

# TOWARDS THE MORPHOLOGY OF CREATIVE BUSINESS-MODEL IN UKRAINE

Alexander KLIMCHUK\*, Veronika CHALA\*\*

**Abstract:** *The article touches upon theoretical issues of increasing business-model creativity in response to objective cognitive economy establishment in European countries and in world trade generally. Convergent development in CEE countries crucially depends on efficiency of its strategic business environment orientation. A critical analysis of Ukrainian business-models peculiarities is presented; their external and internal factors are described. Authors derive conclusions concerning current Ukrainian business-models effectiveness in terms of European creative competitive environment. The article embodies statistical and empirical materials derived during consultancy activities, including organizational engineering, financial function development and introduction of strategic planning, in numerous Ukrainian firms between 2003 and 2015. The presented cases reveal data from more than 20 organizations of private and public ownership in Ukraine.*

**Keywords:** *Ukraine; EU; creative economy; creative business-model; customer creativity*

## Introduction

Ukrainian companies are anxious of self-estimating and discovering whether their developed during independency business models will be competitive in the new common European economic environment and how it will transform capital flows in the region. From the other hand, CEE governments and generally mega-regional institutions are searching to enlarge their economic influence areas and investigate possible perspectives for more convergent and integral economic growth. Since gaining independence, a specific business-environment was formed, with distinctive features, usually very different from other European countries. For example, the banking system is characterized by strong IT-integration and great

---

\* Ph. D., Associate Professor, Department of Organization and Project Management, Pridniprovs'k State Academy of Civil Engineering and Architecture, Business-consultant, e-mail: a.klimchuk@gmail.com

\*\* Ph. D., Associate Professor, International economy department, Pridniprovs'k State Academy of Civil Engineering and Architecture, Dnipropetrovs'k, Ukraine, e-mail: v4alaya@gmail.com



scaling, building industry – with quite low capitalization and high level of investment risks.

During the uneven post-crisis years in Ukraine a boost in the business-activity has been observed. Companies are improving their economic indicators, activate sales, develop old and create new distribution channels. This tendency is almost fair for all sectors of Ukrainian economy. Obviously, these positive shifts do not touch upon all firms in industry. Some of companies, which have not succeeded to overcome crisis, have either already left the market or they are on their way to exit. Only the strongest and the most adaptive have survived. These are the positive aspects of the latest world financial crisis when it comes to evolution of business environment and economy as a whole.

Those companies, who managed to survive the crisis, are anxious about choosing those management tools and even paradigms so as to support their effectiveness, economic scale and strong position on market. There are plenty of such instruments and choosing from this range is not simple. As a result, the market of business-consulting is particularly expanding now. Moreover, a quite active marketing activity of business-consultants is observed with various managerial tools promotion.

Same representative tendency is observed when talking about Ukrainian companies' motivation to integrate to European economic relations. It is intensified by given political processes in Ukrainian-EU integration (namely, within the frames of the new Association Agreement). In fact, majority of Ukrainian companies have suppliers in the EU. Moreover, particular companies build their business almost fully oriented on European market and just have a physical location in Ukraine. This way or another, Ukrainian companies face evolutionary new factors of competitiveness like marketing, technological, product, logistic, promotion, design creativity, which proved their principal value in the EU market much earlier in 80-90s. Now the EU economic environment is represented by service oriented, mostly middle-size entrepreneurships realising the obvious shift to homo-sociologicus paradigm in their societies and trying to satisfy those qualitatively new needs of their consumers inside and outside inner market. Their business models can be generally characterised as creative in contract to Ukrainian ones.

What usually *bothers* top-management of Ukrainian companies is how to apply advanced theory and practice of business-modelling and to make their goods and services creative to become competitive in the global market. And thus, two problems arise simultaneously. Firstly, it is the limited understanding of business-modelling theory among business-elite in Ukraine because of lack of reliable literature sources and, obviously, because of the novelty of this concept. For example, usually creativity is associated with product functions itself and no relations with other subsystems in company are seen. Secondly, there are number of inner contradictions inside the business-model theory itself when it comes to perspective planning and performance tracking.



We would argue that most of researches on business-model have not paid enough attention to the question of its target format definition. In other words, quite big attention is paid to the formalization of 'as-is' or current state business-model of organization, whereas relatively small respect is given to the ways of defining 'to-be' or future, targeted state of business-model. And what is even more crucial, they do not outline recommendation about how to account the imperatives of creative economy. Impact of totally new relations between economic agents in terms of production, distribution, exchange and consumption of new forms and methods, added symbolic and informational value to the product through using intellectual property and commercialization of individual creative potential have an outstanding effect on production, management and marketing strategies of business that can be hardly overestimated

This article focuses on perspective combining of creative economy concept with business-model theory in order to define the imperatives set to the last one in terms of contemporary competitive environment. Specifically, it reveals the attempt to distinguish different types of business-models in Ukraine due to their creativity. Further, we investigate the structure and cause-consequence relationship between factors of inner-clients and out-stakeholders creativity elements. Finally, it presents theoretical research and practical recommendations concerning the algorithm of these elements in the process of company's business-model/engineering. The convergent impact of such methodology is regarded as crucial for the further economic integration of Ukraine and other catching up Central and Eastern European countries to the common EU competitive environment.

## 1. Literature review

Most of publications of business-models are dedicated to their structuring and to their description procedures. The most significant research on business-model engineering, management and adaptation to external changes so far has been presented by Osterwalder (2004). Numerous scientific papers influenced by his approaches have followed (Al-Debei *et al.*, 2008; Johnson *et al.*, 2010; Rozeia *et al.*, 2011).

Still the question of quantitative business-model measurement is left practically undisclosed (Osterwalder, 2013). The same success is with key qualitative indicators and the problem of their regulation. In our opinion, this is particularly important aspect of using business-model instrument in practice, since according to famous quotation, "what we can't measure – we can't manage" (Ovans, 2015). The third significant flaw in business-model theory is its specifics arising while implementation in post-soviet business reality, including Ukrainian companies. Despite its constructive and convergent power, so far this aspect has been poorly developed.



Understanding the fact that creative factors impact greatly modern economies' performance has revealed itself in the numerous theories, including cultural industries theory of A. Scott and A. Pratt, the impression and experience economy theory of J. Pine, J. Gilmore, the creative economy theory of J. Hawkins, the creative city theory of C. Landry and the creative class theory of R. Florida. Forty years ago UNCTAD and the Council of Europe have begun to explore such economic phenomenon as cultural (creative) industries. N. Graham defines their essence based on the personal creative element, skill or talent that can create added value or new jobs through the use of intellectual property (Chala, 2015, p. 25). It is particularly remarkable that creative industries have been showing higher growth rates in developed countries over the 1990s. For example, in the EU, they were more than twice intensively growing comparing to classic services and industrial production.

Equally important notion of creative class is thoroughly studied by R. Florida as workers who bring added value through their creativity. He proves that the creative class becomes a major factor of the any economy productivity growth in long run as they produce new forms or designs that are ready to use and are useful in a broad meaning. Therefore, this class includes a wide range of workers in the field of knowledge intensive usage according to P. Drucker and F. Machlup, symbolic analysts of R. Reich; X-class of P. Fussel and "professional managers" of E. Wright. Representatives of this class are combined by at least four common life principles: individuality, meritocracy (respect to advantages at the perfection level), diversity and openness.

According to R. Florida, nowadays creativity covers all sectors and blurs the boundaries between classes, and ensures its implementation under such lateral concept. One cannot form creative economy in the delinked and unconnected society. J. Jacobs highlights that societies demonstrate stability due to the mixing of permanent residents with temporary residents. Specifically, speed and ease of integration of all types of people into the economic society under the high mobility conditions, weak holding circumstances and alternative societies are the key elements of stable creative society and economy. Organizational forms with a more favorable social organization for creativity are constantly expanding worldwide, for example, "jobs without colored collars", "creative factories" and so on. The challenge is to strengthen these processes and introduce them in all spheres of society, for which the continuous improvement of social cohesion forms is critical.

P. Torrens and J. Guilford were the first who used the term of creativity. They explained it as distinctive feature of human creative potential, which is manifested in the willingness to produce conceptually new ideas. American businessman and professor of Harvard Business School - a specialist in the field of creativity - J. Kao - defines this concept as a process of creating ideas, implementation of which occurs in the phenomena that can be described as entrepreneurial or innovative.



R. Florida sees creativity as the basis of the new economy and explains it as production of new forms and patterns that can be easily distributed and used, for example, the creation of a new mass-market product or invention of a new theorem or an all-purpose strategy. In his opinion, creativity in the new economy lies in a combination of three areas: technical innovation, business and culture. Meanwhile M. McLuhan defends his idea that creativity is, first of all, a technology of creative process organization. C. Landry, the author of the book entitled *Creative City: A Toolkit for Urban Innovators*, emphasizes the relationship between creativity and the development of urban areas. The concept of a creative city was presented as a call to stimulate the openness of thinking and imagination in economic society, for it largely affects the organizational culture. In the opinion of C. Landry, there is always more creative potential in any company and place.

C. Mercer adds the notion of planning in the field of culture, as strategic and integration process of the cultural resources use for the development of companies, cities and communities. In collaboration with C. Landry he explained the concept of: cultural resources as raw material of a company and its basic values; resources which replace coal, steel or gold; and creativity, respectively, as a method of these cultural resources finding and developing.

Numerous attempts to estimate conceptual interconnection of the factors, which influence the development of the modern business environment creative function, have been undertaken in many scientific studies. For example, KEA company in its most famous study ordered by European Commission associate the identification of the creative development factors with the areas, where the corresponding effects can be obtained: scientific, economic, cultural and technological, as a basis for the others. Similar logic was followed by the designers of the creativity index estimation in the Hong Kong Home Affairs Bureau in cooperation with the T. Mori Foundation. According to their beliefs, the creative development factors lie in the plane of four capitals, at the intersection of which the creativity results are created: cultural capital; social capital; human capital and structural- institutional capital.

R. Florida states that social element of creative development (tolerance in society) causes rapid adaptation of new information, and therefore, the technological component of creative development (innovative activities). Together they enhance a human component of the business creative development (accumulation of talents), which directly affects the value added numbers.

More recent approach to the creative development elements and factors systematization is represented in the scientific heritage of P. Cohender. According to his assumptions, the creative function factors are revealed through the analysis of the creative production chain. Initially, the scientist makes a theoretical assumption and justifies the existence of three phases, which help to promote the idea from its emergence up to its direct implementation in the creation of market creative products (in this case, authors use “higher, middle and lower” morphological levels in his model of the business creative development).



According to P. Cohender, an extra-market platform for the implementation of the cultural, creative and “artistic” interactions between people, which take place outside formal work places, forms the lower level. According to the scientist, they include knowledge sharing and socialization process in the so-called sectors, e.g., nightclubs, galleries, parks, museums, theatres, etc. Together they contribute to the generation of new ideas and new trends. In general, his approach is aligned with the research of A. Saksenian, who explains the advantages of high-tech information production in Silicon Valley and introduces such an important factor as informal communication and cultural events, which unite workers. Author emphasizes that relationship with the higher level (companies-implementers) is rather weak at the low level. The middle level - social or professional groups –plays an important role by strengthening this relationship. Screening, adding, formation and promotion of the best ideas, which can be used with high confidence to create useful and market product, occur in these groups. Due to his methodology of research, the higher level in the model of business creative development assumes the direct commercialization of the creative idea throughout introduction of new creative products to the market. Often, these companies do not have their research and development departments, and thus, can be considered as project-oriented.

The above mentioned theoretical researches contribute to the understanding of the company’s creative development elements and their structure, however do not establish cause-consequence relationship between these factors and, in this form, represent relatively small practical value for strategic planning.

Eventually it can be stated that the integration of business-model theory and creative economy concept will let acquiring new methodological outcomes of a great value for management theory and practice. Approaching business model from the position of cognitive intellectual economy will enable its advanced design, accounting and tracking in line with contemporary imperatives of global economy, as well as it will generally increase the effectiveness of this instrument applying.

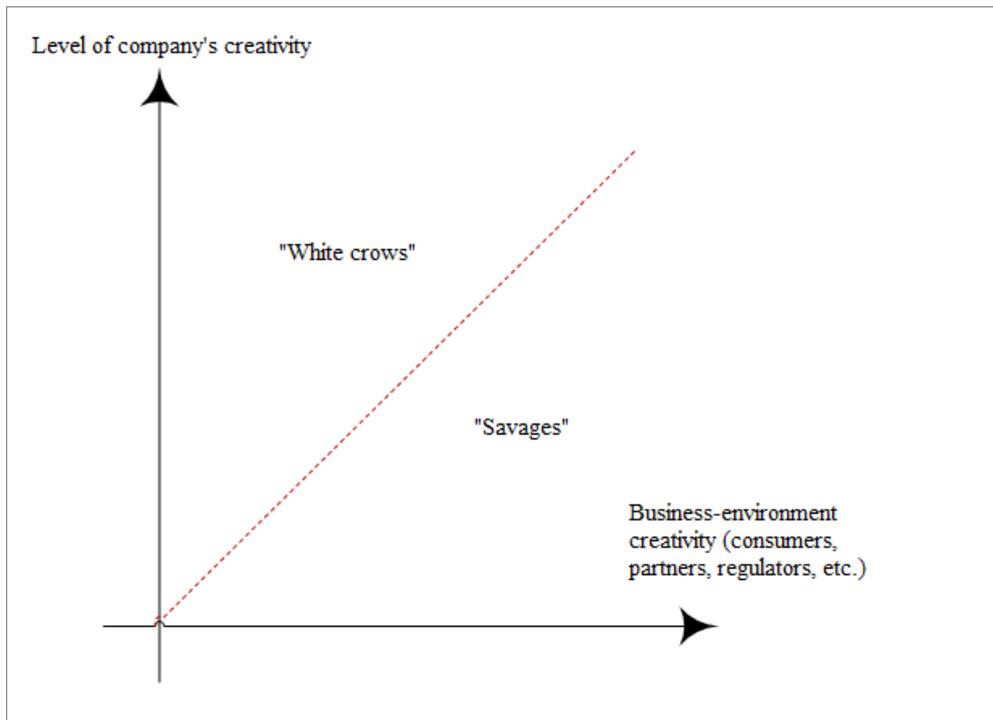
The main question from users of business-model can be generalized as which model is the most suitable for the particular case of business. To answer this question benchmarks and criterions are in need, preferably, quantitative. Otherwise such substantiation can turn into a descriptive statement about positive and negative examples. In our opinion, these criterions are inseparably connected to the calls of creative economy. We propose to follow the hypothesis according to which outside creativity of clients and business partners define the demand for company’s inside creativity (embodied in key employees and product itself) and business-model is the effective mechanism, that can be used to align these two levels of inner- and out-creativity.



## 2. The business model of the organization as a management tool in terms of growing creativity of customer, employees and business partners

The laconic response to the question what is creativity in terms of organization refers to two basic aspects: what level of customer creativity we want to deal with and what level of creativity is within the organization itself? So creativity is about clients and about business-model. Although the company is free to answer these questions in its own way, we hypothesize that the level of creativity of the organization likely corresponds to the level of creativity of preferred customers and business partners. This way creativity both is a source of company's value and an external requirement, set by objective entrepreneurial environment. Provided that equilibrium is disrupted towards one or another way, companies risk to be perceived by external surrounding either as non-responsive and not on-the-edge 'savages' or as pioneering or non-comprehensive 'white crows' (Figure1). In the first case, the level of clients' creativity is higher than company's, in the second case, – it is lower than company's.

**Figure 1. Two types of principal business-models regarding their response to external business-environment creativity**



Source: Developed by authors

The idea of coincidence between clients needs in creativity and company's creative offer has been highlighted in the works of Florida (2005); Howkins (2002); Pine *et al.* (1999) important for company's perception of creative economy (Figure 2). Thus, the customer's creativity lies in intersection of four spheres: creativity of products they consume, their original approach to work process organization, specific perception of lifestyle and leisure, unique way for self-expression in social surrounding. Recent researches (McNeal, 2014) show that consumers expect the reflection of their own values and respectfully give companies their loyalty. Not necessary through good or service originality, but through company's sharing of same values of creative lifestyle, social surrounding and work organization. Example of "Tesla" car-producer, can be quite illustrative. It is not a secret that "Tesla" has been operating in terms of constant losses but its stock capitalization index has been rising during corresponding period. Explanation is that consumers appreciate its inspirations and values and provide it with their loyalty and vote for it with their purchases.

Classic approach of Osterwilder (2004) considers business-model to be comprised of such elements as targeted segments, valuable offer, supply channels, customers' relations management, profit sources management, key resources, key business processes, business partners, costs structure. Further dwelling on their specifics is necessary to identify the rate of influence on creativity.

Firstly, identification of targeted segment is called to determine which groups of people and organizations do company hope to attract and maintain. It is the background of any business-model. Business-model includes one or more customer groups - consumer segments. The organization must make a choice when deciding which segments to serve and which to abandon. When the decision is made, business-model can be built, based on a clear understanding of the specific needs of selected segments of customers. The most popular in Ukraine types of targeted segments and examples are the mass market and niche market.

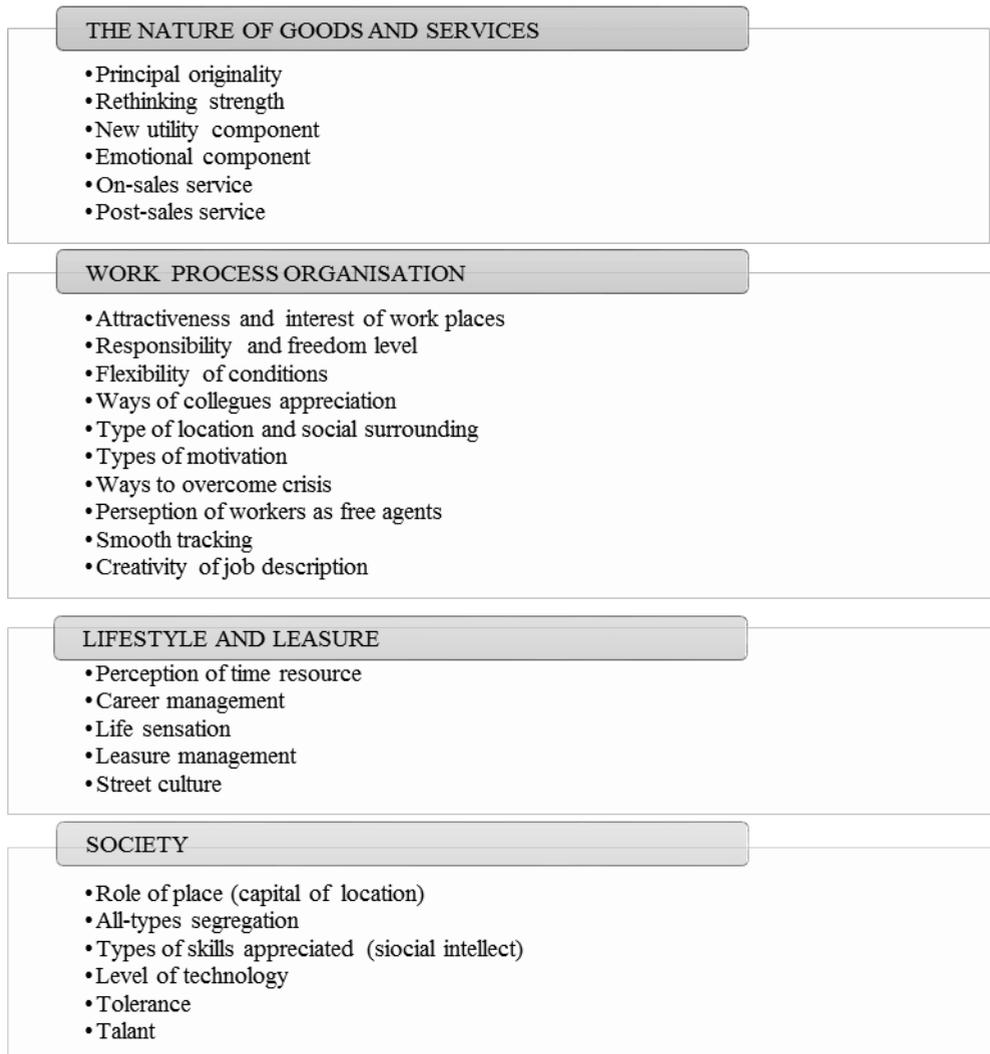
The 'mass market' segmentation relates to the supply of goods without distinguishing by consumer segments. Valuable proposition and both supply channels and the structure of customer relationships are focused on a large group of consumers, united by similar needs and requirements. This type of business model is used, for example, by electronics retails system 'Comfy' or 'ProStor' cosmetics stores. Instead 'niche market' focuses on specific customer segments, where valuable proposition, sales channels and customer relationships are built in accordance with the requirements of the market. These business models can often be found in the supply of production resources and components. This situation is typical for construction companies, for example for industry of glazing or exterior lighting.

Some business models with fractional segmentation distinguish market segments slightly different according to their needs and demands. For example, the departments of the retail service in banks, for example, in the bank Credit-Dnepr, is divided into Mass-market and Private-banking. An organization with multi-profile



segmentation as an element of business model serves two very different consumer segments with different needs and demands. An example can be presented by Privat-Bank, which has in its structure purely banking units and units engaged in insurance services. Instead, multi-platform companies serve two or more related consumer segment. For example, companies that issue credit cards. They need a huge database of card holders, as well as the base of trade enterprises accepting these cards.

**Figure 2. System of components of customer creativity from business point of view**



Source: Developed with Osterwalder (2004), Ovans (2015)



Similarly, the company offering a free press requires a large number of readers to attract advertisers. Meanwhile advertisers are interested to finance the production and distribution. In order for such a business-model to work both segments are needed. Another important element of business-model engineering is formalization of valuable proposition. It is a complex reason why customers prefer one company to another so as it solves better customer's problems or meet their needs more specifically. Each valuable proposition is a certain set of goods and / or services that meet the needs of a specific customer segment. In other words, it is a set of benefits that the company is ready to offer. Some valuable propositions can be brand new innovative or revolutionary. Other - already existing in the market, but with some differentiating new features. The valuable proposition must create advantages for a specific consumer segment due to a particular combination of elements, satisfying the requirements of this segment. The benefits may be quantitative (such as price, speed of service) or qualitative (e.g., design, positive customer emotions). A list of the most common elements that make up the value of the goods or services to the consumer includes novelty (electric cars in Ukraine), productivity (agricultural fertilizers), customization (individual car tuning), outsourcing of non-core activities (accounting and financial services), brand and status (Apple and Ray Ban), low-pricing (Ukrainian 'ATB' product-markets), cost-reduction (solutions in sphere of energy-efficiency or travel-planning), risks reduction (guaranteeing in IT sphere), availability (world brands supply new for Ukraine), easement (one-click turn-on or simple installation).

The choice of distribution channels describes how companies interact with consumer segments and transmit to them valuable proposition. Channels of communication, distribution and sales make up the system of interaction with the consumer. These channels increase consumer awareness about products and services company; help to assess the valuable proposition of the company; allow users to buy certain goods and services; provide after-sales service. Choosing direct and indirect sales channels, as well as own and partner, it is important to maintain the right balance between the various sales channels and find a combination, which provide the best customer feedback and maximum revenue.

Customer relationship management block in business-model describes the types of relationships that are established by company with particular customer segments. Relationships can range from personal to automated. The reasons that determine the relationship may be different: the acquisition of clients; customer retention; an increase in sales. For example, at the dawn of the mobile operators in Ukraine their relationships with clients were built on the basis of aggressive strategies 'to attract', including offers of free phones. Strategy has changed with the saturation of the market and operators have focused on retaining customers and gaining maximum profit from each of them. There are several types of customer relationships that exist within the company's relationship with each customer segment: personal support, special personal support, self-service, automated support, community support, co-creation.



The block of income flows management includes financial profits that company receives from each customer segment. If customers are the heart of any business model, revenue streams - its arteries. The company must ask itself what consumers are willing to pay for and the correct answer to this question will create one or more flows of revenue from each customer segment. Each stream can have its own pricing mechanism: fixed or negotiated prices, auction prices, prices dependant on sales volume. The business models of the two types of revenue streams may exist: income from individual transactions and income from regular periodic payments received from customers for valuable propositions or after-sales service. Revenues from the sale of property rights, use of certain service payments, payment of subscription, rental/leasing, licenses and patents payments, agents' interests, advertisement payments present the range of the most common income flows.

Core resources management describes the most important assets necessary for the operation of the business-model. Each business model requires certain key resources. These resources allow the company to create and bring valuable proposition to the customer, enter market, maintain relations with customer segments and make a profit. Various types of business models require different resources, but usually resources are distinguishable as material, financial, intellectual and human (personnel). The company may be the owner of these resources, to take them in hiring or receive them from key partners.

Key business-processes formalization describes the company's activities, which are necessary for the implementation of its business-model. Each business-model includes a certain number of key activities crucial for success. The most widespread classification includes production (creating and bringing to market the product in the desired volume and / or best quality), solving problems (finding the best solution of problems for specific client involves knowledge management and constant improvement of professional skills), platforms and networks (computer network, commercial platform, software and even trademarks require permanent development like Visa, eBay or Microsoft).

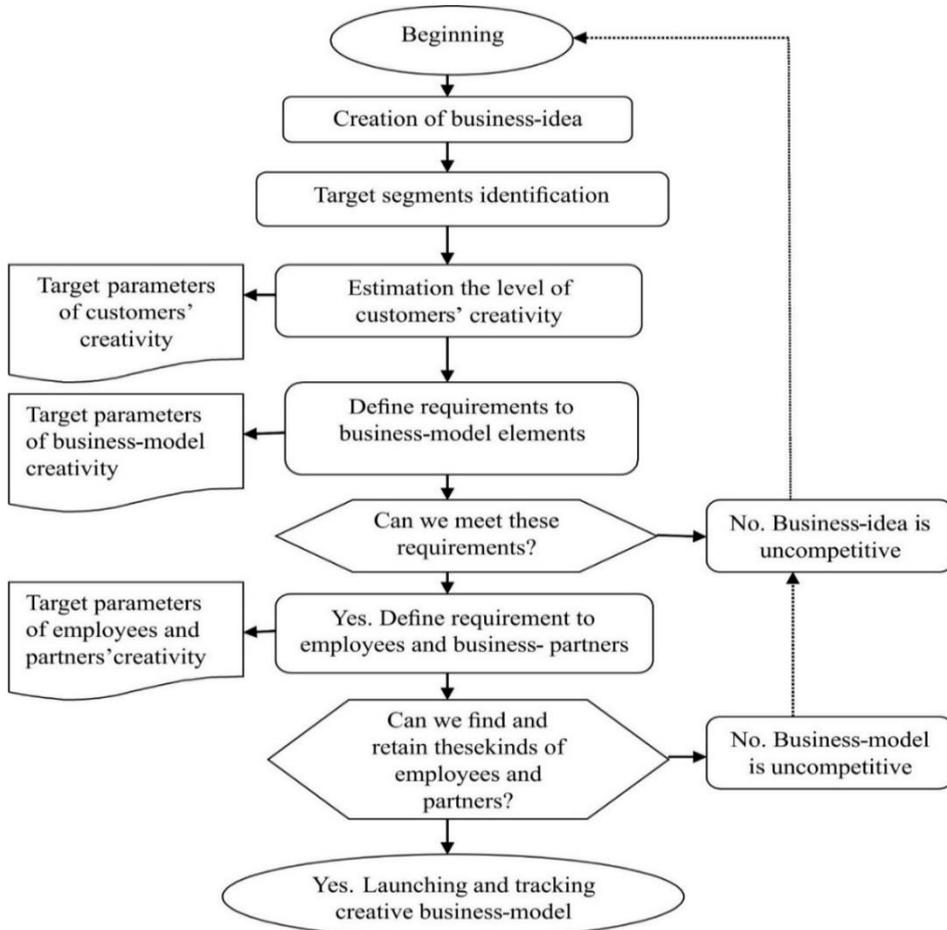
The element of principal stakeholders' definition describes the network of suppliers and partners thanks to whom the business-model operates. Firms create partnerships to optimize their business models with economy of scale, reduce risk or to get resources. Four types of partnerships are usually identified: the strategic partnership between non-competing companies, co-competition (a strategic partnership between the competitors), joint ventures to launch new business projects, relationships between manufacturer and suppliers to ensure receiving components of a high quality.

Costs structure management describes the most significant expenses necessary to operate within a specific business-model. Spendings are easy enough to calculate if key resources, key activities and key partners are specified well. Costs must be minimized in any business-model. However, for some models, cost reduction is more important than for others. Approaching structure of costs generally divide business-model into two classes: with a primary focus on costs



(low-costs airlines) and with a primary focus on values (first-class hotels). Most business models are somewhere between these two extremes, managing fixed and variable costs, using economy of scale and differentiation effects.

**Figure 3. Principal algorithm of business-model and external business-environment creativity consideration**



Source: Developed by authors

### 3. Interconnection between creativity and business-model of company

Striving to rethink the business model in a creative manner enterprises are faced with numerous practical and theoretical issues. Primarily, which elements of the model must be modified at first to achieve the greatest transformation effect? Secondly, the ways a company's business model is determined simultaneously by

the requirements of client's creativity settings, on the one hand, and creative possibilities of key partners and employees, on the other hand.

As can be seen from the presented algorithm (Figure 3), there is a bidirectional relationship between the creative economy and the business-model: the original level of customer creativity defines the requirements for the business-model of the company, further, on the basis of required parameters to business-model, we can define the requirements for the level of creativity of employees and business partners or so called stakeholders.

**Table 1. Key economic indicators of companies under examination, 2011-2015**

No.	Company	Average net income, 2011-2015 (mln. uah.)	Average net income change, 2011 / 2015 (%)	Operational income (mln.uah)		Net profit / loss (mln. uah)
				2015	2011	2015
1	MetInvest group	88 562	-5	100 520	105 704	3 480
2	DTEK	34 907	537	82 581	12 969	5 922
3	ATB-market	11 934	320	21 239	5 053	284
4	Fozzy-food	10 417	943	19 860	1 904	0
5	Epicenter K	9 908	136	14 693	6 225	581
6	Metro Cash and Carry Ukraine	9 560	16	10 123	8 750	418
7	Cargill	5 804	92	8 115	4 226	478
8	Interpipe Nized	5 317	24	7 034	5 684	45
9	Comfi trade	4 591	-15	4 229	2 953	-19
10	Amstore	3 119	47	4 063	2 772	8
11	Aliance	3 005	190	4 475	1 542	74
12	Ashan Ukraine	2 935	754	4 709	551	-98
13	Ukrainian Automobile corporation	2 903	-30	3 008	4 271	195
14	Obolon	2 852	10	3 181	2 905	153
15	Konti	2 805	87	3 393	1 820	268
16	Interpipe Nikotube	2 799	70	4 168	2 453	23
17	Novaya liniya	2 536	13	2 527	2 238	-32
18	Adventis (TM Caravan)	1 682	80	2 039	1 101	-212
19	Interpipe Novomoskovsky	1 488	7	1 843	1 730	10
20	McDonald'sUkraine	1 486	98	2 054	1 038	131
21	Watsons Ukraine	1 284	93	1 625	842	82
22	Henkel Bautechnic	1 113	25	1 294	1 035	235
23	KominternDniproMetallurgicalFactory	1 035	40	1 267	978	-8
24	Ukrainian Retail (TM Brusnichka)	688	481	1 353	233	-133
25	DniproTubalFactory	626	-26	572	775	-135
27	Odessa-Cable	522	16	596	514	8



No.	Company	Average net income, 2011-2015 (mln. uah.)	Average net income change, 2011 / 2015 (%)	Operational income (mln.uah)		Net profit / loss (mln. uah)
				2015	2011	2015
28	StyleD	377	163	567	216	1
29	Mobilochka	362	372	8 125	172	-11

Source: Developed by authors

To determine those levers of influence on the business model that will take into account the customer's requirements for business creativity we examined the example of 29 Ukrainian companies. Their recent economic profiles are presented in Table 1. In the course of the advisory activity in the field of creative business modeling in each of these companies there were interviewed from 10 to 25 top managers (total number of experts equaled 568). They were asked to answer 54 questions with 4 semi-affirmative answer options. Each of the responses showed assess of the respondent either: the absence of determination (0), the existence of non-significant (5), highly sufficient (7) or direct interconnection (10) between one of the three customer creativity options and nine specific elements of the business model, as well as between the elements of the business model and three key employees and partners' creativity parameters. More than 30 thousand of the results were processed by the method of Delphi expert estimates and revealed a quite high level of opinions consistency after 2 rounds of the survey (the coefficient of concordance was 0.73).

The following Table 2 shows the derived differentiated relationship between the company's business model and key parameters that determine the level of creativity of the company's customers.

**Table 2. Matrix of interconnection between parameters of external client creativity and business-model elements**

The level of estimated influence (0-10)		<i>Target parameters of customers' creativity</i>		
		Work process organization	Lifestyle and leisure	Social surrounding
<i>Elements of company's business-model</i>	Target segments	10	10	10
	Valuable proposition	5	10	5
	Channels of distribution	5	10	5
	Customer relation management	5	10	5
	Income flows management	10	7	7
	Core resources	0	0	0

Key business-processes	0	0	0
Principal stakeholders	5	5	5
Costs structure management	0	0	0

Source: Developed by authors

For example, a factor of the business model ‘Value Proposition’ has a maximum connection with a ‘Lifestyle’ parameter of customer creativity, while ‘Cost structure management’ and ‘Key business processes’ have no relation any of three parameters of client’s creativity. This means that the lifestyle of customers, has a key influence on the level of their creativity, to a large extent determines the requirements for the company’s value proposition. In general, are mostly exposed to such element of customer’s creativity as lifestyle and leisure, relatively less – to their work process organization and at least – to social surrounding preferences. Whereas ‘Target segments’ and ‘Income flow management’ elements have even greater determination by customer creativity than even ‘Valuable proposition’, ‘Channels of distribution’ and ‘Customer relation management’.

Customers expect from companies’ specific admission and orientation at them as ‘creative consumers’ with unique characteristics of workplaces organization, values in social surrounding, as well expect valuable proposition and channels of distribution being respectively designed. B-2-B segments as well represent demand for creative income flows systems being established and engagement with respectively creative partners and other stakeholders.

Formalization of market demand for business-model creativity on the previous stage determines reaction from company to these new requirements through the influence at creativity parameters of its employees and partners. Table 3 is a logical continuation of the previous one and allows approaching the issue of achieving the required level of creativity of the company. The decisive role is given to the level of the employees and partners creativity inside the company. The following table shows derived estimations about the degree of employees and partner’s creativity influence on business model. For example, a factor of creativity "Work process organization" has the maximum impact on the “Sales channels” element in business model. Obviously the creativity of employees who implement sales channels determines the level of creativity that customers experience while interacting with company. In fact, the Table 2 sets a target value for the company's creativity; the Table 3 answers the question: how to achieve it.

Usually Ukrainian companies start with a rethinking of segmentation, valuable proposition distribution channels by influencing work process organization key employees and partners. Then companies try to influence their business approach, leisure goals and preferences. And what is also very popular and influences customer relation management is an effort to bring creative



imperatives into social surrounding of their employees and while interacting partners.

As we can see from above mentioned data, even though it is important to take into consideration the client's creativity preferences to 'Principal stakeholders' and 'Income flow management', companies see no way to influence them through their employees' creativity parameters. Meanwhile 'Valuable proposition' can be seriously improved in creativity through hiring and retaining employees with a corresponding creative attitude to work process organization and lifestyle and leisure.

**Table 3. Matrix of interconnection between parameters of employees/partners creativity and business-model creativity**

The level of estimated influence (0-10)		<i>Target parameters of employees and partners creativity</i>		
		Work process organization	Lifestyle and leisure	Social surrounding
<i>Elements of company's business-model</i>	Target segments	10	5	5
	Valuable proposition	10	10	5
	Channels of distribution	10	5	5
	Customer relation management	5	5	5
	Income flows management	0	0	0
	Core resources	0	0	0
	Key business-processes	5	0	0
	Principal stakeholders	0	0	0
	Costs structure management	0	0	0

Source: Developed by authors

## Conclusions

Creative economy modifies the world market and divides companies' business models into 'savages' and 'white crows'. With the acceleration of the European integration processes Ukraine should change the level of creativity of its economy on microeconomic level. Until now, the strategic development of business models in Ukrainian companies has been undertaken without consideration of external environment creativity factor. In our research, on the one hand, we proposed the practical client-partners algorithm to take into account this important factor and, on the other hand, to consider the differentiated effective levers to implement it into business model, as well as accordingly decide on the necessary level of creativity by the company itself.

Another important conclusion of our study is the differentiated approach to the company's creativity management on the basis of its key employee's creativity. Valuable model of employee can act as a meaningful driver of business-model transformation. This effect increases the higher the level of the management hierarchy and the higher emotional capital the employee obtains, which manifests itself in informal communications within the company. Thus, we can conclude that the presence of a certain critical mass of employees with a certain level of creativity can change the level of creativity of the company, which it brings to the market.

## References

- Al-Debei, M. M., El-Haddadeh, R. and Avison, D. (2008), *Defining the business model in the new world of digital business*, Brunel University, London.
- Chala, V. (2015), *The boost of creative economy in CEE metropolises*, Lambert Academic Publishing, Saarbruchen.
- EY, (2014), "Creating growth: Measuring cultural and creative markets in the EU", available at: [http://www.ey.com/Publication/vwLUAssets/Measuring\\_cultural\\_and\\_creative\\_markets\\_in\\_the\\_EU/\\$FILE/Creating-Growth.pdf](http://www.ey.com/Publication/vwLUAssets/Measuring_cultural_and_creative_markets_in_the_EU/$FILE/Creating-Growth.pdf) (accessed 12 September 2016).
- Florida, R. (2005), *Flight of the creative class*, Harper Business, New York.
- Howkins, J. (2002), *The creative economy. How people make money from ideas*, Penguin books, London.
- Johnson, M. W. (2010), *Seizing the white space: Business Model Innovation for Growth and Renewal*, Harvard Business Press, Boston.
- Johnson, M. W., Christensen, C. M. and Kagermann, H. (2008), "Reinventing your business model", *Harvard Business Review*, December Issue, available at: <https://hbr.org/2008/12/reinventing-your-business-model> (accessed 12 September 2016).
- Lerner, J. (2012), *The Architecture of Innovation: The Economics of Creative Organizations*, Harvard Business Review Press.
- Magretta, J. (2002), "Why business model matter", *Harvard Business Review*, May Issue, available at: <https://hbr.org/2002/05/why-business-models-matter> (accessed 12 September 2016).
- Mc Neill, D. (2014), *Creative Economics: Your Guide to Creative Opportunities*, XLIBRIS, Bloomington.
- Osterwalder, A. (2004), *The business model ontology: a proposition in a design science approach*, PhD thesis, Faculty of Business and Economics of the University of Lausanne, available at: [http://www.hec.unil.ch/aosterwa/PhD/Osterwalder\\_PhD\\_BM\\_Ontology.pdf](http://www.hec.unil.ch/aosterwa/PhD/Osterwalder_PhD_BM_Ontology.pdf) (accessed 12 September 2016).
- Osterwalder, A. (2013), "A better way to think about your business model", *Harvard Business Review*, 6 May, available at: <https://hbr.org/2013/05/a-better-way-to-think-about-yo> (accessed 12 September 2016).



- Osterwalder, A., Pigneur, Y. and Tucci, C. L. (2005), “Clarifying business models: origins, present and future of concept”, *Communications of the Association for Information Systems*.
- Ovans, A. (2015), “What is a business model”, *Harvard Business Review*, 23 January, available at: <https://hbr.org/2015/01/what-is-a-business-model> (accessed 12 September 2016).
- Pine, J., Gilmore, J.H. (1999), *The experience economy: work is theatre and every business is a stage*, Harvard Business School Press, MA.
- Reese, L.A. (2008), “Creative class and economic prosperity: old nostrums, better packaging?”, *Economic Development Quarterly*, Vol. 22, pp. 3-7.
- Rozeia, M. and Werthner, H. (2011), “Business Models and Business Strategy – Phenomenon of Explicitness”, *International Journal of Global Business & Competitiveness*, Vol. 6, No. 1, pp 14-29.

