# Chapter 2
# Business Model Definition and Boundaries

**Abstract** The second chapter of this book focuses on the conceptualization of a BM and particularly on the definitions and boundaries of BMs that the literature has proposed over the last 15 years. In the first part of this chapter, we propose different definitions of BM categorized according to: the conceptual abstraction (i.e., strategic, narrative, process-based, and cognitive conceptual abstractions); the BM architecture (i.e., BM as a structure; BM as a system; BM as a network); the content of BM components (i.e., strategic activities and managerial decisions; resources; networks and relationships; and value) and to the dynamic approaches (with particular focus on strategic management and organizational studies). Finally, we review all the definitions of BM included in the 156 papers considered for our systematic literature review of BMI. Thus, according to a brief citation analysis, we have identified the most influential works on BM that contributed most to the academic and practice-oriented development of the literature of BMI.

## 2.1 Introduction

The extensive emphasis placed on business model innovation in both research and practice, comes from the legitimacy of business models as an academic research stream. For this reason, this chapter offers an extensive overview of the business model concept and definitions from various theoretical perspectives.

The chapter begins with a review of the most relevant definitions of a BM in the literature. The review allowed to propose a conceptual framework that will improve the common understanding of a BM. It is very important to start with the definition of BM concept, because BMI literature has developed not only in relation with the "innovation" term—that can vary according to the adopted theoretical and discipline perspective—but also through different meanings related to the lenses applied by the authors.

This framework will be also useful to understanding how the BM concept has developed in BMI literature, and will thus provide detailed information on the BMI phenomenon and its meanings.



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**Table 2.1** Selected business model definitions related to the conceptual abstraction of BMs

| Author(s), Year | Definition | Conceptual abstraction |
|---|---|---|
| Chesbrough and Rosenbloom (2002) | The business model is "the heuristic logic that connects technical potential with the realization of economic value" (p. 529) | Strategic |
| Magretta (2002) | Business models are "stories that explain how enterprises work." (p. 4) | Narrative |
| Afuah (2003) | "The set of activities a firm performs, how it performs them, and when it performs them as it uses its resources to perform activities, given its industry, to create superior customer value … and put itself in a position to appropriate the value" (p. 9) | Strategic |
| Teece (2010) | "A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value" (p. 179) | Strategic |
| Casadesus-Masanell and Ricart (2010) | "A business model is … a reflection of the firm's realized strategy" (p. 195) | Strategic |
| Cavalcante et al. (2011) | "An abstraction of the principles supporting the development of a firm's core repeated processes" | Process-based |
| Aspara et al. (2013) | The corporate business model resides primarily in the minds of the corporation's top managers or top management team (TMT) members—essentially, it is the corporate top managers' perceived logic of how value is created by the corporation, especially regarding the value-creating links between the corporation's portfolio of businesses (p. 460) | Cognitive |
| Martins et al. (2015) | Business model is an example of a schema, defined as a cognitive structure that consists of concepts and relations among them that organize managerial understandings about the design of activities and exchanges that reflect the critical interdependencies and value creation relations in their firms' exchange networks | Cognitive |

The objective of this chapter is to provide an overview of the conceptualizations and frameworks adopted to understand BMs. Accordingly, the reader will find four tables (Tables 2.1, 2.2, 2.3, and 2.4) that categorize the most prevalent definitions of a BM taken from the most impactful works, alongside the authors' definitions, displayed in chronological order.

Like most of the taxonomies in management studies, the one proposed in this chapter is neither exhaustive nor is it rigid. We hope the elaborations proposed in this chapter can advance the studies of BMs and BMI, disentangling some relevant issues for future research.

**Table 2.2** Selected Definitions of a Business Model Related to its Architectural Conceptualization

| Author(s), Year | Definition | Architectural conceptualization |
|---|---|---|
| Timmers (1998) | The business model is "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues" (p. 2) | BM as a structure |
| Winter and Szulanski (2001) | Business models are not the activities, but the structures that bind and connect the firm's core activity set in service to a specific set of goals | BM as a structure |
| Zott and Amit (2010), Amit and Zott (2001a) | The business model depicts "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (p. 511) | BM as a system |
| Morris et al. (2005) | "Business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets" (p. 727) | BM as a system |
| George and Bock (2011) | "BM is both an enabling and limiting structure for the firm's accumulation and deployment of resources" | BM as a structure |
| Zott and Amit (2007) | "The business model is a structural template that describes the organization of the focal firm's transactions with all of its external constituencies in factor and product markets" (p. 1) | BM as a network |
| Palo and Tähtinen (2013) | "The term networked business model emphasizes the role of business models in shaping and mobilizing future collective action" (p. 774). "A networked business model guides how a net of firms will create customer and network value by developing collective understanding of the business opportunities and shaping the actions to exploit them" (p. 775) | BM as a network |

## 2.2 BM Definition and Boundaries

The business model has become a popular concept in both research and practice. The business model literature has evolved since its very early emergence in the academic literature (Bellman et al. 1957; Jones 1960). It saw explosive growth during the dotcom boom, and since then, research on business models has

**Table 2.3** Activities and decisions related to the components of BMs [advanced table of BM components originally developed by Dmitriev et al. (2014) and adapted according to Wirtz et al. (2016's) work]

| Source | BM components | Wirtz et al.'s BM components classification |
|---|---|---|
| Amit and Zott (2001a) | Transaction content, transaction structure, transaction governance | Strategic activities |
| Magretta (2002) | Customer, customer value proposition, value delivery method, economic logic that supports delivery of value to the customer at an appropriate cost | Managerial decisions and value outcome |
| Chesbrough and Rosenbloom (2002) | Value proposition, market segment, revenue generation mechanisms, value chain, complementary assets, cost structure and profit potential of the offering, position of the firm within the value network of suppliers and customers, competitive strategy | Strategic activities, managerial decisions, relationships and value outcome |
| Johnson et al. (2008) | Customer value proposition, profit formula, key resources, key processes | Strategic activities, managerial decisions, and resources |
| Osterwalder and Pigneur (2010) | Customer segment, value propositions, channels of distribution, customer relationships, revenue streams, key resources, key activities, key network partnerships, cost structure | Strategic activities, managerial decisions, resources, networks and value outcome |
| Santos et al. (2009) | Set of activities, set of organizational units, linkages (physical transactions and human relationships), governance mechanisms | Strategic activities, and relationships |
| Teece (2010) | Market segment, value proposition, mechanism to capture value, isolating mechanism | Managerial decisions |
| Mason and Spring (2011) | Technology, market offering, network architecture | Strategic activities and network |

continued to grow. There have been attempts to provide a shared understanding of the business model concept by identifying and distinguishing between the elements or components of a business model (e.g., Mason and Spring 2011; Osterwalder et al. 2005; Shafer et al. 2005); by identifying levels (Morris et al. 2005); and identifying perspectives (Doganova and Eyquem-Renault 2009). Moreover, systematic literature reviews on business model definitions, have tried to understand the paradox between outstanding popularity and severe criticism in order to enable and develop the scholarly discourse on the business model concept (e.g., Klang et al. 2014).

As Demil et al. (2015) have recently noted, in the literature the BM has not been treated as a single homogeneous construct. Interestingly, while there is still no agreement on a single definition, there seems to be consensus on three main aspects:

**Table 2.4** Selected business model definitions related to the content of BM components

| Author(s), Year | Definition | Discipline |
|---|---|---|
| Amit and Zott (2001a) | "A Business model depicts the content, structure and governance of transactions designed to create value through the exploitations of business opportunities" | Strategic management |
| Afuah (2003) | "A business model is a framework for making money. It is the set of activities which a firm performs, how it performs them, and when it performs them so as to offer its customers benefits they want and to earn a profit" | Strategic management |
| Morris et al. (2005) | A Business model has six fundamental components: value proposition, customer, internal processes/competencies, external positioning, economic model, and personal/investor factors | Entrepreneurship |
| Osterwalder et al. (2005) | "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." (p. 5)<br>"A business model is a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a firm offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams" (pp. 17–18) | Practice-oriented studies |
| Johnson et al. (2008) | Business models "consist of four interlocking elements, that, taken together, create and deliver value" (p. 52). These, according to the authors, are customer value proposition, profit formula, key resources, and key processes | Practice-oriented studies |
| Storbacka et al. (2013) | "The business model concept is argued to be externally oriented and depicts the relationships that firms have with a variety of actors in their value networks, thus capturing the change toward networked value creation" (p. 706) | Marketing |

- The BM has been studied in literature as a unit of analysis per se that is useful for research on boundary-spanning innovation (Zott and Amit 2007);
- In many definitions, a BM is a concept used to represent how firms do business in a dynamic way (Zott et al. 2011);
- Another common understanding of the BM is as a tool with the main purpose of the creation, capture, and delivery of value creation (e.g., Amit and Zott 2001b; Baden-Fuller and Morgan 2010; Chesbrough 2007, 2010; Johnson et al. 2008; Teece 2010).

In offering an overview of the definitions of a BM, we took a leaf from the synoptic literature analysis of BM definitions by Wirtz et al. (2016) and also reflected the BMI definition proposed by Foss and Saebi (2017), that is, "designed, novel, and non-trivial changes to the key elements of a firm's business model and/or the architecture linking these elements." We will categorize BM definitions, creating a four-level conceptual framework. The four levels are:

1. **Definitions of BM related to conceptual abstraction**: at this level, we will summarize all the definitions that are based on the nature and conceptualization of BMs, at a general and conceptual level. These works answer the following questions: How can we understand the BM? What general level of conceptualization can we use to grasp the essence of a BM?
2. **Definitions of BM according to its architecture**: these BM definitions describe the structure and the synthesis of BM architecture. These representations are usually synthetic and facilitate the common understanding among researchers and practitioners. The questions related to these BM explanations concern: How can we represent BM? How can we synthesize the elements of the BMs in a unified architecture?
3. **Definitions of BM according the content of BM components**: in these studies, authors define BMs by detailing the contents of every dimension/component of a BM. The questions related to these studies are: What are BMs made of? What are the components and the activities related to a BM?
4. **Definitions of BM according to dynamic approaches**: these definitions reflect the dynamic view of BMs. These perspectives do not consider BMs as static concepts, but are able to capture and underline the dynamic nature of BMs. For this category we have briefly illuminated the reasons and the rationales related to changes to BMs and their components. The questions at this last level of analysis address: Why and how do BMs evolve? Why and how do new BMs emerge?

As stated in the introduction, the purpose of this chapter is to provide an overview of the conceptualizations employed to understand BMs. Accordingly, Tables 2.1, 2.2, 2.3, and 2.4 provide the most prevalent definitions suggested for the BM taken from the most impactful works, together with the authors' definitions and displayed in chronological order.

Before continuing with the description of our framework, a clarification is necessary. As shown in the tables displayed in this chapter (i.e., Tables 2.1, 2.2, 2.3, and 2.4) a research (author/s) can be mentioned in more than one table or level of our framework. That would be the case if the same work contributes to the BM knowledge from different perspectives. For example, Teece (2010) was one of the first authors recorded as using the cognitive perspective to study BMs, but he also provided a clear and straightforward BM architecture. For this reason, Teece (2010) is cited both among authors contributing to the conceptualization of BMs (Table 2.1) and also among those contributing to the BM architecture (Table 2.2).

### 2.2.1 Definitions of BM Related to Conceptual Abstraction

The conceptual abstraction of a phenomenon is strictly related to the lenses through which researchers investigate the social phenomena. Accordingly, we embrace the following definition: "a concept is a bundle of meanings or characteristics associated with certain events, objects, or conditions and used for representation, identification, communication, or understanding" (Zaltman et al. 1982).

The conceptualization is the basis of knowledge development and concepts are useful for researchers and marketers because they are the main element of a model or a theory (Zaltman et al. 1973). For instance, the BM concept, like many other concepts in management, started as a label, without much content (Grundvåg Ottesen and Grønhaug 2002), and the role of researchers and managers is to provide empirical evidence, contextualization, and rules for generalization. The process of conceptualization thus goes through categorizations and interaction with various actors (such as, researchers, managers and journalists) in order to find a common understanding of and meanings for the same phenomena (Rosch 1999).

Below we analyze those definitions of BM that have inspired new insights and understanding about the nature and essence of BMs in the last 15 years.

Chesbrough and Rosenbloom (2002) define a BM as a "heuristic logic that connects technical potential with the realization of economic value". This definition embodies the very earliest understanding of BMs. According to these first conceptualizations, BM is a logical tool that strategically helps companies to make decisions, such as, whether to and if so how to introduce, develop and manage new technologies in the firm or in new ventures.

Magretta (2002) offers a different abstraction from the same period. That conceptualization sees business models as stories that describe how enterprises work. These stories can be written by practitioners, developed or gathered and interpreted by researchers, or built and communicated by mass-media. This interconnection among different actors, creates knowledge of the BM concept.

These earlier definitions of BMs share a generic understanding of BMs. In contrast, some authors have considered BMs as an illustration of strategic decisions (e.g., Chesbrough and Rosenbloom 2002; Hamel 2000), and other authors describe BMs as organizational activities that design the functioning of companies (Magretta 2002; Afuah 2003; Zott and Amit 2010; Osterwalder et al. 2005).

While the BM concept has been institutionalizing its presence in literature, many authors have clarified the differences between BM and strategy (Amit and Zott 2001a; Casadesus-Masanell and Ricart 2010; Osterwalder et al. 2005; Tikkanen et al. 2005), improving the knowledge of BMs, through a boundary-setting process on the meaning of the BM concept. For example, Casadesus-Masanell and Ricart (2010) provided their conceptualization of a BM, "a business model is […] a reflection of the firm's realized strategy". From this understanding of BM, a stream of researchers considered BM as a means of correct implementation of company strategies, proposing BMs with different holistic representations of the firm's activities, as we will see in the next paragraph (Dahan et al. 2010; Osterwalder et al. 2005).

This debate generated a conceptualization of BMs that unifies organizational design with a strategy perspective. For example, George and Bock (2011) define the BM as a structure comprising resource, transactive, and value component dimensions, that allow companies to seize opportunities in the market.

Cavalcante et al. (2011) introduces and develops an alternative, process-based definition of BM: "an abstraction of the principles supporting the development of a firm's core repeated processes." When referring to processes, the author means strategy processes managed by top management or owners of firms, and thus something different from functional organizational processes, such as marketing, finance, procurement, product development (Tikkanen et al. 2005). Subsequently, Cavalcante (2014) defines BMs as representations of companies' core repeated processes, and provides a taxonomy of BM changes, such as BM creation, extension, revision, and termination. This alternative dynamic process-based conceptualization of BMs based on their core processes, has been adopted by only a few authors.

According to the literature analyzed to this point, the essence of BMs can be synthesized as bundles of decisions, activities, resources and processes that can help companies exploit opportunities in the market and thus creating value for themselves and for their stakeholders. Moreover, from a methodological point of view, researchers have usually proposed these definitions through deductive approaches, while consultants have usually adopted normative and inductive approaches.

Recently, a different conceptualization of BMs has developed in literature: the cognitive perspective on BMs (e.g., Teece 2010; Chesbrough and Rosenbloom 2002; Aspara et al. 2013). In the past, Teece (2010) defined BM as a "cognitive model not a financial one". Nevertheless, in his work, this author briefly mentioned the cognitive approach, but did not develop this conceptualization further.

A later definition of the BM as "a combination of firm-related material structures and processes that exist objectively (in the world), on the one hand—and intangible, cognitive meaning structures that exist in the minds of people at different levels of the organization, on the other" (Aspara et al. 2011: 263) advances the development of the cognitive conceptualization of BMs. That approach is then taken further by Martins et al. (2015) in defining a BM as a schema, that is, "cognitive structures that consist of concepts and relations among them that organize managerial understandings about the design of activities and exchanges that reflect the critical interdependencies and value creation relations in their firms' exchange networks." This conceptualization of a BM consolidated the dynamic understanding of the concept, overcoming the static perspective on the BM and its components (Wirtz et al. 2016). The cognitive approach to BM helps understand how BMs can change firms and help them renew, altering their offerings and the markets in which they are sold, through the cognitive capabilities of the firm's managers. Especially in the entrepreneurship literature, this cognitive approach gives rise to concern, because BMs should not be understood only as recipes, but the chefs (i.e., the managers), their intuitions and their metal cognitions have to be taken into consideration in order to understand the nature and compositions of BMs (Baden-Fuller and Morgan 2010). Methodologically, using a cognitive approach, the conceptualization of BMs has to be developed through more inductive research methods, where practitioners and researchers co-create meanings and how BMs are understood.

This first level of analysis illustrates how the researchers have abstracted BMs so far and, to the best of our knowledge, few attempts have been made to use other conceptualizations, such as the relationship, network, or institutional ones (Dimaggio and Powell 1983; Nenonen and Storbacka 2010). Alternative perspectives could provide new insights into and understanding of the nature and characteristics of BMs.

For instance, BM studies using a network conceptualization, have always considered networked BM as exchanged relationships (Amit and Zott 2001a) or collective representations (Palo and Tähtinen 2013) among companies. In our literature review, we have not detected researches that developed a wider relationship perspective of the network theory, including external stakeholders such as customers, competitors and suppliers (Nenonen and Storbacka 2010). BMs, in fact, can be understood as a model consisting in relationships and interrelations between focal companies, suppliers, customers, and partners, that together co-create value. These alternative BM conceptualizations could advance the knowledge about this phenomenon.

### 2.2.2 *Definitions of a BM from the BM Architecture Perspective*

According to Foss and Saebi (2017), BMs, and in particular BMIs, can be considered from an architectural point of view and/or as a set of components. In this paragraph, we will chronologically analyze the BM literature, emphasizing the architectural characteristic of BMs.

Baden-Fuller and Morgan (2010), following a deep analysis of the descriptions of BMs, state that “one role of business models is to provide a set of generic level descriptors of how a firm organizes itself to create and distribute value in a profitable manner”.

In management studies, representations describe the salient firm components, behaviors and activities and these pictures are able to contemporarily capture common features and specific peculiarities of firms. BM representations can be used by researchers and practitioners for several purposes: for definition purposes, for instance of categorizations and taxonomies; for firm development purposes, such as experimentations with new BM designs; and for competitive purposes such as comparisons and differentiations (Baden-Fuller and Morgan 2010). Managers can use an effective representation of a BM to communicate the strategies of available to their firm, to share meanings among different actors, and to make decisions.

The representation of BM has been studied by different disciplines, and in particular by authors that connect strategic management approaches with organizational ones (Chandler 1990; Amit and Zott 2001a; Zott and Amit 2007, 2008), a common linkage evident also in entrepreneurship literature (Morris et al. 2005; George and Bock 2011), as we will see below.

BM representation has a similar meaning to organization design, where accordingly, it reflects the structure of firm products, activities, and markets decided by managers (Chandler 1990; Hunt 1970; George and Bock 2011). Accordingly, the strategic management literature considers the fit between corporate strategy and the structure of BM fundamental to firm performance (Zott and Amit 2008). Another definition that underlines the how strategic and organizational standpoints contribute in conceptualizing BM is the following: "business models represent the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (Amit and Zott 2001a: 511).

Thus, in the early stage of BM research, we can identify a static structural representation of BMs, where they were understood as an architecture and a structure as described by (e.g., Timmers 1998), "an architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; a description of the sources of revenues". In the same way, according to organizational studies BMs cannot be considered as activities, but the structures that bound and connect the firm's core activity set in service to a specific set of goals (Winter and Szulanski 2001; George and Bock 2011: 9).

Concepts, such as organizational design, structure and activity, typical of organizational studies (Chandler 1990) have been further developed by entrepreneurship literature, linking the strategic entrepreneurship perspective with the organizational one. In this stream, Morris et al. (2005), define BM as a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets". These authors define BM as a bundle of interconnected strategic decisions that refer to the following six questions: How to create value; Who to create value for; What is the source of competence; How to competitively position; How to make money; What are time, scope and ambitions.

Later, Amit and Zott (2012) further developed their definition to conceptualize a firm's business model as "a system of interdependent activities that transcends the focal firm and spans its boundaries" (Zott and Amit 2010: 216). Thus, according to this approach, a company's business model is "a system of interconnected and interdependent activities that determines the way the firm "does business" with its customers, partners and vendors" (Amit and Zott 2012: 42).

Unlike more structural definitions, where components are conceived of on the basis of their causal interactions, the representation of BMs as a system opened the BM research to new perspectives, such as the synergy between different components, and their interconnections beyond the firm. Moreover, with their systematic perspective, Zott and Amit (2010) also introduced a dynamic vision of a BM structure, that we will discuss in more details in Sect. 2.2.4.

Finally, it is important to mention another remarkable representation of BMs: the network perspective on the BM (Amit and Zott 2001a; Palo and Tähtinen 2013). The network representation of the BM can be seen to adopt two different morphologies.

The first one, developed in the work of Amit and Zott (2001a), considers the network from a transaction-cost economics point of view. Under this perspective, networked BMs are representations of relationships exchanged for resources and performances in order to create a networked value in the market. Specifically, "the business model is a structural template that describes the organization of the focal firm's transactions with all of its external constituencies in factor and product markets" (Zott and Amit 2007: 1). This representation is still firm-centric and detects all the relationships that the firm can develop outside its boundaries.

The second morphology is synthetized by the term "networked BM", that is the representation of common activities, resource, processes and capabilities that firms in a network have to commonly understand, plan for, and implement. Palo and Tähtinen (2013: 774–775) state that the "Using the term networked business model emphasizes the role of business models in shaping and mobilizing future collective action. A networked business model guides how a net of firms will create customer and network value by developing collective understanding of the business opportunities and shaping the actions to exploit them." According to this perspective, business models are interfaces that enable interactions between actors, thus BM can be considered as a representation of a dynamic network (Welch and Wilkinson 2002) that stimulates collective knowledge, understanding and behaviors, internally in firms and externally from them. At a network level, therefore, a BM represents how actors plan and conduct business in a collective and interrelated way.

In synthesis, three different main types of BM architectures can be detected in the literature: a BM as a structure, a BM as a system and a BM as a network as shown in Table 2.2.

### *2.2.3 Definitions of BM from the Content of BM Components Perspective*

In this paragraph we took the leaf from Foss and Saebi (2017's) work, underling the nature and the characteristics of the components of BMs. In particular, we enhanced the categorization of BM components identified by Wirtz et al. (2016), also considering the management discipline in which the works have been introduced. Wirtz et al. (2016) categorized BM definitions according to the characteristics of the BM components, namely: strategic activities and managerial decisions; resources; networks and relationships and value outcomes.

Accordingly, in order to provide an overview of the main components of BMs, we propose in Table 2.3 a summary of BM components identified in the literature.

Consistent with the management disciplines stemming from our systematic literature review (i.e., strategic management, organizational studies, marketing, entrepreneurship and practice-oriented studies), the BM works usually describe BM components through different lenses, providing theoretical conceptualizations and generalizable laws of function. Alternatively, practitioners typically try to be more explicit, describing the details of BM components, using normative and directive approaches to the study of BMs. In this paragraph for each component identified by Wirtz et al. (2016), we will provide both the discipline and the practitioners' perspectives, when available.

1. **Strategic Activities and managerial decisions**. Practitioners were among the early pioneers attempting to identify the components of BMs. For instance, Hamel (2000), describing the strategic BM components, identified the *core strategies* that allow companies to create a competitive structure able to successfully introduce technological innovation into the market.

The strategic management literature mainly focuses on BM activities (strategic activities) that companies must implement to create value and gain a competitive position in the market (Chesbrough and Rosenbloom 2002). Thus, constructs of BMs are essential for the understanding of the value creation (Amit and Zott 2001a; Chesbrough and Rosenbloom 2002). Zott et al. (2011) added that the strategy literature of BMs, encompasses the study of value creation, performance, and competitive advantage. In particular, strategy literature on BMs focused mainly on the concept of value (Porter 1985, 2000), with particular attention paid to the notion of value creation and the value proposition, that can generate a unique business model and thus a substantial competitive advantage.

In contrast, in entrepreneurship studies, BM components are mainly linked to managers' decisions (decision-making components) taken to identify and exploit opportunities inside and outside the company (Chesbrough and Rosenbloom 2002; Magretta 2002; Ireland et al. 2003). Accordingly, Casadesus-Masanell and Ricart (2010: 198) explain, business models represent "concrete choices made by management about how the organization must operate and the consequences of these choices." Magretta (2002) identifies the key decisions related to BM components, in the form of key questions that managers have to answer. Some examples of these questions are: Who is the customer? What does the customer value? How can we make money in this business? What is the economic logic that explains how we can deliver value to customers at an appropriate cost?

In addition, practitioners focus of the decisions managers have to take, in order to create a "basic architecture underlying all successful businesses" (Johnson 2010). The same work isolates four main elements of BMs: a customer value proposition, a profit formula, key resources, and key processes. Accordingly, Osterwalder et al. (2005) proposed a simplification of the BM design, identifying the core decisions and activities, such as the value offered by the company, its customers, the architecture of the firm, its network of partners, the delivering structure and relationship capital, and generating profitable and sustainable revenue streams.

2. **Resources**. The strategic management literature considers strategic activities as emerging as an outcome of the tangible and intangible resources held by firms. Firm resources manifest in the control of rare, valuable, and imperfectly imitable resources that offer differentiation and competitiveness to companies (Barney 1991; Penrose 1959; Demil and Lecocq 2010). Strategic management literature usually refers to resources as tangible and intangible assets, owned or controlled by the companies that allow companies to create value and propose value for the market, and describe them as different from individual resources. When resources are of concern, strategic management research usually adopts the resource-based view theoretical approach, as was the case in studies on BMs (Demil and Lecocq 2010).

Organization and entrepreneurship literature tends to adopt a different approach that focuses on the main internal resources of companies, and in particular their organizational capabilities (Demil and Lecocq 2010; Doz and Kosonen 2010), top management features (Deschamps 2005; Guo et al. 2013) and managerial cognitive capabilities (Aspara et al. 2011, 2013). Accordingly, the representation of BM components presented by Morris et al. (2005) introduces resources such as internal competencies and personal/investor factor, in other strategic activities of the value proposition, customer external positioning, and the economic model. Finally, entrepreneurship literature underlines how companies can exploit external resources provided by venture capitalists or other institutions such as governments, academics, and industry leaders (Gerasymenko et al. 2015; Miller et al. 2014).

3. **Networks and relationships**. Most BM studies consider the BM in the context of a single company, but there have been some research attempts to enlarge the analysis of BMs to networks. According to the business marketing discipline, the fundamental concepts are actors and their dyadic, triadic, group, and network relationships (Wasserman and Faust 1994). In BM research, companies can exploit external resources to create and particularly to co-create value for actors in the market. Amit and Zott (2001a) studied networked BMs from a transaction-cost economics point of view, according to which BMs are economically exchanged relationships, through which companies exchange information, goods and finances, in order to create value in the market. Nenonen and Storbacka (2010), using a relationship perspective, mentioned customers and brands as the main external and market resources that companies can exchange, use, and develop in a networked BM.

According to the entrepreneurship literature, relationships with stakeholders other than customers and brands are the main concern. Under this perspective, for instance, relationships with venture capitalists and financial institutions are fundamental for the development of new ventures (Gerasymenko et al. 2015; Demil et al. 2015). Accordingly, the important components of a networked BM are the capabilities related to the market, such as entrepreneurial skills and the relationships with the CEOs of other companies (Guo et al. 2013; Gerasymenko et al. 2015).

4. **Value**. Value is recognized as the main purpose of a BM, and this value component has been examined through different theoretical lenses: marketing (i.e., customer value); economics (i.e., profits and margins); strategy (i.e., competitiveness); the organization (i.e., organizational efficiency), entrepreneurship (i.e., innovation) and an institutional lens (i.e., market structure efficiency).

With regard to customer value, many definitions of a BM contain elements similar to those in the definition of Coombes and Nicholson (2013: 657): "value is not just something produced, rather it is something that is exchanged and consumed." According to the marketing literature, customer value goes beyond the tangible product consumers can touch and feel to the intangibility of a brand's value in the eye of a customer causing them to come back repeatedly to repurchase and remain loyal customers.

BM research focused on firm rents (such as profits and margins), employs economics approaches when value is related to real economic performance, such as margin compound annual growth rate (CAGR) and stock price CAGR, profit after tax and operational margins (e.g., Demil and Lecocq 2010). Other scholars instead adopt a cognitive approach to BM value, considering not only the real economic value, but also the economic performance as perceived by managers (Aspara et al. 2010). Strategy literature considers competitiveness and differentiation the most important value of the BM (Sorescu et al. 2011b; Desyllas and Sako 2013). While organization studies also consider organizational efficacy and boundaries as the main value of BMs (Spector 2013; Carayannis et al. 2015). From an entrepreneurship perspective, BM value is understood as innovation, social enhancement and market opportunities (Demil et al. 2015), while institutional perspectives are more concerned with industry level performance and the effects of BM on the structure of the industry (Gambardella and McGahan 2010).

Finally, from a marketing perspective, the value is not created only for a single firm, but value is understood in a networked manner and thus something shared between stakeholders (Ehret et al. 2013b).

In summary, the main research streams developed in the literature about the components of BMs (i.e., strategic activities and managerial decisions; resources; networks and relationships; value) reflect, all the elements that a company has to develop in order to create and capture value, as shown in Table 2.4.

### 2.2.4 *Defining BMs According to Dynamic Perspectives*

The research that defines BMs in a dynamic way, implies that BMs are not static but continuously or periodically changing in terms of components, relationships, and structure. This dynamic aspect has a different nature depending on the theoretical lens applied to the BM. The dynamic vision of the BM is strongly related to the concept of Business Model Innovation (BMI) that is the subject of this book.

In this paragraph, we will focus on the theoretical perspectives that help researchers and practitioners to convey the dynamic essence of the BM, and thus explain how BMs evolve, change and innovate. Accordingly, with reference to the definitions that offer a more dynamic view of the BM we will analyze the following theoretical perspectives: strategic management, marketing, the resource-based view, dynamic capability, the cognitive approach, and organization theories.

In line with a strategic perspective, we acknowledge the various works by Amit and Zott who stress how the BM is a system of interconnected and interdependent activities that shows how the company "does business" (Zott and Amit 2010; Amit and Zott 2001a, 2012). Casadesus-Masanell and Ricart (2010) offer a similar approach, and talk about dynamic interrelations between BM elements. Demil and Lecocq (2010) argue that "the resources and competences of a firm, its organizational system and the value propositions it offers are permanently interacting, in ways that increase or decrease its performance." More recently, after a review of the BM definitions, Wirtz et al. (2015), propose a definition that, while summarizing all the salient elements of the existing definitions, stresses that: "in order to understand how the firm gains competitive advantage, it is important to analyze the BM from a dynamic perspective, being aware that, over time, there may be the need for business model development".

Another perspective that supports the dynamic nature of the BM, is the life-cycle perspective. That perspective illuminates the evolutionary phases of BMs, such "periods of specification, refinement, adaptation, revision, and reformulation" (Morris et al. 2005).

These definitions of BMs underline the dynamic and strategic nature of BMs, implying that BMs cannot be static but continuously evolve: "BMs are made up of components, linkages between components, and dynamics" (Afuah et al. 2001: 4).

BMs have to be dynamic in order to provide enduring value, and other theoretical perspectives explain why (internal and external drivers) and how (processes) BMs change.

In this regard, it is worth mentioning all the theoretical perspectives that underline the importance of companies identifying and exploiting all the opportunities in the market. For instance, the merging of technological innovation management and strategy underlines the urge for companies to develop and adopt new technologies (Amit and Zott 2001a; Wirtz et al. 2010) and/or the need to develop new ways to commercialize innovations (Gambardella and McGahan 2010).

The dynamic nature of existing BMs has been mainly detected by disciplines that connect the inner and the external parts of companies, such as marketing and in particular, the customer and market-orientation perspectives. Established companies with existing business models, can encounter business inertia that has to be overcome through a strategic and open attitude to the market. Marketers, for instance, define the value propositions of companies, as a *customer-company interaction*, where value emerges through interaction between these two parties (Ehret et al. 2013a). Accordingly, the dynamic nature of BM components offers an answer to external inputs, such as changes in customers' needs and environmental factors.

In this perspective, customer-orientation and stakeholder-orientation literature provide notable insights and reveal the processes through which managers can change BMs.

For instance, BMs develop owing to marketing activities and resources, like customer intelligence, CRM and other customer-orientation tools (Eriksson et al. 2008; Wu et al. 2013; Brettel et al. 2012). In line with that approach, Sorescu et al. (2011a) proposed a framework of six design themes with three basic themes for value creation; *customer efficiency*, *customer effectiveness*, and *customer engagement* and three corresponding themes for value appropriation; *operational efficiency*, *operational effectiveness,* and *customer lock-in* (Sorescu et al. 2011a).

Nevertheless, BMs do not change only because of external inputs, but are also subject to the influence of internal drivers, that can be of a strategic or a resource-based nature. Thus, strategic entrepreneurship research addresses the development of new ventures (Webb et al. 2013) and explains the introduction of new BMs to the market, explaining how companies "break the rules of the game" (Markides 1997: 9).

Moreover, from a resource-based view, the dynamic nature of the BM is explained by internal variables such as resources and capabilities. In particular, the literature has evolved from the resource-based view approach, to examine the dynamic capabilities theory as it is applicable to the BM (Mezger 2014). Like the resource-based view, dynamic capabilities theory defines a BM as a configuration based on distinct resources and competences (Amit and Zott 2001a; Morris et al. 2005; George and Bock 2011), but the latter approach differs in proposing that "dynamic capabilities help govern evolutionary fitness, and help shape the business environment itself" (Teece 2010: 190–191). Thus, dynamic capabilities are internal resources capable of changing a BM. In this perspective, we can distinguish between managerial skills, such as managers' ability to organize, allocate, and configure firm resources in an effective way; and entrepreneurial skills, defined as managers' ability to identify and exploit new business opportunities (Ireland et al. 2001).

Finally, there are other theoretical perspectives that underline how internal resources and abilities can change BMs, among them, we can identify the learning and experimentation literature (Rindova and Kotha 2001; McGrath 2010) including literature on trial-and-error learning (Nicholls-Nixon et al. 2000; O'reilly and Tushman 2008). These approaches view, "business model development as an initial experiment followed by constant fine-tuning based on trial-and error learning" (Sosna et al. 2010: 384). Finally, the managerial cognitive approach (Aspara et al. 2011, 2013) underlines how managers can proactively change BMs through a systematic process. Table 2.5 summarizes BM definition according to the disciplines that applied a dynamic perspective.

Table 2.6 presents a synthetic representation of our findings on the conceptualization and definition of the BM according our four-level conceptual framework using definitions of BM related to conceptual abstraction, to its representation, to the components of the BM, and to dynamic approaches. We then analyzed this

**Table 2.5** Definitions of BM According to Dynamic Approaches

| Author(s), Year | Definition | Discipline |
|---|---|---|
| Afuah et al. (2001) | "BMs are made up of components, linkages between components, and dynamics" (p. 4) | Strategic management |
| Demil and Lecocq (2010) | "The resources and competences of a firm, its organizational system and the value propositions it offers are permanently interacting, in ways that increase or decrease its performance" (p. 230) | Organizational studies |
| Chesbrough (2010) | Business model development is constant experimentation and adjustment to changing market environments | Organizational studies |
| Sosna et al. (2010) | "Business model development is an initial experiment followed by constant fine-tuning based on trial-and error learning" (p. 384) | Organizational studies |
| Amit and Zott (2012) | "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" (p. 42) | Strategic management |
| Wirtz et al. (2016) | "In order to understand how the firm gains competitive advantage, it is important to analyze the BM from a dynamic perspective, being aware that, over time, there may be the need for business model development" (p. 41) | Strategic management |

taxonomy through the management disciplines presented in this paragraph, and in particular: strategic management, organizational studies, marketing, entrepreneurship and practice-oriented studies. The result is a synthetic table that can help the reader navigate the various definitions of a BM and disciplines involved.

As shown in Table 2.6, BMs can be represented in various ways depending on the discipline that researchers favor, and thus BM content can differ, as can their dynamics. To be specific, if we consider strategic management studies, they mostly conceptualize BMs as activities, strategies, and actions that create, deliver, and capture value for the firm. The representation of BMs according to the strategic management discipline is well synthetized by Amit and Zott (2012), who introduced the concept of the BM as a system of interconnected and interdependent activities that shows how the firm does business. While there is some research investigating how BM activities (i.e., the components of BM: strategic activities and managerial decisions, resources, networks, and value) interconnect and become interdependent (see for instance, Velamuri et al. 2013; Yunus et al. 2010), such analysis remains scarce (Foss and Saebi 2017). According to the strategic management disciplines, BMs should evolve continuously if they are to respond to emerging opportunities in the market that managers should strategically identify and exploit.

**Table 2.6** Definitions of BM according to the dynamic approaches

| Disciplines | Conceptual abstraction of BMs | Representations of BMs | Contents of BM components | Dynamic perspective of BMs |
|---|---|---|---|---|
| Strategic Management | Activities that create, deliver and capture value | System of interrelated activities | 1. Strategic Activities and managerial decisions<br>2. Resources<br>3. Networks<br>4. Value | Dynamic nature of BMs |
| Entrepreneurship | Decisions for business opportunities | Representation of decision variables | 1. Strategic Activities and managerial decisions<br>2. Resources<br>3. Networks<br>4. Value | Break the rules of the game → BMI |
| Marketing | Network of relationships and external resources | Interfaces that stimulate collective knowledge, understanding and behaviors | 2. Resources<br>4. Value | Stakeholder-driven |
| Organizational studies | Organizational activities that design the functioning of firms | Organization design | 1. Strategic Activities and managerial decisions<br>2. Resources | Learning and knowledge approaches |
| Practice-oriented | BM as a tool | Synthetic illustrations | 1. Strategic Activities and managerial decisions<br>4. Value | Miscellanea |

Entrepreneurship studies in contrast tend to conceptualize a BM as the set of decisions that entrepreneurs must take if they are to respond to business opportunities. This discipline is very similar to the strategic management one in terms of the representation and content of a BM, but entrepreneurship focuses on disruptive innovation, whether related or unrelated to technologies. Thus, in entrepreneurship, the dynamics that change BMs are associated with disruptive innovation introduced and developed inside and outside the firm in order to seize new economic opportunities (Gerasymenko et al. 2015; Osiyevskyy and Dewald 2015).

Studies in marketing conceptualize BMs from a network perspective, considering the relationship with partners and stakeholders (especially customers) as the first source of value creation and delivery. Thus, BMs become interfaces that foster collective knowledge, and the understanding, and behaviors of partners, with whom the firm can co-create value. Accordingly in the SDL (Vargo and Lusch 2004), for instance, stakeholders (partners and customers) are the repository of specific resources and competences that can co-create value with firms, so driving changes and dynamics in BMs.

Organizational studies, and in particular the BM literature affected by organizational systems/configurations (Siggelkow 2001, 2002), providing insights into the activity system perspective on BMs (Zott and Amit 2010); the organization of the core elements and activities through a BM (Morris et al. 2005); determining the core components of a BM (Demil and Lecocq 2010); and understanding the internal configurational fit of business model components and the external configurational fit between the supplier's and customer's business models (Nenonen and Storbacka 2010). More importantly, according to the organizational discipline, the dynamic nature of BMs relates to learning processes such as experimentation and trial-and-error. This discipline is the one that more than any other explains how BM components could potentially change.

For practice-oriented studies, BMs are tools that can be used to represent changes in strategies and tactics undertaken by firms adopting specific normative models and frameworks (see for instance, Osterwalder 2004; Osterwalder and Pigneur 2010). Thus, practice-oriented articles focus more on tools and pragmatic frameworks to explain how to activate the dynamic nature of BMs (Deschamps 2005; Tuulenmäki and Välikangas 2011).

## 2.3 What We Discovered About BM Through the SLR on BMI: Definitions Used

As shown in the previous paragraph, the BM concept is used in different ways in different contexts and disciplines, but looking at the papers included in the BMI systematic literature review, the objective of this book, some patterns appear.

In particular, of the 156 papers analyzed, it emerged that 43 have some shortcomings in their definition of a BM. Of these papers, 30 directly introduce the concept of BMI, taking for granted the meaning and the understanding of a BM without expressly defining them. Among the 43 papers, 13 do not provide any type of definition of a BM or BMI, which might be explained by these research papers being published in journals targeted at practitioners.

This result is in line with the findings of Zott et al. (2011) who found a similar proportion of papers that do not define BM and stressed that this is problematic in giving rise to a multitude of possible interpretations.

This paragraph will analyze how the BM concept has developed in the 112 papers, that is, the papers on BMI included in our literature review that diligently define a BM.

Among these 112 papers, 44 explicitly adopt the conceptualization offered by Amit and Zott, or iterations of it. The authors' definition from 2001, "the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (p. 511) has been cited in 24 papers. The BM definition related to the firm-centric design of activity systems of the same authors (Zott and Amit 2007, 2008), has been adopted by 15 papers. In this definition, the main focus is on the concept of transactions designed to create value, that explain how an organization is linked to external stakeholders, and how the organization participates in economic exchanges to create value for all partners. The advanced definition the authors further developed, conceptualizing a firm's business model as "a system of interdependent activities that transcends the focal firm and spans its boundaries" (Zott and Amit 2010: 216), has been cited by 15 papers included in our systematic literature review. While the most recent definition according to this approach, 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" (Amit and Zott 2012: 42) has been adopted by more recent papers (4 in total).

Fourteen papers considered the BM definition by Chesbrough and Rosenbloom (2002) according to whom the business model is "the heuristic logic that connects technical potential with the realization of economic value".

Another BM definition that has been widely included (11 papers in our database) is that by Morris et al. (2005) according to whom a business model is a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets". As already underlined in the previous paragraph, these authors define BM based on strategic decision making, according to six key questions: How do we create value, who do we create value for, what is our source of competence, How do we competitively position ourselves, How do we make money, and What are our time, scope, and time ambitions.

Among the papers that consider and specify BM components, 16 papers considered the definition by Osterwalder and Pigneur which states that a BM represents the rationale of how an organization creates, delivers, and captures value (Osterwalder and Pigneur 2010). While three papers adopted Johnson's components of BM (Johnson 2010). Table 2.6 shows this simplified citation analysis of definitions of BM.

Ten papers cited Teece (2010), who defined BM based on its functions: "A business model articulates the logic, the data and other evidence that support a value proposition for the customer, and a viable structure of revenues and costs for the enterprise delivering that value". Among the papers more focused on the strategic aspects of BM, Casadesus-Masanell and Ricart (2007, 2010) is also mentioned among the definitions of a BM (in six papers).

The most recent papers, and in particular entrepreneurship studies, adopt George and Bock's definition. Thus, four papers consider BM as "the design of organizational structures to enact a commercial opportunity" (George and Bock 2011: 99).

Finally, as shown in the Table 2.7, a tentative attempt to provide alternative views of BM was made by Cavalcante et al. (2011), who provided a process-based analysis that was based on, "an abstraction of the principles supporting the

**Table 2.7** Citation analysis of BM definition in 156 papers utilized in our systematic literature review

| Authors | Definition | No. of citations |
|---|---|---|
| Amit and Zott (2001a) | "The content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (2001: 511) | 24 |
| Zott and Amit (2010) | "A system of interdependent activities that transcends the focal firm and spans its boundaries" (p. 216) | 15 |
| Chesbrough and Rosenbloom (2002) | "Heuristic logic that connects technical potential with the realization of economic value" (p. 529) | 14 |
| Morris et al. (2005) | A business model is a "concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets" (p. 727) | 11 |
| Osterwalder and Pigneur (2010) | "The rationale of how an organization creates, delivers, and captures value" (p. 14) | 11 |
| Teece (2010) | The business model design involves assessments with respect to determining: (1) the identity of market segments to be targeted; (2) the benefit the enterprise will deliver to the customer; (3) the technologies and features that are to be embedded in the product and service; (4) how the revenue and cost structure of a business is to be 'designed' (and, if necessary, 'redesigned') to meet customer needs; (5) the way in which technologies are to be assembled and offered to the customer; and (6) the mechanisms and manner by which value is to be captured, and competitive advantage sustained. These issues are all interrelated. They lie at the core of the fundamental question asked by business strategists—which is how does one build a sustainable competitive advantage | 10 |
| Zott and Amit (2008) | A structural template of how a focal firm transacts with customers, partners, and vendors. It captures the pattern of the firm's boundary-spanning connections with factor and product markets (p. 3) | 8 |
| Zott and Amit (2007) | "Novelty-centered business models refer to new ways of conducting economic exchanges among various participants." (p. 10) | 7 |
| Zott et al. (2011) | BMs explain new network- and activity system–based value creation mechanisms and sources of competitive advantage (p. 1035) | 5 |
| Osterwalder et al. (2005) | A BM is composed of nine building blocks: value proposition, target customer, distribution channel, relationship, value configuration, core competency, partner network, cost structure, revenue model | 5 |

(continued)

**Table 2.7** (continued)

| Authors | Definition | No. of citations |
|---|---|---|
| Casadesus-Masanell and Ricart (2010) | "The business model is a reflection of the firm's realized strategy" (p. 1) | 5 |
| Amit and Zott (2012) | A BM is, "a system of interconnected and interdependent activities that determines the way the company 'does business' with its customers, partners and vendors" (p. 42) | 4 |
| George and Bock (2011) | "The BM is both an enabling and limiting structure for the firm's accumulation and deployment of resources" (p. 99) | |
| Magretta (2002) | "Stories that explain how enterprises work" (p. 82) | 4 |
| Zott and Amit (2013) | The business model as a new level and unit of analysis for organization and strategy research (p. 409) | 3 |
| Casadesus-Masanell (2011) | "Business models determine the tactics available to compete in the marketplace" (p. 107) | 3 |
| Cavalcante et al. (2011) | "An abstraction of the principles supporting the development of a firm's core repeated processes" (p. 1328) | 3 |
| Chesbrough (2007) | "Open Innovation explicitly incorporates the business model as the source of both value creation and value capture. This latter role of business model enabling the organization to sustain its position in the industry value chain over time" (pp. 2–3) | 3 |
| Johnson (2010) | The functions of a business model are to: articulate the value proposition, identify a market segment, define the structure of the value chain, estimate the cost structure and profit potential, describe the position of the firm within the value network, and formulate the competitive strategy | 3 |
| Casadesus-Masanell and Ricart (2007) | "A business model is defined as a company's choice of policies and assets, the governance structure of those policies and assets, and their consequences, whether flexible or rigid" (p. 1) | 1 |

development of a firm's core repeated processes" (Cavalcante et al. 2011). However, only three articles adopted this conceptualization. In addition, Magretta (2002) provided an alternative definition of BM in the form of, "stories that explain how enterprises work", but again only four papers followed this definition.

As we can see from Table 2.6, the most important definitions of BM have gained more than 130 citations, a number greater than the 112 papers utilized for the citation analysis. This is due to the fact that the same paper sometimes cites more than one definition of BM.

## 2.4 Evolution of the Concept of BM in BMI Literature Review

In this paragraph, we analyze the definition of BM from a temporal perspective to show how the BM concept has evolved in the literature on BMI.

We found 25 articles focused on BMI published between 2001 and 2008, and 12 appeared in practitioner journals. In this earlier literature, more than half of the contributions (16) did not provide any definition of a BM. In the 11 remaining articles, the authors provided different definitions of a BM, even though all of them drew from strategic literature, and in particular from the studies investigating the relationship between digital technology and value creation (Tapscott 2000; Chesbrough and Rosenbloom 2002; Amit and Zott 2001a; Magretta 2002; Chesbrourgh et al. 2006).

From 2010, the BMI topic became quite popular, and in the same year 19 papers discussed this issue, and most of them (17) were published in academic journals. The practitioner papers were focused on finding a "basic architecture underlying all successful businesses" (Johnson 2010), and simplifying the conceptualization and design of BM components (Osterwalder 2004).

As academic papers consolidated the structural idea of the BM with the transactional perspectives, as in Zott and Amit (2008's) statement, "A business model is a structural template of how a focal firm transacts with customers, partners, and vendors"—Amit and Zott (2001a), Zott and Amit (2007, 2008) and Chesbrough and Rosenbloom (2002) became the most cited works.

The year 2010 is a very important one for BMI literature, owing to the Long Range Planning Special Issue. In the same year, two other advances on the subject of BMI appeared in the literature, the first related to the systematic view of BM, exemplified by the definition, "a system of interdependent activities that transcends the focal firm and spans its boundaries" (Zott and Amit 2010: 216). The second one developed the dynamic view of BM and the interaction between its components (Demil and Lecocq 2010; Morris et al. 2005; Afuah et al. 2001).

In the following three years (2011–2015) more than 100 articles on BMI were published and six special issues of academic journals examined business models. The host journals were Strategic Entrepreneurship Journal (2015), Long Range Planning (2013), Industrial Marketing Management (2013), Strategic Organization (2013), International Journal of Innovation Management (2013), and R&D Management (2014).

In this period, Amit and Zott (2012) continued to advance and consolidate their definition of the BM, which was used to define and conceptualize BMI.

In the same year, Aspara et al. (2011) introduced an alternative conceptualization of the BM, one that helped explain the BMI phenomenon. Defining the BM as "a combination of firm-related material structures and processes that exist objectively 'in the world', on the one hand—and intangible, cognitive meaning structures that exist in the minds of people at different levels of the organization, on the other" (Aspara et al. 2011: 263). The definition introduces a cognitive perspective on the

BM, as hinted at by Teece's earlier statement (2010), "the BM is a cognitive model not a financial one", but never developed in literature until Martins et al. (2015's) seminal work about the cognitive perspective of BMI.

Martins et al. (2015) defined a BM as a schema, as in "cognitive structures that consist of concepts and relations among them that organize managerial understandings about the design of activities and exchanges that reflect the critical interdependencies and value creation relations in their firms' exchange networks." This BM definition fostered the development of the conceptualization of BMI, not only as an answer to external stimuli or as a strategic and rationale of managers, but as an interpretation of external and internal variables and resources. The interpretative perspective helps answer how BM can change and innovate through representations able to make sense of things and create common and communicable understandings of how organizations create, change, innovate, and exchange value in the market.

Recently, the definitions of BM have started to incorporate more dynamic aspects. This induced Schneider and Spieth (2013), in their systematic review of BMI, to categorize the BM in two different conceptualizations: business model development and business model innovation.

The first one, *business model development*, concerns the continuous improvement and innovation that companies must undertake to maintain their competitiveness in the market. This development leads to continuous revisions to existing BMs. According to the strategic literature, the dynamic nature of the BM must be maintained to deliver a competitive advantage in the market and to continue to create value (Zott and Amit 2010; Casadesus-Masanell and Zhu 2013). According to Schneider and Spieth (2013) the theory that can best explain the continuous development of BMs is the resource-based view (Barney 1991; Teece 1984; Penrose 1959) and in particular its advanced form, such as, the dynamic capabilities perspective on the BM (Teece 2007; Eisenhardt and Martin 2000; Teece et al. 1997; Zahra et al. 2006).

The second conceptualization of BMI according to Schneider and Spieth (2013) is *business model innovation*. This concept is more related to deliberate decisions of managers and companies made in the search for opportunities, or alternatively, when companies have to face uncertainties and changes inside and outside the organization. Accordingly, Schneider and Spieth (2013) argue that the perspective that better explains these mechanisms is related to strategic entrepreneurship. This perspective, according to the authors, help companies and managers to simultaneously consider the internal status-quo and the external opportunities (Ireland et al. 2003).

The details of the definition and categorization of BMI will be addressed in the next chapter of this book.

In summary, many authors claim that BM is not a consolidated concept, and too many definitions and understandings of the nature of BM exist in literature (see e.g., Zott et al. 2011). Nevertheless, no authors raise doubts on the role of the BM and BMI, as main representations, tools, mechanisms, processes, resources, and narratives to create, deliver, and transact value for companies and their stakeholders.

## 2.5 Conclusion

It seems worth noting that the conceptualization of BM seems to be converging on the idea that a BM represents the logic, or the rationale, that allows the firm to create value. The level of the logic can reside with the individual manager (Aspara et al. 2013), the organization (Winter and Szulanski 2001; Amit and Zott 2012), or the network or value-creating system (Ng et al. 2013; Palo and Tähtinen 2013). Various nuances of this logic; for example, whether it is represented by decision variables, by transactions, by activities, or by all of those, and of the related value creation concept; for example, how it includes value propositions, delivery, captures concepts, or just refers to the sustainable creation of a competitive advantage, lead to different ways of defining BM. Interestingly, the above definitions were not considered by the papers in our database as exclusive; on the contrary most of the cases cited those definitions simultaneously to support the idea that they are indeed consistent with the mainstream literature, and just tend to stress different facets of the same object. One of the problems with this approach is that these BM definitions may be too all-inclusive and make it very difficult to see what the BM is not, and how it differs from the company value chain in general (Cucculelli and Bettinelli 2015).

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