

Business Models as Models

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Drawing on research undertaken in the history and philosophy of science, with particular reference to the extensive literature which discusses the use of models in biology and economics, we explore the question ‘Are Business Models useful?’ We point out that they act as various forms of model: to provide means to describe and classify businesses; to operate as sites for scientific investigation; and to act as recipes for creative managers. We argue that studying business models as models is rewarding in that it enables us to see how they embody multiple and mediating roles. We illustrate our ideas with reference to practices in the real world and to academic analyses, especially in this *Long Range Planning* Special Issue on Business Models.

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Introduction

Does the idea of business models matter? The term has become widely used in board rooms, by managers in organisations, by consultants, by commentators of business, and even on radio and television programmes aimed at the general public. Indeed, it is more widely used nowadays than almost any other concept in strategy: when people are asked ‘what is strategy?’ most give an answer that includes the words business model. The ubiquity of the term and the plethora of its uses suggest that business models are profoundly important to the world of work – yet management academics rarely put the concept centre stage, preferring their established stresses on such concepts as competitive advantage, core capabilities, routines and resources. Public perception of its usefulness seems to fly against this academic reluctance (in main-stream journals and texts) to acknowledge the term, its uses and its consequences.

This article suggests answers to the questions ‘Why is the concept of business models useful?’ and ‘Who uses them, for what, and how?’ We have sought answers that take seriously the ways in which business models function as models in various different forms, and brought into the management field insights drawn from writing and first hand research by historians and philosophers of science who have probed how models are used in disciplines beyond the management arena. Models, modelling and their discussion have a long history - particularly in biology and economics - that

pre-dates the arrival of the business model concept in management thinking. We mobilize our thoughts in three sections:

- The first compares scale models and role models to explain how the notion of business models enables us to classify businesses in a taxonomy or a typology. Although management scholars have long sought to classify their world, we argue that using the business model notion - and business models themselves - as classifying devices provide valuable ways to expand our understanding of business phenomena and the development of ideal types.
- The second section compares business models with the model organisms of biology and the mathematical models of economics to show how business models form instruments of scientific enquiry. This section is more strikingly novel to management academics, for it looks at the biology analogy in a new light: not that of an evolutionary theory of the firm (e.g. Nelson and Winter), but of the use of the methodology of the life sciences.¹
- The third section suggests that specific business models function like recipes: as practical models of technology that are ready for copying, but also open for variation and innovation. Here we move back to a more comfortable arena for management scholar-teacher-practitioners, but also one that opens up perspectives for further development.

Taken together, these three sections reveal how models, and modelling generally, and the use of business models in particular, already play a central role in progressing management thinking.

Business models as descriptions of 'kinds' in a taxonomy

One role of business models is to provide a set of generic level descriptors of how a firm organises itself to create and distribute value in a profitable manner. This definition is manifest in many different ways and forms, and [Table 1](#) shows a few examples of how writers in this issue approach business model definition.² The table also provides a column showing how these writers make use of the many different notions of 'model' we discuss and analyse in this article. These (and, of course, many other) articles share a common feature —they describe typical kinds of organisations and behaviours by firms (or perhaps units within multi-business firms) in such a way that we can label different kinds of behaviour and then classify individual firms accordingly. Thus, the general idea of business models is intimately linked with notions of taxonomies and 'kinds'.

When business models come up in business discussions, they are often linked with the names of firms, each understood to epitomise a particular form of behaviour. These are existing firms, whose behaviour has been observed and is often given in a 'nutshell' description alongside their name. Some prefer the use of the name alone - the 'McDonalds business model' or the 'South West Airlines business model'; others prefer the counterpart brief description - 'the franchising model' or the 'low cost airline model', because it is the real business example. This naming and labelling invokes two different ideas of models that have the long-standing, common, senses of *scale* models, and *role* models. *Scale* models offer representations or short-hand descriptions of things that are in the world, while *role* models offer ideal cases to be admired - in these respects at least, the notion of business models resonates with our experience of models, from the arts and sciences to ordinary, everyday life.

A replica scale model of a tractor or a fire engine is a scaled-down version of a real thing, capturing only certain details of its style or mechanism; a model ship in a bottle has a similar character. They are small, simplified, and only describe some aspects of the real object: they might be described as 'nutshell' models, for it is not just an issue of scale, but of picking out the elements that seem most important to represent the object being modelled. Such models are very different from the role of a Chanel dress as a model for the mass market to copy, or Beckham's legendary ability to 'bend' the flight of a ball acting as a 'role' model for young soccer players. These models do not offer scaled-down versions or generic descriptions: they are what they are, and play only an exemplary role. Thus, *scale* models are *copies of things*; *role* models are *models to be copied*. In *business* models, the two notions come together: the organisations named above and in [Table 1](#) have

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