

How Multiple Business Models Shape Performance in Small and Medium-Sized Enterprises

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Abstract

This study examines how small and medium-sized enterprises (SMEs) that operate multiple business models (BMs) can configure their BM portfolios to achieve superior financial performance. Building on the idea that BM portfolios combine distinct value-creation logics, we focus on four portfolio-level design themes, namely, novelty, efficiency, lock-in, and complementarities, and theorize that some configurations generate synergies while overly complex portfolios create managerial burdens that harm performance. Using survey and archival data from 107 UK software SMEs and a fuzzy-set qualitative comparative analysis approach, we identify equifinal configurations associated with high performance. Results show that novelty is a central ingredient of high-performing portfolios and that novelty and efficiency can coexist synergistically when pursued across different BMs. In contrast, portfolios that attempt to combine all four design themes are not associated with high performance, consistent with the view that excessive portfolio complexity imposes attention and coordination costs in resource-constrained firms. The findings shift the lens from optimizing a single BM to designing a coherent BM portfolio and offer actionable guidance to SME leaders on how to prioritize novelty while selectively adding efficiency-oriented designs.

Keywords: business model portfolios, SMEs, novelty, efficiency, configuration theory, fsQCA

Doi: <https://doi.org/10.66414/mlabs.9706>

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