element but at least one of the three business model dimensions (value offering, value architecture, revenue model) needs to be innovated. Thus, one can distinguish three distinct basic business model innovation types—(1) value offering innovation, (2) value architecture innovation, and (3) revenue model innovation. Each can occur independently from any changes in the remaining dimensions, even though changes in one dimension are likely to cause the need for alignment in further dimensions of a firm's business model. Value offering innovation thereby refers to designing a new value offering that meets an existing but yet unfulfilled customer demand, or that stimulates an additional but not yet consciously perceived demand. Second, value architecture innovation

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refers to the exploration of new applications and combinations of a firm's base of resources and competences or within its external partner network. Third, revenue model innovation refers to the innovation of a firm's core earnings logic. Firms develop new ways of generating earnings and managing their costs while simultaneously meeting customer needs, and providing the firm with the highest possible profit it can derive from its resources and competences.

Value offering innovation thereby refers to designing a new value offering that meets an existing but yet unfulfilled customer demand, or that stimulates an additional but not yet consciously perceived demand. Our scale development reveals that value offering innovation is covered by three business model elements: (1.1) target customers, (1.2) product and service offering, and (1.3) positioning. These elements serve to explain which benefits a firm provides to whom and how it thereby differentiates itself from its competitors.

Value architecture innovation refers to the exploration of new applications and combinations of a firm's base of resources and competences or within its external partner network. Our study extends extant research, since it validates four business model elements for value architecture innovation: (2.1) core competencies and resources, (2.2) internal value creation, (2.3) external value creation, and (2.4) distribution. These provide a description of which resources and competencies a firm's value offering is built on, which activities within and beyond the firm are used for value creation, and how the firm's offering reaches its target customers.

Revenue model innovation refers to the innovation of a firm's core earnings logic. Firms develop new ways to generate earnings and manage their costs while simultaneously meeting customer needs, and providing the firm with the highest possible profit it can take out of its resources and competences. Empirically, we show and prove that two further business model elements coin a firm's revenue model logic innovation: (3.1) logic of earnings and (3.2) logic of costs.

3.2 RQ measures

The dimensions of relationship quality include most of the time trust, commitment and satisfaction. Those three are established as measures of relationship quality. Also, many studies analyse conflict in various forms (affective, manifest, calculative, functional, dysfunctional), cooperation, opportunism, power, adaptation, atmosphere, and social and/or structural bonds. Certain studies brake up trust in two by using trust in benevolence and trust in integrity (Kumar et al., 1995; Roberts et al., 2003), and separate commitment in emotional and calculative (Hennig-Thurau, 2000). Also, there are various studies that go further and include dimensions such as expectation of continuity (Kumar et al., 1995; Jap et al., 1999; Hennig-Thurau, 2000); goal compatibility and comparison level of the alternative (Wilson and

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Jantrania, 1996); perceived product or service quality (Hennig-Thurau and Klee, 1997; Hennig-Thurau, 2000; Papassapa and Miller, 2007); perceived quality of interaction (Moorman et al., 1992); relationship stability (Johnson et al., 1993); customer orientation and ethical profile (Dorsch et al., 1998); coordination and profit (Naude and Buttle, 2000), and communication (Fynes et al., 2004; Keating et al., 2003). Finally, there is a study that creates a whole measurement scale for RQ in the exporter-importer relationship that includes the following dimensions: amount of information sharing; communication quality; long-term relationship orientation, and satisfaction with the relationship (Lages et al., 2005).

Parasuraman et al (1985) introduced trust as a critical success factor in successful service relationships. Customers need to feel safe in their dealings with suppliers and need assurance that their interaction is confidential in that they are able to trust their suppliers. Berry (1995, p. 242) further suggests that "relationship marketing is built on the foundation of trust". In relation to customer loyalty, Reichheld and Schefter (2000, p. 107) highlight the importance of trust in that "to gain loyalty of customers, you must first gain trust". In addition, trust is an important feature or aspect in the building and development of quality relationships through a process of making and keeping promises.

The buyer-and-seller relationship literature defines commitment as an implicit or explicit pledge of relational continuity between exchange partners (Dwyer et al., 1987). In simpler terms, commitment refers to the motivation to stay with a supplier (Moorman et al., 1992). In a business relationship, commitment is a psychological sentiment of the mind through which an attitude forms concerning continuation of a relationship with a business partner (Wetzels et al., 1998). Prior research suggests at least two forms of commitment (Kumar et al., 1994), calculative commitment and affective commitment.

Aaker (1991) and Heskett et al. (1997) state that satisfaction is a key determinant to every level of brand loyalty. These authors propose that satisfaction is an important variable in explaining loyalty. Dick and Basu (1994) and Oliver (1999) suggest that satisfaction is an affective antecedent of loyalty. Furthermore, researchers often consider satisfaction as affecting the likelihood of repurchasing or reusing the service of a provider. Oliver (1999) proposes three dimensions of satisfaction: cognitive, affective and conative, which conclude in action loyalty or repeat usage.

4. DISCUSSION

The study has investigated a literature review of business model innovation and relationship quality. The research finding proposed the relationship between BMI and RQ for start-ups in Vietnam. In the future, it is essential to conduct the experimental research to help start-ups

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improve their competitive abilities. The failure of start-ups in Vietnam was mainly caused by not having the relationship quality with partners and business model innovation. So, start-ups should emphasize BMI and RQ to improve competitive advantages and firm performance in the initial stage.

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