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**THE ROLE OF ENTREPRENEURIAL LEADERSHIP IN BUSINESS  
MODEL EVOLUTION**

**Kotlyk Andrii,**

Cand. Sc. (Economic), Associate Professor

**Liu Lin,**

**Liu Yantao,**

PhD students

Simon Kuznets Kharkiv National University of Economics,  
Kharkiv, Ukraine

**Abstract:** The paper proves that entrepreneurial leadership is crucial for driving business model innovation, especially in uncertain environments. It fosters creativity, risk-taking, and adaptability, enabling organizations to respond to market demands. Through strategic roles such as monitor, sponsor, moderator, and architect, leaders align innovation with existing structures, enhancing both performance and resilience.

**Key words:** Innovation, business model, business model innovation, business model transformation, flexibility, entrepreneurial leadership, uncertainty.

Entrepreneurial leadership plays a crucial role in the evolution of business models, particularly in navigating the complexities of innovation and adaptation. This leadership style fosters an environment conducive to business model innovation, enabling organizations to respond effectively to market demands and internal capabilities.

Entrepreneurial leaders in small and medium enterprises often adopt reactive strategies, focusing on predefined customer needs rather than proactively shaping their business models. Effective business model innovation leadership is essential for small and medium enterprises to capitalize on opportunities and avoid pitfalls, yet many lack structured strategies and skills [1].

The evolutionary entrepreneur integrates resource creation and allocation,

shaping the firm's knowledge base and aligning it with external environments, which is vital for successful business model evolution. This perspective emphasizes the importance of cognitive processes in fostering innovation and adapting business models over time [2]. Entrepreneurial leadership plays a critical role in driving organizational innovation by fostering a culture of risk-taking, creativity, and proactive problem-solving. This leadership style encourages employees to think innovatively, explore new opportunities, and challenge traditional practices, which leads to enhanced innovation within the organization. Innovation, in turn, acts as a mediator that strengthens the link between leadership and business performance. When leaders promote entrepreneurial behavior, they not only drive innovation but also improve overall business performance by adapting to market changes, enhancing competitiveness, and finding new revenue streams [3].

Different types of business model innovations require tailored leadership interventions, highlighting the complexity of managing such changes. Nicolai Foss and Nils Stieglitz in their paper [4] examine how effective leadership is crucial for navigating and executing business model innovation. They argue that business model innovation involves both incremental and radical changes, each presenting unique challenges for management. Leaders play a pivotal role in aligning organizational design and business strategy, ensuring that changes in the business model are coherent and complementary with existing structures.

Foss and Stieglitz describe leadership framework to support business model innovation. This framework highlights four key leadership roles: monitor, sponsor, moderator, and architect:

1. Monitor ensures that business model innovation efforts align with existing organizational processes and goals, providing oversight and ensuring coherence.
2. Sponsor advocates for business model innovation initiatives by securing resources and gaining support from key stakeholders.
3. Moderator facilitates collaboration and communication across different departments, ensuring integration and complementarity.
4. Architect: plays a strategic role in designing or redesigning the business

model, often for radical innovation, shaping new organizational structures.

These roles help leaders manage the complexities of business model innovation, balancing the need for innovation with maintaining operational coherence and stability. There is a need for adaptive leadership styles that facilitate the successful implementation of BMI, ensuring long-term organizational resilience and competitiveness [4]. In contrast, some argue that traditional management approaches may still hold value in stable environments, suggesting that not all contexts necessitate entrepreneurial leadership for effective business model evolution.

Thus, entrepreneurial leadership plays a pivotal role in shaping business model innovation by fostering a culture of creativity, risk-taking, and adaptability. Leaders who embrace this style align organizational goals with evolving market demands, driving both incremental and radical changes. Through strategic roles such as monitor, sponsor, moderator, and architect, entrepreneurial leaders ensure coherence between innovation and existing business structures. By promoting innovation and addressing unique challenges, they enhance overall business performance, enabling firms to remain resilient and competitive in uncertain environments.

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