The wider implications of business-model research

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ABSTRACT

Business-model research has struggled to develop a clear footprint in the strategic management field. This introduction to the special issue on the wider implications of business-model research argues that part of this struggle relates to the application of five different perspectives on the term “business model,” which creates ambiguity about the conceptual boundaries of business models, the applied terminology, and the potential contributions of business-model research to strategic management literature. By explicitly distinguishing among these five perspectives and by aligning them into one overarching, comprehensive framework, this paper offers a foundation for consolidating business-model research. Furthermore, we explore the connections between business-model research and prominent theories in strategic management. We conclude that business-model research is not necessarily a “theory on its own” and that it can be more fruitfully understood as a theoretical mechanism for combining different literature streams. As such, business-model research is positioned as a central connecting component in the further development of the strategic management field.

Introduction

In recent years, a strong academic interest in business models has emerged. Business models are descriptions of how a firm or, more generally, a person or an organization does business (Chesbrough and Rosenbloom, 2002; Magretta, 2002). A business model describes how a given actor “chooses to connect with factor and product markets” (Zott and Amit, 2008, p. 3). In other words, it is a construct “that mediates between technology development and economic value creation” (Chesbrough and Rosenbloom, 2002, p. 532). Thus, a business model explains how an actor is positioned within a value network or supply chain, and how a business turns inputs into outputs while fulfilling its goals.

Contributions to this stream of literature have focused on the theoretical roots of business models (Amit and Zott, 2001); the general role and idea of business models, especially in relation to value creation (Casadesus-Masanell and Ricart, 2010; Chesbrough and Rosenbloom, 2002); the components and elements of business models (e.g., Osterwalder and Pigneur, 2010; Johnson et al., 2008); the interconnections among business-model elements (Zott and Amit, 2010; Ritter, 2014); the logic of businesses (Casadesus-Masanell and Tarziján, 2012); the nature and implementation of user-centric business models...
Clarity is needed in order to move the special issue is to elaborate on the connections between business-model research and established theories in the strategic management literature. In other words, this special issue investigates the ways in which business-model research contributes to provide a foundation for a discussion of wider implications. Second, we offer an overview of relevant “adjacent” theories, which also serves to position the contributions of this special issue. Third, we suggest a new positioning and understanding of business-model research in the strategic management literature and outline open research questions.

Perspectives in business-model research

When reviewing the extant business-model literature, we identified five different perspectives on the term “business model”: business-model activities, business-model logics, business-model archetypes, business-model elements, and business-model alignment. Each of the five perspectives has a distinct way of defining business models and all of them are meaningful in their own right. In line with Baden-Fuller and Morgan’s (2010) suggestion to interpret business models in multifaceted ways, we suggest that the five perspectives can co-exist, as they supplement each other. However, they need to be explicitly applied and distinguished from each other in order to avoid ambiguity and confusion.

Business-model activities

One perspective views a business model as a description of the activities that the firm has put together in order to execute its strategy (Arend, 2013). Zott and Amit (2010, p. 216) frame business models from “an activity system perspective,” stating “we conceptualize a firm’s business model as a system of interdependent activities that transcends the focal firm and spans its boundaries.” In a similar vein, Chesbrough (2007, p. 12) defines a business model as “a series of activities, from procuring raw materials to satisfying the final consumer.” This thought is mirrored in Massa and Tucci’s (2013, p. 9) view of business models as “a systemic and holistic understanding of how an organization orchestrates its system of activities for value creation.” This perspective is closely related to business processes and business-process reengineering (DaSilva and Trkman, 2014) as well as Porter’s idea of the firm as a value chain of different activities (Porter, 1985).

Business-model logics

Instead of looking at value-chain activities, another stream of business-model research describes the flow of logical arguments that summarizes the logic of the business: “doing more of x raises the returns of doing of y and vice versa” (Brynjolfsson and Milgrom, 2013). In other words, this stream focuses on why certain activities make sense for a business in terms of the value-creating logics that those activities introduce. Along these lines, Shafer et al. (2005, p. 202) state that business models are “a representation of a firm’s underlying core logic.”

Casadesus-Masanell and Ricart (2011) define a business model as a set of relationships and logical loops of consequences that can (and should) create virtuous cycles rather than vicious cycles. They also argue that firms may operate two (or more) logics that supplement each other. For example, LAN Airlines has both a low-cost logic for its regional routes and a quality business logic for its long-distance routes (Casadesus-Masarell and Ricart, 2011).

Business-model archetypes

Archetypes describe generic logics of how firms do business, i.e. business-model archetypes are general, well-known business model logics. Business-model archetypes are typical models of value creation and value capture that transcend industry boundaries (Baden-Fuller and Morgan, 2010). A classic example is the “razor and blade” business model in which a firm sells a product at a reasonable price and earns above-average profits by selling consumables that customers need to use that product. This business model is widespread — examples include Nespresso’s sales of coffee machines, which require...
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