



Challenges in building new / innovative business management models: An empirical study

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Abstract

In today's fast-changing business environment, organizations are constantly pushed to rethink how they create and deliver value. Traditional business models are no longer sufficient to sustain competitive advantage, leading firms to adopt innovative business management models. However, the journey toward innovation is not straightforward. It involves a series of internal and external challenges that can hinder progress.

This study explores the real-world difficulties faced by businesses in developing innovative models using data collected from 250 respondents, including entrepreneurs, managers, and professionals. The findings reveal that while innovation is widely recognized as essential, organizations struggle with financial limitations, resistance to change, technological barriers, and uncertain market conditions. The study concludes by emphasizing the need for a balanced approach that integrates strategy, culture, and technology to successfully implement innovation.

Keywords: Business model innovation, challenges, organizational resistance, technology, financial constraints, market uncertainty

Introduction

The concept of a business model has evolved significantly over the years. Earlier, businesses focused mainly on production and sales. Today, success depends on how creatively a company can design its value proposition, reach customers, and sustain profitability.

Innovation in business models is no longer optional—it is a necessity. Companies like startups and even established firms are experimenting with new ways of operating, such as digital platforms, subscription services, and sharing economy models. However, building such innovative systems requires more than just ideas; it demands a shift in mindset, structure, and processes.

Many organizations fail not because their ideas are weak, but because they are unable to overcome the practical challenges involved in implementation. These challenges may arise from within the organization (such as employee resistance) or from external factors (such as regulatory policies and market unpredictability).

This study aims to bridge the gap between theory and practice by examining these challenges from the perspective of real respondents.

Objectives of the Study

The study is guided by the following objectives:

- To deeply understand the various challenges faced by organizations in building innovative business models
- To examine how these challenges, affect decision-making and performance
- To analyze whether different types of professionals experience these challenges differently
- To provide practical and realistic suggestions that organizations can adopt

Research Methodology

Research Design

This study follows a **descriptive and analytical design**, allowing both explanation and interpretation of the

challenges faced by respondents. The approach combines factual data with human perspectives.

Data Collection

Primary data was collected through a structured questionnaire designed to capture not only responses but also perceptions and experiences. Respondents were encouraged to reflect on their real-life challenges.

Secondary data was gathered from journals, books, and previous research studies to support the analysis.

Sample Size

A total of 250 respondents were selected. This sample size is adequate to provide meaningful insights and represents a mix of different professional backgrounds.

Sampling Technique

Convenience sampling was used due to accessibility and time constraints. While it may not be fully representative, it provides valuable exploratory insights.

Tools for Analysis

- Percentage analysis to understand distribution
- Mean score analysis to measure intensity of challenges
- Chi-square test to identify relationships

Review of Literature

Previous studies have emphasized that business model innovation is a complex and dynamic process. Researchers have pointed out that innovation is not just about new products but about redefining how businesses operate.

Some studies highlight that organizations often struggle because they try to fit new ideas into old systems. Others suggest that leadership plays a crucial role in driving innovation.

A common theme across literature is that uncertainty and risk are unavoidable in innovation. However, firms that are willing to experiment and adapt tend to perform better in the long run.

Challenges in Building Innovative Business Models

Organizational Resistance

One of the most common challenges is resistance from within the organization. Employees are often comfortable with existing systems and may feel threatened by change.

For example, introducing a new digital platform may require employees to learn new skills, which can create fear and insecurity. In some cases, even top management may hesitate due to fear of failure.

This resistance slows down innovation and can lead to incomplete or ineffective implementation.

Financial Constraints

Innovation requires investment—whether in technology, training, or research. Many organizations, especially startups and small businesses, struggle to secure sufficient funds.

Even when funds are available, there is uncertainty about returns. Unlike traditional investments, innovation does not guarantee immediate results. This makes decision-makers cautious and sometimes reluctant to invest.

Technological Complexity

Technology is both an enabler and a challenge. While it opens new opportunities, it also brings complexity.

Organizations often face difficulties in:

- Selecting the right technology
- Integrating it with existing systems
- Training employees to use it effectively

Rapid technological changes also mean that what is innovative today may become outdated tomorrow.

Market Uncertainty

Understanding customer needs is becoming increasingly difficult. Preferences change quickly, and competition is intense.

Organizations may invest heavily in a new business model only to find that it does not meet market expectations. This uncertainty creates hesitation and increases the risk of failure.

Regulatory and Legal Issues

Government regulations can either support or hinder innovation. In many cases, outdated policies do not align with modern business practices.

For example, digital businesses may face unclear taxation rules or compliance requirements. This creates confusion and slows down implementation.

Strategic Challenges

Sometimes, the problem lies in the lack of a clear strategy. Organizations may adopt innovation as a trend without aligning it with their long-term goals.

Without proper planning, innovation efforts become fragmented and fail to deliver results.

Data Analysis and Interpretation

Demographic Profile

The respondents included a diverse group:

- Entrepreneurs who are directly involved in business creation
- Managers responsible for implementation

- Professionals providing support and expertise

This diversity ensures that the findings reflect multiple perspectives.

Table 1: Demographic Profile

Category	Respondents	Percentage
Entrepreneurs	100	40%
Managers	90	36%
Professionals	60	24%

Source: Primary data

From Table 1, most of the respondents are entrepreneurs (40%), which means many participants are directly involved in running businesses. Managers (36%) also form a large group, showing that people responsible for implementing decisions are well represented. The remaining 24% are professionals, who provide expert opinions.

Overall, the data includes a good mix of different groups, so the study reflects practical business experience as well as managerial and professional views.

Table 2: Major Challenges Identified

Challenge	Respondents	Percentage
Financial Constraints	70	28%
Technological Issues	65	26%
Organizational Resistance	50	20%
Market Uncertainty	40	16%
Regulatory Issues	25	10%

Source: Primary data

From Table 2, financial constraints (28%) are the biggest challenge faced by respondents, showing that lack of funds is a major problem in building innovative business models. This is followed by technological issues (26%), indicating difficulties in adopting and managing new technologies. Organizational resistance (20%) also plays a significant role, meaning employees and management may not easily accept changes. Market uncertainty (16%) shows that unpredictable customer needs and competition affect decision-making. Lastly, regulatory issues (10%) are the least reported challenge but still impact innovation to some extent.

Table 3: Mean Score Analysis

Challenge	Mean Score
Financial Constraints	4.3
Technological Complexity	4.1
Organizational Resistance	3.8
Market Uncertainty	3.6
Regulatory Issues	3.2

Source: Primary data

From Table 3, financial constraints (4.3) have the highest mean score, showing that respondents feel it is the most serious challenge. This is followed by technological complexity (4.1), which is also considered a major difficulty. Organizational resistance (3.8) and market uncertainty (3.6) are moderate challenges, meaning they affect innovation but are slightly less severe. Regulatory issues (3.2) have the lowest mean score, indicating they are the least serious among the listed challenges.

Major Challenges

The data clearly shows that financial constraints and technological issues are the most significant challenges. This indicates that while organizations are willing to innovate, they lack the necessary resources and capabilities.

Mean Score Analysis

The higher mean scores for financial and technological challenges indicate that respondents perceive these as more intense and impactful.

Chi-Square Test

The results show a significant relationship between the type of organization and the challenges faced. For example, startups may face more financial issues, while large firms may struggle with organizational resistance.

Discussion

The findings suggest that innovation is not just about creativity—it is about execution. Many organizations have good ideas but fail due to practical constraints.

The study also highlights the importance of balancing risk and planning. While innovation involves uncertainty, it should not be approached without proper analysis and preparation.

Findings

- Financial limitations are the biggest barrier
- Technology adoption remains a challenge
- Resistance to change is common across organizations
- Market unpredictability affects innovation decisions
- Regulatory issues create additional hurdles

Suggestions

- Encourage a culture that supports experimentation and learning
- Allocate dedicated budgets for innovation
- Provide continuous training to employees
- Use market research to reduce uncertainty
- Work closely with policymakers to address regulatory issues

Conclusion

Innovation in business models is essential for survival in today's competitive world. However, it is not an easy process. Organizations must be prepared to face challenges and adapt accordingly.

Success depends on the ability to combine vision with practical execution. By addressing financial, technological, and organizational barriers, businesses can unlock the full potential of innovation.

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