

DOCTOR OF BUSINESS ADMINISTRATION

Developing a Business Model Framework: Case of an  
Automotive Finance Business in China

Document Five

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## **Abstract**

Nowadays, Automotive Finance Companies (AFCs) face increasing challenges of finding means to improve and better utilise business models in Chinese market. While, academic researchers are also seeking a clear definition of business model that can be widely accepted as the basis for further development of business model research. This research is aiming to develop a business model framework, which can help business managers to confront and resolve these challenges for automotive finance business in China, and most critically to guide them when making strategic decision. Meanwhile, such a framework can also provide academic researchers a foundation for conducting further business model researches.

The research draws a journey of developing a business model framework under Chinese automotive finance business context. The interpretivist approach was applied as the methodology to guide the qualitative research with an engaged automotive finance organisation. Accordingly, case study was applied as the research strategy and major approach. SIYANG Framework implementation and semi-structured interview were the two steps consisting in it. As the 1st step, SIYANG Framework, after being developed as an initial business model, was later implemented in the engaged organisation. SIYANG Framework was introduced to the managers in the aim of the business model improvement and it lasted over eighteen months. In the 2nd step, six semi-structured interviews were conducted to review managers' feedback on SIYANG Framework and explored the insight of SIYANG Framework enrichment. According to the result of implementation, it can be concluded that SIYANG Framework is feasible for guiding the practices of AFC business model improvement.

As the outcome of the research, SIYANG Framework has been enriched eventually as a business model framework by analysing data academically and empirically, which reaches level 4 of BMRS (Lambert, 2006). Furthermore, SIYANG Framework describes a clear definition and component of business model that can be a foundation

of conducting further business model researches. While, it illustrates a detail process of business modelling that draws a clear way of building, improving and operating a business model for automotive finance business. On one level, SIYANG Framework has been experimented as a constructive guidance to automotive finance organisations improving the business models in Chinese market.

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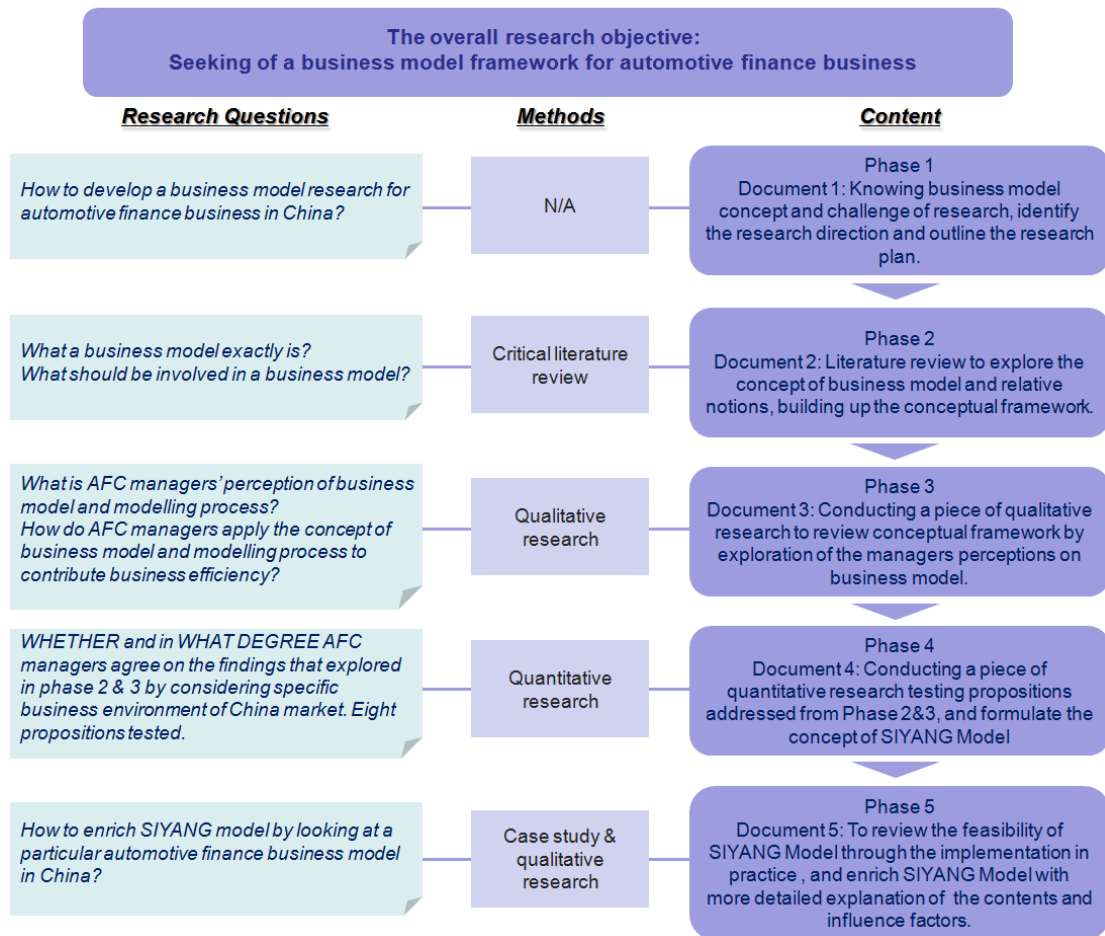
# **1. Introduction**

## **1.1 Structure of Research**

The objective of the research was to develop a business model framework, which can be used by academic researchers as the foundation of conducting further business model research. Practically speaking, AFC managers are looking for the way to improve the current business models so as to better adapt to Chinese market and achieving better business performance. Business model framework can serve as a critical guide for AFC managers to develop, utilise and improve business models in practice. In order to achieve the research objective, the author followed a five-phase approach (see Diagram 1.1). Phase 1 involved in developing a basic understanding of the business model concept and in selecting an appropriate research approach. Phase 2 was a key part of exploration of detailed key concepts discussed in this research. The research questions “what is a business model?” and “what should be involved in a business model?” were answered by conducting a critical literature review. Phase 3 consisted of primary research with Automotive Finance Companies (AFCs) managers to review the key concepts and the conceptual framework developed in phase 2. In phase 4, a piece of quantitative research was conducted in order to test the propositions addressed from phase 2 and 3 so that the concept of SIYANG Framework was initially developed. Reflecting back to the overall research objective, a case study was conducted in phase 5 with an engaged AFC in order to enrich SIYANG Framework by elaborating the content of business model and the influential factors over business model. The feasibility of SIYANG Framework, as well, was reviewed and discussed in phase 5. Finally, the enriched SIYANG Framework was delivered as a business model framework. Details are explained in the following chapters.



Diagram 1.1: The research road map



## 1.2 Phase 1 and 2: Understanding the key concepts

In order to deliver the final outcome of the research, a business model framework, the author was put to confront the challenge that the lack of consensus on a clear definition of business model in the current literatures. The terminology “business model” has been frequently referred to and used in a many academic, professional and practitioner based studies in the past decade (Lambert, 2010). Reviewing the current literature, there were a number of different studies conducted with different view of the same terminology, business model and modelling. However, they were lack of a clear definition and construct of business model concept and modelling process. It was also hard to see the consensus among academic researchers regarding the related definition (Lambert, 2008; Tikkanen, Lamberg et al. 2005). It was quite similar situation in business practice that business managers were still not clear on how to build and utilise a business model. Business managers talked about business model

with their own perception only in an implicit manner. It was lack of a clear roadmap guiding business managers to develop and utilise business model in real practice. It can be said that both academic researchers and business managers used the term “business model” to indicate different things and it was not always clear what was meant by that term (Lambert, 2010). There, the author conducted the literature review and clarified the definition of business model as the basis of the research development. The detailed definition of business model is illustrated in later sections.

Yet another challenge to the author was the fact that being lack of researches on business model framework among current literatures. Most of the literatures focused on the exploration of definition and construct of business model and no holistic explanation on the components of business model framework was found. Lambert’s studies (2006-2012) had theoretical research on business model framework to explain the way of business model works and how to develop a business model. According to Lambert’s (2012) study, the business model framework is not a single business model but is a mean of incorporating multiple views of business models within a framework telling the way of developing, utilising and improving business models. This offered the author an opportunity of developing a business model framework to fill in the gap of current literatures. In the research, the author captured empirical data to propose SIYANG Framework as a framework of business model, which may somehow engender developing a better understanding of business models. In this sense, SIYANG Framework can offer academic researchers a solid foundation for further business model researches.

### **1.3 Phase 3 and 4: The outcome of Document 3 and 4**

Phase 3 consisted of a piece of qualitative research designed to capture the views of business managers in practice about what factors should be considered in the practice and development of a business model. Specific research questions include: What was the AFC managers’ perception of business model and modelling process? How did AFC managers apply the concept of business model and modelling process to

improve business efficiency? The primary research consisted eight semi-structured interviews with AFC managers. Based on the exploration from current literature review, the author explored with managers the notion of business model, the role and contribution to business efficiency, and business modelling process.

The results of the qualitative research showed that most of the interviewed managers held only an implicit perception of business model: It was recognised as a logical complex system that exists in business operation as rules guiding all participants in business operation and transaction for delivering value and generating profit. It was also clear to them that business model consists of many business function related components with certain structure and processes, so that a business model works for practice.

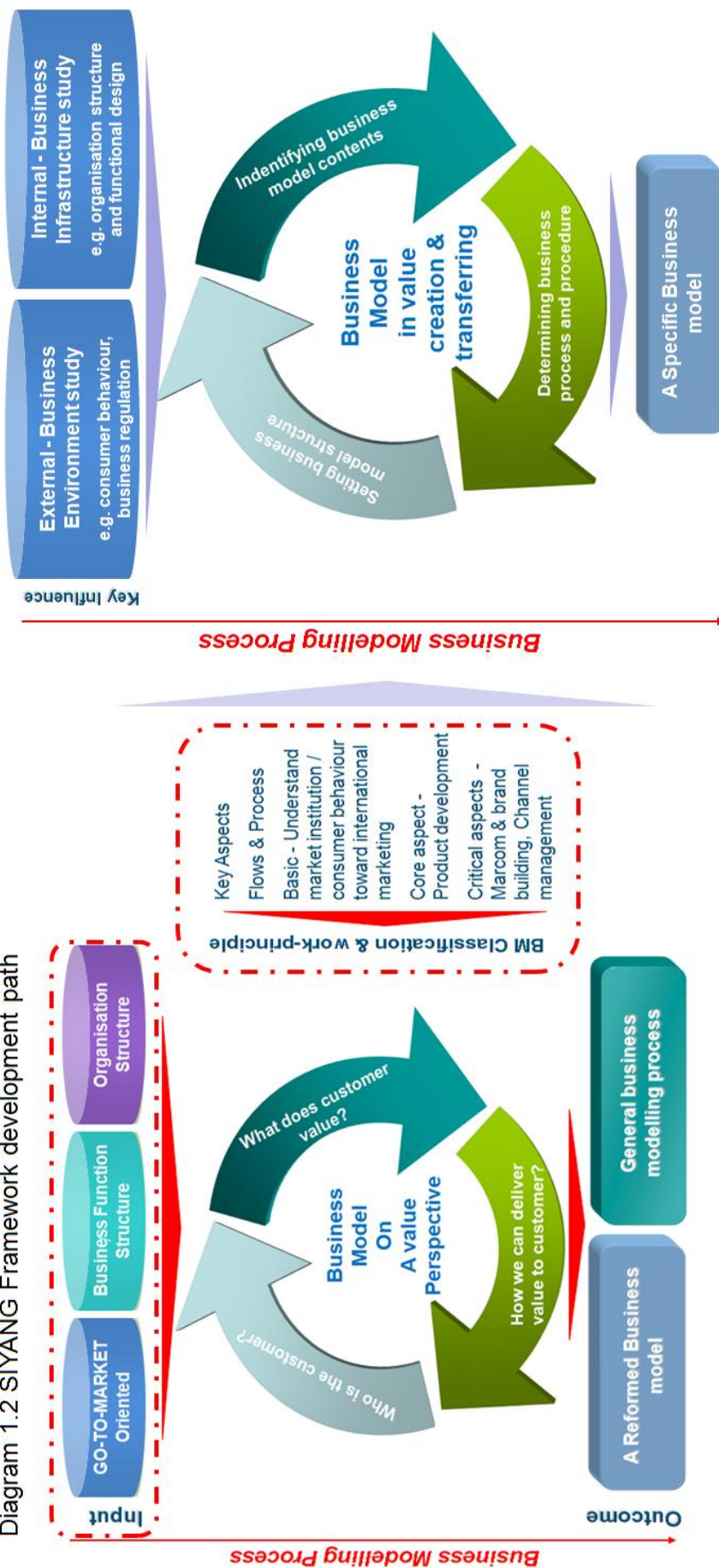
These managers also strongly indicated some influential factors, which may significantly cause and impact business model changes in real practice. This supported Drucker's (1994) claim that any business model should be adjusted accordingly to the business context and target market. Some of the key influential factors were also pointed out during the interviews, including business infrastructure, customer behaviour and industry regulation with consideration of both internal and external organisation environment.

The AFC managers also recognised that a business modelling process would be needed for business organisations to build and improve a business model. This should start with an analysis of the problematic situation, the identification of relevant factors in both internal and external organisation environment. Based on the analysis, the structure of business model should be set as the next step in modelling process. Afterwards, the contents of business model should be developed by putting relative business functions into consideration. Finally, a business process should be designed to link all functions together to enable the business value transaction.

As a result of the qualitative research, the conceptual framework was redefined and presented in phase 4 to a larger group of AFC managers. The aim was to ascertain “WHETHER and in WHAT DEGREE AFC managers agree on the findings that explored previously by considering specific business environment of China market”. There were eight proposition developed and tested based on the conceptual framework and the findings from document 2 and 3.

The quantitative research showed positive results suggesting that the business model was recognised as a logical system that provides a way of operating a business and facilitating business value transaction. There was an agreement on the three constructs including content of business model, structure of business model and business processes. The result also revealed that the content of business model can be classified as internal and external by its contribution to business value transaction. In addition, Product development and channel management were considered as the dominating function modules for business model improvement (See Diagram 1.2).

Diagram 1.2 SIYANG Framework development path



Overall, the initial business model framework the author proposed received positive feedback. Based on this feedback, the SIYANG Framework was formally introduced and proposed as a business model framework. As noted in Diagram 1.2, it illustrates the construct of business model framework, the principle of how business models work and the way of building business models. Despite general agreement on overarching elements, in order to achieve the aim of the project and to increase its value to practicing managers, further research was required to review the feasibility of SIYANG Framework through the implementation in practice, and that would enrich SIYANG Framework with more detailed explanation of the contents and influential factors.

#### **1.4 Moving on Phase 5: The Research Objective of Document 5**

As noted above, the major task of phase 5 was to enrich the SIYANG Framework by implementing it within a specific AFC context. This would provide more information about specific areas of influence as well as highlight possible improvements to the model content.

In order to achieve this, the author adopted interpretivism methodology and took SIYANG Framework into an automotive finance organisation as a case study, where the author firstly implemented SIYANG Framework in the engaged organisation to review the feasibility. The author introduced the SIYANG Framework into the engaged automotive finance organisation by conducting serious workshops with business managers. In this case, the SIYANG Framework was applied to identify the problems and find out the solution of the business model improvement. After a period of eighteen months, the author carried out six semi-structured interviews with AFC managers to explore the perception and obtained the feedback that could, on the other hand, enrich SIYANG Framework.

## **2. Literature Review**

### **2.1 Introduction**

The author conducted two rounds of literature review. The first round is the major one completed in 2013 when drafting the document 5 that mainly focused on the relevant literatures before 2012 and tried to establish the comprehensive perception of researched subject. The second round is supplementary one conducted in 2015 when finalising the final document right after the field research to catch up with valuable update of literatures published during phase 5 research development.

As noted above, the term “business model” has been frequently referred in many published academic literatures and in real practices (Lambert, 2006; Osterwalder, Pigneur et al. 2005; Zott & Amit, 2010). Since late twentieth century, there have been over 1,200 papers published and among which the focus was still on how to define business models and to explore the components of business models (Pateli 2002; Pateli and Giaglis 2004; Osterwalder, Pigneur et al. 2005). What has emerged is was an array of conceptualisations of business models, which have been conceived from differentiated views of the problem domain and are rarely grounded in existing theory (Porter 2001; Hedman and Kalling 2003). However, most of the literatures talk about business models at a theoretical level. Few have applied these models in real practice.

The literature review section contains five parts including the understanding of business model, contents of business model, influential factors over business models business model and modelling, preliminary exploration of business modelling process, and Lambert’s (2006) Business Model Research Schema (BMRS). In order to provide a good picture of the literatures in the fields, the author highlighted what have been reviewed in the previous documents and followed by the updated literatures in each part.

So far in previous documents, the priority has been to develop a better understanding

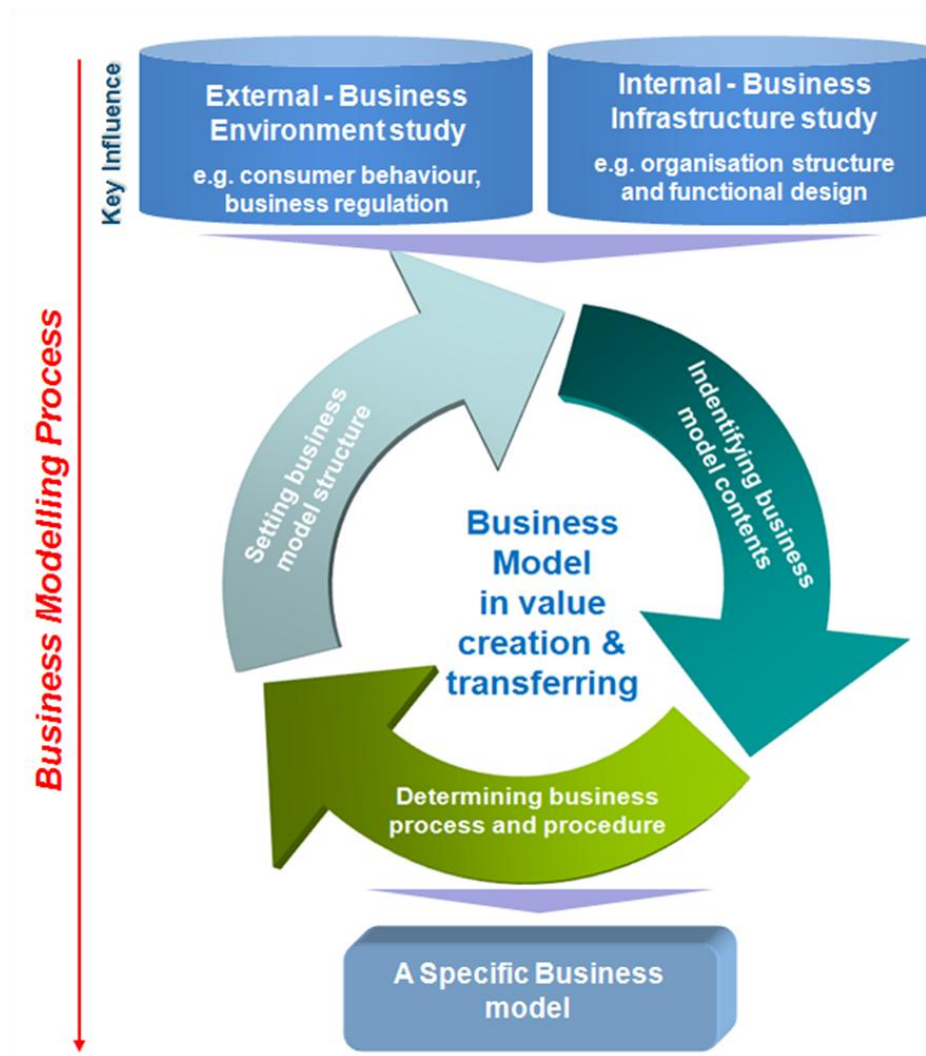
of what is a business model and what a business model should consist in terms of three key constructs, structure of business model, content of business model and business processes. Drucker's (1994) study was considered as a strong basis for the development of the initial definition and studies. Started from his work, the author explored variable definitions of business model presented from different perspectives. Studies launched by Johnson (2008), Teece (2009), Osterwalder (2009), and Zott and Amit's (2010) have all informed the author's research about the development, definition and contents of business models. By considering their theories, the author initially identified the components of business model in order to seek a clear answer to the question what a business model contains. Furthermore, the literature helped to establish the key influential factors over business model and modelling.

Looking at the redefined conceptual framework of SIYANG Framework in document 4, the significant gap filled and the progress achieved by the author's research can be reviewed as it showed in Diagram 2.1. However, it was still too abstract to be practical and instructive. It was required to involve more literatures to explore the details, especially the contents of business model, as well as the influential factors over business model and modelling. Therefore, in document 5, the author discovered more details on contents of business model and influential factors over business model, and tried to enrich SIYANG Framework by looking at the case study conducted with an automotive finance business in Chinese market. The key focuses were as below. The details of focused choice are explained in section 4.3.

1. The key influences factors over business model and modelling;
2. The key contents of business model;
3. Formulation of key process in business modelling.



Diagram 2.1: Redefined Conceptual Framework



In order to lead the research forward into phase 5, Lambert's (2006) Business Model Research Schema (BMRS) was considered as a theoretical basis of developing the business model research. According to Lambert's (2006) BMRS, it can be seen that the author's business model research was on the appropriate approach. BMRS provided the author a clear instruction to take the research onto the next stage. According to the approach described in BMRS (Lambert, 2006), SIYANG Framework can be enriched by in-depth exploration the details of business model and modelling process, thus, the research up-levelled to phase 5. Meanwhile, some relevant opinions of business model to Lambert's studies were also leveraged in the author's research as the evidence to support the development of business model definition. In addition, a famous study on business "Competitive Advantage" conducted by Michael Porter in

1985, introduced the concept “Value Chain” that provided the author a view from business management to explain the details of business model contents by considering how the business value is created. It significantly supports the author to illustrate the contents of business model in the enrichment of SIYANG Framework.

## **2.2 Understanding of Business Model**

The questions “what is business model?” and “What does a business model do?” have been raised in academic and also business practice for long time (Lambert, 2006). In previous documents, the author considered to draw a clear definition and understanding of business model as the first step of this research.

Reviewing the current literatures, it was not difficult to address the following consensus. The purpose of a business model is to

- Help the business to develop a more efficient and profitable business operation (Teece, 2009; Zott & Amit, 2010).
- Enable the business to respond and adapt to changing business and market environment (Drucker, 1994; Maggretta, 2002; Lambert, 2008).
- Facilitate business expansion by applying an easy way of replicating the business (Osterwalder, 2009; Casadesus-Masanell and Ricart, 2010).

However, there are various definitions and opinions about business model. The author produced a summary of business model definitions from about 30 major business model studies. It appears that there are many different principles of business model claiming more than 10 types of business components (see table 2.1 for details). The table also illustrates the comparison of those typical business concepts claimed in current literatures. Table 2.1 provides a broad view on overall concept of business model as a basis for further developing the author’s own concept of business model, although the researchers had different components from different perspectives of the business model.

*Table 2.1: Comparison of different business model concept from current literatures*

| <b>Literature</b>                        | <b>Definition</b>  | <b>Components</b>  | <b>Perspective</b>                        |
|--|--|--|---|
| Drucker, 1994                            | Who we create value for?<br>How we create value?<br>How we can secure value transaction, delivering the value to customer?<br>(1994, p4)   | N/A  | General business management               |
| Amit and Zott, 2001; Zott and Amit, 2010 | The business model describes “the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities”. (2001, p511)<br>Transactions connect activities, a firm’s business model can be defined as “a system of interdependent activities that transcends the local firm and spans its boundaries” (2010, p216)                                   | N/A  | General business management               |
| Chesbrough and Rosenbaum (2002)          | The business model is “the heuristic logic that connects technical potential with the realisation of economic value” (2002, p529)  | Value proposition, Target markets, Internal value chain structure, Cost structure and profit model, value network, and Competitive strategy. | Practical business management             |
| Maggretta (2002)                         | Business are stories that explain how enterprises work. A good business model answers Peter Drucker’s age old questions: Who is the customer? And What does customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (2002, p4) | Business process, value proposition, value network   | General business management               |
| Shafer, Smith and Linder (2005)          | “a representation of firm’s underlying core logic and strategic choices for creating and capturing value within a value network” (2005, p202)  | Pricing model, Revenue model, channel model, Process model,  | Practical business management / Strategic |

|                                      |   |  |  |
|--------------------------------------|---|--|--|
|                                      |   | Internet commerce relationship, organisation firm, and value proposition   | marketing                              |
| Johnson's (2008)                     | Business models provide managers "consist of four interlocking elements, that taken together, create and deliver value" (2008, p52)   | Value proposition, profit formula, Key resources, and Key process  | Practical business management          |
| Osterwalder (2009)                   | "a business model describes the relations of how an organisation creates, delivers, and captures value" (2009, p14)   | Customer segments, value propositions, distribution channels, customer relationships, revenue streams, key resources, key activities, key partnerships, cost structure | Practical business management          |
| Teece (2009, 2010)                   | "a business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value" (2010. P179)   | Value proposition, business structure and business process   | General business management            |
| Casadesus-Masanell and Ricart (2010) | "a business model is ... a reflection of the firm's realised strategy" (2010, P195)   | N/A  | General business management            |
| Lambert (2006, 2008, 2010, 2012)     | Business models are abstract, complex concepts, conceived to understand and communicate not only the way of "doing business" but the structures and strategies that underlie those ways of doing business. (2012, p4)<br>BMRS presents a way of developing business model. (2006) | Value proposition, customer, value in return, channel, value adding process, supplier,   | General management, Business modelling |

Drucker's (1994) study provided the author a basis of understanding business model by focusing on Business Value, and helped the author to formulate the concept of business model in the research. Drucker (1994) had a description on the "theory of business", which can be identified as an early description of what has come to be

called a “business model”, which was also applied by many researchers for development of further business model studies. From a business management point of view, Drucker (1994) illustrated business model and its principle, and identified that a good business model should answer three key questions. “Who is the customer?” “What does the customer value?” and “How we can deliver the value to customer?” The three important questions were considered as the original thoughts of business model. It also clarified the role of business model is to deliver business value to customers.

Johnson’s (2008) and Teece’s (2009) studies explained business model from general business management perspective, which supported the author to explore more detailed logic and role of business models. They viewed business model as combination of FLOWs, which is to solve the issue how product, service and information flow in business transactions and go-to-market by considering the roles and context of participating parties. In Johnson’s (2008) study, it was claimed that many business problems such as channel management efficiency and customer satisfaction issues can be solved by business model refining and improvement. In another word, it was argued that a suitable business model is the key in business transaction to create business value and enhance business efficiency.

Amit and Zott (2001) and Magretta’s (2002) studies gave the author an interesting point to view business model, which illustrated the value chain of business model consists of relevant business activities. It was claimed that a firm’s business model can be defined as “a system of interdependent activities” (Zott and Amit, 2010). Magretta’s (2002) essay proposed that all new business models are variations on the generic value chain underlying all businesses, which is aimed at creating business value for companies. Magretta (2002) claimed the value chain has two parts. One includes all the activities associated with making something: designing it, purchasing raw materials, manufacturing and so on. Another part includes all the activities associated with selling something: finding and reaching customers, transacting a sale,

distributing the product or delivering the services. The elements involved in both parts were recognised as all relevant functions of business transaction. In another word, a business model should involve all these functions, which are essential to ensure business transaction. However, her essay concentrated on Drucker's (1994) first two questions on WHAT and WHO, but did not answer the last question, HOW is value delivered to the target customers, and the working process of those elements of a business model. Thus, Mageretta's (2002) essay was not comprehensive and practical enough as guidance for academic and business practice.

According to the study done by Morris, Schindehutte, Allen (2005), the business model was considered as a logical and complex system, which involves many choices on aspects in detail including finance, product, sales, communication and distribution etc (Casadesus-Masanell and Ricart, 2010). The entire system conducts the interaction with customers / market segments, and embeds business elements and actors in. It helps business FLOWS go to market and achieves business performance and high efficiency of earning profit (Johnson, 2008; Teece, 2009).

According to Morris, Schindehutte and Allen (2005), it was claimed that business model also refers to logical and sequent decisions variables of "venture strategy, architecture, and economics are addressed to create competitive advantages in defined market" (Morris, Schindehutte, Allen, 2005, p733). The author agreed on this claim and considers this to explain the definition and role of business model. It was explained that business model is considered helping managers on business efficiency by conceptualising the business as an interrelated set of strategic choices and decisions, seeking collaborative and complementary relationships among elements and aspects through unique combination, developing all business activity sets around a logical framework, and ensuring consistency between all business elements (Morris, Schindehutte, Allen, 2005). Osterwalder and Pigneur (2005) also emphasised the relation between business model and business decisions that a business model supports business decision making and facilitates business development. Moreover, a

business model must describe the value transformation process, human resources, information technology infrastructure, and organisation structure along with all other business model components relevant to the organisation (Lambert, 2008, Osterwalder, Pigneur et al., 2005).

Recently, Lambert (2010) updated a clear view of business model that is concerned to provide information, which reflects the economic and strategic business choices made by organisation. It also presented views of the business logic underlying the organisation's existence that meets the needs of markets. It could be seen that Lambert's (2010) study supported the author's argument and propositions on the key points of business model definition that business model is a logic system contains lots of business flows for organisation's value creation and delivery to market needs. Based on the author's analysis of previous documents and the review of the updated literatures (See Table 2.1), the definition of business model became clearer that **a business model is a kind of system guides an organisation to design and produce products, service and information in business transactions in order to facilitate value creation and delivery for the organisation in the market.**

### **2.3 Contents of business model**

According to Zott and Amit's (2010) study, it clearly described that a business model should consist of three key constructs "the content, structure, and governance of transactions designed to create value through the exploitation of business opportunities". The construct "governance of transactions" could be explained as processes facilitating business transactions in variable business activities. As Teece (2009) claimed "a business model articulates the logic", in which business processes are essential element. Thus, by reviewing relevant literatures, the author argued that a business model consists of three key constructs "contents of business model, structure of business model, and business processes". It could be seen that content of business model is the key construct with inconsistent opinions in the academic literatures. It was also the key area attracting business managers. Thus, in the author's research,

content of business model was considered as the major focus among all three constructs (See Section 4.3).

### ***The content as one of key constructs of business model***

The content, as one of the key construct here was illustrated as business functions with various business activities and business actors involved in daily transactions. It was also called “components” and “elements” in some of literatures (e.g. Osterwalder & Pigneur, 2010; Johnson, 2008). Overall considered, the author followed Zott and Amit’s (2010) studies to take business model “content” as the terminology of the key focus in this study.

Aligned with Drucker’s (1994), Johnson’s (2008), Teece’s (2009, p2) and Johnson, Christensen and Kagermann’s (2008) principle of business model development, Osterwalder and Pigneur’s (2010) study was considered as the basic exploration of business model content for the research. Osterwalder and Pigneur’s (2010) study introduced a complicated business model called “9 blocks business model”. It was illustrated that business model is a logical system, which contains relevant components and working processes. Reviewing Osterwalder and Pigneur’s (2010) 9 blocks business model, it described many contents involved in a business model, such as distribution channel, finance, product development, marketing communication etc. However, Osterwalder and Pigneur’s (2010) study described business model in a quite complicated way, and there was no empirical data involved, and difficult to be applied in business practice.

From another angle, Chesbrough and Rosenbloom (2002) described business model and identified business model contents from the view of business functions that driven by different roles and tasks in business operation. It helped the author to draw a view of a business model functions as below, which supported the author to initiate the contents of business model in developing SIYANG Framework in previous documents.



- Articulate value proposition, which is about value created for market; -- Internal
- Identify market segment, to whom the product selling to and brand communicate with; -- External
- Define value chain, is about distribution of products and services; -- External
- Estimate cost and profit potential, financial plan on production, communication and distribution etc; -- Internal
- Describe the position of firm within value network; -- External
- Formulate competitive strategy for company to hold advantages, e.g. technology innovation etc. -- Internal

It could be seen that all contents were classified as external and internal ones, and all contents were sequent (Casadesus-Masanell & Ricart, 2010, p198) to ensure relative flows, such as products and services (Johnson, 2008), going to market (Teece, 2009). A well-established business model should consist of external aspects, which refer to business functions connecting to market directly, and internal aspects, which refer to supporting functions to support business operations.

However, the literatures that have been reviewed in previous documents were insufficient to describe the components of business model. More recently, the author also studied the researches, which Lambert conducted during 2006 to 2012. There were some significant opinions found toward content of business model. Lambert (2008) conducted a comprehensive review of business model contents as well in her studies. The terminology that Lambert (2006) used was elements, which stands for the same thing as the business model contents the author claimed. Lambert (2008) realised that there was an overlap of elements in previous literatures. Based on Osterwalder and Pigneur's et al. (2005) study and Drucker's (1994) core questions, Lambert (2008) extended and specified the questions to illustrate the primacy business model contents, which provided the author another view to rethink the way to explore the details of business model contents (See Table 2.2).

Table 2.2: Lambert's business model elements

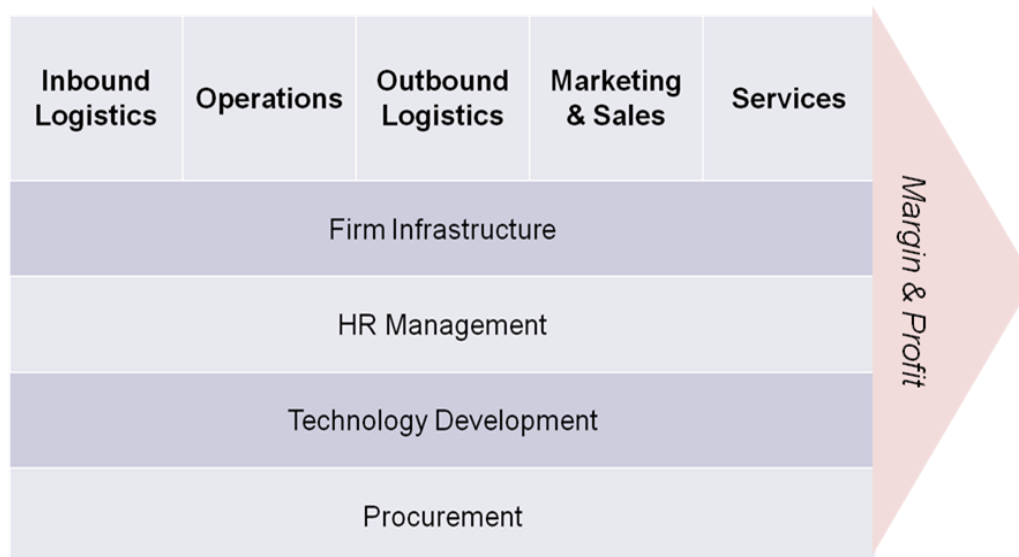
| Questions in relation to the entity                                | Business model element   |
|--|--|
| What is the value proposition?                                     | Value Proposition: product, service, information or combination of these                                       |
| To whom is the value proposition offered?                          | Customer: segment or type  |
| What is received in return?  | Value in Return: such as rent, commission, sales revenue, advertising space, future contracts                  |
| How is the value proposition offered?                              | Channel: of value transmission   |
| How is the value proposition created?                              | Value Adding Process: and related resources, capabilities, activities, strategies and organisational structure |
| What other entities contribute to providing the value proposition? | Suppliers and allies   |

According to Lambert's (2008) opinion, the author explained that value proposition referring to the core business values that created and offered to the market to meet customers' needs. The organisation should target at customer segments with appropriate value proposition. Value in return refers to what the organisation receives in return for the value proposition. It can be money including rent, sales revenue, commission, or other non-monetary value such as advertising space, reputation, or future contracts. Value adding process may include resources, activities and relative processes to create value. Supplier and ally (partner) were identified as the important components of a business model to facilitate business activities.

Moreover, the author also recognised the Porter's (1995) Value Chain is useful to explore the details of business contents. (See Table 2.3) Porter's Value Chain explained the frame of business system and the way of a business organisation making profits, which was considered as the same subject as the author's research in term of business management. Porter's Value Chain separated the entire business system into a series of value-generating activities referred to as the Value Chain. In the Porter's (1995) Value Chain, nine key modules were defined to facilitate the business operations for earning profit. All modules were classified as core modules and supporting modules. It was quite similar to the concept that the author proposed internal and external aspects of business model contents. The identified modules were

also useful to be leveraged in the author's further exploration of detailed contents of business model. However, the author still had concerns about Porter's (1995) Value Chain. The identified modules were not specific enough to guide business manager to build up or improve the business transaction, and the detailed information flow was not identified.

*Table 2.3: Porter's Value Chain, Competitive Advantage, 1995.*



### ***Other two constructs of business model***

In order to research a holistic concept of business model, the author also reviewed other constructs of business model, although they were not key focus of in-depth exploration in the research. It could be seen that all the business activities are performed in a certain structure, which is the second construct explored in the author's research. In another word, it was said that the structure of business model is critical for constructing the entire business model enabling business value creation and delivery. IBM's business model structure mapped by Chesbrough (2009, p360) was considered as a good example to initially explain business model structure. IBM's sample helped the author to understand the notion of business model structure by illustrating the relationship among functional structure, organisation structure and relative business functions (See Table 2.4). The structure of business model facilitates all business functions working together in a business model. Viewing horizon mark, it

can be considered as the basic functions of business operation, which are important components in business modelling. From the vertical line, it can be seen that all actions of business functions follow along the same direction, Plan-Control-Execution, to ensure product value flow reaches customers. Therefore, it was said that the structure of business model is important construct toward business modelling. It must be built by considering specific value flow and functional organisation structure (Teece, 2006, p411; 2009, p21).

Table 2.4: IBM's business model structure and component

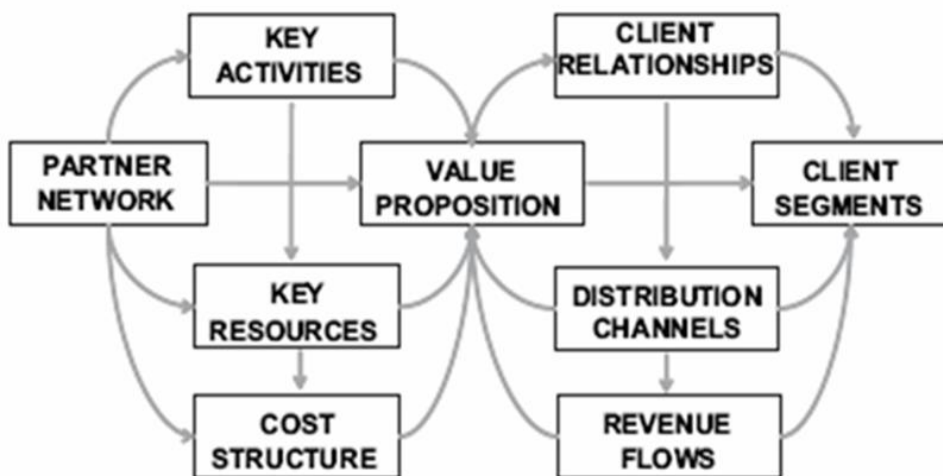
|         | <i>Business Administration</i> | <i>New Business Development</i> | <i>Relationship Management</i> | <i>Servicing and Sales</i> | <i>Product Fulfillment</i> | <i>Financial Control and Accounting</i> |
|---------|--------------------------------|---------------------------------|--------------------------------|----------------------------|----------------------------|---|
| Direct  | Business Planning              | Sector Planning                 | Account Planning               | Sales Planning             | Fulfillment Planning       | Portfolio Planning                      |
| Control | Business Unit Tracking         | Sector Management               | Relationship Management        | Sales Management           | Fulfillment Planning       | Compliance Reconciliation               |
|         | Staff Appraisals               | Product Management              | Credit Assessment              |                            |                            |   |
| Execute | Staff Administration           | Product Delivery                | Credit Administration          | Sales                      | Product Fulfillment        | Customer Accounts                       |
|         | Product Administration         | Marketing Campaigns             |                                | Customer Dialogue          | Document Management        | General Ledger                          |
|         |                                |                                 |                                | Contact Routing            |                            |   |

Source: IBM Annual Report, 2007

The third construct is the process that facilitates all contents working with a certain structure underlying a business model. Osterwalder and Pigneur (2010) argued in their studies that the business model should be implemented through a specific organisational structure, process, and system. In another word, the process connects all business functions and enables the working of whole business model through the organisation structure. According to Johnson's (2008) study, a process describes how business value stream flows. It is quite critical to ensure business model contents work in a "system" (Teece, 2009).

Osterwalder and Pigneur (2010) also argued that business model should be implemented through a specific organisational structure, processes, and systems. It can be further explained that the process connects all business functions and enables the working of entire business model through the organisation structure. In business practice, when the infrastructure is settled, managers need to draw clear and systematic business processes by looking at the relative responsibility for business operations (Chesbrough, 2009, pp.360-361), which indicates how does business model work, and how do FLOWs workout within the model. Chesbrough (2009, pp.359-360) further illustrated the contact flows and process within Osterwalder and Pigneur's (2010) 9 blocks model (See Diagram 2.2). It can be seen clearly that abstract business processes enable the business model working for business transactions.

*Diagram 2.2: Flows and process of Osterwalder & Pigneur's 9 blocks model*



*Source: Osterwalder & Pigneur, (2010)*

After reviewing relative literatures, it could be argued that the **structure, process and content of business model** are the key basic constructs of a business model, in which the content of business model can be considered as business functions, activities and actors. The business process reflects business rules and logics. The author also realised that due to the lack of empirical data in current literatures, there were details

of business model contents still need to be explored in phase 5. Exploring the details of contents of business models was also the critical thing of SIYANG Framework enrichment by looking through the automotive finance business in China (See Section 4.3).

## **2.4 The influential factors over business model and modelling**

The objective of document 5 was to enrich SIYANG Framework with more in-depth exploration on the focus areas of business model. The influential factors over business model and modelling also draw the author's attention to be one of focus area. What influences the business model? Previously, there were two key concepts identified as the influential factors over business model in many literatures, "business environment" and "organisation structure". However, there was lack of research exploring sufficient details about these influential factors over business model. They were only talking on a theoretical level of above key subjects.

### ***The relationship of business environment and business model***

Hicks (1942) described economics as "the behaviour of human beings in business". It reflected the central role of human players when we serious consider this with business model and business strategy.

"The study of economics can therefore take us a considerable way towards a general understanding of human society, that is, of men's behaviour to one another" (Hicks, 1942, p.3).

This description reminded the author that business model exists in human society and a generic economics. The research and practice of business model should start and seriously consider the economics involving people's behaviour.

Looking at "theory of the business", Drucker (1994) described that a business model is about what are organisation's behaviour and decisions in its markets, how customers and competitors behave in those markets and the way in which the markets are located in and impact upon the broader society. It was clearly described that a

business model is conducted upon a specific market and society with specific business environment involved.

The business environment change was recognised as critical issue in nowadays business development and management. According to Drucker's (1994) early research, the business model should change while business environment and reality changes to ensure business value creation and delivery. Kotabe and Helsen (2001) thoroughly described the way of doing current international business. It was claimed that international business should be considered in terms of business environment changes including economic, financial, cultural and legal. The series of strategy would be developed accordingly to specific target markets and match the particular needs.

Teece (2009, p.6) claimed that "business model must morph over time as changing markets, technologies, legal structure dictate or allow." In this case, business model should be adjusted accordingly with the market environment, in terms of customer needs and behaviour, cultural and legal restrictions, market institutions, to ensure efficient business value creation and market extension and support the progress of international business.

In this research, automotive finance market in China is much different to the US and EU market by considering culture, consumer behaviour, and industry regulation. Replicating the business model from original market to Chinese market, it is obvious that the original US and EU business model should be adjusted accordingly to match Chinese market. In other words, an appropriate business model adopted in Chinese market should be refined by considering the Chinese business environment and market reality.

According to Kotabe and Helsen's (2001) early study, when a business went into another market, the business model should change according to target segmentation and positioning, marketing communication, product and service, pricing, by looking

at environment analysis. These items can be recognised as business model contents. All of these contents should be carried out based on well-understanding of business environment and target segment. Here were two more significant case studies refer to successful business practice in international business. They both changed their original business model to adapt specific markets by understanding the needs and environment.

Cases of IBM (2007) and KFC (Huang, 2007) showed the author very good examples about how they reacted to a different business environment by adjusting the business models and the details of business model adjustments, which pictured the author the relationship between business environment and business model from the perspective of business practice.

IBM successfully operates the business model globally in more than 100 countries, which consists of same organisational structure, process and procedure, product and service strategy, same brand strategy, and distribution strategy. Since 2004, IBM management team realised that “One-Voice” was not enough for business development in China. Significantly, there is a big difference between US and Chinese market regarding the behaviour and demand of small-medium businesses (SMB), e.g. sensitive balance between quality and price. Many international companies tried to adjust their business model to match SMB demands in Chinese market. IBM is not an exception. Based on the research, IBM decided to slightly adjust the products and service, and marketing communication to match local market and target segment demand. In 2005, IBM changed its product for Chinese SMB with simpler solution and low-end hardware to offer lower package price. With the adjustment of product offers, the SMB sales increased 8% in 2005. It can be recognised as an appropriate answer to Drucker’s first question in business practice.

Marketing communication is also an important content of business model, which was recognised as an important FLOW in Johnson’s (2008) study, helping value



go-to-market (Teece, 2002) to catch customers. The changes on marketing communication also received performance increase. There was an additional action added in instead of IBM worldwide one-voice communication strategy fully adapted in China. Based on One-Voice strategy, marketing communication message was adjusted and local-cooked for Chinese SMB since early 2005. IBM managers extended the worldwide message and extracted the key points of message that Chinese SMB managers might be interested in. The change was making the message easier for SMB understanding and more targeting for the concerns. At the end of 2005, only interactive marketing campaign achieved 12% increase on response rate.

Another example also illustrates specific business model adaptation to business environment change. According to Huang's (2007) research on KFC, a famous US fast food company, the situation of competition between McDonald and KFC in China is quite interesting. No one will place both of them on a same level in global market. There is no doubt, McDonald is the No.1 who has more than 30,000 restaurants and over 500 billion in more than 120 countries around the world. By contrast, KFC has only 11,000 restaurants in 80 countries around the world. However, in China, McDonald faced a strong competition from KFC when it entered into China in 1991.

According to Huang's (2007) study on KFC case, KFC adjusted the business model to surpass McDonald's performance in Chinamarket and turned into a leader from a follower. As Drucker (1994) argued that product is always the core thing for business value proposition. KFC adjusted the recipe and menu to adapt Chinese customer taste and health preference by launching products like iced black tea, Beijing style chicken roll, Sichuan style burger and even chicken rice etc. The new products are well accepted by Chinese customers. Since 2000, KFC's product strategy has been adjusted by investing some key actions demand exploring, recipe development, local taste testing, local vendor selection, production and delivery testing.

Same as IBM's communication strategy, KFC cooked a series Chinese focused

marketing communication campaign. The one launched in 2005 was a typical example, named “New Fast-food making change for China”. Distribution channel management was another change in KFC business model. It really helped KFC to gain more profit and reputation. The managers realised supply chain is critical for maintain the western fast-food quality in emerging market. KFC built up a significant business partner model for managing the whole business partner network to support suppliers’ development. Meanwhile, franchise has been denied step by step in Chinese market since 1999, which was for maintaining product and service quality and ensuring the full authority of restaurant location selection. It could be seen that since 2000, KFC China has been changing its business model accordingly for adapting Chinese market environment, including product development, marketing communication, and distribution channel management etc. Rely on business model changes, KFC plays as leader of fast food industry in China in the past decade (Huang, 2007).

Supported by Teece’s (2009) claim, it can be argued that IBM and KFC’s successes were achieved by capturing target market needs and adapting business environment change. However, the author is not saying to change entire business model. There were a few key contents adjusted including product offering, marketing communication, distribution channel management etc. to adapt the particular business environment changes. It is quite similar to the cases. The author also brings another example from automotive finance industry showing the adjustment of business model for adapting business environment in China. BMW Financial established its China company in 2005. In its original business model design, the entire business transaction was operated by BMW Financial itself, which means BMW Financial owned the capital and fully controled the process from point of sales to contract management even customer retention. In 2007, CBRC set an automotive loan cap to all AFCs to control and avoid the risk of financial crisis, which was each AFC could not exceed 115% of the past year loan outstanding. Internally, BMW was facing a big pressure of vehicle sales and market expansion. Manufacture of BMW really needed the support from BMW Financial. Since 2007, BMW Financial decided to change its distribution

channel mode of business model to reach more business extension. The 3<sup>rd</sup> party banks were authorised by BMW Financial to sales financial products in BMW distribution channel, in exchange BMW Financial charges transaction fee upon each deal made by bank. In this case, BMW Financial shared a bit of channel to aligned business partner for extend total market share in order to break the CBRC loan limitation. (BMW Financial Business Development Review, 2008) It could be seen that BMW Financial adjusted its original business model operated in mature markets to adapt Chinese local business environment by adjusting key contents of business model.

Considering all three cases, it could be argued that business environment directly impacts business model, and being a must consideration of business model changes. However, current business model literatures mainly explained the importance of business environment in business model development and the relationship between them but no specific industry concerned in these researches. The explanation of detailed factors related to business environment analysis was still insufficient. The area can be further explored in the AFC case study later.

### ***The interrelation between business environment and organisation structure***

Another concept frequently mentioned by many researchers in current literatures was organisation structure, which extends the author's consideration in order to have thorough review on influential factors over business model. And it is necessary to draw clearly interrelation between two concepts. A business model is a complicated system that should be built on specific organisational structure, which also stands in the way of implementing a new business model (Amit & Zott, 2010). Augier and Teece (2006) also described that the organisation structure is also important for building a business model. An appropriate organisational structure may reduce the costs of business operations and enhance the business efficiency. Otherwise, it would be a problem of business operations. It could be argued that organisational structure and business model are interrelated somehow. The organisational structure should be

considered at very beginning of business model design and modelling process. Meanwhile, the organisational structure may also be adjusted according to business model design by considering specific business environment.

However, the current literatures have not indicated a clear view of interrelation between organisational structure and business environment, although the relationship between organisational structure and business model has been addressed somehow. The author considered that it lacks a clear definition of business environment by overall considering internal and external organisation, e.g. organisational structure.

Recently, Lambert's (2012) study provided the author a clearer view on how we should define business environment and what it is about in business practice? Lambert (2012) argued that business model should be adjusted according to business environment changes to maintain the competitive advantages for sustainable business development. The item business environment argued by Lambert (2012) was not the same as other researchers' literatures. It could be seen that most of literatures only focused on the environment outside of organisations, but ignored the factors inside of organisations. The only factor of internal organisation frequently mentioned was organisation structure, which may impact business model design for sure. The author almost agreed with Lambert's (2012) argument on this. It was addressed that both inter-organisation and outside of organisation should be considered as business environment. The factor "organisation structure" is one of internal factors.

Therefore, based on Lambert's (2010, 2012) studies, the author argued that good business model design and implementation involves assessing external factors concerns customers, suppliers, and broader business environment, as well as internal factors, e.g. organisational structure and strategic value proposition. The author argued this is applicable for both new business model development and also existing business model improvement. Even when entrepreneurial firms replicate the business models of existing organizations (Aldrich 1999), they may have to consider internal

environment, including organisational structure, internal resource and business value proposition (McGrath & MacMillan, 2000). For enriching SIYANG Framework, the author considered to clearly define and illustrate more details regarding business environment by looking at both internal and external environment of automotive finance business, and discover the specific factors.

## **2.5 Preliminary exploration of business modelling process**

The current literatures had preliminary contribution on process of business modelling, which draws a way for building up a business model. There were three constructs in a business model, structure of business model, content of business model, and business processes. But there was still lack of a clear description of business modelling process. As mentioned in the author's research, key constructs of business model could be considered as the basis of business modelling process.

In previous documents, the author initially proposed three steps of modelling process based on the identified business model constructs in SIYANG Framework, which are.

1. Business model structure building;
2. Identification of business model contents;
3. Design of working process among the contents of business model.

However, it was quite abstract without detailed explanation in proposed SIYANG Framework, and not thoroughly considered the influences of business model. According to Zott and Amit (2006), it could be argued that the business modelling process can be reflected from the entire business model concept by considering business model constructs and influences factors to business model. Thus, the author can redefine the process when SIYANG Framework is enriched as a framework of business model in the research.

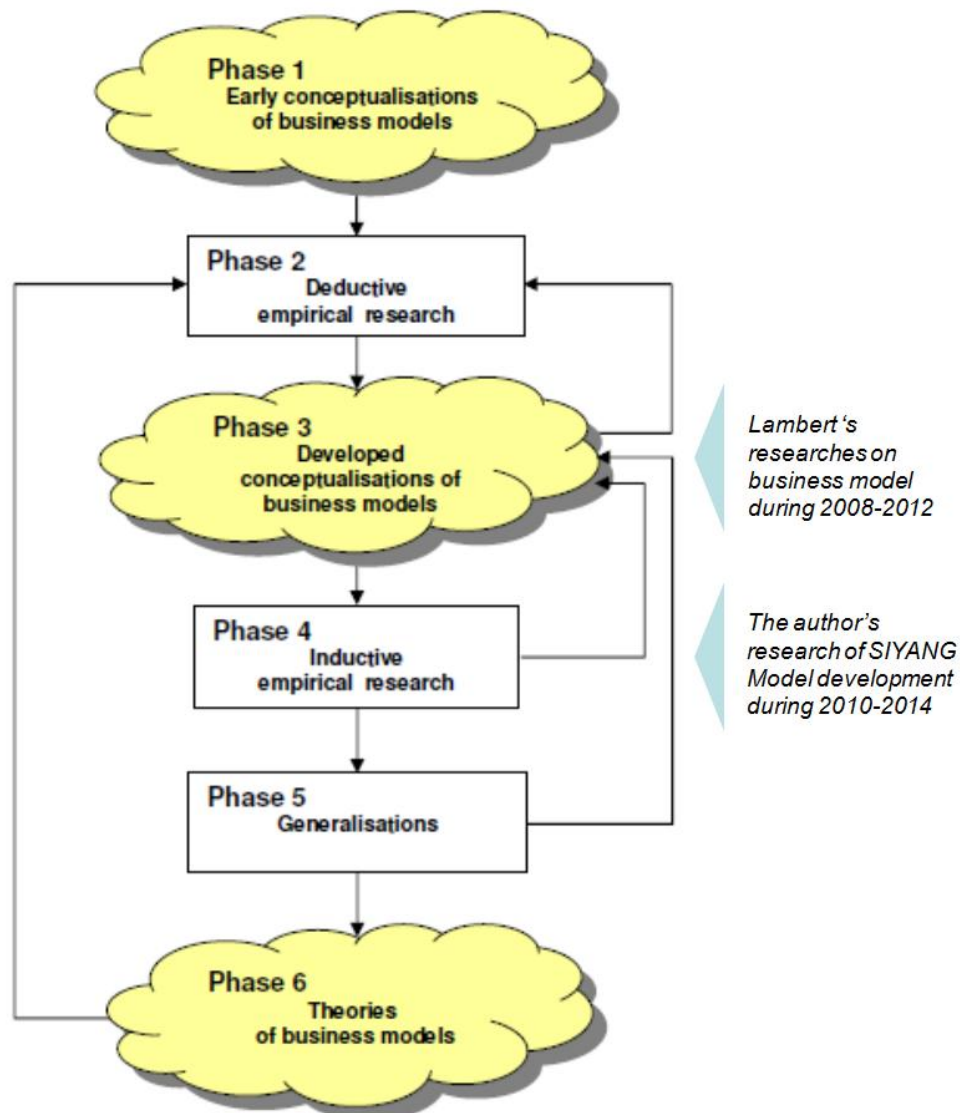
## **2.6 Lambert's BMRS**

In order to move the research forward, the author was seeking the theoretical support

for enriching SIYANG Framework and Lambert's BMRS was considered as the appropriate one. Between 2006 and 2012, Lambert conducted business model related studies based on the literatures, which have significant contribution to academic research area. Lambert (2006) as a pioneer clearly proposed a research schema "BMRS" that provides a foundation and guidance for further business model researches. With the six-level approach, the researchers were not be misled and lost among non-consensus notion and concepts claimed in thousands of business model literatures. It draws researchers a clear direction to business model study outcomes. Indeed, Lambert's (2006) BMRS provides the author a clear roadmap and academic support for conducting the research. BMRS could be seen as an embryonic form of business model framework, although it has not been widely accepted as same as the most notions of business model from other studies.

Lambert's (2006) BMRS proposed six phases for completing a business model research by applying the approach of inductive and deductive cycle to explore and illustrate the overall progress of developing a business model framework. The important feature of Lambert's (2006) BMRS was showing the clear process of the creation of a business model framework as illustrated in Diagram 2.3.

Diagram 2.3: Lambert's BMRS (2006)



BMRS indicates that the research on phase 1 mainly focuses on simple conceptualisation of business models including definitions, the identification of business model elements and typologies of business models. The researches on phase 2 consist of very few empirical researches in which the conceptualisation can be used as the basis for classifying the data. As follow-up result, the original concept of business model are developed in phase 3, which can be taken into further inductive and deductive research. The researches on phase 4 conduct taxonomic research and analysis of business model variables for a concrete business model concept generalisation on next phase.

BMRS supported the approach that the author applied in the previous steps, and also indicated the author a clear path of moving the research forward. As explained in BMRS, phase 5 is a generalisation of a framework of business model on theory level, which needs more thorough inductive and deductive researches and relevant hypothesis examined.

It was recognised that most recently researches of business model were staying at phase 1 and 2, which have been taken in an attempt of conceptualisation of business models including most of literatures listed in Table 2.1. There was no a concrete concept of business models and consensus on definition in researches. It could be said as another reason of no consensus perception of business model definition and elements. According to Lambert's BMRS, it could be argued that there were a few researches reached phase 3 e.g. Osterwalder and Pigneur's (2010) and Lambert's (2008-2012). They had a clear basic concept of business models generated in the researches, but the empirical research was still missing. Therefore, it could be said there was lack of holistic description of business model and modelling process in the current literature to explain what a business model exactly is, what a business model contains, how a business model works and how to develop a business model.

According to BMRS, the author's research was considered on phase 4 as well. The relevant propositions have been examined with the inductive and deductive cycle upon both primary and empirical data analysis during document 2 to 4. As an outcome of previous document, a clear concept of business models has been developed, which is considered as a key contribution in academic area of business model research. . Because of the original design of this research was to develop a foundation and guidance for both academic researchers and business practitioners to conduct further research and related business practice toward business model. Looking at SIYANG Framework the author proposed so far, some areas were not detailed and instructive enough to explain the business phenomena and guide practice. Thus, there were areas



to explore to enrich SIYANG Framework.

In addition, although Lambert's (2006) BMRS provided the author a clear vision and path of moving the research forward, there were still some weakness in Lambert's (2008-2012) series studies, where also gave the author opportunities to make further enhancement on SIYANG Framework. Lack of empirical data was one of weakness in Lambert's studies. Same as the objective of the author's study, Lambert's (2008-2012) business model research was seeking a framework of business model that can provide academic researchers a foundation for further business model researches, and also provide business managers a guidance of developing and using a specific business model in business practice. In this case, the empirical data should be considered in the research of business model framework development, especially in the inductive phase of the research. However, Lambert's (2008-2012) research did not thoroughly consider impact of business environment. Even though, it has not been evaluated in a particular business environment and industry during inductive and deductive phases of the research. Thus, Lambert's business model concept may have feasibility issue to offer concrete and comprehensive guidance to academic researchers and business managers at this stage. It leaked an opportunity for the author to conduct the research by considering empirical data with a particular industry and business environment.

Secondly, all the components were mixed together called "elements of business model" in Lambert's business model concept. There was no clear layer illustrated as business model constructs to explain the components of business model, and what specific contents involved in each construct. It was argued by the author to identify the business model constructs by the role, and specifying the contents under the constructs consist of relative business functions. Reminded by Zott and Amit's (2010) opinion, the author claimed a business model consists of three key constructs "content, structure and governance". Here the term "governance" was also interpreted as the business processes. A business model also can be considered as an organisational "activity system" (Zott and Amit, 2010). As the author argued in previous document,

the first layer of business model ontology should be identified as the key constructs of business model. The second layer would explain the details involved in each construct by illustrating business activities. In order to move the research forward, the details was explored more depth under each constructs, especially the contents of business model.

## **2.7 Summary of literature review**

In order to have a comprehensive view on up literatures, the author conducted another round of literature review when finalising the final document to quickly catch up the valuable updates of literatures published from 2013 to 2015. It was found that the most of the updated literatures are still on the research level 2 of BMRS theoretically talking about business model definitions, components and the importance respectively, e.g. Bocken, Short, Rana & Evans's (2014) studies, Ladib & Lakhal's (2015) studies, and Dai's (2015) study. In other words, they mainly focused on business model not on business model framework and were lack of empirical data.

Even Lambert & Davidson's (2014) study did not move the research forward along with the BMRS to explore empirical data to support their theories, still stayed in the reviews of current business model literatures trying to find common and different opinions. According to DaSilva & Trkman's (2014) research, there was no clear and widely accepted definition of business model until 2014. Both academic researchers and business managers were still struggled with a clear role of business model (DaSilva & Trkman, 2014) in practice. Only Dai's study touched the heart of business model trying to explain the way of developing business model based on value stream theory. But the study was still not detailed and constructive enough for it was lack of an empirical data and a clear approach addressing the development steps. However, these literatures theoretically supported the author's claims in the final documents regarding the definition of business model and process of business modelling.

There was a few literatures attempted the empirical research of business model

involved particular industry. But they do not hold a clear business model definition and perception as a research basis. Bohnsack, Pinkse & Kolk (2013)'s study was trying to explore the way of business model evolution especially for automobile business transformation from traditional vehicle to electronic vehicle design and manufacture. They developed business model for electronic vehicle business by considering business value stream. However, they were confused with the concept of business model and strategy mix. For automotive industry, business transformation from traditional vehicle to electronic vehicle does not require business model change. Based on the findings from Bohnsack, Pinkse & Kolk's (2013) study, it can be seen that the changes suggested in the study were about strategy mix involved in a business model operation, not the business model itself. However, some of their findings contributed to the author's idea on contents of business model, e.g. in-house R&D and resources, sales process and service. Moreover, Bohnsack, Pinkse & Kolk's (2013) study also supported the author's opinion that value stream is the basis of business model framework development.

In summary, it can be said that a business model consist of three key constructs including the contents of business model, the structure of business model and business process. At this phase of the research, the contents of business model were one of focused areas to enrich SIYANG Framework. In addition, the importance of influential factors over business models was also recognised. But, it was still lack of an explanation on detailed factors, which was another focus to enrich SIYANG Framework at this phase of the research. Looking at Lambert's (2006) BMRS, Lambert's business model studies during 2008 till 2012 were still on the 3rd level of BMRS, by simply initiating a concept of business model framework, but no detailed explanations. Their studies showed the author an opportunity to enrich SIYANG Framework by exploring more details of business model also putting empirical data, as another key, collected through the case study in the engaged automotive finance company into consideration. Thus, the enriched SIYANG Framework would be able to explain business phenomena, guide business model practice.

### 3. Research methodology and Method

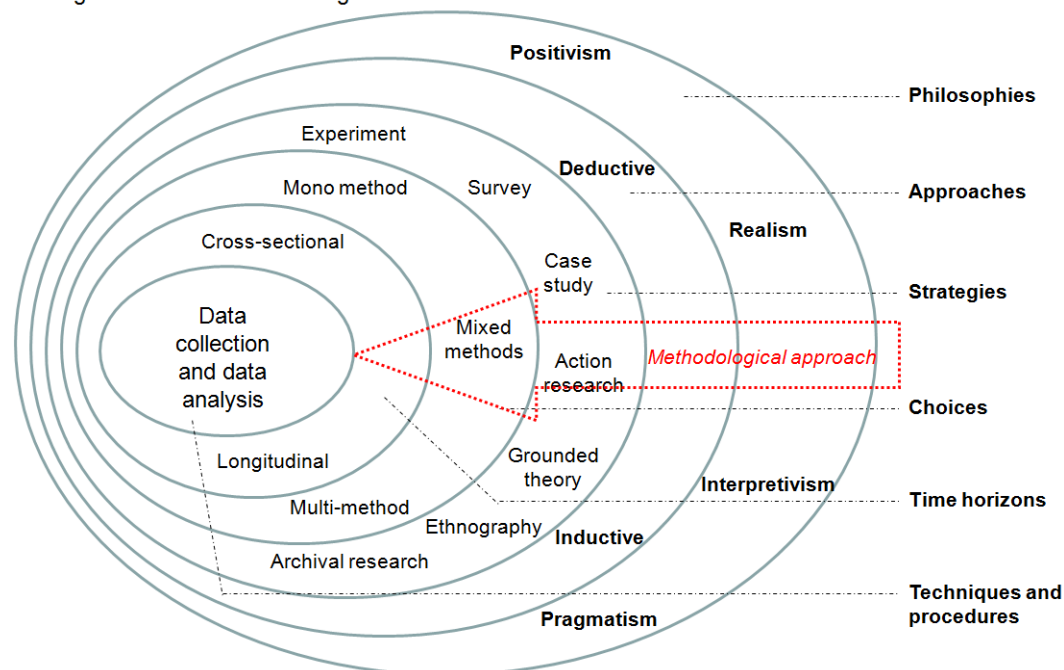
#### 3.1 Introduction

The objective of phase 5 of the research was to enrich SIYANG Framework as a business model framework by looking at an automotive finance business in China. To achieve the objective, the author has adopted an interpretivist methodology, inductive approach and a case study strategy. The Semi-structured interviews were conducted with managers within the engaged organisation as research method. The data was analysed by using framework analysis (Ritchie & Spencer, 1994) with tools of node tree and interpretive grid. The next section details the rationale of the methodological choices with reference to the research ‘onion’ (Saunders, Lewis & Thornhil, 2009).

#### 3.2 Research methodology

Saunders, Lewis and Thornhil’s (2009) “the onion” diagram draws a clear thinking frame for the author to select the methodology and determine the appropriate methods of data collection and analysis (See Diagram 3.1). With this “onion”, researchers discussed and determined an appropriate research methodological approach to enrich SIYANG Framework by exploring the details of business model framework.

Diagram 3.1: “The Onion” diagram



Source: Saunder, Lewis and Thornhil ((2009)

The matrix developed by Fisher (2010) helps the author to understand and make choice on methodologies in a matrix with two dimensions (See Table 3.1). The author learned the main forms of management research methodologies from Fisher's (2010) matrix by considering two dimensions. ① Whether human subjectivity is recognised or ignored, which concerns epistemological positions. ② Whether what is being researched is thought to have an objective existence or focuses on the subjective meaning that individuals and societies use to make sense of their world, which concerns ontological position. This research was about how managers and researchers making sense of the business model. Thus, the ontological position was appropriate.

*Table 3.1: Fisher's matrix*

|   | <b>Non-recognition of the relevance of human subjectivity</b>    | <b>Recognition of the relevance of human subjectivity</b>  |
|---|--|--|
| <b>Ontological realism</b><br>↑<br>↓<br><b>Ontological nominalism</b> | Positivism<br><br><br><br><br><br><br>Not a possible combination | Methodological pluralism<br>Realist research<br>Critical realism<br>Standpoint research<br>Action research<br><br>Interpretivism |

*Source: Fisher (2010)*

An interpretivism position believes that reality is socially constructed. It means that “people’s understanding of reality is not simple account of what is; rather, it is something that people in societies and group from their interpretation of reality, which is influenced by their values and their way of seeing the world” (Fisher et al., 2007). It could be seen that interpretivism researchers take existing principles and relevant information of business as an approach of research to generate more knowledge and approach of doing business.

Looking at the situation of the research on business model, the author was seeking to develop a business model framework by looking at the existing both theoretical and empirical data from the literature and practices. The business model framework can help business managers and academic researchers conducting further business model researches and better making sense of business model in future. The objective of phase 5 was to explore the way of how to enrich SIYANG Framework by conducting a case study in Chinese automotive industry. In this case, the author needs to know how business managers consider SIYANG Framework. Therefore, the interpretive approach is considered as the appropriate methodology. By adopting an interpretivism approach the author would be able to get an in depth appreciation of how business managers make sense of constructing, developing, utilising the concept of business model and modelling process.

Moreover, based on the finding of phase 3 of the research, there occurred an implicit situation, in which most of managers recognised the existence of terminology “business model”, but they only held one-sided perception. They had many different perception and understanding by their own experiences. All managers were not able to describe a comprehensive way of developing and using business model. It could be said that managers did not have clear and explicit understanding of business model and modelling concept. Both the author and business managers were still on the way of seeking a clearer “general knowledge” (Fisher et al., 2007) of business model and modelling for a series change and further development on original business model and current concept of it. In this case, the author considered to apply an ontology interpretivism approach to complete the research cycle and formulate business model framework by which the author helped managers making more comprehensive sense of business model, and more researches may be developed further in business world.

### **3.3 Case study as research strategy**

Back to the research objective, the objective of phase 5 was to enrich SIYANG Framework by looking at empirical data. The efficient way of collecting empirical

data was considered to conduct a case study. According to Yin (1981), the case study approach can help to ascertain explanations and accurate interpretation of the facts of the case, some consideration of alternative explanations of facts, and a conclusion based on the single explanation that appears most congruent with the facts. Fisher (2010) also argued that case study is a type of qualitative approach that has been used successfully to identify opportunities for effective practice, and competencies for wide variety of businesses. Case study may help researchers to understand the knowledge related to a specific complex business situation toward all kinds of issues and aspects of businesses.

In this research, case study, as a critical research approach representing the research strategy, enables the implementation of SIYANG Framework to explain the business phenomenon and context by presenting particular data from fieldwork, business records, verbal reports, and observations as qualitative evidence. Thus, the author had opportunity to evaluate the feasibility of SIYANG Framework, and sought a way to enrich SIYANG Framework therefore develop a framework of business model.

In the research, an international automotive finance company, coded “AFBC” due to sensitive information protection and ethical issues, operating in Chinese automotive finance industry, has been engaged as the case for the research. The author worked with AFBC seeking a way of its business model improvement and reflecting findings to SIYANG Framework enrichment. By applying the concept of SIYANG Framework, a series of change on the AFBC’s original business model operated in mature market was conducted for matching and adapting the Chinese market. The author was able to make in-depth explanation based on the result of the implementation, and explore the insight and the perception from AFBC managers’ feedback about SIYANG Framework. Therefore, the author had opportunity to enrich SIYANG Framework based on AFBC managers’ feedback.

### **3.4 Research Method**

In document 5, the concept of SIYANG Framework was expected to be further developed by exploring more details of identified key areas of business model. Thus, case study was considered as a key approach with a real automotive finance company in Chinese market to review the feasibility of SIYANG Framework and explore deeper and more precise explanation for SIYANG Framework enrichment. The implementation of SIYANG Framework was conducted in AFBC to review the feasibility of SIYANG Framework. Firstly, empirical data of key business figures could also be collected and explained in details regarding implementation result of SIYANG Framework concept by taking a piece of statistic to review the feasibility of SIYANG Framework.

In the meanwhile, the author considered that “conversation” is one of approaches focusing on exploring insights and understanding, while building and shaping strategy (Ford & Ford, 1995). In the research, the author was expected to set up series conversation with automotive finance company’s managers. In qualitative research, there are different methods to build up conversation to explore the respondents’ insights.

In general, interview is a direct way of obtaining information by conducting the one-on-one conversation. There are three types of interviews: structured, unstructured and semi-structured. Structured interviews are based on questions that asked each participant in the interview. There is no variation in the questions between participants. It seems hard-shelled method to explore the variable result in an unexpected area. Unstructured interviews or informal conversation have no predetermined questions. There would be variable information collected from the interview but lack of focus on the topic. It can be said that the purpose of the qualitative research was to obtain the intelligence and details of designed areas for conducting deeper and more precise explanation and enriching SIYANG Framework. Thus, the author considered that semi-structured interview is an efficient way to build up the conversation with AFC



mangers. With semi-structured interview, the author can stay with designed guiding questions to explore the unlimited answers of AFC managers insight and perceptions which desired in the research topic and questions. While, the author still has the flexibility to lead AFC managers to conduct a wide range discussion (Gubrium & Holstein, 2002; McCracken, 1988). Therefore, in phase 5, it was more suitable for the author to apply semi-structured interview as the key method, which should be conducted with the case study in AFBC.

Framework analysis was considered as a proper method for the data analysis of the business model research. It was developed as grounded theory by two qualitative researchers, Jane Ritchie and Liz Spencer in 1994. Framework analysis is better adapted to research that has specific questions, a limited time frame, a pre-designed sample (e.g. professional participants) and a priori issues (e.g. organizational and integration issues) that need to be dealt with (Ritchie & Spencer, 1994). The author's research was conducted with an engaged organisation as a case study for a specific research purpose during a period, in which several professional participants as a sample group were invited for the in-depth exploration by semi-structured interviews. After the interviews, a summary of each interviewee's key points that explored from the conversation with respondents was produced for further discussion and analysis. Framework analysis was also considered as a method that applied by many professional research agencies for business qualitative analysis. Ipsos and KPMG often use this method to map and consolidate key findings of business cases. This method was also appropriate for the author to explore useful and meaningful opinions and perceptions that associated cross different topics and functional areas in this research.

With the aid of computer software, coding and consolidating data become easier and flexible. Considering Bryman and Bell (2003) and Fisher's et al. (2007) instructions, the main theme should be firstly organised into a hierarchical order in accordance with the sequence of questions in the interview guide so as to form a "node tree",

which is defined by Bryman and Bell (2003) as “a collection of references about a specific theme, place, person or other area of interest”. In this study, node tree helped the author to collect and emerge a comprehensive index for data analysis. The node index summarised all data findings as key points and filled into an interpretive grid in EXCEL format by considering the research conceptual framework, research questions and individual respondents. Respondents’ answers were marked in the grid indicating the degree of significance of findings. With the aid of node tree, the author had very clear view of detailed comparison of all response. The insight and context among all response towards different research focus can be easily compared, analysed and explored.

### **3.5 Summary**

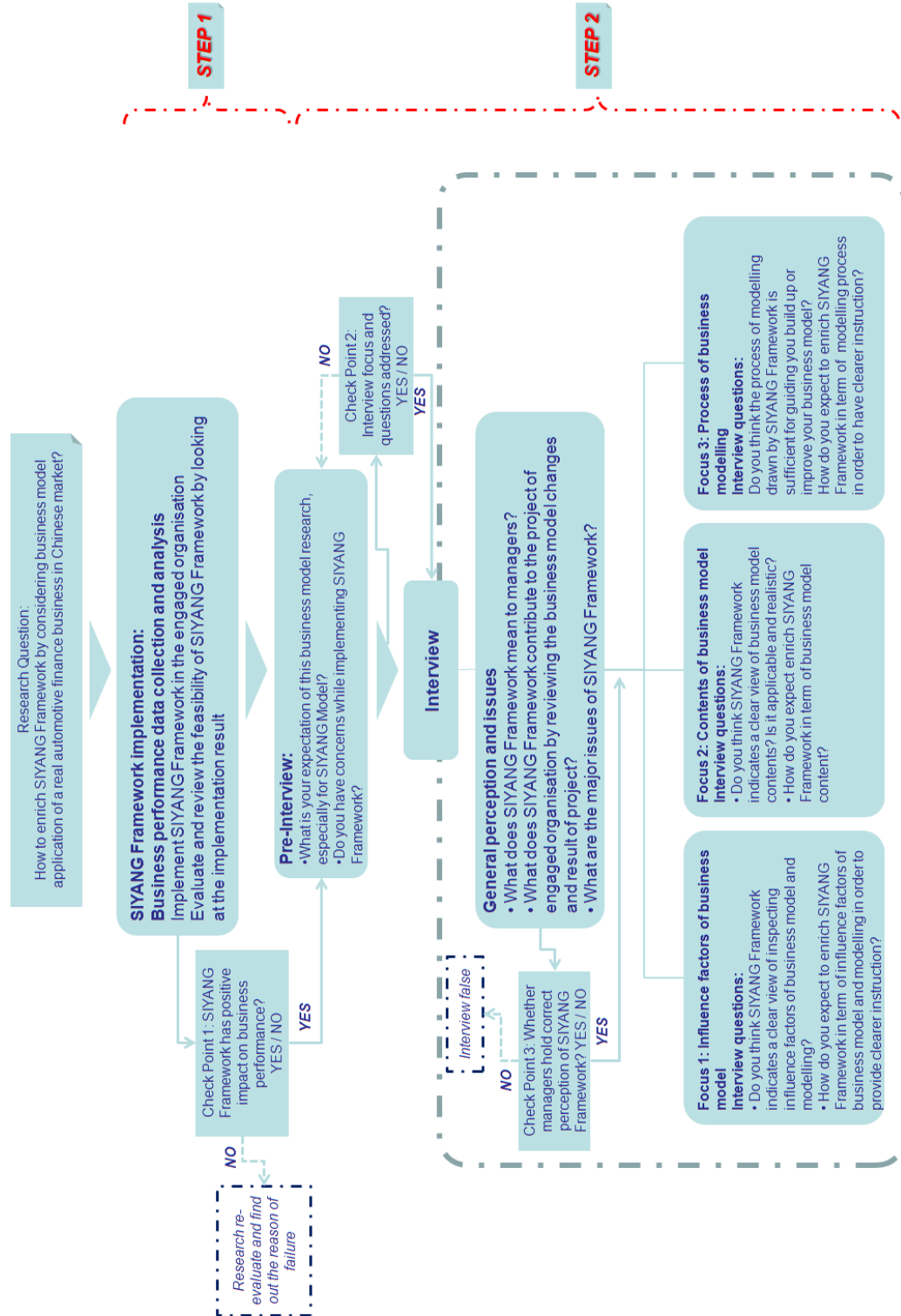
Based on the objective of the research phase 5, the ontology interpretivism approach was selected as the methodology to understand how managers make sense of SIYANG Framework and relative practice (Refer to the section 3.2). Meanwhile, case study was considered as the research strategy and approach that enables the implementation of SIYANG Framework and collects empirical data to explain the business phenomenon and context by presenting particular data from fieldwork, business records, verbal reports, and observations as qualitative evidence. Thus, the author had opportunity to evaluate the feasibility of SIYANG Framework, and sought a way to enrich SIYANG Framework therefore develop a framework of business model. As follow up, the semi-structured interview was applied as key research method. Framework analysis with node tree and interpretive grid, as the key methods of data collection and analysis were applied to provide the author a clear view of research findings for analysis and discussion.

## **4. Research Implementation and Finding Analysis**

### **4.1 Introduction**

The research was about business model and aimed to develop a framework of business model based upon the literatures and empirical data. Due to the limitation of SIYANG Framework at the early phases, so the objective of phase 5 was to enrich SIYANG Framework as a framework of business model. This chapter presents the implementation of SIYANG Framework and the feedback from the senior management team of the engaged case organisation, and analyse the data in order to enrich SIYANG Framework at the end. The research question was extended to an approach from implementation of SIYANG Framework to the enrichment of SIYANG Framework. As shown in Diagram 4.1, there were two steps in the current phase of the research, in which each step of the research approach of phase 5 (document 5) was explained. In step 1, the author introduced the initial SIYANG Framework to the managers to implement into the engaged organisation, coded AFBC, in 2012 for one year. The purpose of this was to review the feasibility of SIYANG Framework and prepare for the next step of collecting the feedback of the managers for improving SIYANG Framework accordingly.

Diagram 4.1: Roadmap of phase 5 research -- Research journey, Relationship between research question and interview questions



Afterwards, series interviews were designed to assess the impact of the SIYANG Framework implementation. Firstly, a pre-interview was followed to address major focuses of the formal interviews. By asking managers questions “What is your expectation of this business model research, especially on SIYANG Framework?”

“Do you have specific concerns while implementing and using SIYANG Framework?” the author clearly identified the focus areas for enrichment of SIYANG Framework in this stage of research. The three focuses of the interview were identified as:

- The key influential factors over business model and modelling;
- The contents of business model;
- The process of business modelling.

The question list of formal interview was designed as four sections based on the findings of pre-interview. In each section, there were key interview questions involved. The formal interview started with the first section to collect the managers’ responses around three key questions. “What does SIYANG Framework mean to you?” “What does SIAYNG Model contribute to your business model improvement project?” “What are the major issues of SIYANG Framework?” The responses to these questions helped the author to evaluate whether the managers hold appropriate perception of SIYANG Framework to ensure the following responses are related to appropriate research subject.

The focus 1 of the interview included two major questions.

- “Do you think SIYANG Framework indicates a clear view of inspecting influential factors over business model and modelling?” a very closed question!
- “How do you expect to enrich SIYANG Framework in term of influential factors over business model in order to provide clearer instruction?”

The answers to these questions supported the author to conduct more specific description on influential factors over business model and modelling. It also supported the author to draw the context between influential factors over business model and contents of business model.

The second focus was to know about the content of business model. The responses are

expected to illustrate the detail content of business model by also leveraging findings from literatures.

- “Do you think SIYANG Framework indicates a clear view of business model contents? Is it applicable and realistic?”
- “How do you expect to enrich SIYANG Framework in term of business model content?”

The questions of focus 3 explored thoughts of the managers on process of business modelling, which support the author to enrich SIYANG Framework. The author realised the process of business modelling would also be reflected from the findings of focus 1 and 2.

- “Do you think the process of business modelling drawn by SIYANG Framework is sufficient for guiding you build up or improve your business model?”
- “How do you expect to enrich SIYANG Framework in term of modelling process in order to have clearer instruction?”

The key approach of the research is as shown in diagram 4.1. The research findings were analysed against each interview questions, and the enriched SIYANG Framework as the outcome of the research.

## **4.2 The implementation of SIYANG Framework in AFBC**

### **4.2.1 The background of AFBC and process of implementation**

AFBC China Ltd. was established in 2004, was the first tier of international automotive finance companies licensed by CBRC in China. The business has been operated upon the original business model replicated from the US and EU markets. The performance of original business model was not satisfied by the management team for several years. The key business indicator, finance sales penetration rate, was quite lower than planned target. And the increase rate was lower than forecast and expectation. The management team of AFBC had tried many times for seeking the way of business improvement since 2007 until late 2011. The solutions of

improvement were developed and implemented with piecemeal business model changes and practical solutions in terms of functions, processes, partnerships and structures. The outcome of solutions was still unsatisfied from the expectation. The managers were still struggling with the business model improvement.

The author proposed the SIYANG Framework to AFBC in 2012, convinced AFBC managers to adopt SIYANG Framework as guidance for solving business model issues and improving AFBC's business model. Mutual non-disclosure agreement was signed by the author and AFBC for this case study implementation so that the relevant business data explaining implementation result of SIYANG Framework was able to share with the author for analysis.

In order to have feasible outcome, the initial SIYANG Framework was introduced and implemented in AFBC for more than one year since December 2012. There were series workshops and group discussions conducted during the implementation. The implementation was started with a kick-off meeting, in which the author introduced SIYANG Framework and the overall plan of implementation to all department heads. Followed by the 1<sup>st</sup> workshop, the discussion was conducted with key managers to work out the detailed action plans and tasks of the implementation. While, the performance indicators (see section 4.2.2) were also identified in the 1<sup>st</sup> workshop discussion based on the AFBC managers' knowledge and experience of the automotive finance business. Afterwards, several workshops were conducted to discuss the detail task of implementation within individual function departments.

During the implementation, the AFBC managers followed the instruction of SIYANG Framework and made several changes (see Table 4.1) on the current business model as following steps.

1. Review of business environment by looking at influential factors over business model.
2. Change the current business model based on the business environment review.

- a) Key areas (contents of business model) identification for changes;
- b) Action plan of changes;
- c) Execution and business performance tracking.

#### **4.2.2 Key indicators of evaluating SIYANG Framework implementation**

The purpose of the implementation was to evaluate the feasibility of SIYANG Framework, and find the opportunities of enriching SIYANG Framework. Since 2012, the author has been working with AFBC's senior managers for two years. The author acted as consultant and observer providing the knowledge of SIYANG Framework in the series business activities, including SIYANG Framework development and implementation. At early stage of the research, the author helped AFBC's managers have better perception of business model and the way of utilising SIYANG Framework.

The author facilitated the managers to implement SIYANG Framework in AFBC since the December 2012 seeking a systematic solution for improvement of AFBC's business model. The author conducted kick-off meeting once starting the implementation to introduce the project plan and rationale. Then the series one-on-one presentations were conducted with key senior managers for a comprehensive communication on SIYANG Framework, and follow-up workshops were conducted with line managers for project execution and evaluate the solutions of AFBC's business model improvement.

Based upon the SIYANG Framework, as the first step, the piece of review on the current business environment was conducted by AFBC's managers. The result have been presented in appendix as background of automotive finance sector and AFBC business. It was valuable to the author and the managers to evaluate the solution of AFBC business model improvement and support the identification of key focus of SIYANG Framework enrichment. However, it was not considered as the key focus of the research.



Based on the business environment review, there were many changes involved in the solution for performance enhancement on current AFBC's business model in project period. These changes were majorly focused on key areas of business model content, including product development, distribution channel management and marketing communication, and based on the result of business environment analysis.

Afterwards, AFBC managers reviewed the activities of AFBC's business model changes that they have executed for SIYANG Framework implementation in the past years. Based on the response, the author drew a summary to explain what the AFBC did during the past years, which could be analysed to support the author's research by looking at pre-identified key performance indicators (See Table 4.1).

Table 4.1: Key changes on AFBC's business model in implementation of SIYANG Framework

| Changes on Aspects of business model contents | Indication from the concept of SIYANG Model  | Key Activities  | Launch / Completion Time |
|---|--|---|--------------------------|
| Business environment research                 | Identification of areas of business environment, and the context with business model contents  | Rescan of AFC business environment in Chinese market .<br>1. Intensive competition<br>2. Value proposition and profit mode<br>3. Industry regulation and policy<br>4. Customer behaviour<br>5. Market institution<br>6. Resources and current situation | Jan 2013                 |
| Product development                           | Product design should be based on industry policy and customer life style.   | 1. Retail and wholesales product balancing<br>2. Retail product redevelopment for more targeting at young generation  | Apr 2013                 |
| Distribution channel development              | Channel management should support product selling by looking at the market institution and customer life style.  | 1. PULL and PUSH strategy mix identified to treat dealers as customer as well.<br>2. Sales team structure change to more leverage dealer resources on point of sales;<br>3. A new channel for retail product discovered                                 | Mar 2013                 |
| Marketing communication                       | Based on market institution and customer life style, the target audiences need to be identified so as to develop appropriate communication tactics to support channel sales. | 1. Develop different approaches for different target. e.g. young generation group<br>2. Brand reputation  | Apr 2013                 |

There were some key indicators pre-discussed by AFBC managers and the author based on the industry institution and knowledge, and purpose of the research. These

indicators were mainly identified to evaluate the result of SIYANG Framework implementation including **turnaround time, finance sales penetration ratio and contract acquisition per employee.**

**Turnaround Time (TAT)** refers to the total time cost of completing an automotive finance case walking through entire business process from finance application to activated contract. There are many detail factors involved in business model design may influence turnaround time, business process design, complexity of product, professionalism of teams. It may mainly reflect and examine the performance efficiency in terms of business process.

**Finance Sales Penetration Ratio (FSPR)**, as introduced before, is calculated by the amount of automotive finance sales and automobile sales within a particular business period. It reflects the total sales performance of an automotive finance company.

$$\text{Penetration ratio} = \text{automotive finance sales} / \text{automobile sales}$$

**Contract Acquisition per Employee (CAPE)** stands for evaluating the total performance of an automotive finance business in a period. It reflects how many automotive finance contracts acquired per employee within a business period. There is another similar term usually used by AFCs to evaluate total performance, outstanding contacts per employee, which explains how many active finance contracts maintained per employee by a date of business period. It may be influenced by variable business factors during a period. It may not reflect the changes and impacts from a series of business activities. Compared with outstanding contract per employee, the term contract acquisition per employee may better reflect and illustrate the performance change within a business period in this case study.

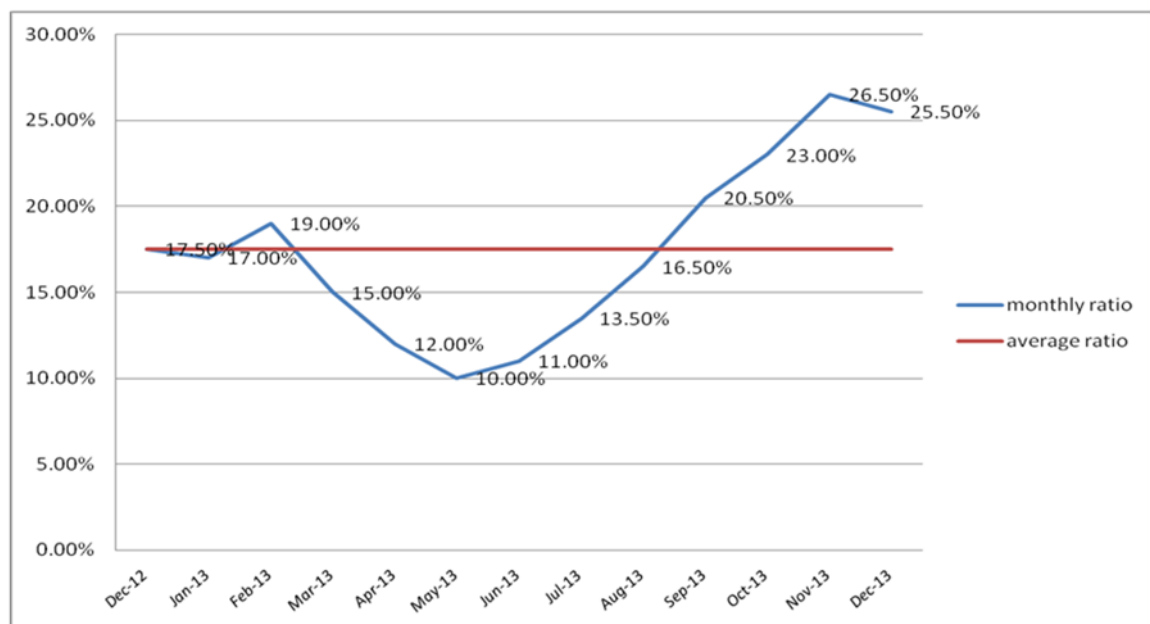
$$\text{Contract acquisition per employee} = \text{amount of contract acquisition} / \text{amount of employee}$$

### 4.2.3 Result of the implementation

After one and a half year implementation of SIYANG Framework, the business data regarding key performance indicators were shared to the author for analysis and discussion. According to the pre-discussed indicators, the result of SIYANG Framework implementation presented whether SIYANG Framework works feasible as a practical business model to guide business model improvement in AFBC. The findings also supported enrichment of SIYANG Framework. The details are explained in later section.

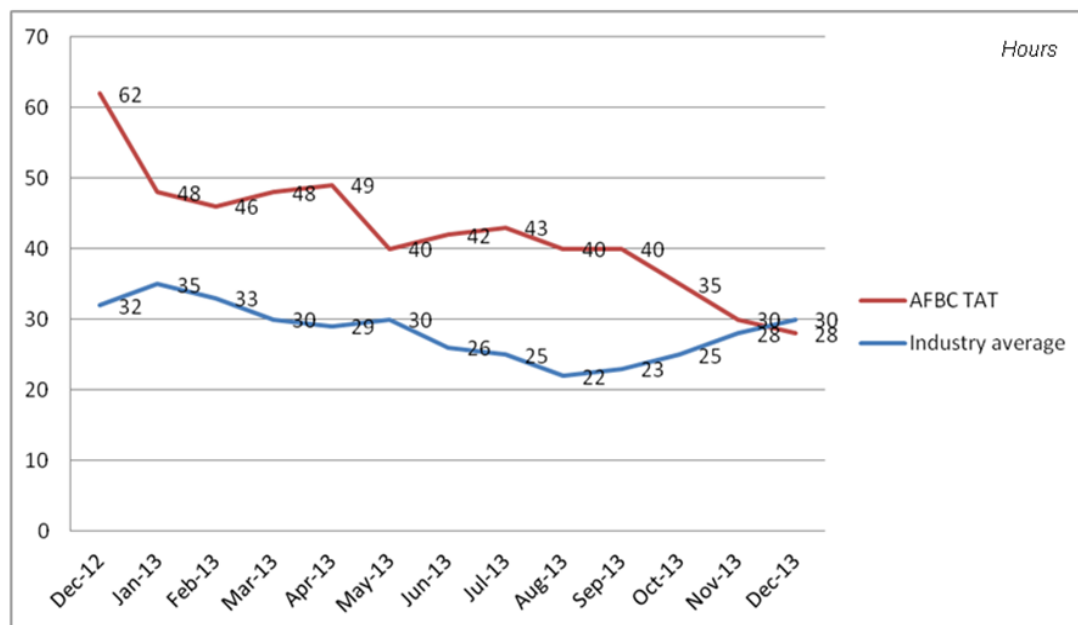
As shown in Table 4.1, based on the result of business environment rescan, the AFBC managers aligned on some key changes development on the aspects of business model content, product development, distribution channel and marketing communication. The key changes were launched during March to Apr 2013. The penetration ratio increased in one month later, which shows the significant impact of these business changes. Then the figure appears stable increase trend in following 6 months implementation and reaches 25% at the end of 2013 (See Diagram 4.2).

*Diagram 4.2: Penetration Ratio 2013 of AFBC*



Average TAT shows the trend of process efficiency, which was mainly impacted by both front-end and back-end operations. Product and marketing communication may also contribute to shorten the TAT during purchase decision. The figure was decreased significantly in May when changes were launched one month later. The trend shows AFBC's TAT was getting close to industry average and better than industry average figure at the end of 2013 (See Diagram 4.3).

*Diagram 4.3: Average TAT 2013 of AFBC*



In addition, the figure of CAPE of 2013 at 105.9 also shows the significant increase comparing to the year of 2012 at 96. All these figures supported that SIYANG Framework does work in AFBC by implementing the changes of AFBC business model. As followed, a qualitative research was still needed to explore the insight and perception of AFBC's senior managers regarding SIYANG Framework further enrichment. The result of implementation could support the author's argument for enriching SIYANG Framework.

#### **4.3 Pre-interview to address the focuses of SIYANG Framework enrichment**

As the next step, the pre-interview was conducted with two senior managers of AFBC

to identify the opportunity of SIYANG Framework enrichment, and the problems and concerns in business practice regarding business model and modelling. The tasks of pre-interview were to address the focus of where SIYANG Framework should be enriched, which would be reflected to the author for questionnaire of formal interview.

The author invited two interviewees together to the interview in a meeting room. The following questions were asked and discussed in one hour conversation.

- What is your expectation of this business model research, especially for SIYANG Framework?
- Do you have specific concerns while implementing and using SIYANG Framework?

The pre-interview respondent 1 (PIR-1), vice president of AFBC, is responsible for Sales and Marketing division. She was also invited as respondents in previous qualitative research. So, she is familiar about the topic and this business model research. PIR-2 is the CEO of AFBC. This is his first time to work in China, and be invited in this business model research. The conversation was started with a brief introduction of this business model research including the purpose and rational of the study, current status and progress, and the expected outcome.

She said that the expected business model is practical and able to guide business model development.

*“My expectation is never changed, I am happy to see a clear concept of business model.” “We are really expecting a detailed business model concept that is able to guide us on the improvement of daily business operation.”*

PIR1 further explained that currently most of AFC managers just have preliminary understanding of business model. But they do not understand what a business model consists of precisely, and how to utilise the concept of business model to facilitate

business practice.

PIR-2 also agreed on PIR 1's view that making business model clear in detail to business manager is important. A consensus of business model contents is still required.

*"That is true. What I can say is it is quite implicit in our managers' mind, and daily operation, business planning etc. Even in EU market, there are not two people can tell you the same. They can tell you lot different things from their perspective, sales, finance, treasury, marketing etc. but we do need a clear picture of business model as business instruction."*

PIR-1 also emphasised that she is also expecting a clear approach or process of business modelling as instruction and guidance. She raised an example of new business line development in Chinese market.

*"We realise there are some specific things need to be considered for building up a business model of a new business line. But it is not quite clear that what we should do specifically to steer a clear approach of business model?"*

PIR-2 further explained the challenge by using his experiences that quick understanding a new business environment is difficult for managers, since there are quite a lot detailed areas.

*"I have been working for AFC for 20 years in EU and South America. This is my first time to work in Chinese market ..... " "..... the key challenge for me is to understand Chinese market as quick, as much, as I can. But I do not really feel clear where I can start with, and how these can be leveraged into the business model." (PIR-2)*

When the author described that business environment is always the priority for managers developing business in a new market. He realised that a general logic and guide of business environment analysis is quite important for developing a business model. He said,

*“.....you are right, business environment is essential, but what we should look into specifically.” “.....currently we are just doing business based on the experiences and prediction.”*

PIR-1 also required a clear view of business model contents describing relative details for development and improvement of business model.

*“I reviewed your research and your model concept you proposed. That is quite helpful for business manager side, from high-level of course. But I am still willing to see a detailed description of business content after this stage, to be practical and realistic. I suppose our case study may assist you to summarise and shape out the final concept.”*

PIR-2 also followed this topic to explain his concerns. He also recognised that AFCs were trying copy existing business model from mature markets to others. While, he also realised that something of business model must to be changed in order to adapt target market.

*“I would definitely say PIR-1 is right, a clear description of business model components is quite important for us as guidance. Managers really need to inspect which part needs to change and how.”*

*“What I learned is foreign AFCs are operating the quite similar model as EU and US market, is it correct?” “.....most of AFCs in China have been working on business model improvement for many years, I heard.”*

From the pre-interview, the author had a clear view of the expectation of business managers. They required a **clear description of business model and modelling, in which the detailed business model contents should be explained; an instruction of business environment inspection is expected, also the clear steps of business modelling process are required. It can be said that the business environment, business model contents and modelling process are concerned most.** According to interview, the author finalised the question list to focus on details of business content,

influential factors over business model and process of business modelling.

#### **4.4 The interview design and implementation**

##### **4.4.1 Question list**

The author developed an interview question list (See Appendix 1 on page 109) and started each interview with a brief introduction of this business model study to explain the objective of the research and purpose of the interview. The researcher logically classified all questions to three sections according to research question breaking-down.

##### **4.4.2 The profile of interviewees**

The snowball sampling strategy was applied for this qualitative research. AFBC's senior managers were targeted as the key interviewees. The qualifications were considered as.

- Management level of positions;
- More than 10 years experienced in automotive finance industry with international market experiences;
- Involved in early stage of SIYANG Framework research.

Six interviews from AFBC are invited and confirmed to this stage of research.



*Table 4.2: Profile of Interviewees*

| Interviewee | Job Title                             | Business Area  | Responsibility  | International Experience                        | Remarks   |
|-------------|---------------------------------------|--|---|---|---|
| AFCM-1      | Vice president, Sales & Marketing     | General management of Sales & marketing, Greater China   | Front-end business development and management, board member of Greater China.                           | Over 14 years; US, China                        | Master of Finance                                     |
| AFCM-2      | Director, Retail Operations           | General management of Retail operations, Greater China   | Operations & management of retail automotive finance business, board member of Greater China            | Over 10 years; US, China, Germany               | n/a   |
| AFCM-3      | Managing Director, Leasing            | General management, Leasing Greater China                | Business development and operations of leasing business in greater China. Board member of Greater China | Over 12 years; US, Canada, Germany, China       | Head of legal entity of Leasing China                 |
| AFCM-4      | Director, Business partner management | Business partner management Greater China                | Business collaboration and relative marketing programmes development                                    | 12 years; China                                 | The only person who has no overseas market experience |
| AFCM-5      | Director, Business Strategy           | Business strategy development, Greater China             | Business strategy design for business performance improvement   | Over 14 years; Germany, China, Japan, Singapore | MBA, PMP  |
| AFCM-6      | CFO                                   | General management, Finance & Controlling, Greater China | Finance, accounting treasury management   | Over 15 years; US, China                        | MBA in finance  |

Interviewees were invited from different business function areas covering both frontend and backend of business. Executive management people are quite important since they bring more sense and contribution on business model. It ensured that the feedback can be collected from different angles contributing a comprehensive view of business model to this research.

#### **4.4.3 Where and When**

In Chinese market, most of AFCs were located in Beijing. Thus, Beijing was settled as research location for conducting the interviews. Considering the privacy and to provide interviewees a comfort environment for discussing, all interviews were conducted in interviewees' office. Eventually, the interviews were conducted with 6 selected AFC senior managers during May 16 till June 25, 2014. Each interview took around 40-50 minutes. In addition, the author had revisits with three interviewees during the period, AFCM-1, AFCM-4 and AFCM-5, for more clarification on some key points.

## **4.5 Finding analysis and discussion of the interview**

### **4.5.1 General perceptions**

The author considered that there were two business model related notions involved in this research, which may cause confusion to managers and other researchers. One was SIYANG Framework, another was business models. It was necessary for interviewees to clarify and make distinction of the notions before conducting more detail exploration. First of all, the author reviewed the managers' overall perception of SIYANG Framework to ensure that interviewees had appropriate perception on the research subject, and the research was discussed and developed on same basis.

In general, the author found out that AFBC's managers have learned and implemented SIYANG Framework. So, SIYANG Framework became clearer in the managers' perception after the implementation. The managers were able to describe a clearer opinion toward the notions explicitly, which were quite same as the one the author proposed. During the interview, many interviewees mentioned business value. It is significantly seen that all business managers recognised business value is the core of business transaction for a business organisation. But, what makes this happen? Johnson (2008) and Osterwalders's (2009) opinion was also considered. Business models work for organisations and commit for creating and delivering business value. This is considered why a business model matters.

*"We always say that business consists a lot of business activities by making a series decisions.....Business model is playing the role every day, helps organisation steering business activities, and decision making for generating business value." (AFCM-1)*

AFCM-1 shared the view of role and importance of business model that all business activities and decisions are facilitated by the business model. It is also supported by Casadesus-Masanell and Richart's (2010) opinion that a business model contains relative strategy mix of business model components and series business decisions that

indicating how business is operated to generate value according with entire strategy.

According to AFCM-5's claim, it can be said that business models is considered as a complex and practical system plays a critical role to ensure all business activities efficient and logical. *"It involves many business activities including product manufacture, marketing, finance and treasury etc., and helps us to make business activities efficiently and logically strive for a committed goal of business, creating and deliver values to target market."* (AFCM-5)

AFCM-3 presented a view from new business angle, which indicated that without an appropriate pre-designed business model, we cannot always make proper decisions for this newly developed business. Merely, the decisions may be made by coincidence, less strategic consistence, business performance would be low and value delivery would be inefficient. So, the author understands why the business model topic drives a lot of managers' attention during the past years.

*"Indeed, a good model tells managers how to perform business every day by making proper decision?.....I experienced with some weak models. Business efficiency is pretty low and operating cost remains in high level. And managers almost have to adjust decisions every week, and suffering in solving various business issues."*

It could be argued that a business model is the key to business performance in value creation and delivery. An inappropriate business model may cause issues, uncertainty, less efficiency and low performance to the business.

It could be said that managers now understood business model explicitly after two years working on the implementation of SIYANG Framework. It was perceived and accepted that a business model guides an organisation design business activities facilitating produce products, service and information flow in order to enable value creation and delivery in the market. They also showed clear perception of why a business model matters in their business practice, which is consistent with what the

author proposed.

The author also designed the questions to explore the managers' perception on another notion "SIYANG Framework". "What does SIYANG Framework mean to you?" "What do you think SIYANG Framework is?" During the interview, the author also discussed the relationship between SIYANG Framework and business models. Managers explicitly recognised the existence of business model and the distinction between two notions.

As AFCM-1 explained, SIYANG Framework provides a clear guidance of business model development for both new businesses and existing business. Some key words are emphasised in her response to describe SIYANG Framework, such as concept, guidance, re-evaluate the current business model.

*"A kind of **concept**, I think... provides us **guidance** to **review** and **re-evaluate** our current business model ... help to find opportunity to improve our business model." ... "Obviously a new enterprise will find this a useful map for setting up a new business model"*

AFCM-3, a member of general management team, also had similar opinion, who is addressing SIYANG Framework from the perspective of general business operation.

*"SIYANG Framework definitely presents us a clear **roadmap** to **rebuild** our business model... using it we are able to **re-consider** the strength and weakness of our current business model... we find opportunity to identify where we can improve to enhance the business performance and how..."*

As one of key members of this project, AFCM-6 described more details than others.

*"It is telling us how to building up a business model for running our business. It clearly addressed steps of evaluating business environment, structuring business functions, design business functions and processes." (AFCM-6)*

AFCM-2 indicated business model stands for specific business rules guiding all

people in business transaction.

*“Just like playing a game. A business model provides all business practitioners the game rules. We are all guided by the rules to produce and deliver products and services to market and earn the profit.”*

Moreover, SIYANG Framework presents “*kind of **knowledge** of business model showing us a **way of developing business models***”. AFCM-5 indicated from a business strategic point of view. AFCM-5 also emphasised that

*“Our business model is about corporate strategic business choices of which way business model is going to be with Chinese market, in which the local business policy and regulations are considered.” “SIYANG Framework is beyond this....”*

As AFCM-5 illustrated that SIYANG Framework is not a specific business model, it is considered as knowledge comes from practices of business models telling us the way of designing particular business models.

It could be seen that all managers have appropriate understanding on SIYANG Framework in a more explicit way. According to the interviewees’ response, it could be said that the managers’ perception of SIYANG Framework is quite similar to what the author proposed. Some key words were mentioned during the interviews, such as framework, knowledge, guidance, re-evaluate, building specific business model etc. It was recognised by managers that SIYANG Framework is different from a particular business models. SIYANG Framework is extracted as a kind of knowledge, framework of business model providing guidance to business managers for the way of developing, operating and improving specific business models in business practice.

#### **4.5.2 Strength and weakness of SIYANG Framework**

In the case study and the implementation, SIYANG Framework was used to communicate the knowledge of business model and explain the business situation and seeking possibility of business model improvement for AFBC. According to the interview, SIYANG Framework was recognised as a framework of business model by

AFBC's managers.

As AFCM-1 claimed, the basic sense of SIYANG Framework provided a clear way of business model development and improvement. However, the negative points of SIYANG Framework were also identified by managers. AFCM-5 and AFCM-6 confirmed with the author what specifically need to be enriched in SIYANG Framework. It was claimed that SIYANG Framework still lacks of detailed instructions on what function modules should be included as the content of business model, and how they should be adjusted according to business environment. AFCM-6 also added comments about the influential factors over business model and modelling and asked more detail instruction about it to explain the specific areas of influence.

*“SIYANG Framework clearly illustrates a process of business modelling, but we expect to see more details on modelling instruction for example, what areas should be considered in business environment study, what are the context among environment and different aspects of business model contents?” (AFCM-6)*

Considering Maggretta's (2002) advice, business models should guide managers for the answer of the questions. “How to make money? What is underlying the logic that explains how to deliver value to customers?” All the answers of the questions require the detailed instructions from SIYANG Framework to thoroughly explain and illustrate the logic, data and other evidence that support value proposition and delivery to customers (Teece, 2010), and the relations of how (Osterwalder, 2009). It could be summarised that SIYANG Framework was required to be enriched in term of following specific areas.

1. Detailed instruction of influential factors over business model, indicating specific areas of AFC concerns.
2. Detailed instructions of SIYANG Framework contents on what should be included, and what is the context.

#### **4.5.3 Focus 1: Influential factors over business model and modelling**

Business models are about corporate and business strategic choice of which way or which business model is undergoing within specific market by considering local business environment including policy and regulations, as well as the situations of the organisation (Casadesus-Masanell & Ricart, 2010). Teece (2009) also claimed that “business model must morph over time as changing markets, technologies, and legal”. It could be said, general speaking, business model can be influenced by various factors including market, policy and regulation, organisational issue, technology, which can be considered and classified further to be more practical for business model development.

As proposed in initial SIYANG Framework, there were two major types of influential factors may influence business model and modelling. One was business environment refers to something outside of organisation; another was organisation infrastructure refers to something inside of organisation. During the interview, AFBC managers had the agreement on the basic classification and definitions of these two types of factors. However, the argument was focused on the detailed classification and definitions of these influential factors and the detailed description of the factors.

“Organisation infrastructure” was one of key influential factors proposed in SIYANG Framework. It was seemed that the term describes a wide range of concept may contains many things involved in an organisation, resources, structure etc. However, the term did not make clear sense to managers. “Organisation infrastructure is quite strange to be an appropriate term. It causes confusion in the practice.” (AFCM-5) It was suggested by AFCM-5 using appropriate term for classification of influential factors to make sense and easy understanding for business managers and researchers. Meanwhile, it was claimed that the term “organisation structure” that frequently mentioned in literatures does not describe clearly the thing the managers need to look at in the organisation. As AFCM-1 argued organisation structure only stands for the basic structure that an organisation established with.

*“Organisation structure for me is just one of factors need to be concerned in influential factors analysis.” (AFCM-1)*

Thus, it can be said both organisation infrastructure and organisation structure are not appropriate terms of influential factors over business model and modelling. Lambert (2010, 2012) claimed that a good business model design should consider both external and internal factors regarding total business environment faced by organisation, and the influential factors can be generally defined as “business environment”. According to the interviewees’ experiences on SIYANG Framework implementation, some factors are not controlled by organisation; others may be able to manage. This opinion reminded the author to reconsider the classification of influential factors from different angle.

AFCM-6 made similar response on classification of influential factors, which urges the author to consider the classification from the additional view of “controllability”.

*“We understood two types of the influential factors. One is about outside of organisations; another is about organisation itself. But the terms used in SIYANG Framework does not make clear sense for practice. .... Normally, external factors cannot be controlled by organisation; in contrast internal factors can be easily managed.”(AFMC 6)*

Considering AFCM-6 and AFCM-1’s response, controllability was claimed to be an additional consideration of classification. In this case, the author may argue to classify all the influential factors as “incontrollable influential factors” refer to external business environment of organisations and “controllable influential factors” stands for relative internal environment of organisations. Since there was not much detailed description in current literatures about details of business environment, the author mainly considered AFBC managers’ opinions.

AFCM-5 and AFCM-3 had more valuable response to illustrate the details under each



type of influential factors.

*“For the external influential factors, it would be interested to see industry policy and regulation, market institution, and customer lifestyle.” (AFCM-5)*

*“I may consider internal influential factors include organisation structure as basis of building up a business model, relative function design, and organisation resources” (AFCM-3)*

AFCM-1 also supported and added that the organisation’s “value proposition” is the most important factor needs to be thoroughly considered when building up a business model. AFCM-1 also mentioned that market institution, industry regulation and customer lifestyle are also important but not controllable.

In addition, resources were considered as the most complicated factor attracted lots of attention and concerns from AFBC managers. Based on the current literature review, there were many kinds of resources involved in business model. As Osterwalder (2009) described that human resource and financial resource are the basic “blocks” of business model development. AFCM-4 had similar opinion. *“Human resource and financial resource are the priorities as always when we discuss resources internally.”* AFCM-5 and AFCM-6 had valuable opinions about the factor of resources, which made the author a thorough thinking. Considering the claims, the author would like to argue that the factor of resources can be illustrated as details in order to be more constructive, human resource, finance resource and knowledge resource.

*“I consider knowledge is a kind of resources of organisation. It always contributes to our practice, but we do not really recognise.” (AFCM-5)*

*“We always talk about intangible asset like technology we developed and experiences we had, they could be considered as our resources.” (AFCM-6)*

Therefore, it can be said that the influential factors to business model can be classified as two types, “incontrollable factors” and “controllable factors” of business environment. Incontrollable factors refer to influences from the business environment

of external organisation, including industry regulation and policy, market institution and customer lifestyle, which may not be controlled but managed based on well inspection, analysis and forecast. Controllable factors refer to influences from the business environment of internal organisation, including value proposition, organisation structure, function design and resources, which may be organised and controlled by organisation itself. Table 4.3 shows the summary on analysis of influential factors to business model and modelling as component of SIYANG Framework.

*Table 4.3: Influence factors to business model and modelling as a part of Theory of SIYANG Framework*

| Terms of Classification   | Business Environment  |  |
|---------------------------|---|--|
|                           | Controllable Factors  | Incontrollable Factors   |
| <b>Definition</b>         | The factors describing the business environment of internal organisations which the impact of these factors can be controlled or managed by the organisation.   | The factors describing business environment of external organisations which the impact of these factors cannot be controlled and difficult managed by the organisation.  |
| <b>Details of factors</b> | <ol style="list-style-type: none"> <li>1. Value Proposition</li> <li>2. Organisation Structure (if available)</li> <li>3. Function Design (if available)</li> <li>4. Resources <ul style="list-style-type: none"> <li>• Human resource</li> <li>• Financial resource</li> <li>• Knowledge resource</li> </ul> </li> </ol> | <ol style="list-style-type: none"> <li>1. Industry Regulation &amp; Policy (Legal, Tax, business licence and administration, accounting etc.)</li> <li>2. Customer Lifestyle</li> <li>3. Competition</li> <li>4. Market Institution</li> </ol> |

#### **4.5.4 Focus 2: Contents of business model**

As proposed in SIYANG Framework, there are three key constructs involved in a business model, business model structure, business process and contents of business model. As described in early chapter, contents of business model are considered as business functions and various business activities, actors involved in daily transactions. According to findings from pre-interview, the contents of business model were identified by AFC managers as one of key focus in SIYANG Framework enrichment. The contents of business model are also considered as the most complicated construct in business models (Zott & Amit, 2010). In current literatures, the contents of business model are illustrated from different perspective including

general management, business practice, marketing management. The author prefers general management perspective to view business models as a business system with designed logics, activities and actors for creating and delivering value to customers (Drucker, 1994; Zott & Amit, 2010; Teece, 2010; Osterwalder, 2009). So, the contents of business model can be considered as business functions involving all the business activities and actors.

From general management perspective, AFCM-1 and AFCM-3 claimed that SIYANG Framework is providing managers a clear instruction on how to build a business model, especially on “building thoughts and roadmap of business modelling in the practice of a new business development. ... It ensures managers to work on right direction of business modelling process” (AFCM-3). As a part of SIYANG Framework implementation, the author proposed a list of contents of business model along with the concept of SIYANG Framework to AFBC’s managers, which was based on analysis of current literatures and empirical data collected from business managers. The implementation of SIYANG Framework and the interview discussion were conducted toward the list of business model contents (See Table 4.4). The major arguments were around the classification and identification of business model contents as analysed in following sections.

Table 4.4: Original proposal on contents of business model

| Classification | Aspect   | Role and Function  |
|----------------|--|--|
| External       | Consumer behaviour                             | Understanding market and customer needs is the customer perspective of value. It is the fundamental of value creation and delivery.  |
|                | Marketing communication                        | Helping to reach efficiently creating added value and assist core value delivery.  |
|                | Channel management                             | Reaching market is all about value delivery.   |
|                | Business and market information & intelligence | Including business environment scan, business intelligence analysis, marketing intelligence collection and analysis.<br>They make value creation and delivery more accurate and efficient. |
|                | External Business resources                    | Resources supporting from market, e.g. partnership, outsourcing etc enable the value delivery.   |
| Internal       | Product development                            | Core value and creating value  |
|                | Business financing                             | Financial supporting   |
|                | Business organisation                          | Basic infrastructure, organisational supporting secures the value creation and delivery.   |
|                | Internal resources                             | Operational supporting for value creation and delivery, e.g. office administration, legal function, technology support, Risk management, business operation etc.                           |

Magretta's (2002) study contributed a basic view of drawing business model contents, which helped both the author and managers to reconsider the contents of business model proposed in SIYANG Framework. According to Magretta's (2002) advice, it was claimed that creating a business model is more like writing a story, which consist of two major parts. "Making Something" stands for designing products, purchasing raw materials, and manufacturing etc. And "Selling Something" stands for finding and reaching customers, transacting a sale, distributing product and delivering the services (Magretta, 2002).

Quite similar to Magretta's (2002) opinion, AFCM-3, AFCM-5 and AFCM-6, they claimed that contents of business model should be considered as "*various business functions as basic recognition*". (AFCM-3) From their responses, many detailed function modules were identified, which are basically consistent with the content of business model that the author proposed in SIYANG Framework.

*"There are many different function modules in the content of business model, such as R & D, product development, marketing communication, distribution*

*channel management, resource management, finance management.” (AFCM-6)*

*“.... There are many functions we need to identify in a framework of business model. But it is not necessary to include all of functions in a business model. It should be based on specific business type.” (AFCM-5)*

Meanwhile, AFCM-6 also argued that consumer behaviour should be a part of environment scan. It was recognised from the implementation that consumer behaviour cannot be treated as actual function module. It is about what the market needs and how we suppose to reach the customers. Thus, it should be “basis of function module development”, and “one of influential factors of business model development as discussed and named customer lifestyle” (AFCM-6).

AFCM-2 and AFCM-3 also explained their opinions about classification of business model contents. The current classification is indicating business functions by considering the connectivity to the market, in which the functions connecting to the market directly can be considered as external ones, and others connecting to the market indirectly are internal ones. AFCM-3 argued that the current classification does not really make sense and is not meaningful for business practice. AFCM-2 recommended the criterion can be whether the function is contributing directly to value creation and delivery.

Porter’s (1995) “Value Chain” opens the author another view of business value streams for illustrating the contents of business model and looking at the classification as well. Porter (1995) defined all modules of business model as core modules and supporting modules in a value chain. All modules contribute to business value creation and delivery working for daily business transactions, which cannot happen with any module missing. However, core modules are considered as the key functions conducting the value stream directly, the supporting modules are the ones not conducting but facilitating the business value stream. The author considered that

business model works for business value creation and delivery. So, Porter's (1995) opinion can be leveraged in this research, which was also supported by responses of AFBC managers. AFCM-2 and AFCM-6 recommended that the contents of business model claimed in SIYANG Framework can be classified as "CORE function modules" as direct contributing to value creation and delivery, and "SUPPORTING function modules" as indirect contributing to business value creation and delivery.

AFCM-4 illustrated more details on working principle of business model functions from the business partner management angle, which explains more about delivering products and services.

*"General speaking, distribution channel is the key of AFC's products and services delivery to the market. Beside of this, we also realise there are many things supporting the business transaction from internal organisation, for example finance and human resource."* (AFCM-4)

Moreover, AFCM-4 also described an abstract view of AFC business helping the author to identify the contents of business model. He indicated there are many resources and efforts needed during the entire business transaction. "Product development and financing would be required before production, and sales and marketing functions are needed after production" (AFCM-4).

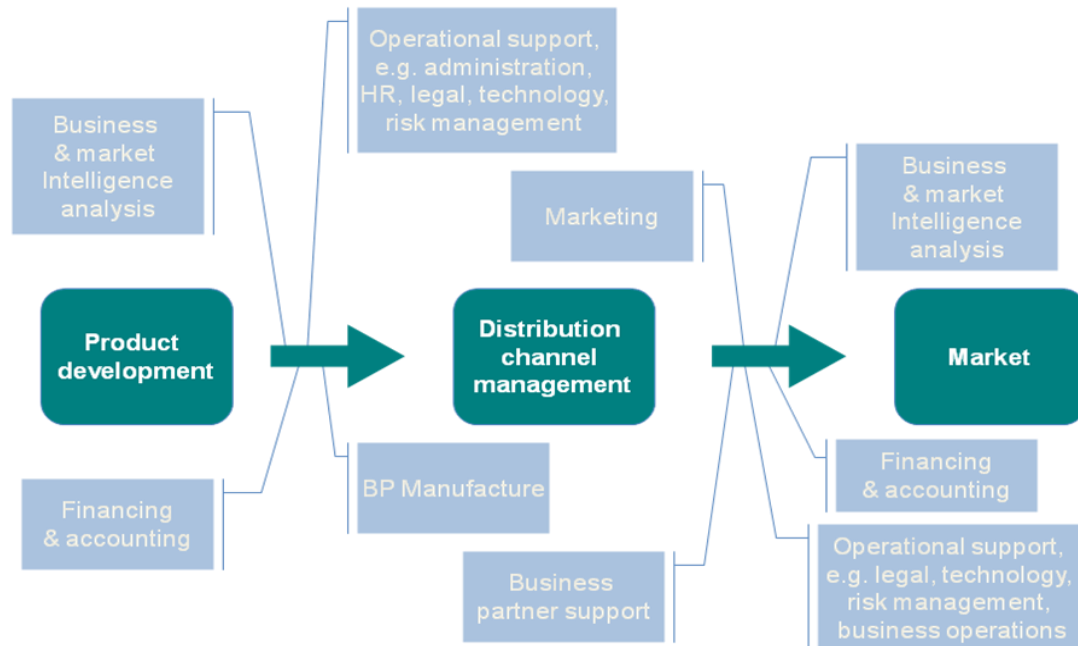
AFCM-6 explained the product and service flow are main flows, which are supported by other functions during the process of AFC's business transaction by illustrating AFBC's value transaction map (See Diagram 4.4).

*"It may involve product development, distribution, marketing communication; all other functions support the entire business transaction in different phases."* (AFCM-6)

AFCM-1 also added that the products and services are considered as the key business stream involving product, distribution and marketing related functions, and other business functions are support this *"backbone of entire business transaction"*

(AFCM-1).

Diagram 4.4: AFBC's business value transaction



In addition, AFCM-2 and AFCM-6's responded the author useful ideas about the function module of business resources management. They claimed that this module would be a complicated one involving many kinds of resources, which are required in the entire process of business value transaction. The details of resources type need to be identified in SIYANG Framework. It was recommended to classify all resources into two groups "Internal" and "External" (AFCM-2), which would make more sense and practical to managers.

Here came the result about the contents of business model, which was thoroughly analysed based on all managers' response and Porter's (1995) opinion. It can be considered that **product development and manufacture, distribution channel management, marketing communications are core function modules**, which facilitate core business value stream delivering products and services to the market. Other functions are **supporting function modules** to enable the full business process and transactions, such as **business information and intelligence, business resources**

**management, finance management, technology development, HR management.**

In order to step forward, there was another consideration involved in the implementation of SIYANG Framework and the interview discussion about specification of business model contents described in SIYANG Framework for providing managers more detailed instruction. There were some key words high frequently mentioned by managers during the interviews, **business activities, business decisions, management choices, detail instruction under function module.**

AFCM-5 and AFCM-6 pointed out that SIYANG Framework is not detailed enough yet to provide practical and precise instruction. *“It is not detailed as we expected. We may ask what details contain in each function module?”*(AFCM-5) As AFCM-6 described that managers expected from SIYANG Framework is *“**detailed guidance** indicating the way to build up business transaction and activities operated step by step, phase by phase, module by module”*.

Zott and Amit’s (2010) study provides the author quite useful idea to explore a way of specifying the contents of business model. A business model is viewed as an activity system to generate business value with all stakeholders involved, e.g. partners, vendors, customers, staffs, and investors. From this angle, business activities are recognised as the smallest cells of business model contents, which reflect and explain how business functions work on business value transaction. According to Osterwalder’s (2009) opinion, the objective of business model is to create and deliver business value to market, and there are many flows involved in business model (Johnson, 2008). Thus, the flow of value can be recognised as the core stream in business model, which is conducted by specific business activities (Zott & Amit, 2010).

AFCM-5 strongly claimed a quite similar opinion that a business model is a dynamic



system involving business model structure, business process and contents of business model facilitating business activities in daily transaction. *“Talking about contents of business model, we learned from the implementation of SIYANG Framework that all business activities under each function are involved and facilitated by our business model.”* He explained *“the activities can be recognised as detailed pieces of business model contents, which are performed by relative stakeholders...”* AFCM-3 also claimed that the activities can be recognised as creating flows in business model. The business participants are staffs, business partners, vendors, customers. It is quite similar to March and Olsen’s claim that all business activities and transactions are performed by relative actors from different functions, even organisations, within a specific business model context. As AFCM-3 and AFCM-5 described specification upon activities could be an opportunity to explore more detail and specify the contents of business model, so that SIYANG Framework would be more practical and constructive to researchers and managers.

AFCM-3 also contributed his ideas about activities of core function modules. As shown in the Diagram 4.4, there are many business activities involved in the entire business transaction. *“They can be identified and specified under each function module to be clearer to managers building and operating a business model.”* AFCM-3 explained that involved in product development, **product research and design** and **pricing** could be the most key activities. And **manufacturing, raw material management, storage management** are also critical activities for manufacture organisations.

AFCM-2 as the leader of Operation division explained the key activities of business operation module in AFBC as automotive finance industry oriented.

*“As we learned from the implementation of SIYANG Framework, we recognised some key activities can be the details of business operation function module, customer service, collections, credit analysis, and retail and wholesales operation....”(AFCM-2)*

He also explained the role and definition of business operations that “*Conducting business value stream inside of organisation, at the back-end of business transaction*” (AFCM2). It leaves possibility to further researchers and managers from other industry to define the specific activities in business models.

AFCM-4, as the head of business partner function, pointed out many activities of marketing communication and channel management. As she indicated that **end customer communication, channel marketing communication and support** are considered as the key activities under marketing communication. She also explained a lot of details about marketing communication, such as online advertising, digital marketing etc. However, the author considers that they are tactics of marketing communication, and too detail to be activities of business model contents, which can be instruction for managers to build business model not to perform daily business execution. As the same logic, the key activities of channel management are identified as **logistic management, sales force management, and dealer and distributor management**.

Moreover, business and market information and intelligence was recognised as a key area of supporting function modules in AFCM-5’s responses. He indicated that **market research and business intelligence analysis** can be considered as the basic activities of the function module. It is also supported by Teece’s (2010) advice that a business model should change over business environment or market change. The business research and intelligence analysis would be the key activities for identifying business environment changes.

Explained by AFCM-2, the business resources were recommended to be classified into two groups. He also indicated the detailed activities involved in by looking at the automotive finance business. “*The resources management are normally divided into different functions and less attention from managers. When we took SIYANG Framework to review the current business model, the details of business model*

*contents were identified. Office administration, Legal consultation, Technology support, Knowledge, Risk management, HR management, Auditing can be identified as the internal resources; and Partnership management, Outsourcing can be considered as the external ones” (AFCM-2).*

AFCM-1 and AFCM-6 claimed that finance management should consist of three basic activities, **finance and controlling, treasury, investment management**. However, finance management should be a core or supporting function attracted argument. According to the Porter’s (1995) study, the core functions are directly conducting the business value stream from production to the markets. In automotive finance industry, the finance seems a core material in the business. However, finance part involves three activities, and only one is related with product development, which is treasury. The key thing in the value stream is still the product development; treasury is considered as material for AFBC. Drawing a framework of business model, the author argues that the finance management should be a supporting function module.

Based on managers’ responses, the author redefined the content of business model by exploring detail business activities under each function module, which is one of focus of SIYANG Framework enrichment (See Table 4.5).

*Table 4.5: Redefined content of business model as a part of SIYANG Framework*

| Classification                     | Modules                                      | Role  | Business Activities  |
|------------------------------------|--|---|--|
| <b>Core Function Modules</b>       | Product Development                          | Core value and creating value   | Product Research & Design, Pricing, Manufacturing, raw material management, storage management                     |
|                                    | Marketing Communication                      | Helping to reach efficiently creating added value and assist core value delivery.                       | End customer communication, channel marketing communication & support  |
|                                    | Channel Management                           | Reaching market is all about value delivery.  | Logistic management, sales force management, dealer & distributor management                                       |
|                                    | Business Operation                           | Conducting business value stream inside of organisation, at the back-end of business transaction        | Customer service, Credit analysis, Retail & wholesale operations, Collections                                      |
|                                    | Business & Market Information & Intelligence | Making value creation and delivery more accurate and efficient.   | Market research, business intelligence analysis  |
| <b>Supporting Function Modules</b> | Internal Business Resources Management       | Necessary resources collected from internal organisation to facilitate the whole business transactions. | Office administration, Legal consultation, Technology support, Knowledge, Risk management, HR management, auditing |
|                                    | External Business Resources Management       | Resources supporting from external, e.g. partnership, outsourcing etc enable the value delivery.        | Partnership management, outsourcing  |
|                                    | Business Finance Management                  | Managing all monetary resources to support business   | Finance controlling, treasury, investment management   |

#### 4.5.5 Focus 3: Process of business modelling

The process of business modelling was reflected from the result of SIYANG Framework enrichment. With the development of the research, the process of business

modelling was illustrated and improved more concrete. As proposed in SIYANG Framework, there were four key steps.

1. Understanding business environment by looking at influential factors over business model
2. Defining the business model structure
3. Identifying the contents of business model
4. Designing the business processes among business model contents

The author found that the managers had clearer view of business modelling process after implementation of SIYANG Framework. They also agreed the process of business modelling that proposed in SIYANG Framework. AFCM-1 and AFCM-3 claimed that the modelling process which SIYANG Framework providing is recognised as the process helping managers to build and improve business models. It was seen that the managers recognised and accepted the process of business modelling proposed in SIYANG Framework, which provides a clear instruction on how to build a business model, especially on *“building thoughts and roadmap of business modelling in the practice of a new business development”* and *“ensures managers to work on right direction of business modelling process”* (AFCM-3).

After the implementation of SIYANG Framework, managers also realised that a systematic process of business modelling is needed, which can be treated as *“a kind of knowledge enables easy replication of business model”* (AFCM-1). AFCM-1 explained that managers normally concentrate on business operation processes, which is enable daily business transaction, rather than business model development. So, a detailed process of business modelling is needed for the business managers. AFCM-1 agreed on the author proposed business modelling process.

*“I can see clear steps in your modelling process, business environment scanning, setting structure, identifying functions modules, drawing the processes... It is quite clear and instructive to managers. I do not have negative comments on it”*(AFCM-1).

AFCM-3 claimed *“Obviously, for any business organisation, the first thing business managers need to do is to understand the particular business environment.”* It is also supported by Teece’s (2010) study that knowing what is happening surround business is most critical thing, in case of market, technology or industry environment changing. AFCM-5 described that business model structure and contents need to be identified as critical steps once environment research completed. Business process is considered an important step to *“illustrate the work flows among functions”* (AFCM-5). AFCM-3 also commented based on his experience of new business setup. *“It is quite clear in SIYANG Framework. Four key steps are quite same as what we did in our new business setup”* (AFCM-3).

So far, the key challenge for the author is considered as how to formulate the process of business modelling. AFCM-5 reminded the author a way of formulating the process of business modelling by consolidating the enriched areas of SIYANG Framework. It was argued by AFCM-5 that the process of business modelling is reflected from SIYANG Framework telling AFC managers the way of building and improving a business model. *“It could be better if more details could be illustrated regarding business model contents and influential factors over business model”* (AFCM-5).

Therefore, it can be said that the business modelling process that proposed in SIYANG Framework is feasible and acceptable. The modelling process can be reflected from the enriched SIYANG Framework, especially the areas of influential over business model factors and contents of business model (AFCM 5). As the managers required, the step 1 and step 3 should be more detailed to make the whole process more constructive.

#### **4.6 Summary of the research outcomes**

As posed at the beginning of the document, the author was seeking to develop a framework of business model for the automotive finance business model development

and improvement in Chinese market. After conducted this research, SIYANG Framework has been enriched as a business model framework which is reviewed as the following sections.

#### **4.6.1 Feasibility of SIYANG Framework**

Followed by the guidance of SIYANG Framework, business environment rescan was conducted. Based on this, several changes of AFBC's business model were made in perspectives of product development, channel management and marketing communication. The result of the implementation shows that the SIYANG Framework is feasible in AFBC's business model improvement evidence can be seen from the figures of Turn Around Time (TAT), Penetration Ratio and Contract Acquisition per Employee (CAPE) (See Diagram 4.2 and Diagram 4.3). CAPE was significantly increased from 96 to 105.9 by the end of the implementation project.

TAT explains the total business process efficiency which is mainly impacted by both front-end and back-end operations, for instance channel management and business operations. TAT of AFBC decreased significantly when the changes were executed one month later. Moreover, the trend of AFBC's TAT was getting down to the industry average and better than the average figure released by the end of 2013.

Penetration Ratio as a key indicator of AFC sales performance is mainly influenced by product development, channel management and marketing communications. The figure showed a stable increasing trend in the following 6 months implementation initiated in May 2013 and reached 25% by the end of 2013 (See Diagram 4.2).

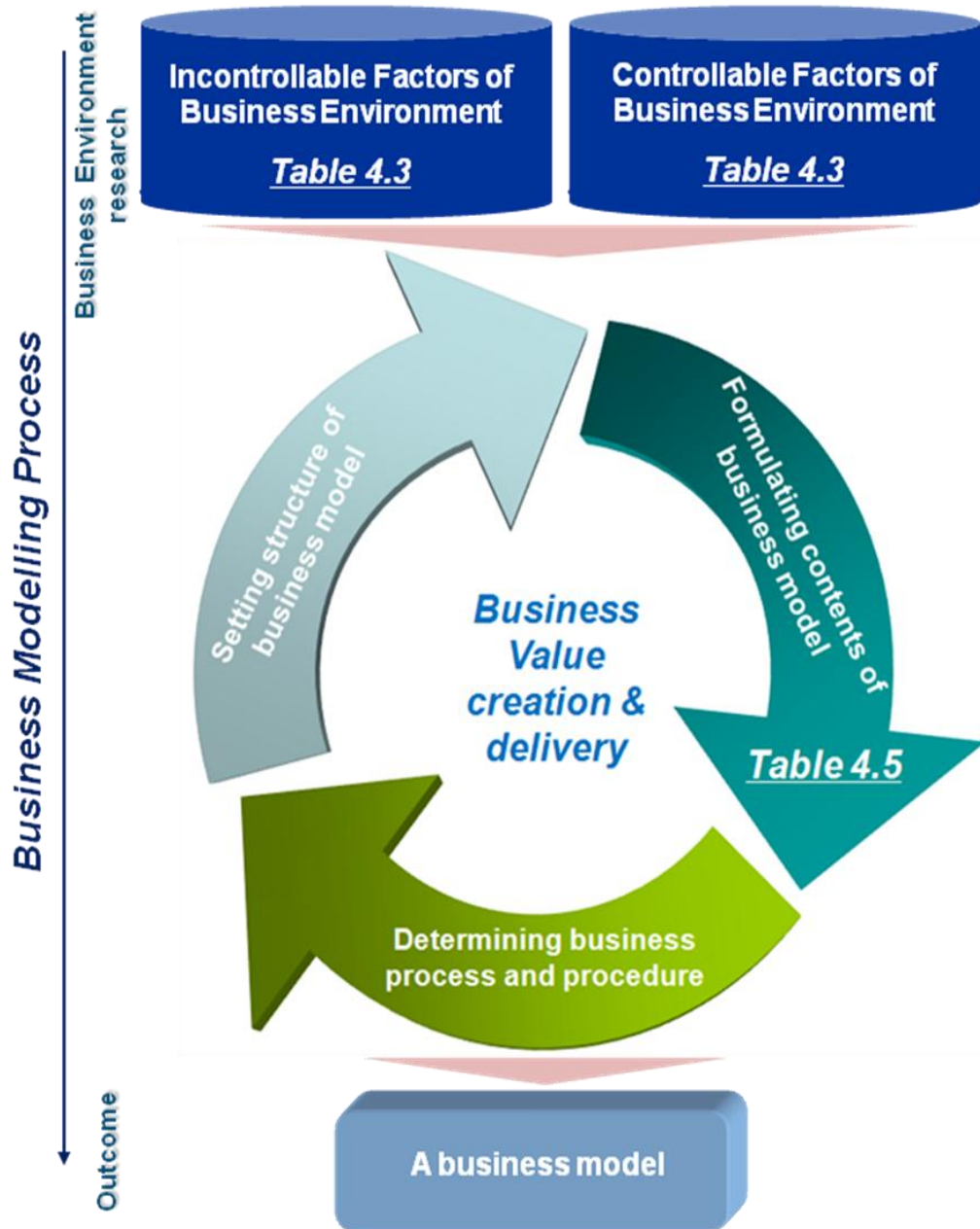
All figures support the fact that SIYANG Framework is feasible by observing the case of AFBC. In this case, the contents of business model, including product development, channel management and marketing communications, were identified as the major changes in the business model improvement. It was argued that the contents of business model were the key for business model improvement.

#### **4.6.2 Outcome of SIYANG Framework enrichment**

The enriched SIYANG Framework can be briefly presented as **Diagram 4.5** incorporating with **Table 4.3** and **Table 4.5**, and the final outcome of the research can be seen. The enriched SIYANG Framework as a framework of business model answered the research questions. While, the research approach of SIYANG Framework committed relevant tasks defined in Lambert's (2006) BMRS. The enriched SIYANG Framework provides detailed explanations of what business model contains and how to develop a business model for automotive finance business in Chinese market.



**Diagram 4.5: SIYANG Framework**



### **Influential factors over business model**

As one of the key focuses of SIYANG Framework enrichment, the primary before in-depth exploration was to define the influential factors over business model. The author reviewed various literatures and case studies, finally determined to use “business environment” as the terminology to describe the influential factors over business models. This includes both internal and external organisation factors, which may affect the development and operation of business models.

As discussed, it was clarified that a business model should be developed or improved based on a well inspected business environment by scanning relative influential factors (AFCM-1 & AFCM-5). From a detailed analysis of the implementation of SIYANG Framework, a great number of activities were undertaken during the business environment rescan, from perspectives such as intensive competition, value proposition and profit mode, industry regulation and policy, customer behaviour, market institution, resources and current situation. As what can be seen from interviews, all influential factors can be classified as controllable or incontrollable ones and that makes more sense to real business practices. “Incontrollable influential factors” was proposed to describe business environment of external organisations, of which the impact cannot be controlled and organisations suffers when try to manage it. On the other hand, “controllable influential factors” was proposed to describe relative business environment of internal organisations, and the impact of these factors can be controlled or managed by the organisation (See Table 4.3). According to the enriched SIYANG Framework, incontrollable influential factors mainly involve Industry Regulation and Policy, Customer Lifestyle, Competition, and Market Institution. While, controllable influential factors mainly involve Value Proposition, Organisation Structure, Function Design, Resources.

### **The contents of business model**

There were many different descriptions in current literatures from different perspectives over the contents of business models. The terminologies were found quite different as well. However, they provided the author a variable view on contents of business model. Based on the critical review of current literatures, the author adopted “content” instead of “element”(Johnson, 2008), “factor” (Teece, 2010) or “aspect” (Amit & Zott, 2001) to describe the function modules of business model, which was defined as one of the key constructs of a business model together with structure of business model and business processes.

Porter’s (1995) “Value Chain” opens another angle to the author on business value

streams, it can be used to define contents of business model and classify it as “core modules” and “supporting modules”. The author argued that “core modules” are considered as the key functions conducting the value stream directly, “supporting modules” are the ones not conducting but facilitating the business value transactions. Thus, it was claimed that all modules contribute to business value creation and delivery working for daily business transactions, and that cannot happen with any module missing.

Zott and Amit’s (2010) study provided the author a quite practical idea to explore the way to enriching SIYANG Framework. Business activities were recognised as details of business model contents, which reflect and explain how business functions work on business value transaction. The interview discussion also provided the author valuable empirical data on in-depth exploration of business model contents by looking at both core modules and supporting modules. Based on literature and empirical data collected from the interviews, the detailed activities were also explored and defined under each module (See Table 4.5).

In addition, AFBC’s managers utilised SIYANG Framework to conduct rescan on the current business environment during the implementation. Based on the result of business environment rescan, some key changes on contents of business model occurred during the improvement of AFBC’s business model. These changes were related to core modules of business model, which were also recognised as key modules for business model improvement (AFCM-1 & AFCM-5).

### **Process of business modelling**

The four-step approach of business modelling process is clear for guiding both managers and researchers and for ensuring the correct direction of business model development. Based on the discussions with AFCM-1, AFCM-3 and AFCM-5, the author explored detailed describing process of business modelling, which may provide more constructive instruction to both business managers and academic

researchers. By consolidating the enriched perspectives of SIYANG Framework, business modelling process can be illustrated as below:

STEP 1: Conducting business environment analysis by looking at both controllable and uncontrollable influential factors over a business model. Detailed instruction can refer to Table 4.3.

STEP 2: Based on the result of business environment research, the business model structure should be defined as a priority. Organisation structure and function design shall be majorly considered if available.

STEP 3: Upon defined structure, the content of business model should be identified and formulated, which should involve relative business functions to facilitate all business activities for business value creation and delivery (See Table 4.5). Function design and industry regulation may lay impact over business model content designing. Meanwhile, customer life style, competition and market institution would heavily affect the design of core functions, which are more dominating in business model operation and improvement.

STEP 4: Business processes should be defined upon structure and contents of business model to illustrate the logic of value flows between functions, and how business value to be created and delivered to customers.

#### **4.6.3 Reflection from early documents**

Although the enrichment only focus on contents of business model and influential factors over business model, in order to draw a whole picture of business model research, the author reflects some key findings from previous discussion in document 3 regarding the other two constructs, structure of business model and business processes.

##### ***Structure of business model***

In document 3, a majority of respondents described business model as a system of its kind. Meanwhile, they emphasised the system should be conducted with certain

structure and contains a series of processes. It can be recognised as the basic understanding of business model:

*'I think business model should be considered as a kind of system. .... This system should be constructed upon the structure to ensure business operated well.'* (Doc 3, AFCM1)

March and Olsen (1989) also had the similar claim. It is described that a business model was like a framework, in which the business objectives and activities are fulfilled by organisation actors who performed as rule-followers by following procedures. Similarly, AFCM4 in Document 3 perceived business model in practice as “a designed business system conducted by the structured business functions and processes, in which daily business can be operated smoothly”. It can be seen that a common view has been reached by AFC managers that a business model should be considered as a structured system.

AFC managers realised the business model is a kind of system enabling business operation and value transaction. They also indicated that business model is like an integration of different business contents, structure and process managing of transactions. The managers also explained that all contents work together within a designed structure following designed processes to deliver product to the target market. It was quite similar to Amit and Zott (2002)'s principle, which indicates that business model is a structured value-chain system, resource-based strategic networks designed to create business value. Therefore, structure of business model is one of the essential construct of business models.

### ***Business processes***

Moreover, as managers described, there should be something inside the structured business model that enables business operation.

*'If giving business models a definition, I would like to define business model as a standardised process'* (Doc3, AFCM2).

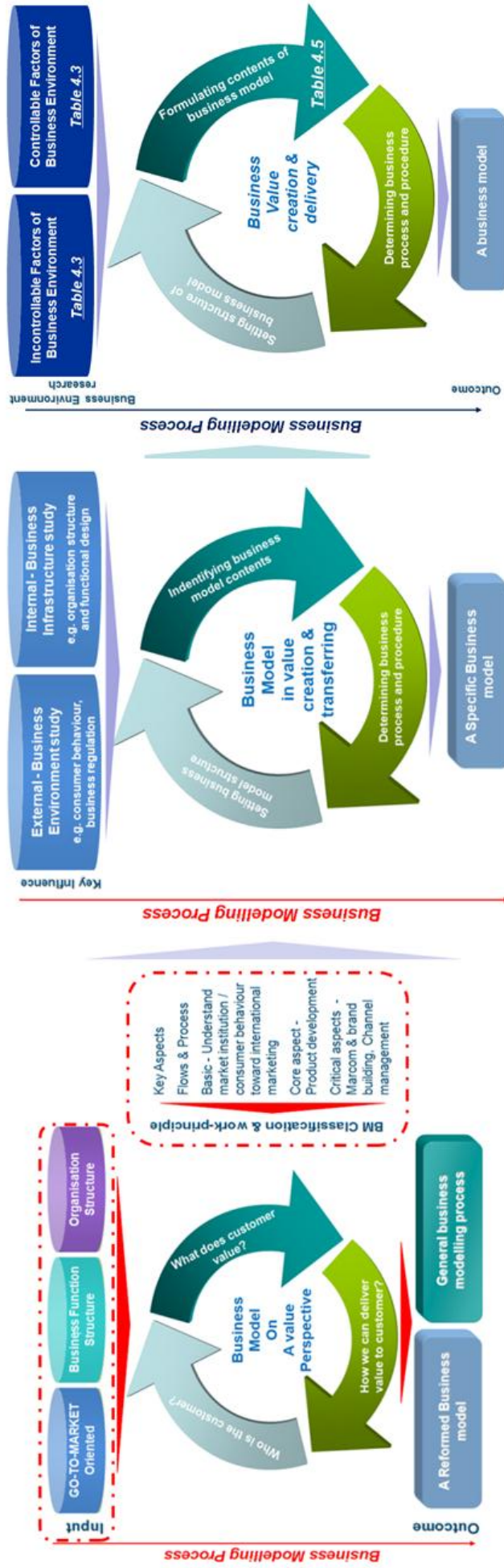
As AFC managers described, there should be processes and procedure in a business model for all the functions and components logically working together and identifying the rules and principle of working. The managers explained that either a company or an industry, everything involved in business transaction relies on a process. Thus, they considered process and procedure as critical construct of a business model. They also quoted the claim of an expert in Toyota group, Mr. Taichi Ohno. “A good performance may not be caused by good processes, but if we do not have good processes, we will not get good performance.” Therefore, for an appropriate business model it is necessary to have process and procedure work together, while the structure facilitating all functions’ performances and creating business values.

## **5. Conclusion**

Based on the above summary of the research outcome, the conclusion of entire research can be described as follow. Looking back at the entire journey of the research, the conceptual framework has been developed thoroughly over the research phases (See Diagram 5.1). The initial conceptual framework was developed in phase 2 after the literature review. Based on the theoretical findings, all materials were consolidated and put together for setting up the conceptual framework, which was considered as the initial concept of SIYANG Framework. With the in-depth research during phase 3 & 4, the conceptual framework was redefined by incorporating empirical data, including clarification of the key constructs of business model, the influential factors over business models, as well as the description of contents of business model.

Based on the redefined conceptual framework, enrichment was conducted in phase 5 for making SIYANG framework more detailed and constructive to be a qualified business model framework. The enrichment was started with implementation within the engaged AFC, where the initial SIYANG Framework was experimented and tested. More valuable empirical findings were explored from the following interviews based on the implementation. Finally, SIYANG Framework has been enriched as a constructive business model framework based on the analysis of all valuable findings. The enriched SIYANG Framework is presented by Diagram 4.5 incorporated with Table 4.3, and Table 4.5.

**Diagram 5.1: The research development journey**



The conceptual framework initially developed based on findings from literatures in phase 2

Redefined conceptual framework based on the findings from phase 3 & 4.

Final conceptual framework based on the enrichment in phase 5.



## **5.1 Contribution of the research**

The term “business model” has appeared in the literature towards the end of the twentieth century and been as a research focus for many academics and business managers (Lambert, 2010). The current research about business models have been captured and summarised in (See table 2.1). However, weaknesses of current literatures can be observed. Firstly, most of academic researchers only focused on discussing single business model (Lambert, 2010), no concert study of business model framework ever reviewed. Secondly, the current researches on business model were only discussed on theoretical basis, thus, being lack of empirical data. Most of the researches mainly focused on the study of definition and component of business model, but no in-depth exploration on business model implication can be seen. In the literature there was no clear definition so far that can be widely accepted (Lambert, 2006).

The overall contribution of the research, academically and practically, is a business model framework, SIYANG Framework, has been developed. This can offer academic researchers a foundation for conducting business model and to provide business managers a guidance of developing, improving and utilising business models for their own operations in automobile industry.

Particularly, SIYANG Framework illustrates a clearer definition and component of business model that contributes in academic world by filling the gap of current literatures. According to the research of SIYANG Framework, a business model has been clearly defined as a logical system that guides an organisation to design and produce products, service and information in business transactions in order to facilitate value creation and delivery for the organisation in the market (Refer to details in Section 2.2). This is A business model consists of three constructs including contents of business model, structure of business model, and business processes (Refer to details in Section 2.3). The content of business model explains business functions and activities (See Table 4.5). The influential factors to business model are

also clearly explained (See Table 4.3).

Secondly, as described earlier, SIYANG Framework is not a single business model but a business model framework that describes a complete process of business modelling under automotive finance business context in China, which reaches level 4 of BMRS as an academic research foundation for future researches. Looking at Lambert's BMRS (2006), the author conducted the research on level 4 (See Diagram 2.3) and finally worked out a business model framework, named as "SIYANG Framework". It can be said that SIYANG Framework fills in the gap of current academic literatures in business model framework by giving a clear explanation of how business model works and how to develop a business model.

Thirdly, SIYANG Framework, by taking practice of automotive finance industry, contributes to fill the gap of automotive finance business model study. The case of automotive finance company was engaged as an example for developing the business model framework, the SIYANG Framework. Thus, it can be said that SIYANG Framework is not only able to guide AFCs in developing, improving and operating their business models, it would also be reference for other companies or, in a bigger scale, other related businesses. Moreover, by conducting the implementation of SIYANG Framework in the engaged case study, the author's research turned the AFC managers' perception from implicit to explicate by drawing the framework to explain what is a business model, what does a business model contain, how a business model works for business value creation. They, then, are able to identify the problems of current business model and then work out a way to improve their business model by applying SIYANG Framework, which, as the business model framework, draws AFC managers a clear way of how to build, improve and operate business models in automotive finance industry.

## **5.2 Limitations and further research**

As the outcome of document 5, the enriched SIYANG Framework presents a detailed

framework of business model. The empirical data was also considered as a part of research for more feasible and convincing outcome. However, AFBC in automotive finance industry in China as a single case that was focused in the research that may cause limited view of empirical data. Secondly, most of interviewees were from front-end of automotive finance business. They may have strong expertise of understanding of the front-end, but, still, may be a bit lack of a clear sense on back-end of it. The later contains supportive business functions and is indispensable providing a comprehensive view of a business model. Thirdly, the number of interviewees and the duration of each interview were limited to six and 60-minute each. It is considered as a limitation for exploring more insightful perceptions of the interviewees. Since the interviews were held in the interviewees' office, their daily routine works, some time, interrupted the on-going talks and led to disturbance for interviewees to organise their thoughts. If it is allowed, the author may have invited more interviewees from both front and back-end functions, and could have hold interviews in small and peaceful meeting rooms to avoid disturbance.

Moreover, this research focused on exploring a business model framework by mainly looking at the content and the influencing factors of it. However, other constructs are equally important, including structure of business model and business process. They might be the reservation for further researches.

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## **Appendix 1: Interview Questions and Guide**

### **Start:**

- Briefly introduce the concept of SIYANG Framework, and the purpose of this interview and the current research.
- To have update on SIYANG Framework implementation and business model improvement.

It is to encourage and enable the following discussion.

### *Note:*

*It is not necessary to ask all following questions to every interviewee. The author selects the propitiate questions to ask each interviewee by considering the actual situation and the responses.*

### **General perception of SIYANG Framework**

1. What does SIYANG Framework mean to you?
2. What does SIYANG Framework contribute to your business model improvement?  
/ What did you get from SIYANG Framework?
3. What are the key achievements / major changes you made in your organisation's business model by applying SIYANG Framework in your organisation?
4. Do you consider that SIYANG Framework can be utilised as a theory of business model for guiding business model development / improvement in automotive industry?
5. What are the major problems of SIYANG Framework? / Anything missing? / Anything you want to add? / Anywhere you think SIYANG Framework need to be improved and enriched? / Any specific expectation?

### **Possible questions about content**

1. What improvement you have made in term of business model components / contents by applying SIYANG Framework?
2. Do you think SIYANG Framework indicates a clear view of business model components / content, especially the key aspects? Is it applicable and realistic?

Anything missing?

3. What do you consider to enrich SIYANG Framework in term of business model content?

**Possible questions about influence of business model and modelling**

1. What improvement you have made in term of inspecting influence of business model by applying SIYANG Framework?
2. Do you think SIYANG Framework indicates a clear view of inspecting influence of business model and modelling? Is it applicable and realistic? Anything missing?
3. What do you expect (add) to enrich SIYANG Framework in term of influence of business model and modelling in order to provide clearer instruction?

**Possible questions about modelling process**

1. Do you think the modelling process drawn by SIYANG Framework is sufficient for guiding you build-up or improve your business model? Anything missing?
2. What do you consider to enrich SIYANG Framework in term of modelling process in order to provide clearer instruction?

## Appendix 2: Sample of interview transcript

*Confidential:*

*The interview response is authorised for Siyang's business model research use only. No any other right authorised by interviewees.*

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MC: thank you for accept my invitation. I know you are quite busy, I will try my best to complete this interview with in 1 hour.

I know you have been working for this industry for about 15 years, and you have multinational experiences of this industry. Your ideas and opinions would be quite valuable to this research.

As you know, so far, my project has been run in our company for more than one year. And my concept model has also been introduced and implemented for almost one and half year. Currently, my research is going to find out the opportunities and ways to enrich SIYANG Framework and moving it forward to become a kind of theory. I want SIYANG Framework to provide a holistic and practical guidance for our managers in building, using, and improving our business model in daily practice. And also SIYANG Framework as a research framework will have relative contribution to academic. So, this is the major purpose of this research.

This time I need to ask you some questions, and get your feedback about SIYANG Framework implementation in this company.

AFCM 1: Yeah. As I know, you have made a big step from your qualitative research. I remember it was 2011, was it? ... I also want to appreciate your contribution to our company's business improvement project. Your business model concept is valuable for us, especially in business model change and improving business efficiency. I think I am familiar with your research so we can have direct discussion. Hope I can give you valuable contribution in forming your theory.

MC: thank you. According to SIYANG Framework, there are some key changes made in our existing business model in 2013. Can we have a quite review what kind of changes we have made on existing business model?

AFCM 1: ..... you can correct me, if I m wrong. ....**Followed your concept model, we did a business environment rescan since Nov 2012, to see what environmental factors are really influencing our business model and business operations, including strategy development and decision making. Meanwhile, we reviewed and re-evaluated the operation and performance of each key business department,** such as finance and treasury, sales management, marketing, retail operations etc. we found some issues of current business.....

According to your concept, **we identified gaps between the current operation and real business situation. Then, we made some changes on the way of doing auto finance business in some function areas, of course including both strategy and process changes.**

.....



MC: you have been involved in my research for long time. I think you understand my research very much. Can you tell me what you think about SIYANG Framework I proposed? What does SIYANG Framework mean to you?

AFCM 1: I remember you the first time you talked about it was in 2011. It was not quite concrete and instructive at that time. But in 2012 when you formally introduced your model, I thought it was quite improved from the initial one. .... **it gave us a clear picture and a roadmap of how to build a business model, with the guidance we may find chance to improve the current model.** En... I know it is still a concept; it is not something really practical in our daily transaction. But from my perspective, **I consider it is a quite good concept provides us guidance for review and re-shape our business model.** Just like what we have done in the past year, we had review and re-evaluate our current business model. **It helped us to identify opportunities, the key parts of business model to improve.** .....

MC: what if a new company?

AFCM 1: Obviously a new enterprise will find this a useful map for setting up a new business model.

MC: could you specify what did you get from SIYANG Framework most valuable?

AFCM 1: just like I mentioned, rescan of business environment. It is one of our pains in the past years. You know it, right. ....

We have been running our business in China for 10 year. But we never have comprehensive environment study, so ... I m not saying we always make wrong decision.... But I need to say, the strategic decisions were not always made based on thorough analysis of business situation.

..... we do not have a comprehensive research and analysis of our business environment. .... We always make guess based on pieces of information. Then the decisions are made on guess and our experiences. Maybe it is not really wrong but not appropriate. ....

MC: so what did you get from SIYANG Framework in environment research, what specific things your team have done?

AFCM 1: as learned from your model, we got some key areas strongly influence our business decisions and operations. **So there were several work packages we have initiated in the environment rescan, customer behaviour, industry regulation, market institution, internal resource etc....** For example, industry regulation. There is giving a clear direction for this. Your model is telling us what are key factors needed to consider when doing business environment research. You know China is a huge market with variable features in deferent regions. The regulation may also

deferent in these regions. So, that is why we may lost enough attention on some regulations, and may be distracted and missed from some regulations. It brought us many grey areas in the past years.....

MC: did you do customer behaviour analysis?

AFCM 1: yes. It is most important thing for us, making series decision on product development, marketing communication, sales strategy etc, even finance and treasury.....

MC: yeah, I heard your team (our team) got a lot insight of it. Do you think anything of SIYANG Framework need to be enriched in this area?

AFCM 1: I more like to see the things behind this. I remember you talked to me a long time ago, Chinese culture. I understand, culture is a big thing. But for business analysis and practice, we may need to pay more attention on life style scan. According to our research this time, people life style of the market has strong influence on customer behaviour. Maybe you consider it is not key factor in entire business environment research. But it is still critical and cannot be ignored. ....

MC: understood. I am also thinking about to enrich SIYANG Framework regarding this part. So it can provide more practical and instructive guidance. What other areas do you think is critical in business environment scan?

AFCM 1: **market institution** .....(sensitive information) **same as regulation and customer lifestyle, it is not controlled by us.** you know we have strong influence from industry association. Some institution we need to follow when we making business decisions.....

MC: what about the environment factors of internal company?

AFCM 1: oh, I heard this is a debatable topic in this project team. I also changed opinion with some other managers. I cannot say which is important which is less. But I can tell what we did based on both your model instruction and our experiences. The first is resource scan. Based on business value proposition, the business resources is the most critical thing need to be identified to propose and convince board member. .... including financial resources, human resources, and technology resources, even organisational politics resources .... which means what we have or need to have for steering the business value.

Of course, overall function design and organisation structure are critical as well. But they should be determined based on resources analysis I claim. We need to determine the basic idea of business function design, and with what kind of organisation structure. Sometimes the organisation structure is also independent factor which is not influenced by other factors and you are not able to change.

MC: what do you mean independent factor?

AFCM 1: Organisation structure for me is just one of factors need to be concerned in influence factor analysis. **Organisation structure of some entity are required by headquarter or regulation, which is not controlled by us. But it still can be managed....** Normally, the business function design may be influenced by organisation structure, **for example business lines/units as a part of organisation structure design definitely impact business function design of specific entity. ....**

MC: like you explained, is it **because business line is considered the core elements of steering business value and function design?**

AFCM 1: right! So **we always are careful of such kind of core functions, which contribute to business value directly. ....**

MC: besides business environment, what else valuable do you get from SIYANG Framework?

AFCM 1: conducting business model functions and processes. **You know this is the most critical part in our business practice for steering and developing specific strategies and making business decisions.**

MC: I heard your team made some changes on functions. Can you introduce some?

AFCM 1: actually, based on result of business environment scan, we firstly took a thorough review on current business function design to see whether the influence factors are considered in business decisions making. .... **According to SIYANG Framework, we also considered product development, channel management and marketing communication are the key to improve.....** So we made some **improvement on product and sales approach, and communication tactics to adapt Chinese customers' life style and market trends.** So you can see the sales figures in 2012 appear big increase in terms of the key indicators we defined. ....

MC: in terms of business content, what do you think SIYANG Framework needs to enrich?

AFCM 1: oh, yes. I remember I mentioned to you early this year. We would like to see more details of each content module, except just a clear description of each module. More detail may really help in practice is telling what included and how it e works exactly in the context of designed business flows. .... we always talk about business **consists a lot of business activities by making a series decisions.** Right? If think on this way, **business model is playing the role every day, helps organisation steering business activities, and decision making for generating business**

value.....

I m just considering, for example, product development module. It might be break down to illustrate what activities should be involved and who are responsible to do these and how it connects with other functions. It would be quite constructive for an enterprise to build a new business model, of course of existing business model improvement we can also have quite clear view to rescan the model we are using.....

MC: ok. May I put on this way, if I m wrong you can correct me... so if possible, your managers would like to see more details under each functions, like business activities, and how they connect with other functions, is it correct?

AFCM 1: yes. **And I also have concerns about function classification. To be honest, it is not really instructive and helpful to practice. You have listed all necessary functions and detailed description, I know it is comprehensive... but your model does not show enough connection, or say relations between them. If SIYANG Framework can illustrate this, that would be quite helpful to practice. .... I think for me, having a clear view of relations between functions and value stream is most important. .... Yes, just let me know clearly, what modules contribute to value stream directly and what are not. And what modules are related to what flows. Caz I remember you have explained a quite useful concept to us business contains many flows.....**

MC: right, I will consider this. Do you think the current identification of business content is clear?

AFCM 1: yes and not, ha ha ha. From my point of view, I think **you have clearly identified the contents in terms of functions. But the classification seems a bit confusing. Maybe you can think about this further..... And basically I agree with you that external ones are more important than internal ones to business operations. But product development is classified as internal one, can we say it is less important? I think there must be something inappropriate. We can discuss further.....**

MC: understood. What about to classify the content by considering contribution to the business value flows?

AFCM 1: en... not a bad idea, if you can explore a clear logical concept..... **you know this, value stream is always the key in business development and enterprise solution. Every decision we make is for value creation and delivery.** Drilling with value related concept, there must be something you can leverage.....

MC: do you think SIYANG Framework presents you a clear process of modelling?

AFCM 1: yes, definitely. As we talked, overview SIYANG Framework the approach is clear for guiding us build or say improve a specific business model, although there are somewhere need to be enrich with more details, and practical. I understand you are doing a doctoral level academic research, looking for something like concept and theory, but just try to make it practical dropping off the useless theory. You know business well we cannot hold every piece of theory doing business .....

MC: ha ha ha ... ok I am always trying to make the balance between academic and practice. I can handle it...

AFCM 1: **I can see several steps in you modelling process, business environment scanning, setting structure, identifying contents and functions, drawing the processes. .... Quite clear and very instructive to our managers. I do not think I have negative comments against it. ...** We can set up a standard for a good modelling process, clear steps, detailed, and instructive. Ok?

.....

*Note: this version of transcript is compiled and mutual agreed by both interviewer and interviewee with irrelevant and sensitive information deleted.*

### Appendix 3: Collection grid of interview responses

| General perception and expectation |                             |   |  |  |  |
|------------------------------------|-----------------------------|---|--|--|--|
|                                    | Role                        | What does SIYANG Model mean to you?   | What does SIYANG Model contribute to your business model improvement? / What did you get from SIYANG Model?  | Do you consider that SIYANG Model can be utilised as a theory of business model for guiding business model development / improvement in automotive industry? | What are the major problems of SIYANG Model? / Anything missing? / Anything you want to add? / Anywhere you think SIYANG Model need to be improved and enriched? / Any specific expectation? |
| AFCM 1                             | VP, S&M                     | A kind of concept, I think... provides us guidance to review and re-evaluate our current business model ... help to find opportunity to improve our business model.   | Provides a clear roadmap assist us to reevaluate our existing business model<br>Obviously a new enterprise will find this a useful map for setting up a new business model.<br>We thoroughly reviewed the current business environment, redeveloped product, marketing communication and sales approaches. | Yes  | Can be more specified in guiding business model development by considering the business activities facilitated in a business model.  |
| AFCM 2                             | Director, Ops               | A business model provides all business practitioners the game rules. We are all guided by the rules to produce and deliver products and services to market and earn the profit.   | SIYANG Model provides a clear way of reviewing and improving our business model.   | Yes. But need detailed instruction.  | More details to explain the way of building and improving business models.   |
| AFCM 3                             | Managing director, Leasing  | Indeed, a good model tells managers how to perform business every day by making proper decision?.....I experienced with some weak models. Business efficiency is pretty low and operating cost remains high level. And managers almost have to adjust decisions every week, and suffering in solving various business issues. | SIYANG Model definitely presents us a clear roadmap to rebuild our business model... using it we are able to re-consider the strength and weakness of our current business model... we find opportunity to identify where we can improve to enhance the business performance and how.                      | Yes.   | we require more detail instruction on the way of building a business model.  |
| AFCM 4                             | Director BP Management      | A way of understanding business model.  | it provides us an instruction of building business models  | Yes. But need more details.  | We expect more details something like a guidebook  |
| AFCM 5                             | Director, Business strategy | Our business model is about corporate strategic business choices of which way business model is going to be with Chinese market, in which the local business policy and regulations are considered. SIYANG Model is beyond this. SIYANG Model is not a specific business model, it comes from practices of business models.   | SIYANG Models telling us the way of designing particular business models.  | Basically yes.   | Lacks of detailed instructions on what function modules should be included as the content of business model, and how they should be adjusted according to business environment.              |
| AFCM 6                             | CFO                         | It is telling us how to building up a business model for running our business. It clearly addressed steps of evaluating business environment, structuring business functions, design business functions and processes.  | SIYANG Model clearly illustrates a process of business modelling, but we expect to see more details on modelling instruction for example, what areas should be considered in business environment study, what are the context among environment and different aspects of business model contents?          | Yes.   | Influence factors to business model needs more detail instruction to explain the specific areas of influence.  |

| About content of business model |                             |   |   |
|---------------------------------|-----------------------------|---|---|
|                                 | Role                        | Do you think SIYANG Model indicates a clear view of business model components / content, especially the key aspects? Is it applicable and realistic? Anything missing?  | What do you consider to enrich SIYANG Model in term of business model content?  |
| AFCM 1                          | VP, S&M                     | Products and services conduct the key business stream like backbone of entire business transaction. Product, distribution and marketing related functions are the key components, and other business functions are support this stream.   | Business model content could be more detailed and instructive by considering business model containing business activities, in which what elements are involved.  |
| AFCM 2                          | Director, Ops               | All resources can be considered as two groups Internal and External to make more sense to managers.<br>As we learned from the implementation of SIYANG Model, we recognised some key activities can be the details of business operation function module, customer service, collections, credit analysis, and retail & wholesales operation. For example Operations conduct business value stream inside of organisation, at the back-end of business transaction | Criterion of classification on business model contents can consider whether the function is contributing directly to value creation and delivery. E.g. "CORE function modules describes direct contributing to value creation and delivery.<br>The resources management are normally divided into different functions and less attention from managers. When we took SIYANG Model to review the current business model, the details of business model contents were identified. Office administration, Legal consultation, Technology support, Knowledge, Risk management, HR management, Auditing can be identified as the internal resources; and Partnership management, Outsourcing can be considered as the external ones. |
| AFCM 3                          | Managing director, Leasing  | It depends on types of organisation, for example, normally, product research & design and pricing are key activities involved in product development. but for manufacture organisations, manufacturing, raw material management, storage management are also critical activities.   | The activities is creating flows in business model. The business participants are staffs, business partners, vendors, customers.<br>Contents of business model consists of various business functions as basis.   |
| AFCM 4                          | Director BP Management      | Human resource and financial resource are the priorities as always when we discuss resources internally.<br>End customer communication, channel marketing communication & support are the key activities under marketing communication including online advertising, digital marketing in practice.   | General speaking, distribution channel is the key of AFC's products and services delivery to the market. Beside of this, we also realise there are many things supporting the business transaction from internal organisation, for example finance and human resource.<br>Product development and financing would be required before production, and sales and marketing functions are needed after production.   |
| AFCM 5                          | Director, Business strategy | It involves many business activities including product manufacture, marketing, finance and treasury etc., and helps us to make business activities efficiently and logically strive for a committed goal of business, creating and deliver values to target market.   | It is not detailed as we expect. We may ask what details contain in each function module?<br>Clasification can consider business activity perspective.<br>There are many functions we need to identify in a general business model. But it is not necessary to include all of functions in a business model. It should be based on specific business type.<br>Talking about contents of business model, we learned from the implementation of SIYANG Model that all business activities under each function are involved and facilitated by our business model. The activities can be recognised as detailed pieces of business model contents, which are performed by relative stakeholders...                                 |
| AFCM 6                          | CFO                         | We always talk about intangible asset like technology we developed and experiences we had, they could be considered as our resources. There are many different function modules in the content of business model, such as R&D, product development, marketing communication, distribution channel management, resource management, finance management.  | Finance management consists of three basic activities, finance & controlling, treasury, investment management.<br>SUPPORTING function modules can stand for business functions indirect contributing to business value creation and delivery.<br>It may involve product development, distribution, marketing communication; all other functions support the entire business transaction in different phases."(AFCM-6)   |

| About influence of business model |                             |   |  |
|-----------------------------------|-----------------------------|---|--|
|                                   | Role                        | Do you think SIYANG Model indicates a clear view of inspecting influence of business model and modelling? Is it applicable and realistic? Anything missing?   | What do you expect (add) to enrich SIYANG Model in term of influence of business model and modelling in order to provide clearer instruction?  |
| AFCM 1                            | VP, S&M                     | Yes, realistic and achieved good performance of business model improvement.<br>Some factors are not controlled by organisation; others may be able to manage.   | Organisation structure for me is just one of factors need to be concerned in influence factor analysis.<br>Value proposition is the most important factor needs when building up a business model.<br>Market institution, industry regulation and customer lifestyle are also not controllable in our environment scan list.   |
| AFCM 2                            | Director, Ops               | yes it is drawing us a picture of conducting a business environment research.   | The detailed components of the environment research are expected to see.   |
| AFCM 3                            | Managing director, Leasing  | Yes, the view is clear but the details of areas for environment research is still needed.   | I may consider internal influence factors include organisation structure as basis of building up a business model, relative function design, and organisation resources  |
| AFCM 4                            | Director BP Management      |   | Should mainly consider the factors involved in our business environment.<br>It needs to describe the way of manage the changes of business environment.  |
| AFCM 5                            | Director, Business strategy | Organisation infrastructure is quite strange to be an appropriate term. It causes confusion in the practice.  | For the external influence factors, it would be interested to see industry policy and regulation, market institution, and customer lifestyle.<br>I consider knowledge is a kind of resources of organisation. It always contributes to our practice, but we do not really recognise.   |
| AFCM 6                            | CFO                         | We understood two types of the influence factors. One is about outside of organisations; another is about organisation itself. But the terms used in SIYANG Model does not make clear sense for practice. .... Normally, external factors cannot be controlled by organisation; in contrast internal factors can be easily managed. | it may applicable that "incontrollable influence factors" can be refer to external business environment of organisations and "controllable influence factors" for relative internal environment of organisations.<br>one of influence factors of business model development as discussed and named customer lifestyle, it should be basis of function module development |



| About business modelling process |                             |  |  |
|----------------------------------|-----------------------------|--|--|
|                                  | Role                        | Do you think the modelling process drawn by SIYANG Model is sufficient for guiding you build-up or improve your business model? Anything missing?  | What do you consider to enrich SIYANG Model in term of modelling process in order to provide clearer instruction?  |
| AFCM 1                           | VP, S&M                     | A process of business modelling is a kind of knowledge enables easy replication of business model.<br>The process proposed in SIYANG Model helped managers to build and improve business models.   | I can see clear steps in your modelling process, business environment scanning, setting structure, identifying functions modules, drawing the processes... It is quite clear and instructive to managers. I do not have negative comments on it. |
| AFCM 2                           | Director, Ops               | SIYANG Model provides us clear steps of how to identify the problem and improve our business model.  | We expect to provide more explanation on areas of contents and environment factors.  |
| AFCM 3                           | Managing director, Leasing  | SIYANG Model provides a clear instruction on modelling helping us to build and improve business models.especially on “building thoughts and roadmap of business modelling in the practice of a new business development” and “ensures managers to work on right direction of business modelling process.                   | It is quite clear in SIYANG Model. Four key steps are quite same as what we did in our new business setup.<br>For any business organisation, the first thing business managers need to do is to understand of particular business environment.   |
| AFCM 4                           | Director BP Management      | Four steps are clear.  |  |
| AFCM 5                           | Director, Business strategy | It could be better if more details could be illustrated regarding business model contents and influence factors to business model.<br>Designing business process is an important step to illustrate the work flows among functions.  |  |
| AFCM 6                           | CFO                         | Four steps are clear.<br>SIYANG Model clearly illustrates a process of business modelling, but we expect to see more details on modelling instruction for example, what areas should be considered in business environment study, what are the context among environment and different aspects of business model contents? | we expect detailed guideline indicating the way to build up business transaction and activities operated step by step, phase by phase, module by module  |

#### **Appendix 4: Profile of Interviewees**

##### **AFCM-1 – Vice President**

This interviewee has been employed by AFBC for over 10 years. She joined in automotive finance industry since it started up in China market. She contributed to AFBC's business strategy and business model development during 2004 to 2005. She has the experiences of both front-end and back-end business positions in automotive finance industry. She is also an expertise in business efficiency improvement. She is the key person in this research providing the author significant insight of automotive finance business and a management view of its business model and modelling, which helped researcher to conduct the concept of business model and build up the agreement against the current literatures and case studies. She is the major contributor in the author's research and SIYANG Framework implementation.

##### **AFCM-2 – Director, Retail Operations,**

He has been experienced in this industry for over 10 years, and has rich experiences of automotive finance retail management in US and South America markets. He joined AFBC in 2011 as director of retail operations responsible for back-end retail management, especially for process and resource management of retail operations. A special point of view can be provided by AFCM-2 from back-end of business process to view the entire business model, and the contribution of SIYANG Framework by comparing business models between different markets.

##### **AFCM-3 – Managing Director, Leasing**

Leasing is an individual legal entity of AFBC established in 2012 for business expansion and breaking CBRC's limitation of annual finance amount. SIYANG Framework was adopted from the early stage of the leasing business development.

This interviewee has joined AFBC for 12 years, and also has strong automotive finance sales management experience. This interviewee provides the researcher a great opportunity to see the changes from existing business model to build up a new

model for the new business, and collect the feedback of application of SIYANG Framework for this new business.

AFCM-4 – Director, Business Partner Management.

AFCM-4 has been experienced in automotive finance industry for 12 years. He is responsible for managing business partnership, collaboration and front-end resources management. He is one of key contributor and coordinator in SIYANG Framework implementation.

AFCM-5 – Director, Business Strategy

AFCM-5 has over 14 years experiences in automobile related industry, among which there are about 6 years working for automotive finance business since joined in AFBC. He is responsible for AFBC business efficiency and strategy improvement. He contributes this study a comprehensive view of automotive finance business model in terms of structure, process and market influences. In addition, as one of key contributor, he also contributes on the knowledge and theory steering in this research.

AFCM-6 – CFO

From finance management point of view to consider a business model is quite important. AFCM-6 has 15 years experiences in automotive industry, and has solid experiences in new business building and business model replication in different countries. He may contribute significant opinions of utilising and improving knowledge of business model and modelling.

## **Appendix 5: Business model in automotive finance business sector**

Before getting into the case study, a wide inspection of Chinese automotive finance industry was conducted by the author to understand the overall market and business situation. The view needs to be back to 1970s when the first professional automotive finance business was established in US.

Since 1970's General Motor established the first automotive finance company in US, the non-bank financing, automotive finance business has been operated in North America and EU market for over 40 years, and the markets have become mature. Since then, the finance business has become an essential part of the automotive industry, especially in traditional car markets like the US and EU. In such mature automotive finance markets, automotive finance companies have many business lines including retail automotive loan, wholesale automotive finance, leasing, insurance, even credit card service etc. (Cao, 2008; Liu, 2005) In worldwide, the most of automotive companies have their own finance companies operated as individual corporations. Automotive finance is also addressing more and more attention and increasing in emerging markets, such as China, India and Russia. (Global Automotive Finance Industry Report, KPMG, 2012)

Since 2004, China Banking Regulatory Commission (CBRC) released the first automotive finance business license to foreign company, and automotive finance stepped into a re-constructing and developing period. As the generation of post-80s, who have greater intention for marginal consumption and tend to be more adaptable to credit consumption, automotive finance business is expected to step into a fast growth period in coming 5 years with faster development of professional automotive finance companies. It is estimated that the compound growth rate will reach 20% by 2020, and the scale of automotive finance will reach 500 billion RMB by 2016. By then the overall "Earning Before Tax" (EBT) of China automotive finance companies are expected to reach 3.9 billion RMB. (China Auto Finance Report, 2012) So, this is the reason of most of automotive finance companies operating their business in China.

As the author learned from Chinese automotive industry, automotive finance business is highly regulated by a government department, CBRC. As introduced earlier, the key players are banks and non-bank automotive finance companies in Chinese market. They are offering a quite similar products and services to customers in Chinese market but with different business model and competencies. The Table A1 and A2 helps the author make clear sense of product and service offering by comparing bank and automotive finance company as key players in market competition.

*Table A1: Comparison of key players of automotive finance business in China*

| Terms                              | AFC  | Banks   |
|------------------------------------|--|---|
| <b>Representatives</b>             | GMAC-SAIC, BMW Financial, Mercedes-Benz Financial, Toyota Financial Services               | Minsheng Bank, CITIC Bank, Ping An Bank                                     |
| <b>Product &amp; service scope</b> | Wholesale, Retail loan, Construction loan, Insurance                                       | Capital loan, Wholesale, Retail, Construction loan, M&A finance             |
| <b>Strength</b>                    | Partnership and integration with manufactures; Efficient application and approval process; | Sufficient capital; Low price and finance cost;                             |
| <b>Weakness</b>                    | Product variability; High price and finance cost; Capital limitation;                      | Lack of supporting from manufacture; Complicated process and low efficiency |

Table A2: Comparison of key players of automotive finance business in China

|      | Capital | Sustainability | Professional | Channel control | Process & Efficiency | Standardisation | Product | Services | Requirements for Application | Channel coverage |
|------|---------|----------------|--------------|-----------------|----------------------|-----------------|---------|----------|------------------------------|------------------|
| Bank | 5       | 3              | 3            | 2               | 2                    | 3               | 3       | 2        | 3                            | 3                |
| AFC  | 3       | 4              | 5            | 5               | 4                    | 5               | 3       | 4        | 4                            | 2                |

1-5 stands from weak to strong

Due to business regulation restrictions by Chinese government, CBRC, foreign automotive finance companies only can operate a few business lines in China market, which are retail automotive loan, wholesale automotive finance and leasing, at the moment. (CBRC Annual industry Review, 2012) Currently the market is still in a developing stage. The customer acceptance of automotive finance product is not quite high due to the Chinese consumer behaviour and market institution.

By far, there are about 10 foreign automotive finance companies operating the business in Chinese market, including Toyota, General Motor, Ford, Volkswagen etc. These automotive finance companies' business objective is supporting their own brand vehicle sales by providing financial services in target markets, including retail automotive finance to individual customers and wholesale finance to distributor and dealers.

Most of automotive finance companies were trying to shift their business model from mature market to Chinese market. Reviewing the business performance during 2004 until 2010, it is not satisfied in terms of finance penetration rate and income before tax. It is realised that the business model imported from US and EU market is not a good

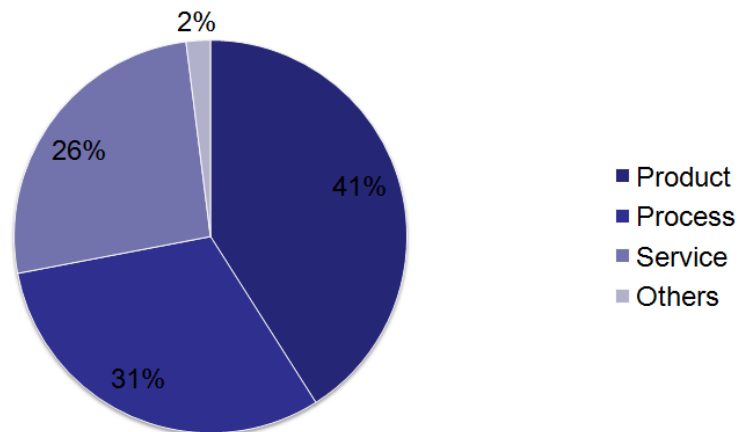
match for the Chinese market situation.

According to Chinese Automotive Finance Companies (AFC) Commission Report (2012), comparing to mature market, US and EU, these foreign AFCs do not perform very well in Chinese market in term of automotive finance penetration rate, the most important indicator of automotive finance business. It has reached closely to 70% in US market comparing overall 18% in Chinese market by the end of 2012. It is recognised that China is an emerging market with significant potential for automotive finance business development, although there are some problems that the foreign automotive finance companies may have.

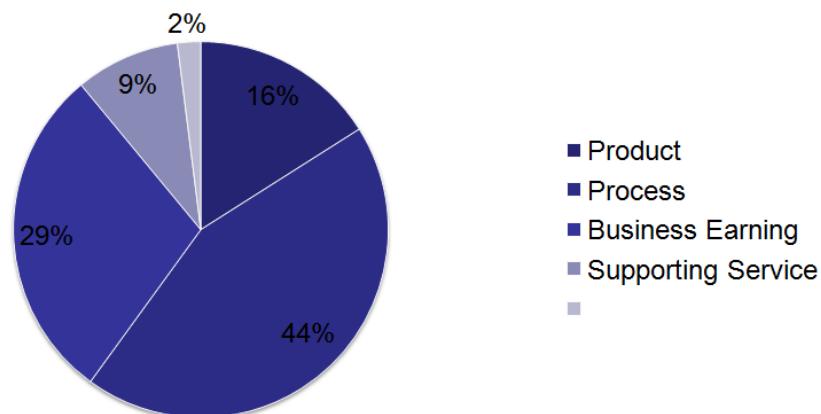
Since 2009, many AFCs in Chinese market have been seeking the way to improve the current business model to well adapt Chinese market environment. Based on the findings of document 3, it can be said that the implicit perception on concept of business model and modelling would be the key barrier for AFC managers to reach the way of business model improvement.

According to data from China Automotive Finance Report (2012), it can be seen that the most concerns from dealer and customer side are focused on product and process, which are involved in business model constructs.

**Voice of Customers – Problems of Automotive Finance Business**



**Voice of Dealers – Problems of Automotive Finance Business**



The author learned from China Automotive Finance Report (2012), the key factors driving automotive finance business growth in coming 5-8 years are analysed as below. They were considered in the following analysis and discussion of author's case study, and contributed to the enrichment of SIYANG Framework.

- Young generations become key segments of car consumption with high potential and acceptance of automotive finance purchase.
- Variable product is required by market demand.
- The systematic regulations are being improved.



- Industry resources and partnership become more and more important.

There are just quite limited literatures and researches for automotive finance business. The current literatures of automotive finance sector are more focused on product development, service model and price presented by competition comparison. From the current literatures, it can be realised that the local market and business environment has been extremely concerned as a key influence for business model development and operations. The researchers have been seeking the way of developing more variable and efficient businesses (products and services) by looking at existing business models and target market environment. (Li, 2009) KPMG's AFC study (2012) also explained the gap of automotive finance development and performance between mature market and Chinese market. The reason behind tells us that a suitable and sustainable business model is the key for business development in Chinese market. And there are many areas would be improved in Chinese market. Simply copy business model from mature market is not applicable for long term business development in Chinese market.