

Chapter 2

Business Model Research Agenda

Positioning: Conceptual Frameworks, Functions, Benefits, Rationale, Dynamics, Performance, and Economic Feasibility

2.1 A Brief History of the Origin and Rise of the Business Model Concept

The concept of the BM first appeared over half a century ago in an article investigating the construction of business game revenue source model for training purposes (Bellman et al. 1957; Desmarteau and Saives 2008). The term is mentioned just once: “And many more problems arise to plague us in the construction of these business models than ever confronted an engineer” (Bellman et al. 1957: 474). The term did not see widespread use for decades. Until its reappearance in 1970s in computer science journals. Among the first who used the term business models in the context of data and process modeling were Konczal (1975) and Dottore (1977). In information management, business models were used to model a firm with all its processes, tasks, data, and communication links to build an IT system supporting the firm in its daily work.

The number of peer-reviewed journal papers on “business model” remained low until the 1990s, with only five papers containing the words “business model” in their title over the whole decade (Osterwalder et al. 2005). With the development of information and communication technologies (ICT) and the emergence of Internet companies, the concept/term quickly spread impressively gaining quick prominence among both entrepreneurial high-tech, start-up practitioners and business scholars (Verstraete et al. 2012). Congruently, the use of the term “business model” in academic papers closely followed the trend of the NASDAQ index from the early 1990s to the dot-com bubble burst. In a nutshell, the widespread use of the business model terminology seems to be intrinsically connected with technology-based

companies (DaSilva and Trkman 2014). Business models seemed to be the answer for explaining how innovative undertakings dealing with technology or any other form of unclear but potentially profitable concepts, foreign to the logic of traditional industries, were materialized in business terms (DaSilva and Trkman 2014). The sharp rise in cheap information technology, bandwidth, and communication possibilities made it much easier for companies to work in so-called value webs because coordination and transaction costs fell substantially (Tapscott et al. 2000; Amit and Zott 2001). As a result of a cheap and readily available information technology, industry boundaries became increasingly blurred, and the business model concept gradually replaced the industry as a unit of analysis (Osterwalder et al. 2005). Ghaziani and Ventresca (2005) further acknowledge that, during this period, the business model terminology spread to various communities (such as marketing, management, banking, and ICT) and has been used within various frameworks (such as business plan, business strategy, value creation, globalization, and organization design).

The term “business model” survived the dot-com bubble. The number of papers with “business model” in their title remained relatively stable between 2004 and 2007 at 25–42 papers annually. Interestingly, it began to grow again with 45, 68, and 83 papers, in 2008, 2009, and 2010, respectively. A closer look at this trend reveals that the 2004–2007 stream of papers was characterized by a change in focus from the business model of Internet companies to the analysis of business models in “general business.” As the Internet and ICT had revolutionized the way companies do business in virtually all industries, the business model term quickly spread to the analysis of brick-and-mortar companies. Because companies have no previous experience in the Internet sector, entrepreneurs needed to use a diagrammatic or visual model to make their entrepreneurial projects understandable, in particular by investors who, in a perpetual search of good deals were less tolerant of financial ambiguity of current and future business investments (Verstraete et al. 2012).

Joan Magretta (2002) in HBR article “Why Business Models Matter” succinctly explains the evolutionary application of the Business Model: “The term “business model” first came into widespread use with the advent of the personal computer and the spreadsheet. The spreadsheet ushered in a much more analytic approach to planning because every major line item could be pulled apart, its components and

subcomponents analyzed and tested. In other words, modeling the behavior of a business via the personal computer and the spreadsheet was something new. Before the personal computer changed the nature of business planning, most successful business models, were created more by accident than by design and forethought.”

Following the advent of IT-centered businesses (1990–1995), the term Business Model rose to prominence (Stähler 2002), gaining the wider access to business peer-reviewed journals focusing on the emerging field of digital and convergent media as well as e-commerce and e-business (Timmers 1998; Kotha 1998). Accordingly, the rise of the term is closely related to the emergence and diffusion of commercial activities on the Internet. Consequently, Internet start-ups used the term to differentiate themselves from the incumbents and to explain their competitive position (Stähler 2002).

The term business model became popular only in the late 1990s, which is a result of the rapid erosion of prices in the ICT and telecom industry (Osterwalder and Pigneur 2010). In other words, cheap processing, storing, and sharing information across business units and other companies all the way to the customer created new ways of doing business. Accordingly, value chains/networks were broken up and reconfigured; innovative information-rich or -enriched products, services, and applications appeared; new distribution channels emerged; more customers were reached (Osterwalder and Pigneur 2010).

Having realized the rising prominence and high significance of the BM, there has been an increasing high-tech and media interest in delineating the concept and providing further understanding. Accordingly, the largest increase of published refereed or peer-reviewed academic papers occurred between 1998 and 2002. It was followed by the sharp rise of published master thesis and doctoral dissertations (2000–2005). Table 2.1 shows the detailed and longitudinal evolution of published academic papers, books, doctoral dissertations, and master theses in the field of business model.

Table 2.1 The chronological order of the longitudinal, comparative, and analytical framework/taxonomy of scholarly business model definitions to be found in the academic literature 1995–2013

Authors— references	Definitions	Primary sources	Citations
Slywotzky (1995)	The business system is the totality of how a company selects its customers, defines and differentiates its offerings (or response), defines the tasks it will perform itself and those it will outsource, configures its resources, goes to market, creates utility for costumers, and captures profits. It is the entire system for delivering utility to customers and earning a profit from that activity	<i>Harvard Business School Press</i>	NA
Brandenburger and Stuart (1996)	A business model is an organization's approach to generating revenue at a reasonable cost and incorporates assumptions about how it will both create and capture value	<i>Journal of Economics and Management Strategy</i>	730
Timmers (1998)	The BM primary constructs include an architecture for the products, service, and information flows, including various business actors as well as their roles and benefits in addition to sources of revenue	<i>Electronic markets</i>	2642
Venkatraman and Henderson (1998)	Business model is a coordinated plan to design strategy as an architecture of a virtual organization along three vectors: the customer interaction, asset configuration, and knowledge leverage vectors	<i>Sloan Management Review</i>	966
Maître and Aladjidi (1999)	Le business model est composé de trois éléments: une proposition de valeur, une gestion adéquate du temps et une typologie de l'écosystème puis du positionnement spécifique de l'entreprise. Le business model d'une entreprise est pour l'essentiel la structure de son offre, sa manière de générer des revenus, son organisation et la structure des coûts qui en résulte, sa manière de nouer des alliances adéquates et la position dans la chaîne de valeur qui en résulte	<i>Dunod</i>	75

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Mayo and Brown (1999)	A business model is the design of key interdependent systems that create and sustain a competitive business	<i>Ivey Business Journal</i>	65
Selz (1999)	[A] business model is an architecture for the product, service, and information flows, including the various economic agents and their roles. Furthermore, a business model includes the potential benefits for the various agents and description of the potential revenue flow	<i>University of St. Gallen</i>	17
Eriksson and Penker (2000)	The business model is the focal point around which business is conducted or around which business operations are improved	<i>John Wiley & Sons Inc.</i>	1359
Hamel (2000)	A business comprises four major components: Core Strategy, Strategic Resources, Customer Interface, Value Network	<i>Harvard Business School Press</i>	117
Gordijn et al. (2000a)	A business model shows explicitly the exchange, flow, and communication of the value via channels—among stakeholders	<i>Springer</i>	308
Linder and Cantrell (2000)	A BM is a way in which organizations generate revenue	<i>Accenture Institute for Strategic Change</i>	29
Applegate (2000)	A business model is a description of a complex business that enables study of its structure, the relationship among structural elements, and how it will respond in the real world	<i>Harvard Business School Press</i>	129
Mahadevan (2000)	A business model is a unique blend of three streams that are critical to the business. These include the value stream for the business partners and the buyers, the revenue stream, and the logistical stream. The value stream identifies the value proposition for the buyers, sellers, and the market makers and portals in an Internet context. The revenue stream is a plan for assuring revenue generation for the business. The logistical stream addresses various issues related to the design of the supply chain for the business	<i>California Management Review</i>	986

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Stewart and Zhao (2000)	The business model is a statement of how a firm will make money and sustain its profit stream over time	<i>Journal of Public Policy & Marketing</i>	254
Tapscott et al. (2000)	Business webs are inventing new value propositions, transforming the rules of competition, and mobilizing people and resources to unprecedented levels of performance. . . a b-web is a distinct system of suppliers, distributors, commerce service providers, and customers that use the Internet for their primary business communications and transactions	<i>Harvard Business School</i>	1161
Benavent and Verstraete (2000)	Le business model désigne un ensemble “large qui inclut les relations avec les fournisseurs, les partenariats, les interactions entre plusieurs marchés et peut se traduire par des choix qui définissent les conditions et la réalité de l’affaire”	<i>EMS—Editions Management et Société, Caen</i>	40
Kraemer et al. (2000)	The business model: consists of direct sales, direct customer relationships, customer segmentation for sales and service, and build to order production	<i>The Information Society</i>	216
Afuah and Tucci (2001)	A business model includes customer value (distinctive offering or low cost), scope (customers and products/services), price, revenue sources, connected activities, implementation (required resources), capabilities (required skills), and sustainability	<i>Irwin/McGraw-Hill</i>	NA
Amit and Zott (2001)	A business model is the architectural configuration of the components of transactions designed to exploit business opportunities An e-business models include content (exchanged goods and information), structure (the links between transaction stakeholders), and governance of transactions (the control of the flows of goods, information, and resources)	<i>Strategic Management Journal</i>	3785

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Applegate (2001)	The business model framework, based on an I/O logic, consists of three components: concept, capabilities, and value. The business concept defines a business market opportunity, products and services offered, competitive dynamics, strategy to obtain a dominant position, and strategic option for evolving the business	<i>Harvard Business Review</i>	129
Porter (2001)	A business model is a loose conception of how a company does business and generates revenue	<i>Harvard Business Review</i>	58
Weill and Vitale (2001)	A business model includes roles and relations among a firm's consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants"	<i>Harvard Business School Press</i>	30
Winter and Szulanski (2001)	Business model is typically a complex set of interdependent routines . . . discovered, adjusted, and fine-tuned by "doing"	<i>Organization science</i>	968
Stähler (2001)	<p>A business model helps to understand the fundamentals of a business. It is a deliberate abstraction of a real business or a future business. It comprises of:</p> <ul style="list-style-type: none"> • A description what value a customer or a partner receives from the business: it is the value proposition, and it answers the question: what value the business creates for its stakeholders? • A description of the products and services the firm is providing. It answers the question: what does the firm sell? • A description of the architecture of value creation. It answers the question: How is the value in what configuration being created? • The value and sustainability of the business is being determined by its revenue model. It answers the question: with what do we earn money? 	<i>University of St. Gallen</i>	463

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Petrovic et al. (2001)	A business model as an intermediate layer between strategy and business processes	<i>Proceedings of the International conference on Electronic Commerce</i>	376
Tapscott (2001)	Business model refers to the core architecture of a firm, specially how it deploys all relevant resources	<i>Strategy+Business, PwC Strategy & LLC International Business, Corporate Strategy and Management Magazine</i>	204
Alt and Zimmermann (2001)	A business model consists of six generic elements: mission, structure, processes, revenues, legal issues, and technology	<i>Electronic Markets</i>	398
Zott and Amit (2002)	Business model depicts the content, structure, and governance of transactions designed to create value through the exploitations of business opportunities	<i>INSEAD Working Paper Series</i>	35
Magretta (2002)	The main components of BMs include telling a logical story explaining who the customers are, what they value, and how to deliver values to them at an appropriate cost	<i>Harvard Business Review</i>	2196
Bouwman (2002)	BM is a description of roles and relationships of a company, its customers, partners, and suppliers, as well as the flows of goods, information, and money between these parties and the main benefits for those involved, in particular, but not exclusively the customer	<i>International Workshop on Business Models, HEC Lausanne</i>	20
Osterwalder and Pigneur (2002)	The business model is the missing link between strategy and business processes. More specifically, a business model is the “conceptual and architectural implementation (blueprint) of a business strategy (that) represents the foundation for the implementation of business processes and information systems”	<i>Proceedings of the 15th Bled Electronic Commerce Conference—eReality: Constructing the eEconomy</i>	713
Chesbrough and Rosenbloom (2002)	The business model represents a “coherent mediating framework” between technological artifacts, achieving economic values	<i>Industrial and corporate change</i>	2558

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Dubosson-Torbay et al. (2002)	A business model is a conceptual and architectural implementation (blueprint) of a business strategy and represents the foundation for the implementation of business processes and information systems. A business model is nothing else than a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, in order to generate profitable and sustainable revenues streams. This comprises tangible and intangible organizational assets, resources, and core competencies. comprises tangible and intangible organizational assets, resources, and core competencies	<i>Thunderbird International Business Review</i>	474
Betz (2002)	Business models are abstracts about how inputs to an organization are transformed to value-adding outputs as well as how the business profitability makes money	<i>Engineering Management Journal</i>	161
Elliot (2002a, b)	Business models specify the relationships between different participants in a commercial venture, the benefits and costs to each, and the flow of revenue. Business strategy specifies how a business model can be applied to a market to differentiate the firm from its competitors	<i>Wiley & Sons</i>	67
Chesbrough (2003)	The business model consists of the value proposition, market segment, value chain structure, cost structure, the position of the firm on the value network, and the competitive strategy	<i>Harvard Business School Press</i>	10,721

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Osterwalder and Pigneur (2003)	A business model is a conceptual tool containing a set of objects, concepts, and their relationships with the objective to express the business logic of a specific firm. Therefore, we must consider which concepts and relationships allow a simplified description and representation of what value is provided to customers, how this is done, and with which financial consequences it is delivered and captured	<i>Strategic Management Society Conference</i>	19
Hedman and Kalling (2003)	A generic business model includes seven causally related cross-sectional components: (1) customers, (2) competitors (3) offering, (4) activities and organization, (5) resources, (6) supply of factor and production inputs, and (7) a longitudinal process component	<i>European Journal of Information Systems</i>	633
Camponovo and Pigneur (2003)	A business model is a conceptual tool	<i>Proceedings of the 5th International Conference on Enterprise Information Systems</i>	176
Seddon et al. (2004)	A business model outlines the essential details of a firm's value proposition for its various stakeholders and the activity system the firm uses to create and deliver value to its customers	<i>Communications of AIS</i>	138
Mitchell and Bruckner Coles (2004a, b)	A business model is the who, what, when, where, why, how, and how much an organization uses to provide its goods and services and develop resources to continue its efforts	<i>Journal of Business Strategy</i>	103
Leem et al. (2004)	A set of strategies for corporate establishment and management including a revenue model, high-level business processes, and alliances	<i>Industrial Management & Data Systems</i>	86

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Warnier et al. (2004)	Nous définissons le business model comme les choix qu'une entreprise effectue pour générer des revenus. Le business model apparaît comme l'ensemble des choix opérés sur un certain nombre de variables influençant la mise en oeuvre opérationnelle d'une stratégie	<i>13ème Conférence Internationale de Management Stratégique</i>	47
Morris et al. (2005)	A business model represents the way an interrelated set of decision variables in the areas of venture strategy, architecture, and economics create sustainable competitive advantage in defined markets. It has six fundamental components: value proposition, customer, internal competencies, external positioning, economic model, and personal/investor factors	<i>Journal of Business Research</i>	1330
Osterwalder et al. (2005)	The BM is an interface or an intermediate theoretical layer between the business strategy and the business processes including their IS	<i>Communications of the association for Information Systems</i>	1598
Callon and Muniesa (2005)	A business model is a "market device" defining how actors relate to markets	<i>Organization Studies</i>	781
Tikkanen et al. (2005)	BM articulates different BM components or "building blocks" to produce a proposition that can generate value for consumers and thus for the organization	<i>Management Decision</i>	271
Osterwalder et al. (2005)	A business model is a conceptual, analytic, comparative tool to help understand how a firm does business and performs, assesses, and manages communication and innovation	<i>15th Bled Electronic Commerce Conference Paper—eReality: Constructing the eEconomy</i>	127

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Shafer et al. (2005)	A business model is a representation of a firm's underlying core logic and strategic choices for creating and capturing value within a value network	<i>Business Horizons</i>	1046
Schweizer (2005)	A business model tries to give an integrated and consistent picture of a company and the way it aims to generate revenues	<i>Journal of General Management</i>	60
Pateli and Giaglis (2005)	A business model must explicitly account for the need for partnership and provide the best possible answers to the questions regarding the type of value that each partner will contribute based on its core competence, the distribution of revenues and profits between them, the type of service offerings, and the business structures that will be required to implement the changes	<i>Journal of Organizational Change Management</i>	97
Voelpel et al. (2005)	The particular business concept (or way of doing business) as reflected by the business's core value proposition(s) for customers; its configured value network to provide that value, consisting of own strategic capabilities as well as other (e.g., outsourced, allied) value networks; and its continued sustainability to reinvent itself and satisfy the multiple objectives of its various stakeholders	<i>European Management Journal</i>	95
Rajala and Westerlund (2005)	The ways of creating value for customers and the way business turns market opportunities into profit through sets of actors, activities, and collaborations	<i>18th Bled eCommerce Conference eIntegration in Action</i>	22

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Lecocq et al. (2006)	Nous définissons le business model comme les choix qu'une entreprise effectue pour générer des revenus. Ces choix portent sur trois dimensions principales que sont les ressources et compétences mobilisées (qui permettent de proposer une offre), l'offre faite aux clients (au sens large) et l'organisation interne de l'entreprise (chaîne de valeur) et de ses transactions avec ses partenaires externes (réseau de valeur)	<i>L'Expansion Management Review</i>	83
Andersson et al. (2006)	The BM is a mechanism that makes the business actors' relations more explicit	<i>Proceedings of the 25th International Conference on Conceptual Modeling (ER2006) 6–9 November, Tucson</i>	117
Kallio et al. (2006)	The means by which a firm is able to create value by coordinating the flow of information, goods, and services among the various industry participants it comes in contact with including customers, partners within the value chain, competitors, and the government	<i>Business Process Management Journal</i>	37
Haaker et al. (2006)	A business model explains which organizational actor(s) (suppliers, partners, marketers, distributors, and intermediaries, competitors, customers, public organizations such as governmental bodies and agencies) is governing or being dominant in the business network	<i>International Journal of Mobile Communication</i>	88
Rasmussen (2007)	Business models define firm's competitive strategy through the design of the product or service it offers to its market, how it charges for it, what it costs to produce, how it differentiates itself from other firms by the value proposition, and how the firm integrates its own value chain with those of other firm's in a value network	<i>Pharmaceutical Industry Project Working Paper Series, Centre for Strategic Economic Studies Victoria University of Technology, Melbourne</i>	27

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Seelos and Mair (2007)	A business model is a set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives	<i>Academy of Management Perspectives</i>	381
Rajala and Westerlund (2007)	The business model framework consists of (1) value propositions and offerings; (2) various assets and capabilities as resources needed to develop and implement a business model; (3) the revenue logic (including sources of revenue, price-quotation principles, and cost structures) that is characteristic of a particular business	<i>The International Journal of Entrepreneurship and Innovation</i>	64
Zott and Amit (2008)	The business model is a structural template that describes the organization of a focal firm's transactions with all of its external constituents in factor and product markets	<i>Strategic Management Journal</i>	706
Johnson et al. (2008)	A business model consists of four interlocking elements (customer value proposition—CVP; Profit formula; Key resources; and Key processes)	<i>Harvard Business Review</i>	1272
Rappa (2008)	According to the value network, or a multi-party stakeholder network point of view, a BM positions an organization in the value system and its relationships with different stakeholders. In other words, the business model is the method of doing business in which a company generates revenue	<i>TAFE</i>	548
Kamoun (2008)	The “BM becomes the interceding blueprint/framework of the way a business creates and captures value from new services, products, or innovations”	<i>Communications of the Association for Information Systems</i>	29
Pisano and Verganti (2008)	The business model indicates the mode of collaboration in the open or closed value network	<i>Harvard Business Review</i>	383

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Janssen et al. (2008)	The BM describes a company from its mission perspective as well as the products-services it offers to customers	<i>Government Information Quarterly</i>	76
Richardson (2008)	Three main elements define a business model: the value proposition, value creation and delivery, and value capture	<i>Strategic Change</i>	128
Fiet and Patel (2008)	A business model explains how a venture is expected to create a profit	<i>Entrepreneurship: Theory & Practice</i>	26
Mason and Leek (2008)	... two cornerstones of business models (...): (1) structure: how firms perceive the structure of their firm, their business network, and their position within it; and (2) routines: how firms develop effective operational routines to exploit the potential value of their network	<i>Journal of Management Studies</i>	110
Patzelt et al. (2008)	Business models define how firms manage their transactions with other organizations such as customers, partners, investors, and suppliers and therefore constitute the organizations' architecture for the product, service, and information flows	<i>British Journal of Management</i>	75
Baden-Fuller and Morgan (2010)	Business models can act as recipes for management and creative managers	<i>Long Range Planning</i>	482
Teece (2010)	A business model reflects "management's hypothesis about what customers want, how they want it, and how an enterprise can best meet those needs, and get paid for doing so." A business model articulates how the company will convert resources and capabilities into economic value. It is nothing less than the organizational and financial "architecture" of a business and includes implicit assumptions about customers, their needs, and the behavior of revenues, costs, and competitors	<i>Long Range Planning</i>	1834

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Casadesus-Masanell and Ricart (2010)	A business model is the logic of the firm, the way it operates, and how it creates value for its stakeholder	<i>Long Range Planning</i>	706
Al-Debei and Fitzgerald (2010)	BM represents an organization’s resources, their configurations, and the resultant core competencies	<i>Springer</i>	22
Zott and Amit (2010)	A business model is an activity-based perspective, including the selection of activities (“what”), the activity system structure (“how”), and who performs the activities (“who”)	<i>Long Range Planning</i>	770
Al-Debei and Avison (2010)	The primary constructs and dimensions of the business model concept consists of four classes—value proposition, value architecture, value network, and value finance	<i>European Journal of Information Systems</i>	231
Osterwalder and Pigneur (2010)	A business model is a series of elements: the value proposition (product/service offering, customer segments, customer relationships), activities, resources, partners, distribution channels (i.e., value creation and delivery) and cost structure, and revenue model (i.e., value capture)	<i>John Wiley & Sons</i>	2573
Demil and Lecocq (2010)	The business model concept articulates different areas of a firm’s activity designed to produce a value proposition to customers	<i>Long Range Planning</i>	456
Smith et al. (2010)	A business model is the design by which an organization converts a given set of strategic choices—about markets, customers, value propositions—into value, and uses a particular organizational architecture—of people, competencies, processes, culture, and measurement systems—in order to create and capture this value	<i>Long Range Planning</i>	163

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Table 2.1 (continued)

Authors— references	Definitions	Primary sources	Citations
Amit and Zott (2012)	A company's business model is a system of interconnected and interdependent activities that determines the way the company "does business" with its customers, partners, and vendors. In other words, a business model is a bundle of specific activities—an activity system—conducted to satisfy the perceived needs of the market, along with the specification of which parties (a company or its partners) conduct which activities, and how these activities are linked to each other	<i>MIT Sloan Management Review</i>	254
Edvardsson et al. (2012)	The business model defines the practices that the focal actor engages in and these practices influence other actors	<i>Review of Marketing Research</i>	16
Beattie and Smith (2013)	Describe business models as a holistic description on "how a firm does business"	<i>The British Accounting Review</i>	30
Beltramello et al. (2013)	Value creation is at the heart of any business model; businesses typically capture value by seizing new business opportunities, new markets, and new revenue streams	<i>OECD Publishing</i>	21

2.2 The Evolution of the ICT Exponential Growth and Influence of the Business Model

The term "business model" has been used with rapidly increasing frequency since the mid-1990s. Thus, a web search using Google in February 2003 found one million web pages using the term "business model" and 17 million using the term "strategy" (Seddon and Lewis 2003). However, a web search using Google in May 2016 found 1.24 billion web pages using the term "business model" and 606 million using the term "strategy."

Moreover, the popularity and surge of the term "business model" in scholarly peer-reviewed and non-peer-reviewed journal coincided and increased in accordance "with the advent of the Internet in the business world and the steep rise of the NASDAQ stock market index for technology-heavy companies" (Osterwalder et al. 2005). The number of times the term "business model" appeared in a business journal (peer-reviewed and non-peer reviewed) follows correspondingly a pattern that resembles the shape of the NASDAQ market index... [suggesting] that the

topic of business models has a relationship with the ICT development (Osterwalder et al. 2005).

Correspondingly, part of the relationship between technology and business models stems from the business model concept's roots in transaction cost economics (TCE).

2.3 The Influence of Technology on the Creation of New Business Models

The role of technology in relation to the business model is not to be underestimated, as it is a key element in (a) determining which organizational structures and value configuration/proposition logics become feasible, (b) influencing the design of the business, i.e., its underlying architecture. Moreover, Burcham (2000), Timmers (1998), and Chesbrough and Rosenbloom (2002) accentuate that companies must acknowledge that information technology is changing the entire value chain of their business models.

Thus, the development of new technologies has been one of the great enablers in providing a strategic advantage in terms of economic growth and increasing returns to an organization within a given industry. New technologies, whether they are developed by the particular organization in research development for their specialized industry (or application) or by utilizing technology from alternative industries, are capable of providing a specialization or uniqueness of skills or operation that may not be easily matched by their competitors (Joyce and Winch 2004).

Advancements in technology, changing customer demands, or new market entrants are often seen as a necessary condition to trigger the creation of new Business Models or disruptive change in existing ones (Malmrose et al. 2014).

2.4 The Commonality and Difference Between Business Models and Strategies

Although both terms are widely used, the terms “business model” and “strategy” are often poorly defined. A systematic review of the literature, examining leading authors' definitions of both terms, reveals that there is a considerable and substantial overlap between these two terms. So the two initial questions one is tempted to

ask are: “What are the nuanced and distinct differences between strategy and business model?” and “Which comes first: strategy or business model?”

The author suggests that strategy seems more concerned with competition between firms, whereas business models are more concerned with the “core logic” (Linder and Cantrell 2000) enabling a firm to create value for its customers and owners. In addition, a business model defines an abstract representation of some aspect of the firm’s strategy (Seddon et al. 2004). However, unlike strategy, business models do not consider a firm’s competitive positioning (Seddon et al. 2004).

More specifically, strategies are treated as ground firmly in the real world, whereas business models would be treated as abstractions of firms’ real-world strategies. Such configuration of business model framework has attracted the attention of so many researchers because they are useful for evaluating alternative, potential, prospective and future ways of building profitable businesses. Also, the author suggests that much more information is required to represent a firm’s strategy than is required to represent a business model. In addition, there is literally an unlimited number of different models one can build based on the one firm’s strategy. On the other hand, the answer to the second question is that business model comes first, representing the building blocks and patterns for prospective and future strategies. Concurrently, the BM is the operational counterpart to strategy and covers the implementation of the strategy. Basically, the BM translates the choices made upstream of the strategic approach into operational terms and is an intermediate level of analysis between a company’s strategy and its functional translations (Daidj and Isckia 2009). The BM reveals strategic choices made upstream, and articulated around four dimensions associated with clients (what is the value proposition for the client?), expertise (what are the required skills?), network (what are the modalities of collaboration between the various parties?), and revenue (how does the company make money?) which will determine the value created and the share of this value captured by the company (Daidj and Isckia 2009).

Thus, in contrast to common assumptions, the business model is neither semantically related to concepts of business process modeling and business plan (although it may be a part of one) nor the notion of strategy (although it may represent a strategic activity and strategic choice). However, the business models embody and reflect the strategy (Heikkilä et al. 2007). Along similar lines, Morris (2003) link business models to strategic management by stating that strategic choices characterize a company, while business models make the choices explicit. They see that business models have elements of both strategy and operational effectiveness, i.e., processes (Casadesus-Masanell and Ricart 2007). The main difference between the business model and the strategy is that the business model is a more concrete description of the operations of the company than the business strategy. Thus, a business model is positioned between business strategy and business processes. Consequently, the business model is a suitable test bed for the feasibility of the

strategy (Casadesus-Masanell and Ricart 2007). Additionally, business models are more about adding new value network within the existing business ecosystem, while strategic management is more concerned with leading and managing the existing business portfolio of corporations.

A business model isn't the same thing as strategy, even though many people use the terms interchangeably today. Sooner or later—and it is usually sooner—every enterprise runs into competitors. Dealing with that reality is strategy's job. A competitive strategy explains how you will do better than your rivals. The business models describe, as a system, how the pieces of a business fit together, but business models neither consider nor factor in one critical dimension of performance: competition. Thus, while strategy focuses on how to prevail over competitors, the business model depicts the logic of value creation and the effective coordination of business resources (Osterwalder et al. 2005). Business models specify the relationships between different participants in a commercial venture, the benefits and costs to each, and the flows of revenue (Elliot 2002a, b). Business strategies specify how a business model can be applied to the market to differentiate the firm from its competitors, e.g., by addressing a particular segment of the market, by competing on cost and/or levels of service (Elliot 2002a, b).

A corporate or entrepreneurial strategy can be implemented through multiple business models, because the company may choose a different model to cooperate with each customer. However, the corporate business models are based on its strategy. Correspondingly, business models have been related to strategy (Teece 2010), entrepreneurship (George and Bock 2011; Huarng 2013), and international entrepreneurship (Saino et al. 2011).

The business model concept defines a business market opportunity, products and services offered, competitive dynamics, strategic positioning, and strategic option for evolving the business. From a more general management theory point of view, the business model is a framework or representation of the business logic of a company and describes the value the firm offers to one or several segments of customers, the architecture of its internal processes, as well as the network of partners needed to create, market, and deliver value to the firm's customers to generate long-term profitable, sustainable, and suitable revenue streams (Nadler and Tushman, 1997; Osterwalder et al. 2005). Business models can act in various forms: describing and classifying businesses, integrating aggregated entrepreneurial activity, and representing corporate architecture. Accordingly, business models continue to evolve from their initial states and throughout repeated application (Dunford et al. 2010) for survival and success (Javalgi et al. 2012). A business model describes the value logic of an organization, creating and capturing customer value (e.g., Osterwalder and Pigneur 2010). In essence, every company has a business model, whether that model is explicitly articulated or not (Chesbrough 2006; Teece 2010).

A business model expresses the company's strategy in a concrete form, most often at a strategic business unit (SBU) level. In the business model, the vision and strategy of a company are translated into value propositions, customer relations,

and value networks. (Casadesus-Masanell and Ricart 2007). Rajala (2001) depicts a business model as consisting of four sub-models: a product development model, revenue logic model, sales and marketing model, and a servicing and implementation model. They also add competition, customers, resources and external financing as separate but important external influences on the operating environment.

The business model is a complex, overarching conceptual tool for depicting, innovating, and evaluating business logics in start-ups and in existing organizations, especially in IT-enabled or digital industries (Veit et al. 2014; Demil and Lecocq 2010; Osterwalder and Pigneur 2010). Kim and Marbourgne (2000) define a business model as the firm's price and revenue model. Elliot (2002a, b) holds that a business model specifies the relationships between different participants in a commercial venture, the benefits and costs to each, and the flows of revenue.

The BM is a conceptual, architectural, financial arrangement, semantics, framework, alignment tool, synthesizing, articulating, positioning, mediating, leveraging, facilitating, and developing strategic goals, objectives, and constitutive elements of value proposition, value architecture, and value network. In other words, the BM is a mediating construct between technological artifacts and the strategic outcomes. The primary dimensions and spectra of the business model include value proposition, value architecture, value network, and value finance. On one hand, the business model is a cognitive mechanism, linking to human resource management and the management of perceptions. On the other hand, the business model is a construct for mediating technology development and economic value creation. Moreover, business model is an intermediary and the missing link between strategy and business processes, organization networks, and digitization.

From Nielsen and Bukh (2013), the following definition of a business model is provided: A business model describes the coherence in the strategic choice, which makes possible the handling of the processes and relations which create value on the operational, tactical, and strategic levels in the organization. The business model is therefore the platform, connecting resources, processes, and the supply of a service resulting in the company's long-term profitability. Additionally, the business model concept has proven a very helpful and distinct unit of analysis when conceptualized as an activity system determining the content, governance, and structure of a firm's boundary-spanning interactions (Zott and Amit 2007). In the context of the widespread digitization of businesses and society at large, the logic inherent in a business model has become critical for business success and, hence, a focus for academic inquiry (Veit et al. 2014).

On the other hand, as evidenced by the large number of studies attempting to provide business model typologies, business model researchers generally adopt a holistic and systemic (as opposed to particularistic and functional) perspective, not just on what businesses do (e.g., what products and services they produce to serve needs in addressable market spaces), but also on how they do it (e.g., how they bridge factor and product markets in serving the needs of customers). The business

model perspective thus involves simultaneous consideration of content and process, which explains part of the challenge in defining and operationalizing the construct. Another insight that emerges from the author's review of the literature is that business model scholars have shifted emphasis from value capture to value creation, highlighting the latter without ignoring the former.

In sum, business models are a new unit of analysis representing a systemic, transactional, and organizational activity as well as a variable operationalizing strategy. This suggests a view of the business model as a networked, firm-centric, yet boundary-spanning, activity system. Some researchers view the business model closer to the firm (e.g., Casadesus-Masanell and Ricart 2010), others place it closer to the network (e.g., Tapscott et al. 2000), and for others still it is nested somewhere between the firm and the network (e.g., Zott and Amit 2002). All but a few business model scholars would agree, however, that it is a new, distinct concept, worthwhile of academic study and relevant in practice.

2.5 Research Methodology Aims and Approaches

This chapter is based on a longitudinal study and meta-analysis methodology.

A longitudinal survey is a correlational and observational research study that involves repeated observations of the same variables over long periods of time—often many decades. The key advantage of the longitudinal studies is that it extends beyond a single moment in time. As a result, they can establish sequences of events. Therefore, a longitudinal study is more likely to suggest cause-and-effect relationships than a cross-sectional study by virtue of its scope.

Because most longitudinal studies are observational, in the sense that they observe the state of the world without manipulating it, it has been argued that they may have less power to detect causal relationships than experiments. But because of the repeated observation at the individual level, they have more power than cross-sectional observational studies, by virtue of being able to exclude time-invariant unobserved individual differences, and by virtue of observing the temporal order of events. Longitudinal studies allow social scientists to distinguish short from long-term phenomena.

2.5.1 *The Main Features and Strengths of the Longitudinal Design Research and Study*

Main features of the longitudinal design research and study include:

- Single sample over extended period of time
- Enables the same phenomena, data, or individuals to be compared over time (diachronic analysis)
- Establishes a prerequisite for the micro-level analysis.

Concurrently, the main strengths of the longitudinal study are:

1. Useful for establishing causal relationships and for making reliable inferences.
2. Shows how changing properties of individuals fit into systemic change.
3. Operates within the known limits of instrumentation employed.
4. Separates real trends from chance occurrence.
5. Brings the benefits of extended time frames.
6. Useful for charting growth and development.
7. Gathers data contemporaneously rather than retrospectively, thereby avoiding the problems of selective or false memory.
8. Economical in that a picture of the sample is built up over time.
9. In-depth and comprehensive coverage of a wide range of variables, both initial and emergent—individual specific effects and population heterogeneity.
10. Enables change to be analyzed at the individual/micro-level.
11. Enables the dynamics of change to be caught, the flows into and out of particular states, and the transitions between states.
12. Individual level data are more accurate than macro-level, cross-sectional data.
13. Sampling error reduced as the study remains with the same sample over time.
14. Enables clear recommendations for intervention to be made.

2.5.2 The Main Features and Advantages of the Meta-analysis Method

“Meta-analyses” are systematic attempts to integrate the results of individual studies into a single quantitative analysis, pooling individual cases drawn from each study into a single dataset (with various weightings and restrictions). In the meta-analysis method, the author combines and contrasts the data evidences and results from two or more separate but similar studies in the hope of examining the key research questions and identifying a common statistical measures/patterns sources of disagreement among study results or other interesting relationships that may come to light in the context of multiple studies. Meta-analysis can be thought of as “conducting research about previous research.” Conceptually, a meta-analysis uses and combines the results from multiple studies in an effort to increase power (over individual studies), improve estimates of the size of the effect, and/or to resolve uncertainty when reports disagree.

Basically, it produces a weighted average of the included study results and this approach has several advantages:

- Results can be generalized to a larger population.
 - The precision and accuracy of estimates can be improved as more data is used.
- This, in turn, may increase the statistical power to detect an effect.

- Inconsistency of results across studies can be quantified and analyzed. For instance, does inconsistency arise from sampling error, or are study results (partially) influenced by between-study heterogeneity.
- Hypothesis testing can be applied on summary estimates.
- Moderators can be included to explain variation between studies.
- The presence of publication bias can be investigated.
- The ability to answer questions not posed by individual studies.
- The opportunity to settle controversies arising from conflicting claims.

Meta-analysis leads to a shift of emphasis from single studies to multiple studies. It emphasizes the practical importance of the effect size instead of the statistical significance of individual studies. The author included only methodologically sound studies (i.e., “best evidence synthesis”) in a meta-analysis.

2.6 Desperately Seeking Definition: Identity Crisis of the Business Model

The lack of definitional and configured consistency as well as clarity represents a potential source of confusion, promoting dispersion rather than convergence of perspectives, and obstructing cumulative research progress on business models.

In spite of its ambiguity, as well as erroneous and haphazard use among academic scholars and corporate executives, the business model concept has become a pertinent notion in managerial vocabulary. Accordingly, it has become increasingly popular within ICT, telecommunications, media management and strategy literature, including both traditional strategy theory and in the emergent body of literature on e-business. Companies commercialize new ideas and technologies through their business models. Moreover, business models hold an increasingly dynamic and pivotal role in today’s knowledge-based economies (Chapman et al. 2003).

Despite agreement on its importance to an organization’s success, the BM concept is still fuzzy and vague, and there is little consensus regarding (on) its essential compositional attributes, aspects, and facets (Morris et al. 2005). Unsurprisingly, the applied analysis over the existing BM definitions within the literature illustrates the lack of consensus regarding the BM theoretical foundations (Chesbrough and Rosenbloom 2002; Magretta 2002; Morris et al. 2005; Kallio et al. 2006). The author agrees with Linder and Cantrell (2000) that researchers mean different things when they write about BMs. This applied analysis also reveals that the other BM fundamental details concerning modeling principles, reach, and functions are somehow available within the literature, but indirectly, incompletely, fragmentally lacking a consensus.

Thus, there is a need to clarify, integrate and analyze the existing views within the literature to provide a unified, tight, and sound framework of the BM concept in the media and IS domain. Such comprehensive conceptual framework is therefore

required to unify the different points of view into one comprehensive framework providing a common understanding, language, and labeling in order to leverage its technological and business application (Al-Debei and Avison 2010). Thus, this chapter is motivated by the need for a comprehensive, generic, sound, and tight conceptual framework to the BM concept in the digital media business domain. The author consolidates and classifies these views, presenting a longitudinal-comparative framework and taxonomy of business model definitions in the next section which organizes these different perspectives.

The term “business model” often remains undefined lacking conceptual and contextual consensus. The literature about business model is not consistent in the usage, and, moreover, authors often do not even give a definition of the BM term. Even among its defenders there is confusion over the virtues and vices of this ambiguous business concept. Researchers have difficulty articulating what is the conceptual and methodological framework of the business model. Thus, the business model survives in a curious methodological limbo, representing a definitional morass. If “methodological limbo” exists it is not for lack of methodological discussion. Indeed, the methodological discussion on business models has been extensive over the past 20 years across the business and management literature sciences—see, for example, Amit and Zott 2000; Timmers 1998; Chesbrough and Rosenbloom 2002; Osterwalder and Pigneur 2010; Magretta 2002; Chesbrough 2013; Teece 2010; Afuah and Tucci 2000; Osterwalder et al. 2005; Osterwalder 2004; Eriksson and Penker 2000; Morris et al. 2005; Johnson et al. 2008; Zott et al. 2011; Shafer et al. 2005; Mahadevan 2000. Thus, a paradox: Although the relevance of a sound business model seems to be undisputed, a more thorough analysis of existing resources paints a different picture. At the same time, judging by recent scholarly output, the business model discipline retains considerable appeal and continues to produce a vast number of business model research papers and books, many of which have entered the pantheon of classic works (Amit and Zott 2000; Timmers 1998; Chesbrough and Rosenbloom 2002; Osterwalder and Pigneur 2010; Magretta 2002; Chesbrough 2013; Teece 2010; Afuah and Tucci 2000; Osterwalder et al. 2005; Osterwalder 2004; Eriksson and Penker 2000; Morris et al. 2005; Johnson et al. 2008; Zott et al. 2011; Shafer et al. 2005; Mahadevan 2000).

The problem is perhaps that methodological discussion of BMs study has tended to focus on its (a) conceptual, deductive, and nomothetic status, (b) theory testing case studies, (c) generalizing/universal “power.” Less conspicuous, though, has been any synthesis of the discussion offering classificatory schemata for an idiographic, inductive, specific, configurative, cross-sectional, heuristic, building block, and longitudinal case studies.

Nonetheless, the author argues that the business model concept is useful in explaining the relation between FDI and media corporations. Accordingly, this

monograph offers a causal, longitudinal, multiple-case study and meta-analysis outline for a hybrid FDI business model in media industry.

2.6.1 The Key Reasons for the Underdevelopment, Fragmentation, Incompleteness, Ambiguity, and Lack of a Unified Framework of the Business Model Concept

The author argues that five main reasons causing the underdevelopment, fragmentation, incompleteness, ambiguity, and lack of a unified framework of the business model concept include:

1. The youthfulness and newness of the BM investigating sector, concept and its associated research; the BM concept has only recently appeared frequently in scholarly reviewed journals (see Osterwalder et al. 2005). The number of research papers in peer-reviewed (especially high-ranking) journals is still insufficient to create an ample body of research and enable theoretical integration and conceptualization of the field.
2. The thematic multidisciplinary (e.g., eBusiness; eCommerce; IS; strategy; business management; marketing; economics; and telecommunications). A particular case in point concerns new digital media, ICT, and telecommunications ventures along with their highly innovative products, services, and applications (e.g., IOT; WOT; 3D Printing; IPTV; Cloud Computing; Quantum Computing; Cloud Media; Cognitive Computing/Informatics/Web; Domotics—Pentaplay Bundling; Smart Grid Networks, Drones; Big Data Analytics; HCI; Gamification; Inbound Marketing; iPaaS; 5G Locative Media Technology; Micro-payment; A massively multiplayer online game (also called MMOG); Neuroeconomics; Neuromarketing; Multiscreen TV; Smart Watches; Wearable Technologies; Telemedicine/Telehealth; Temporary Social Media; Social Media Networks, Web 3.0; Web 4.0; Web 5.0; UGC—User-Generated Content). The author arrived to the conclusion that the study field is still quite dispersed as practitioner-oriented publications and scholarly per-reviewed journals target a broad array of sectors, technological innovation, and management.
3. The business model varies according to the global market dynamics, length of product/service life cycles, and a change of the specific relationship between value-adding partners (e.g., suppliers, providers, and customers).
4. Another factor which makes theoretical conceptualization of the field more difficult is disjointed empirical contexts of studies. Indeed, the biggest part of the extant literature on business models examines the field of e-commerce, other industries, and business sectors being somewhat neglected.
5. The fifth factor which categorizes business models as a research field still in emergence is the absence of a clear, universally accepted definition. According to Zott et al. (2011), more than one-third of the articles the authors surveyed did not provide any explicit definition of the concept and quite often, while referring

to business model, different authors actually mean different concepts. In other words, “the business model has been referred to as a statement (Stewart and Zhao 2000), a description (Applegate 2000; Weill and Vitale 2001), a representation (Morris et al. 2005; Shafer et al. 2005), an architecture (Dubosson-Torbay et al. 2002; Timmers 1998), a conceptual tool or model (Osterwalder 2004; Osterwalder et al. 2005; Teece 2010), George and Bock 2011), a structural template (Amit and Zott 2001), a method (Afuah and Tucci 2001), a framework (Afuah 2004), a pattern (Brousseau and Penard 2006), and a set (Seelos and Mair 2007)” (Zott et al. 2011:4).

This lack of definitional consistency and clarity represents a potential source of confusion, promoting dispersion rather than convergence of perspectives, and obstructing cumulative research progress on business models. All these issues point out that the field requires (a) a growing body of research which would investigate the concept of business model across a variety of empirical contexts (and not only within e-business) filling in multiple research gaps; (b) conceptual consolidation and theory-building growing from the cumulative body of research; and (c) methodological rigor, including operationalization of the concept.

2.7 A Longitudinal Analysis of the Business Models' Conceptual Frameworks, Functional Dimensions, and Modeling Principles

The main aim of this subchapter is to provide a cohesive understanding of the applicative and practical FDI business model in media industry supplying a solid and complete foundation for researchers and practitioners. To this aim, the author analyzes and synthesizes the different viewpoints relating to the BM's conceptual framework. Thus, the author systematically identifies relevant studies, appraises, assesses, and evaluates their quality and summarizes the evidence.

By analyzing the fundamental, conceptual, compositional, evaluative, and architectural dimensions as well as its the applicative principles and rationales. This unified framework synthesizes the BM compositional dimensions (structure, characteristics, reach, configuration, and functions) in a novel manner. Moreover, it provides a complete foundation for researchers and practitioners who are looking forward to utilizing the BM concept in their practices and applications. Concurrently, it represents a versatile instrument assisting to the BM scientific research community as well as practitioners since (a) it organizes and manages the BM foundational knowledge, and hence, it is helpful in assuaging the “fuzziness” problem which has been associated with the BM concept; (b) it propagates many synonyms and labels adds to the haziness of the BM concept at this stage, while both efficiently and effectively establishes a common language and terminology to reduce and clarify this problem; and (c) from a practical perspective, this unified

framework enhances organizations' ability to design, create, communicate, compare, analyze, evaluate, and modify their existing and future BMs.

Retrospectively, the author finds it more useful to understand the BM concept by categorizing its current interpretations in the literature into a classification schema or a taxonomy that contains conceptually meaningful groups of objects that share common characteristics, that is, classes. Basically, taxonomy is a systemizing mechanism utilized to map any domain, system, or concept, as well as a conceptualizing tool relating its different constructs and elements.

Generally speaking, classification methods are of value in satisfying the needs of understanding data and discovery concepts (Zhifang 1988). Categorizing data based on their shared characteristics is highly useful since it represents the means by which the collected data transforms into more useful information, often called "pre-knowledge." Subsequently, this pre-knowledge can be analyzed to mine new, valuable knowledge. Furthermore, taxonomical or categorization methods provide simplicity since they aim to reduce the complexity of dealing with many instances (Parsons and Wand 2008). Parsons and Wand (2008) also agree that classifying an object supports deductions and inferences about its unobserved properties. In line with this, Clancey (1984) and Fisher and Yoo (1993) argue that classification techniques are useful means for guiding inference and for problem-solving purposes. Interestingly, all of these characteristics match the definitions of content analysis provided by Stone et al. (1966), Holsti (1969), and Agar (1980).

The employed content analysis approach uses the existing BM literature as its main source of data. In order to understand such a fuzzy concept, the author finds it more convenient to delineate the existing BM definitions within eBusiness, digital media, and IS-related literature in a comprehensive and generic manner. Therefore, definitions are extracted from the literature in IS, eCommerce, eBusiness, telecoms industry, ICT, and media business and management. The search process relies mostly on the use of digital research libraries and online academic and research databases (e.g., ScienceDirect, EBSCO, JSTOR, Proquest, Web of Science, Scopus, and ACM Digital Library, Lexis/Nexis Academic, Wiley Interscience, Journals, SpringerLink Journals, EconLit, Emerald, Google Scholar, Google Books, Sage Premier Journals, Taylor & Francis Online, Xplore IEEE/IET Electronic Library, ComAbstracts, Oxford Scholarship Online, NBER working papers), by means of keywords. The inclusion of most effective keywords included the word "model" (in particular, FDI, Business model, business model innovation, digital business model, digital media business model, eCommerce business model, eBusiness model, and business modeling).

To conduct this study the author followed Zott et al. (2011) multistep criteria and heuristic evaluation measures for literature review on business models. Accordingly, the author used the following criteria:

- Creation of a comprehensive and high-quality pool (database) of thematically as well as longitudinally analyzed/covered leading academic and practitioner-oriented management and IS journals, papers, review papers, books, book chapters, and international conferences during the inclusive time frame period

from 1995 to 2013—in terms of determined impact factor and anticipated knowledge covering all the perspectives and standpoints from which the BM has been perceived and assessed. However, the theme of the business model must be really the subject of the analysis, meaning that to be included in this review, an article must also refer to the business model as a construct centered on business firms (as opposed to, for example, economic cycles).

Having the content identified—the author selected 84 articles and BM definitions that fitted these criteria as well as deemed relevant for this review. Moreover, the author based this evaluative function/framework/technique of longitudinal and meta-analysis research methods on three key compositional aspects/principles:

1. The authors' H-index factor (e.g., Michael E. Porter, h-index 127; David J. Teece, h-index 92; Henry Chesbrough, h-index 50)
2. Number of paper citations (e.g., Amit, R., & Zott, C. (2000)—3778 citations; Timmers, P. (1998)—2635 citations; Osterwalder, A., & Pigneur, Y. (2010)—2544 citations; Chesbrough, H., & Rosenbloom, R. S. (2002)—2542 citations; Magretta, J. (2002)—2185 citations; Chesbrough, H. (2013)—2044 citations; Teece, D. J. (2010)—1817 citations; Afuah, A., & Tucci, C. L. (2000)—1737 citations; Osterwalder, A., Pigneur, Y., & Tucci, C. L. (2005)—1590 citations; Osterwalder, A. (2004)—1405 citations; Eriksson, H. E., & Penker, M. (2000)—1356 citations; Morris, M., Schindehutte, M., & Allen, J. (2005)—1318 citations; Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008)—1260 citations; Zott, C., Amit, R., & Massa, L. (2011)—1097 citations; Shafer, S. M., Smith, H. J., & Linder, J. C. (2005)—1041 citations)
3. High impact factor of WoS journals (e.g., Sloan Management Review, Journal of Economics and Management Strategy, California Management Review, Journal of Public Policy & Marketing, Strategic Management Journal, Harvard Business Review, Organization science, Journal of Business Strategy, Management Decision, European Management Journal, Academy of Management Perspectives, Journal of Management Studies, British Journal of Management, Long range planning, European Journal of Information Systems, The British Accounting Review).

In addition, the author follows an inductive reasoning method utilizing the collected data and information as guidelines to synthesize the BM knowledge into a generic and comprehensive but concise BM definition.

Thus, in Table 2.1 the author provides and summarizes a higher level of clarity by chronologically presenting and examining a classification of 84 selected scholarly definitions of the BM concept, covering the years 1995–2013 and showing which authors/papers have adopted these definitions.

2.8 The Multidisciplinary, Critical, Systematic, and Conceptual Research Framing of BMs' Configured Dimensions and Semantics

The Business Model (BM) is fundamental to any organization (Magretta 2002). This is because BMs provide powerful ways to understand, analyze, communicate, and manage strategic-oriented choices (Pateli and Giaglis 2004; Osterwalder et al. 2005; Shafer et al. 2005) among business and technology stakeholders (Gordijn and Akkermans 2001). The concept is also of importance as it informs the design of information systems (IS) supporting the BM of an organization (Eriksson and Penker 2000). Consequently, no one organization can afford “fuzzy thinking” about this concept (Magretta 2002).

Having realized the high significance of the BM, there has been an increasing interest (from the time when business modeling had risen to prominence by the end of 1990s with the growth of hi-tech businesses up to now) in delineating the concept and providing further understanding. For example, some attempt to define the concept (Timmers 1998; Osterwalder et al. 2005; Shafer et al. 2005; Al-Debei et al. 2008a), others understand its relationships with IS (Hedman and Kalling 2003), and other business concepts, such as corporate strategy (Mansfield and Fourie 2004), and business process modeling (Gordijn et al. 2000b), and yet others identify its constituent elements (Mahadevan 2000; Gordijn and Akkermans 2001; Chesbrough and Rosenbloom 2002; Pateli and Giaglis 2003). Researchers have also looked at the BM concept in the context of different domains. The majority of research into BMs in the IS field has been concerned with eBusiness and eCommerce, and there have been some attempts to develop convenient classification schemas. For example, definitions, components, and classifications into eBusiness models have been suggested (Alt and Zimmermann 2001; Afuah and Tucci 2003). Some researchers have applied the BM concept in the domains of business management and strategy (Linder and Cantrell 2000; Magretta 2002), the telecom sector including mobile technology along with its services (Bouwman et al. 2008; Al-Debei and Fitzgerald 2010), software industry (Rajala and Westerlund 2007), and eGovernment (Janssen et al. 2008).

Business models are sometimes presented as part of the definitions and other times described in separate lists, frameworks or ontologies. Business model frameworks and ontologies do not only specify the elements but also specify the relationships between the elements (e.g., Gordijn et al. 2005). They often also introduce some structure, in particular a two-layered model with higher-level and lower level elements (e.g., Osterwalder 2004).

Based on an extensive literature research and many years of real-world experience, different authors have developed a number of BM frameworks, for example, the Business Model Canvas (Osterwalder 2004; Osterwalder and Pigneur 2010), the Four-Box Business Model (Johnson 2010), Business Model Schematics (Weill and

Vitale 2001), Technology/Market Mediation (Chesbrough and Rosenbloom 2002), and “e3-value” (Gordijn 2002; Gordijn and Akkermans 2001). While the frameworks seem useful for describing and designing business models, most frameworks are not developed or tested via a systematic and evidence-based approach nor has their successful application been verified in a rigorous manner.

As example, the author will present the Business Model Canvas (Osterwalder and Pigneur 2010) in more detail. The Business Model Canvas presents a shared language for describing, visualizing, assessing, and changing business models. It consists of nine building blocks: (1) The value proposition of what is offered to the market; (2) The segment(s) of clients that are addressed by the value proposition; (3) The communication and distribution channels to reach clients and offer them the value proposition; (4) The relationships established with clients; (5) The key resources needed to make the business model possible; (6) The key activities necessary to implement the business model; (7) The key partners and their motivations to participate in the business model; (8) The revenue streams generated by the business model (constituting the revenue model); and (9) The cost structure resulting from the business model.

In earlier work, Osterwalder (2004) has the nine building blocks grouped into four pillars: customer interface (the “who” covered by building blocks 1, 3, and 4), product (the “what” covered by building block 2), infrastructure management (the “how” covered by building blocks 6, 7, and 8), and financial aspects (the “how much” covered by building blocks 5 and 9). In this earlier work, he also shows how the nine building blocks synthesize most of the other models at that time (covering, among others, Afuah and Tucci 2001; Hamel 2000; Magretta 2002). While there are differences between the frameworks (for example, how explicitly they include technology), the similarities are significant enough to see them as relating to the same underlying definition in terms of describing the creation and capture of customer value.

From a comparison of 18 frameworks and lists, Morris et al. (2005) state that the number of elements mentioned varies from four to eight and that a total of 24 different items are mentioned as possible elements, with 15 receiving multiple mentions. They conclude “that the most frequently cited are the firm’s value offering (11×), economic model (10×), customer interface/relationship (8×), partner network/roles (7×), internal infrastructure/connected activities (6×), and target markets (5×). Some items overlap, such as customer relationships and the firm’s partner network or the firm’s revenue sources, products, and value offering.”

Moreover, Al-Debei and Avison (2010) suggest a unified business model conceptual model with the dimensions value proposition, value architecture, value network, and value finance. Based on the description and discussion of business model frameworks, the findings of Morris et al. (2005), and the unified model of Al-Debei and Avison (2010), the author suggests that the higher order elements should at least cover the following dimensions: (1) Customer: the way the customer is perceived and the kind of customer that is targeted, (2) Value Proposition: the customer problem that the business initiative is trying to solve and the solution that is offered to deal with that problem, (3) Organizational Architecture: the way in

which the value proposition can be provided by the different actors and their capabilities and assets, in particular the focal organization, and (4) Revenue Model: the economic considerations (possibly including nonfinancial ones) related to bringing the customer, value proposition, and architecture together, often focused on how the organizations, in particular the focal organization, can make money (Fiet 2012).

Basically, by analyzing the different components proposed by a multitude of international business scholars, the author distinguishes three groups of authors.

The first (Chesbrough and Rosenbloom 2002; Porter 2001) are interested in the appropriation of value by the firm, focusing on the financial dimension. In this first instance, the business model is assimilated to what is sometimes called the “revenue model.” This notion is often found in the managerial world, as highlighted by Amit and Zott (2001). Thus, many websites describe different revenue models, such as the advertising model, or “razor and blade,” which thus reduces the concept of the business model to the simple mechanism of revenue appropriation by a firm. This conception appears to be too restrictive, for two reasons. The first is that over and above the origin of the revenue, it is the profit, hence the firm’s economic profitability, which would seem to be relevant, as Fiet and Patel (2008) make clear. In line with this approach, Amit and Zott (2001) clearly distinguish between revenue model and business model. While the first describes the appropriation of value, the second is interested in the creation of value, in other words, how the value is generated. This conception seems less restrictive and seems to make the revenue model a component of the business model.

A second group of authors (Mason and Leek 2008; Patzelt et al. 2008; Tikkanen et al. 2005) are particularly interested in the value generated through a company’s operational methods, with or without explicit reference to its value chain. Thus, Amit and Zott (2001) define the business model as the organization of the different transactions of the central firm with all its constituent external elements. However, these authors explicitly exclude clients and products from the business model, stating they are taken into account in what they call the market strategy (see Table 1 page 5 of their article).

A third group of authors do include clients and products in the business model. Whereas for Slywotzky and Linthicum (1997) the client is the pivot, for Stähler (2002) and Lecocq et al. (2006) offers made to clients are only one component among so many others.

In addition, combining Osterwalder (2004) and Doganova and Eyquem-Renault (2009), Andersson et al. (2006) distinguish the following elements of a generic business model concept:

1. Value proposition: what value is embedded in the product/service offered by the firm
2. Supply chain: how are upstream relationships with suppliers structured and managed
3. Customer interface: how are downstream relationships with customers structured and managed

4. Financial model: costs and benefits from (1), (2), and (3) and their distribution across business model stakeholders

In this context, a business model is used as a plan which specifies how a new venture can become profitable. Doganova and Eyquem-Renault (2009) argue that a business model is an intermediary between different innovation actors such as companies, financiers, research institutions, etc., i.e., actors who shape innovation networks. In their discussion, such networks are created through what they call “narratives” and “calculations” which entrepreneurs circulate to describe their ventures and to construct markets. Here, the business model is seen as a reference point for communication among the different actors with whom entrepreneurs engage. Markets for innovations thus emerge through interaction between these actors who also interfere with different kinds of devices (e.g., support materials such as analysts’ reports, presentations, software, or money). More specifically, the business model, as it connects actors through narratives and calculations (see also Magretta 2002), can be interpreted as a market device (Callon et al. 2007).

Moreover, in his overview of business model literature, Wirtz (2011) identifies three streams.

- The first stream focuses on technology. Explicating business models became popular during the Internet boom, when firms and analysts came to realize that existing ways of earning a profit were not suitable for capitalizing on new technologies: web-based products and services (e.g., Ghaziani and Ventresca 2005; Timmers 1998). Thus, there is a substantial body of literature which focuses on the consequences of particular technologies on how firms organize to earn profits. This is relevant for the field of sustainable innovation since technologies that contribute to sustainability may have a similar effect.
- The second, organizational, stream emanates from this work and deals with the business model as a strategic management tool to improve a company’s value chain (e.g., Linder and Cantrell 2000; Tikkanen et al. 2005). Here, a business model serves as a development tool for business systems and architectures for representing, planning, and structuring business with an emphasis on organizational efficiency.
- A third stream is strategy oriented. It adds the element of market competition to the efficiency focus of the second stream (e.g., Afuah 2004; Casadesus-Masanell and Ricart 2010; Chesbrough 2007a; Hamel 2000; Magretta 2002). Common sense amongst strategy-oriented business model scholars is that creating and delivering customer value lies at the heart of any business model (e.g., Afuah 2004; Chesbrough 2010; Johnson 2010; Osterwalder and Pigneur 2009a, b; Teece 2010; Zott and Amit 2010).

In addition, while creating and delivering customer value, the business model itself can become a source of competitive advantage by means of business model innovation (e.g., Chesbrough 2010; Johnson 2010; Markides and Charitou 2004; Mitchell and Coles 2003). Companies striving for a competitive edge through unique value propositions can use the configuration of their business models’

building blocks to execute their strategies on the market. An additional role of the business models can be changed and innovated to provide competitive advantage by changing the terms of competition (e.g., Chesbrough 2010; Demil and Lecocq 2010; Johnson 2010; Zott and Amit 2010).

2.8.1 Toward a Unified, Systematic, Integrative, Holistic, and Comprehensive BM Framework

While there has been an explosion in the number of papers and practitioner-oriented studies published, as well as an abundance of conference sessions and panels delivered on the subject of business models, it appears that researchers (and practitioners) have yet to develop a consensual—common and widely accepted paradigm that would allow them to examine business model concepts, definition, nature, structure, and its evolution through different lenses and draw effectively on each others' work (Morris et al. 2005; Tikkanen et al. 2005).

However, although the concept of Business Model is instinctively appealing and promises to “fill a niche” (Hawkins 2004), playing the pivotal role in today's complex and turbulent environment, the BM-related literature is fragmented (Chesbrough and Rosenbloom 2002) and somehow imprecise and incomplete, revealing a clear lack of consensus regarding its frameworks (Al-Debei and Avison 2010).

While academics and corporate executives agree on the importance of business models for the success of an organization, the concept is still fuzzy and vague and lacks consensus on its definition and compositional elements (Al-Debei and Avison 2010; Morris et al. 2005; Shafer et al. 2005). Since the researchers in the business area have depicted the BM from different perspectives, the BM concept is still seen to be unclear, disperse, and inconsistent in scope and focus, meaning model components and their interrelations are relatively obscure. There is a divergence of understanding among people, in particular between those who are business oriented and those who are technology oriented (Osterwalder et al. 2005). Thus, the heterogeneous understanding of the business model concept results in a relatively unstructured discussion in the media business, international business, and economic literature.

The various definitions of the business model concept highlight the fragmented nature of existing conceptualizations. A wide variety of different and multi-disciplinary approaches, views, and issues regarding the BMs' applicative concept maintain, and probably add to, the blurred, unclear, disjointed view held of the BM and keep the BM-related domain knowledge fragmented. This suggests that the domain is fuzzy and vague and still in its conceptualization phase, despite its perceived significance. Identifying the fundamental concepts, modeling principles, practical functions, and reach of the BM relevant to digital media, ICT, and telecommunications business concepts is by no means complete.

To date, the BM concept is still considered an ill-defined “buzzword” (Seddon et al. 2004; Seppänen and Mäkinen 2007) and conceptually underdeveloped (Magretta 2002; Chesbrough and Rosenbloom 2002). Furthermore, Porter (2001) suggests that the BM concept is “ambiguous” at best. In addition, the BM concept has sometimes been misperceived as a substitute of corporate strategy, business process, or business case concept (Al-Debei and Avison 2010). Regretfully, the term “business model” is a definitional morass. Frequently, the business model term is conflated with a set of disparate methodological traits that are not definitionally entailed.

2.8.2 The Synthesized Conceptual Framework

This view highlights the value proposition dimension (Magretta 2002; Hedman and Kalling 2003) of the BM concept. This dimension implies that a BM should include a description of the products/services a digital organization offers, or will offer, along with their related information. Furthermore, the BM needs also to describe the value elements incorporated within the offering, as well as the nature of targeted market segment(s) along with their preferences. Innovations relating to this particular dimension are of high concern to modern Information and Communication Technology (ICT) business organizations to attract and sustain a large proportion of customers.

The foundation of the value architecture construct is in the resource-based view (RBV). The RBV (Wernerfelt 1984; Barney et al. 2001) assumes that each company is a bundle of resources. More specifically, RBV puts emphasis on the strategic importance of resources coupled with their integration with the generation of desirable value by customers and thus sustainable competitive advantage to the company possessing the resources.

2.8.3 The Need for a Business Model Conceptual Framework

The goals of a conceptual framework are threefold. Firstly, to describe existing practice, secondly, to prescribe future practice, and thirdly, to define key terms and fundamental issues. The conceptual framework should provide the basis for future debate especially in relation to prescriptions for future practice and definitions of key terms and fundamental issues (Miller 1987). A conceptual framework aims to “...broadly define a number of key terms and concepts that can be used in identifying and debating the issues.” (Miller and Islam 1988). Given the ambiguous, fuzzy, and vague state of business model research and the lack of consensus regarding definitions and constructs of business models, it seems appropriate to apply the conceptual framework in a bid to progress the research. Accordingly, the research is still in its conceptualization phase, despite its perceived importance.

2.9 Guidelines to Develop a Consensus for the Business Model

As we have seen, despite the increasing emphasis on the importance of the business model to an organization's success, there has been a lack of consensus regarding its definition and its meaning (Kallio et al. 2006). Researchers in this area have depicted business models from different perspectives. Through an analysis of definitions of the business model in the IS literature presented in the previous section, the author proposes the following reasons and guidelines for establishing a BM as a second level of clarity. These guidelines can be used as a basis on which to develop a more comprehensive definition later.

1. A way in which organizations create value (Amit and Zott 2001; Kallio et al. 2006) with two different approaches for the value proposition:
 - (a) The ways in which an organization, along with its suppliers and partners (business actors), creates value for its customers (Magretta 2002; Petrovic et al. 2001; Dubosson-Torbay et al. 2002; Stähler 2002; Osterwalder et al. 2005; Haaker et al. 2006).
 - (b) The ways in which an organization, along with its stakeholders (business actors), creates value for each party involved (Bouwman 2002; Stähler 2002; Haaker et al. 2006; Andersson et al. 2006).
2. A way in which an organization generates revenue (Timmers 1998; Magretta 2002; Rappa 2000; Linder and Cantrell 2000; Dubosson-Torbay et al. 2002).
3. An abstraction of the existing business and a future planned business (Stähler 2002). This suggests that the organization's business models should encompass future business outlooks.
4. An architecture for the organization, including its assets, products, services, and information flow (Venkatraman and Henderson 1998; Timmers 1998).
5. As business logic relating to the ways in which businesses are being conducted (Petrovic et al. 2001; Osterwalder et al. 2005).
6. A way in which an organization enables transactions through the coordination and collaboration among parties and multiple companies (Amit and Zott 2000; Bouwman 2002; Haaker et al. 2006).
7. An organization's strategy or set of strategies (Leem et al. 2004; Kallio et al. 2006).
8. An interface or a theoretical layer between the business strategy and the business processes (Camponovo and Pigneur 2003; Tikkanen et al. 2005; Rajala and Westerlund 2005; Morris et al. 2005).
9. A conceptual tool, a business abstraction, and a blueprint (Stähler 2002; Haaker et al. 2004; Osterwalder et al. 2005).
10. A way of understanding a single organization or a network of organizations (Bouwman 2002; Haaker et al. 2006).

2.10 Framing Future Trends of Business Model Research Agenda

The differences and the weak framework between business models, as well as a lack of strong and systematic empirical focus, prompted the author to further research the business model viability (i.e., business model conceptualization and business model implementation) with regard to the framing future trends of business model research agenda. Thus, without doubt, the field of business models is an important but yet insufficiently researched area (Boons and Lüdeke-Freund 2013). Therefore, the author's main contribution is to show how inefficient, contradictory, and antithetical operational and conceptual business model frameworks are interrelated in the current literature. The second contribution is to reflect the findings and ideas in order to offer a starting point for a more focused research agenda. Therefore, the author presents a three-dimensional future research stages intended to help building and framing a research agenda on business models. Moreover, the author suggests specific operational and contextual avenues and perspectives for future research stages/principles/approaches. Accordingly, meta-analysis, cross-sectional study, longitudinal research method, and comparative analysis are used to shed some light on the future research stage of the business model concepts and ontologies.

The proposed framework of the dimensional future research stages allows the user to design, describe, categorize, critique, and analyze a business model for any type of company. It provides a useful backdrop for strategically adapting fundamental elements of a business. By specifying the elements that constitute a model, the framework enhances the ability to assess model attributes. A model that ignores one or more of the specified components will suffer in terms of its comprehensiveness, while inconsistency can manifest itself both in terms of the fit among decision areas within a given component and the fit between components. With the proposed framework, each of forty two components is evaluated at three levels. The first stage deals with the conceptual characteristics of the business model and includes six factors such as evaluation criteria; individual business model; Social value/social business model; Business system & profit model; Strategy versus structure; and Need for a clear definition and set of components. The second stage includes design of the business model and consists of twenty different dimensions (Fit between business model strategy and business planning; Architectural value network configuration; Value offering, proposition, stream and exchange; Building block; Actor network; Dynamic capabilities, etc. . .—more information are available in Table 2.2). The third stage deals with the implementation and monitoring of the business model. This stage consists of sixteen factors (i.e., Market positioning; Model components in relation to operational decisions; Managing complex business models (ambidextrous organization and learning organizations; Business model implementation vs. conceptualization, etc.).

An organization's business model is never complete as the process of making strategic choices and testing business models should be ongoing and iterative (Shafer et al. 2005). Accordingly, after conceptualization and implementation, a

business model should be kept up to date through time. Moreover, the influence of time on a business model is an emerging topic and requires more research.

On the other hand, one possible way to move research on business models forward could be based on the realization that scholars in different fields use the same label to explain very different things. It might be helpful, perhaps, to adopt more precise labels that indicate the researcher's main analytical focus, such as "e-business model archetype" (for studies on e-business model types), "business model as activity system" (for strategy studies focusing on boundary-spanning activities), or "business model as cost/revenue architecture" (for technology management and innovation scholars interested in explaining the economic mechanisms that allow a firm to commercialize technological innovations). This could help increase analytical focus and precision and minimize potential confusion.

The author's literature review offers a second possible avenue for advancing research on business models by suggesting the emergence of some important common ground among various business model researchers, despite the disparity of their approaches in terms of detailed concepts used and phenomena explained. It is the author's hope that the following three thematically and contextually complementary stages that were identified in this chapter pave the way for future business model research agenda as well as conceptual convergence and breakthroughs.

Also, the multicultural sensitiveness and awareness in dealing, adopting, and implementing different business models concepts is increasingly needed in the globalized world. This is particularly important as the American Business Model has undeniably dominated the whole Western world and many think that no other may be better. As professor Jean-Pierre Ubuad (2014) pointed out succinctly: "In reality other business models are emerging in other parts of the world and they might challenge the American business model very soon. It indeed appears that East Asians and Americans of European descent emphasize different aspects of problems and think through problems differently. Each civilization's members display different strengths and weaknesses in their approaches to information processing. Asians emphasize perceived contexts and relationships in their information processing to a greater extent than Westerners do. Asians also accept the validity of weaker arguments, contradicting their own views, more than Westerners do. Additionally, whereas Asians favor experiential and empirical data and reasoning to explain their worlds, Westerners favor building models of explanatory rules and using formal logic to explain theirs. It is therefore highly important for a firm that wants to operate worldwide to be able to manage throughout these very different business models and develop the skills and the flexibility required to use them in an appropriate and efficient way."

Other areas requiring further investigation include the ability of entrepreneurs and others to assess model quality. Systematic approaches for assessing model viability are needed. Methods are also needed for appraising the model's fit and implementation with(in) changing market, technological, and economics dynamics as well as conditions. One challenge concerns the translation of model components into operational decisions, where the importance of fit will likely differ by activity area. Another challenge involves experimenting with new strategic moves in ways

Table 2.2 Three-dimensional future research stages

Conceptual	Design	Implementation & monitoring
Evaluation criteria	Fit between business model strategy and business planning	Market positioning
Individual business model (Svejenova et al. 2010)	Architectural value network configuration (Amit and Zott 2001; Stähler 2001)	Model components in relation to operational decisions (Morris et al. 2005)
Social value/social business model (Dahan et al. 2010; Yunus et al. 2010)	Value offering (Gordijn 2002)	Managing complex business models (ambidextrous organization, and learning organizations) (Smith et al. 2010)
Business system & profit model (Itami and Nishino 2010)	Value Proposition (Stähler 2001; Linder and Cantrell 2000; Weill and Vitale 2001; Chesbrough and Rosenbloom 2000; Maitland and Van de Kar 2002)	Business model implementation vs. conceptualization (Sosna et al. 2010)
Strategy versus structure (Zott and Amit 2008)	Value stream (Mahadevan 2000)	IS in relation to business models—e-business and b-webs schematics (Weill and Vitale 2001; Hedman and Kalling 2003; Tapscott et al. 2000)
Need for a clear definition and set of components (Casadesus-Masanell and Ricart 2010; Magretta 2002; Pateli and Giaglis 2004; Teece 2010; Porter 2001)	Value exchange (Gordijn 2002)	Model emergence and evolution (Zott and Amit 2008)
	Building block	Ongoing, iterative and transparadigmatic business process (Shafer et al. 2005)
	Actor network (Gordijn 2002)	Organizational architecture
	Dynamic capabilities	Infrastructure management
	Distribution Channels (Weill and Vitale 2001)	Transaction leverage (Amit and Zott 2001)
	Unit of analysis	Cross-cultural, multicultural, and intercultural management, awareness, and sensitivity (Applegate and Collura 2001)
	Activity theory (Zott and Amit 2002, 2007)	Developing value ecosystem
	Design (Zott and Amit 2002)	The trial-and-error learning (experimentation) and innovation (Sosna et al. 2010; Morris et al. 2005; Gambardella and McGahan 2010)

(continued)

Table 2.2 (continued)

Conceptual	Design	Implementation & monitoring
	Revenue stream model (Mahadevan 2000; Maitland and Van de Kar 2002; Stähler 2001; Petrovic et al. 2001; Linder and Cantrell 2000)	Assessing model quality/viability/fit (Morris et al. 2005)
	Customer Value (Afuah and Tucci 2003)	Innovation: startups vs. established firms (Sosna et al. 2010)
	Customer Segments (Weill and Vitale 2001)	Value network positioning (Chesbrough and Rosenbloom 2000)
	Customer demand (Magretta 2002)	
	Customer retention (Wirtz and Lihotzky 2003)	
	Pricing model (Afuah and Tucci 2003; Linder and Cantrell 2000)	
	Market segmentation (Gordijn 2002; Chesbrough and Rosenbloom 2000; Maitland and Van de Kar 2002)	

that do not compromise the model. Finally, further insights are needed into the dynamics of model emergence and evolution.

The following overview presents an additional agenda for three-dimensional future research stages, based on the identified gaps, and suggestions from the literature selection:

- Future research stages from the literature selection demonstrate the need for future research on basically every aspect of the business model: the concept, the design, and the implementation and monitoring.
- The influence of time on a business model is an emerging topic and requires more research.
- More research should be conducted to determine how a business model should be implemented.
- Finally, after implementation, a business model should be kept up to date through time.

Analysis of existing research on business models has enabled identification of gaps in current knowledge and has indicated avenues worthy of further investigation. These gaps can be used to draw an agenda for future research on business models as they refer both to the individual subdomains and, perhaps more importantly, to the intersections between them. While those observations that relate to

individual subdomains have been documented in the previous section, some more integrative aspects are synthesized in this section.

Although quite a few researchers have worked toward constructing a conceptual framework for business model analysis from different viewpoints (including for example organizational, technological, strategic, and economic dimensions), a smaller amount of research has been devoted to synthesizing and specifying the interfaces between these largely diverse conceptual aspects. Nevertheless, such a synthesis could contribute toward specifying the boundaries and identity of each conceptual level and outlining its weight of contribution to a holistic understanding of business models (Pateli and Giaglis 2004). Above all, bridging the gaps between conceptual dimensions would undoubtedly contribute to the development of an integrated concept of a business model (Pateli and Giaglis 2004). In parallel, future research could also be directed toward visualizing the conceptual layers, the components, and the interfaces between them with the aid of computer-aided methods and tools. In this case, the area of design methods and tools would also benefit.

The review has demonstrated the need for further research toward assessing business models from different perspectives. Taking into consideration the natural differences in business actors' motivation and interests in a business model, future research should specify the stakeholders involved in each conceptual layer, identify their needs, requirements, and objectives, and define assessment criteria accordingly. The final outcome could resemble a multidimensional construct that relates conceptual levels (e.g., organizational, financial, and technical), target groups (e.g., managers, financial analysts, and system developers), evaluation objectives (e.g., market performance, profitability, and innovation), and criteria (e.g., number of customers, return on investment, and competitive differentiation) (Pateli and Giaglis 2004). The need for designing viable business models and assessing the likelihood of their real-life market success under different industry and firm-specific circumstances can be greatly assisted by integrating existing disparate research efforts in the highly interdependent subdomains of evaluation models and adoption factors. The success of a business model research design is naturally dependent on addressing holistically numerous interdependent factors such as market conditions, strategic synergies (or conflicts), competencies and assets, financial arrangements (pricing policy, revenue sharing schemes), robust technological infrastructure, effective governance schemes, and so on.

The critical analysis of the existing views toward the BM concept in this chapter has highlighted important gaps. The concern that the concept is still fuzzy and ill-defined, the consideration of BMs as substitutes for strategies, the partial views and definitions of the concept as its related knowledge is fragmented, and the fact that its practical functions are not yet clearly defined have highlighted the need for a conceptual framework that integrates the existing views and analyzes them to add novel mined knowledge to this important area of research. In the light of these arguments, the theoretical and practical implications of the constructed conceptual framework can be summarized as follows:

The BM needs to be compatible with external variables such as national culture, market opportunities, laws and regulations, customer-base size and nature, competition level, and technological advances. Therefore, researchers should provide additional insights into how digital organizations could develop compatible BMs with internal-external factors, ensuring and facilitating flexibility in terms of reengineering their existing BMs to cope with a turbulent business environment.

Finally, an important stream of research concerns the development of methodological approaches toward business model evolution or transition. Taking into account the dynamic nature of business models, as well as the rapid pace of business and technological evolutions, such methodologies would meet a timely market need and may contribute to fewer failures in business model innovation than those witnessed in hype-affected high-tech markets in recent years. This methodological BM approach summarizes the research challenges in both atomic (individual subdomains) and integrative (combinations of two or more subdomains) levels.

Now, a final word of advice comes from Henry Chesbrough, one of the most prominent business model researchers. According to him, companies should not be shy of experimenting with their business models (Chesbrough 2010). An instrumental point of departure in this process is to differentiate “failures” from “mistakes”; whereas “failures” are natural outcomes of experimentation which provide valuable learning insights, “mistakes” are poorly designed experiments which provide no learning.

2.11 The Importance of Successful Business Model

The digital era has meant that the availability of appropriate levels of information and knowledge has become critical to the success of the business. Organizations need to adapt in order to survive and succeed as their business domains, processes, and technologies change in a world of increasing environmental complexity. Enhancing their competitive positions by improving their ability to respond quickly to rapid environmental changes with high-quality business decisions can be supported by adopting suitable BMs for this new world of digital business. Thus, in rapidly changing digitized Information and Communication Technologies (ICTs)-centered businesses and environment, the BM is one of the most important as well as pivotal organizational assets, enhancing digital business managers’ control over their businesses and enabling them to compete better because of the appropriate and necessary level of information that the BM provides.

With the digitization wave breaking, fundamental changes in almost all industries have been unleashed. Therein enterprises face severe challenges when shaping concrete digital business models for commercialization (BMW 2012). The growth of the Internet has undoubtedly created greater opportunities for digitized business transactions, but this has been accompanied by an intensified competition and an accelerated pace of technological change (Veit et al. 2014). On the global scale, these developments have disrupted market forces in a novel way (Veit et al. 2014).

Such changes are putting pressure on existing firms which, in order to maintain competitiveness, have to adapt their business logic and processes to this fast-moving environment. Accordingly, the business model concept seems particularly apt to providing an overarching framework with which novel approaches in the digital era can be strategically structured, analyzed, and designed (Osterwalder and Pigneur 2013).

The Business Model (BM) is fundamental to any organization as it provides powerful ways to understand, analyze, communicate, and manage business and technology stakeholders' strategic-oriented choices (Magretta 2002; Pateli and Giaglis 2004; Osterwalder et al. 2005; Shafer et al. 2005; Gordijn and Akkermans 2001). Furthermore, the BM concept informs and supports the corporate's information systems (IS) design (Eriksson and Penker 2000).

Companies often make substantial efforts to innovate their processes and products to achieve revenue growth and to maintain or improve profit margins (Amit and Zott 2012). Innovations to improve processes and products, however, are often expensive and time-consuming, requiring a considerable up-front investment in everything from research and development to specialized resources, new plants and equipment, and even entire new business units (Amit and Zott 2012). Yet future returns on these investments are always uncertain (Amit and Zott 2012). Hesitant to make such big bets, more companies now are turning toward business model innovation as an alternative or complement to product or process innovation (Amit and Zott 2012).

Al-Debei and Avison (2010) suggest that an *explicit* depiction of the BM could be positively employed to mobilize an organizational knowledge capital useful in enhancing strategic decision-making functions and at the same time leveraging the practice of the BM in action. The business model—if explicitly based on digital technology—forms a critical organizational asset or resource promising to provide a digital organization with the longest enduring competitive advantage (Al-Debei and Avison 2010). Business model is important for entrepreneurs (Zott and Amit 2010) and as a field of study it is new and attractive to entrepreneurship research (Trimi and Berbegal-Mirabent 2012). A better understanding of business models should help entrepreneurs make more informed and thus better decisions and increase the probability of success (Trimi and Berbegal-Mirabent 2012).

Chesbrough and Rosenbloom (2002) argue that “a successful business model creates a heuristic logic that connects technical potential with the realization of economic value as the business model unlocks latent value from a technology.” In line with this approach, Yuan and Zhang (2003) argue that it is not the technological application itself, but rather the BM behind the technological artifacts that makes the success and allows hi-tech companies to achieve their strategic goals and objectives.

The success of the business model is determined through the quality of management's capabilities, ability to acquire, combine, and utilize valuable resources in ways that deliver a value proposition to customers (Beltramello et al. 2013). Thus, successful companies thoroughly understand their business models via:

- (a) Knowing how the building blocks relate to each other

- (b) Constantly rethinking and redesigning these blocks and their relationship to innovation before their business model is copied (Osterwalder and Pigneur 2010)

This chapter also shows that explicit BM models help digital organizations assess the intangible asset of knowledge capital more efficiently and effectively in order to support organizational strategic decision-making. Further, this mobilized knowledge signifies an organizational asset that enables a digital business to achieve sustainable competitive advantage in its market.

The BM is also an important backbone for technological artifacts as it leverages their success and facilitates the attainment of strategic aims including economic value. A successful and well-designed dynamic BM leverages, mediates, and harmonizes both digital business strategies and business processes.

Based on the technological application itself, the BM portrays a feasible, efficient, effective, and sound translating method essential to obtain and capture values from the proposed digital innovations. Thus, the concept of BM could be perceived appropriately as a backbone providing a consistent and systematic approach for designing, evaluating, and managing different technologies and their connected products and services.

Moreover, a BM for a digital business should be reviewed continually to ensure its fit with the complex, volatile, uncertain, and rapidly changing external environment. Pressing forward the body of BM scientific knowledge helps practitioners such as managers, BM designers and evaluators, and industry consultants realize the most appropriate BM to achieve their strategic goals and objectives.

In summary, the BM enhances an organization's innovation capability and could serve as executives' guidance with respect to strategic decision-making practices. Moreover, the BM is a novel strategic-oriented knowledge capital that is crucial for business organizations in an emerging, turbulent, and digital business environment.

2.12 The Benefits of the Business Model Framework

The business model framework has tangible benefits to practitioners:

1. Through the business model framework, practitioners can investigate the evolving of their business models. The business model framework provides a conceptual tool for firm-level management that also addresses operational issues. The link between operative decisions and issues regarding the business model components builds a bridge between strategic and operative management and, arguably, between middle and top management.
2. The business model framework is systemic. It demonstrates that firm processes emerge from each other and their coordination is key to maintaining competitive advantage. The major implication to management is that strongly developing one component of the business model always has network effects to other components. For example, the developing of management accounting nearly always

has implications on operations management. Likewise, strategic realignment that does not fit the other components is doomed to fail.

3. The business model is a cognitive mechanism. This implies that managing the business model in practice always has a link to human resource management and the management of perceptions. Despite the BM's abstract conceptualization, it essentially deals with pragmatic "sense-making" issues. This offers practitioners an alternative tool to conventional, prescriptive "organizational design" thinking.
4. Finally, the business model framework has proven to be a useful tool in business education. It encapsulates the key areas of management and contextualizes them in the realm of managerial action (Tikkanen et al. 2005).

2.13 Major Challenges and Constraints in Understanding, Studying, and Adopting Business Models

Zott and Amit (2007) argue that the business models of established firms are more constrained by path dependencies and inertia than more entrepreneurial firms.

Chesbrough and Rosenbloom (2002) warn that the dominant logic of the existing business model can hinder organizations in defining new business models because "the choice of business constrains other choices, filtering out certain possibilities, even as other prospects are logically reinforced."

According to Johnson et al. (2008), companies adopting novel business models confront two challenges. Firstly, there is a lack of understanding into the dynamics and process of business model development in general. Second, most companies do not understand when and how to leverage their existing as well as new business model.

Moreover, the business model's main concerns can be traced to the following four common problems:

1. Flawed assumptions underlying the core logic.
2. Limitations in the strategic choices considered.
3. Misunderstandings about value creation and value capture.
4. Flawed assumptions about the value network (Shafer et al. 2005).

2.14 Major Purposes of a Business Model

Besides being the basis for an information system, Eriksson and Penker (2000) list five purposes of a business model:

1. To better understand the key mechanisms of an existing business.
2. To act as a basis for improving the current business structure and operations.
3. To show the structure of an innovated business.

4. To experiment with a new business concept or to copy or study a concept used by a competitive company (e.g. benchmarking on the model level).
5. To identify outsourcing opportunities.

2.15 Major Objectives for Investigation on Business Models

Some of the most prominent and often cited objectives for investigation on business models include the following:

1. To understand the key elements and mechanisms in a specific business domain, as well as their relationships (Osterwalder and Pigneur 2002)
2. To communicate and share the understanding of a business model among business or technology stakeholders (Gordijn and Akkermans 2001)
3. To design the information and communication systems supporting the business model (Eriksson and Penker 2000)
4. To experiment with innovative business concepts to determine if current business models can easily adapt to them (Eriksson and Penker 2000) and assess the new, applicable, and feasible business initiatives (Weill and Vitale 2001)
5. To change and improve the current business model (Eriksson and Penker 2000; Osterwalder and Pigneur 2002).

2.16 Functions of a Business Model

According to Henry Chesbrough and Richard Rosenbloom (2002), a business model performs the following functions:

- Articulates the value proposition (i.e., the value created for users by an offering base on technology)
- Identifies a market segment and specifies the revenue generation mechanism (i.e., users to whom technology is useful and for what purpose)
- Defines the structure of value chain required to create and distribute the offering and complementary assets, needed to support position in the chain
- Details the revenue mechanism(s) by which the firm will be paid for the offering
- Estimates the cost structure and profit potential (given value proposition and value chain structure)
- Describes the position of the firm within the value network linking suppliers and customers (incl. identifying potential complementors and competitors)
- Formulates the competitive strategy by which the innovating firm will gain and hold advantage over rivals. (Chesbrough and Rosenbloom 2002).

2.17 Determining Factors of a Business Model's Wealth Potential

To measure the potential of a business model, Hamel (2000) has identified four factors that determine a business model's wealth potential:

- Efficiency. The extent to which the business concept is an efficient way of delivering customer benefits
- Uniqueness. The extent to which the business concept is unique
- Fit. The degree of fit among the elements of the business concept
- Profit Boosters. The degree to which the business concept exploits profit boosters (increasing returns, competitor lockout, strategic economies, strategic flexibility), which have the potential to generate above-average returns.

2.18 Assessing the Economic Feasibility of a Business Model

In a narrower evaluation sense, Gordijn and Akkermans (2001) assess the economic feasibility of a business model, based on assessment of the incoming and outgoing values (benefits vs. costs and risks) for each actor involved. Feasibility of a business model means that all actors involved can make a profit or increase their economic utility. Their evaluation approach is to take into account the net in and out flows of value objects. More specifically, this approach creates profit sheets based on either the actor or activity level. Value objects in the profit sheet are assigned a value expressed in monetary units. Accordingly, the use of "what-if scenarios" can help companies make a sensitivity analysis for the business model under consideration with respect to financial parameters such as customer behavior. In many cases, this sensitivity analysis can potentially be of greater interest than the numbers themselves.

2.19 Measuring the Performance of a Business Model

Afuah and Tucci (2001) define three levels for measuring the performance of a business model:

- (a) Measures of profitability that includes comparison of a firm's profitability to that of competitors using profitability measures, such as earnings and cash flows.
- (b) Profitability prediction, which is concerned with comparing a firm's profit margins, revenue market share, and revenue growth rate with those of industry competitors.

- (c) Business model component attributes, which provide benchmarks for appraising each one of the identified components of a business model.

Similarly, Weill and Vitale (2001) refer to three key factors that have an influence on the profitability and viability of eBusiness models:

1. Level of ownership for the customer relationship, data, and transaction
2. Firm's access to key information about customers, products, markets, and costs
3. Conflicts raising from combination of atomic models to e-business initiatives, such as Channel Conflict, Competency Conflict, Infrastructure conflict, and Information conflict (Pateli and Giaglis, 2003).

Summarizing, the review has revealed that the evaluation model subdomain is among the less mature areas of business model research. The majority of the criteria proposed draws from general theory and is mostly driven by financial indicators that are very difficult, if possible at all, to measure in all cases.

2.20 The Evaluation and Assessment of Business Models

The last subdomain of the BM field addresses the evaluation and assessment of business models. From the analysis of contributions in the field, it is evident that the definition of assessment criteria is naturally dependent on the purpose of evaluation. Four primary evaluation purposes have been identified:

- Comparison with competitors in Business Model terms
- Assessment of alternative Business Models for implementation by the same firm
- Identification of risks and potential pressure areas for a firm pursuing innovation
- Evaluation of an innovative Business Model in terms of feasibility and profitability.

Summarizing, we can observe that the evaluation criteria domain is perhaps the less mature BM research area. The majority of the criteria proposed in the literature are derived from generic theory and are mostly driven by financial indicators (for example, profitability and margins) that are very difficult, if possible at all, to measure *ex ante*. However, this result is not surprising. The BM evaluation domain is inherently complex and to some extent dependent on other domains such as change methodologies. It is therefore rather expected that knowledge generation will proceed at a slower pace here, following prerequisite developments of understanding and maturation of other domains.

2.21 The Business Model Logic and Organizational Usage

The BMs' logic includes three different levels: (a) individual organizations (e.g., Venkatraman and Henderson 1998; Linder and Cantrell 2000; Camponovo and Pigneur 2003), or even (b) part of an organization such as business units, products/services, and product/service bundles (e.g., Timmers 1998; Chesbrough and Rosenbloom 2002), and (c) business networks that consists of more than one organization (e.g., Gordijn et al. 2000a; Dubosson-Torbay et al. 2002; Haaker et al. 2006). Moreover, the BM could be used for different purposes within organizations: (a) alignment instrument, (b) mediating construct, and (c) knowledge capital.

2.22 The Positioning of the Business Model Concept Within Organizations

Although the overall goal of conceptual modeling is to support decision-making activities (Gordijn et al. 2000b), business process modeling supports operational decisions, and the process of creating the BM provides support for strategic decision-making.

Nonetheless, the BM is by no means independent; it intersects with the business strategy as well as the business processes, creating a unique strategic, operational, and technological mix. These intersections represent two crucial transitional points to be followed by business organizations.

1. In the first transitional stage from Business strategy to BM, the business model is dependent on and derived from the business strategy.
2. In the second transitional stage from BM to business process model, the business model acts as the base system from which the detailed and operational business process model should be derived.

Moreover, the BM represents a way in which organizations create value (Amit and Zott 2001; Kallio et al. 2006) with two different approaches for the value proposition:

1. The ways in which an organization along with its suppliers and partners (business actors) creates value for its customers (Magretta 2002; Osterwalder et al. 2005; Rajala and Westerlund 2007).
2. The ways in which an organization along with its stakeholders creates value for each party involved (Stähler 2002; Andersson et al. 2006).

Despite the increasing popularity within ICT, telecommunications, and media business companies, the BMs of organizations are rarely articulated or defined explicitly. Most often they represent a tacit knowledge in the minds of one or few key managers within organizations and are seldom communicated to others.

2.23 Two Basic Components of the Business Model

In general a business model consists of two basic components

- Actors which quote organizations having a common understanding of the market produce same products or services, maintain a common set of business processes, etc.
- Relationships referring to the transactions between two or more players.

2.24 Business Model Maturity Stages

The business model maturity stages include six elements:

1. Undifferentiated business model (i.e., commodity; no differentiation)
2. Differentiated business model (i.e., ad hoc processes; hard to sustain)
3. Segmented business model (i.e., can serve multiple segments; more sustainable and profitable; low cost)
4. Externally aware business model (harnesses external sources)
5. Integrated business model
6. Platform leadership business model (Chesbrough 2007a, b)

2.25 The Benefits of Novel Business Model

Zott and Amit (2007) show that novel business models have a positive effect on entrepreneurial firms' performance. Novel business models are radical innovations with the potential to shake whole industries (Demil and Lecocq 2010) and can result in a competitive advantage if they are hard to replicate (Magretta 2002). In addition, business models offer a broader systematic perspective and holistic approach for looking at other forms of innovation.

2.26 The Need for a New Business Model

Teece (2010) argues that “the more radical the innovation, and the more challenging the revenue architecture, the greater the changes likely to be required to traditional business models.” Relatedly, business models are required when novel technology is introduced in the market ensuring the customer's value delivery (Chesbrough and Rosenbloom 2002). Correspondingly, the need for business model innovation triggers a pathway to a competitive advantage for firms as well as a form of corporate renewal. Moreover, some organizations may develop dynamic capabilities enabling them to innovate their business models in a

systematic manner. That said, the author observes eight strategic circumstances that often require business model change:

1. The consumer has become the driving force in the marketplace, and the standards of acceptable service have been raised.
2. Technology has revolutionized the manner in which information is aggregated, analyzed, managed, and transmitted.
3. The business is consolidating, and new players are entering the market.
4. The opportunity to address through disruptive innovation the needs of large groups of potential customers who are shut out of a market entirely because existing solutions are too expensive or complicated for them. This includes the opportunity to democratize products in emerging markets (or reach the bottom of the pyramid).
5. The opportunity to capitalize on a brand-new technology by wrapping a new business model around it (Apple and MP3 players) or the opportunity to leverage a tested technology by bringing it to a whole new market.
6. The opportunity to bring a job-to-be-done focus where one does not yet exist. That's common in industries where companies focus on products or customer segments, which leads them to refine existing products more and more, increasing commoditization over time.
7. The need to fend off low-end disrupters.
8. The need to respond to a shifting basis of competition. Inevitably, what defines an acceptable solution in a market will change over time, leading core market segments to commoditize (Johnson et al. [2010](#)).

2.27 Main Reasons for Changing Business Model

Changing business model is necessary because:

- (a) Customers change their needs
- (b) Competitors change their businesses
- (c) Corporate technology advances exponentially
- (d) Corporations enter into different business cycles.

2.28 Strategies for Reinventing Business Model

The most effective strategies for reinventing generic media business model include offering value proposition substitute and complementary products and services; bundles; reinventing the customer interface (channels) and relationships; inventing new revenue streams, vendor lock-ins, and network externalities; targeting non/-customers, less profitable customers, least satisfied customers, and the chain of buyers; and segmenting customers according to commonalities and circumstances; clusterization.

2.29 Methodology of Business Model design

The author adopts and follows Morris et al.'s (2005) integrated framework of business models design, consisting of six principal and cross-sectional decision modules/stages/questions):

Module 1—Design of value proposition (factors related to the offering): How do we create value?

Module 2—Design of production architecture (market factors): Who do we create value for?

Module 3 (internal capability factors): What is our source of competence?

Module 4 (competitive strategy factors): How do we competitively position ourselves?

Module 5 (economic factors): How we make money?

Module 6 (personal/investor factors): What are our time, scope, and size ambitions?

In addition, the author proposes the implementation and application of presented six principal decision modules/stages as a comprehensive framework providing a substantial and holistic perspective on the dynamics of the Business Model design in order to develop sustainable business models in the new economy. More importantly, these six stages are based and confirmed by numerous studies (e.g., Porter 1996; Fitzsimmons and Fitzsimmons 1998; Jarillo 1995; Barney et al. 2001; Talluri et al. 1999; Lumpkin and Dess 2004; Kim and Mauborgne 2000; Gordijn 2002).

2.30 Conceptual Differences Between Design Rationale of “Business Modeling” and “Process Modeling”

The terms “business modeling” and “process modeling” are often used interchangeably in the information systems literature. However, they serve different purposes.

In the author's view, the main goal of a business model is to answer the question: “who is offering what to whom and expects what in return” (Gordijn et al. 2000a). Therefore, the central notion in any business model should be the concept of value, in order to explain the creation and addition of value in a multi-party stakeholder network, as well as the exchange of value between stakeholders. A business model shows the what aspects: what objects of value are created for whom and by whom in multi-party stakeholder network, whereas a business process model depicts and shows the associated how aspects of business logic (Gordijn et al. 2000a).

Business modeling captures and displays the elements of the business that characterize the economic choices that have been made by the entity. Business modeling depicts the essence of the business and gives the user a clear understanding of the business logic underlying the entity's existence (Gordijn et al. 2000b; Osterwalder et al. 2005). Business modeling is concerned with providing information that reflects the economic and strategic choices that have been made by the

entity. It presents views of the business logic underlying the entity's existence that meets the needs of users.

Accordingly, the nature of design decisions to be represented in a business model differs from the decisions being represented in a process model. Consequently, the main design decisions to be represented in a business model are:

1. Who are the value-adding business actors involved?
2. What are the offerings of which actors to which other actors?
3. What are the elements of offerings?
4. What value-creating or adding activities are producing and consuming these offerings?
5. Which value-creating or adding activities are performed by which actors (Gordijn et al. 2000a)?

A business model does not state how value-creating activities are carried out. This is an important goal of business process modeling.

Accordingly, the main goals of business process modeling are:

- Creation of a common approach for work to be carried out
- Incremental improvement of processes (e.g., efficiency)
- Support of processes by workflow management systems
- Analysis of properties of a process (e.g., deadlock free) (Ould 1995; van Hee 1994).

To present the how, a business process model typically shows the following design decisions:

1. Who are the actors involved in the operations?
2. Which operational activities can be distinguished?
3. Which activities are executed by which actors?
4. What are the inputs and outputs of activities?
5. What is the sequence of activities to be carried out for a specific case?
6. Which activities can be carried out in parallel for a specific case (Gordijn et al. 2000a)?

2.31 The Importance of Business Actors' Positioning Within the Dynamic Business Models' Framework

The business model describes both the actors and their roles. The business actors' (such as suppliers, partners, customers, and competitors) role in the dynamic business models is increasingly important because of the functioning of the value network. As a result, every actor has a certain role in the business model that

describes their position in the net, and the value that they create in the net (Palo and Tähtinen 2011). Consequently, an actor needs to create considerable value for the chain with its current competences—and an emerging competence can strengthen the value and the business model (Palo and Tähtinen 2011).

2.32 Conclusions

Despite the BM's significance to an organization's success in digital business, there has been little consensus about its basis. The BM concept is relatively young but has been used in various contexts. The lack of consensus is further aggravated/complicated as researchers generally view the concept subjectively, while practitioners perceive it according to their organizations' environment and culture. Consensus about BM compositional aspects is crucial since it represents a framework or a theoretical underpinning on which researchers may apply to different industries within different contexts. It is also fundamental to practitioners since the BM could be utilized as a reference measure for their business performance analysis. To address these issues, this chapter clarifies the BM concept. The author has reviewed the media business, ICT, and telecommunications literature, classified the BM definitions, and extracted a longitudinal, thematic, contextual, and hierarchical taxonomy. Moreover, the taxonomy provides a guideline on which to develop a more profound, articulate, holistic, as well as technologically, economically, and entrepreneurially competitive, applicative, and comprehensive framework.

This chapter also reveals the modeling principles of both the static and dynamic business models. The author believes that this feasible, multifaceted, comprehensive, intact, and unified discussion on the BM framework incorporates new mined knowledge based on the applied, holistic, and systematic literature works as a reference model and enables conceptual consensus on the origin, nature, and application of BMs that has not yet been achieved. In parallel, the success of a business model research design is naturally dependent on addressing holistically numerous interdependent factors such as market conditions, strategic synergies (or conflicts), competencies and assets, financial arrangements (pricing policy, revenue sharing schemes), robust technological infrastructure, effective governance schemes, and so on.

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